GRUPO POSADAS, S.A.B. de C.V.
Prolongacion Paseo de la Reforma 1015, Torre A, Piso 9
Col. Santa Fe Cuajimalpa, delegacion Cuajimalpa
Ciudad de Mexico, 05348

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

Ticker Code: Posadas A

The shares are registered in the National Securities Registry and quoted on the Bolsa Mexicana de Valores (Mexican Securities Exchange), S.A.B. de C.V.

Registration in the National Securities Registry does not imply certification of the merit of the securities, nor 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, 2023

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

Debt Instruments	Senior Notes Due 2027
Ticker symbol	"POSADA"
Amount	US$385,700,000
Issue Date	December 15, 2021
Maturity Date	December 30, 2027
Issue term	A single payment on December 30, 2027
Interest and calculation procedure	Step up interest rate: year 1: 4%, year 2: 5%, year 3 and 4:7%, years 5 and 6: 8% (PIK option for years 1 and 2)
Interest payment periods	Every six months, in the months of June and December
Lugar y forma de pago de intereses y principal	PIK option up to 50% of interest at a rate of 6% for year one and 7% for year two. Neither of these two options was exercised. All amounts due are to be wire transferred through the "Trustee"
Amortization and early amortization	"Make-Whole" clause
Guarantee	Administrative and Guarantee Trust of: 1. Hotel Fiesta Americana Reforma 2. Hotel Fiesta Americana Guadalajara 3. Vacation property real estate: a. Grand Fiesta Americana Los Cabos b. Fiesta Americana Villas Los Cabos c. Live Aqua Residence Club Los Cabos d. Fiesta Americana Acapulco e. Fiesta Americana Cozumel f. Fiesta Americana Cancun g. The Explorean Kohunlich h. 16 apartments in the Nima Bay complex located in Puerto Vallarta 4. Account Receivables of the Company's Vacation Club products: (Timeshares, Access & Kivac) 5. Additional investments that the Company may execute. Pledge Agreement of segregated bank accounts to deposit all cash collections from the Vacation Club products and the trust rights related to a development located in Acapulco Diamante, Guerrero.
Trustee	Banco Invex, S.A., Grupo Financiero Invex, Trust Division, as trustee of a guaranty trust.
Rating by rating institution and its meaning*	S&P Global Ratings, "B", *See website: www.standardandpoors.com/es,
Common representative	Citi Agency & Trust, as "Trustee", and Banco Nacional de Mexico S.A., a member of Grupo Financiero Banamex, Trust Division as "Collateral Agent"
Depositary	Citi Agency & Trust
Tax rules	Applicable withholding rate on the date of this report, regarding interest paid on Senior Notes is subject to (i) for foreign resident individuals and legal entities, for tax purposes, to a 4.9% withholding tax provided that a series of conditions are met, (ii) if any of these conditions, such as in article 7, second paragraph of the LMV[T.N.] is not met, residents abroad may be subject to a 10% withholding tax. 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

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

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

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Audits of the independent auditors for 2023, 2022 and 2021, reports of the Audit Committee and Corporate Practices Committee.

1) GENERAL INFORMATION

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, 2023, 2022, and 2021 included in the present Annual Report.
"Fibras"	Mexican trusts principally established to develop, acquire, lease, own and operate hotels.
"Report"	The present Annual Report.
"RNV"	National Securities Registry under the National Banking and Securities Commission.
"$" or "Pesos" or "M.N."	Currency of legal tender in the United Mexican States.
"US" or "Dollars"	Currency of legal tender in the United States of America.
"M"	Millions.
"NIIF" or "IFRS", due to its initials in English	International Financial Reporting Standards
"Vacation Properties"	Company Segment responsible for marketing and operation of vacation products, i.e. time-share, and vacation plans, i.e. pre-payment and discount club.
"NPS"	Net Promoter Score: index that measures the customer´s loyalty to the brand.
Posadas System	Group of hotels that are managed under the brands of Grupo Posadas, S.A.B. de C.V., whether as owned, leased, operator or franchised hotels.

b) Executive Summary

This executive summary briefly summarizes information regarding the 2023 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 largest hotel operator in Mexico based on the number of hotels and rooms, (Source: 2023 Posadas Chain Study with Information from Smith Travel Research Census Database to December 2023).

As of December 31, 2023, the Company had 200 hotels and resorts operated and/or franchised under Posadas' brands, representing a total of 30,446 rooms in Mexico and the Caribbean; 86% distributed in urban destinations and the remaining 14% in beach destinations. Consequently, it serves a broad base of tourist and business travelers.

For most of 2023, out of the 200 hotels, the Company was the majority owner of 12 hotels, operated 140, franchised 33 and leased 15.

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

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

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

Grand Fiesta Americana is the 5-star[1] hotel brand 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 sophisticated and contemporary environment.

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

Fiesta Americana is the leading 5-star hotel chain in Mexico with services, amenities, and installations ideal for creating memories and great moments for the whole family. It is designed for pleasure and/or business travelers seeking 5-star hotels with all the services and amenities of large hotels. **Fiesta Americana Vacation Club** is part of this hotel family, which is our family vacation membership with properties located in the most important beach destinations of our country.

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

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

Fiesta Inn is the 4-star[2] brand that adapts to current business travelers' needs excellently located, multifunctional areas, comfortable rooms, meeting rooms, event halls and restaurants. Forming part of this brand are **Fiesta Inn Suites, Fiesta Inn Loft** and **Fiesta Inn Express** variations, likewise, addressed to business and/or leisure travelers, providing a comforting and productive stay through the design, comfort, and functionality of each space. The rooms are fully equipped to be adapted for working, eating, or resting.

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

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

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

Regarding new hotel development, the Company strengthened the hotel portfolio with 11 openings during 2023:

1. Gamma Queretaro
2. Curamoria Tres79
3. Curamoria El Hotel Casona142
4. One Mazatlan Zona Dorada
5. Gamma Los Cabos
6. Kempinski Cancun[3]
7. Fiesta Inn Mazatlan Zona Dorada
8. One Irapuato
9. Gamma Puebla Hotel Señorial
10. One Morelia Acueducto
11. Hotel Sumiya Cuernavaca

So far in 2024, the following management contracts have been concluded: Hotel Gamma Acapulco Copacabana and Hotel IOH Merida Mid-Center.

The Hotel Fiesta Americana Monterrey Pabellon M. converted 4 single rooms into 2 Master Suites, similarly the Hotel One Puerto Vallarta increased the room number by 23.

As of December 31, 2023, the Company continues a development plan comprising different commitment level agreements to operate 18 new hotels with 3,428 rooms. Of the total investment for the aforecited projects amounting to $14,332 million (USD $848 million), Posadas contributed 2% of the funds and 98% was contributed by outside investors. This represents an 11% room supply increase.

These hotels openings will begin in the second half of 2024, and pursuant to the commitments assumed by the owners of said properties, they are expected to be fully operational by 2026. The average operating life of these contracts is more than 15 years. Of these openings the following stand out: Live Aqua Playa Mujeres, Live Aqua Riviera Cancun, Grand Fiesta Americana Riviera Cancun, Fiesta Americana Mazatlan Zona Dorada and Grand Fiesta Americana Punta Cana Los Corales, in the Dominican Republic.

We also announced a strategic alliance with legendary European luxury hotel brand Kempinski, intending to market the Kempinski Hotel Cancun with 363 rooms in Quintana Roo. This decision is the result of the appreciation of Posadas' solid marketing network in Mexico, the United States, and the remainder of the American continent.

We are continuing with the 28-unit development project in Acapulco Diamante, which operation is programmed within the next two years.

[3] Under an inventory distribution agreement.

During 2023, social, cultural, and economic changes were not the only challenges we had to face. The course of economic policy taken in Mexico resulted in a near 13% peso (MXN) appreciation that forced us to adjust our planning especially in the second and third quarters of the year. Our responsiveness in recent years and the results of 2023 portray Posadas as a company capable of adapting and adjusting to any challenge.

In terms of operation, our hotels had a 10% increase in effective rates compared to the previous year. During the year the demand in the country showed growth in almost all areas compared to 2022, this allowed us to obtain better results. We can say that we maintained our leadership in all brands: penetration of the accumulated effective rate for Resorts was 120%, for Upscale & Luxury hotels 128%, and for Midscale & Economy hotels 113%.

In the hotel system operating under Posadas brands, we had an average occupancy factor of 66% and a 10% effective rate growth “RevPar” compared to the previous year. As for distribution channels, the best performance is observed in general public groups and individuals with a growth of 15% and 17%, respectively. Together, these two channels accumulated 34% of room revenue in the year.

RESORTS

This segment continued to perform well. There was an occupancy increase of almost 3pp, reaching a 79% average annual occupancy and maintaining the same effective peso rate obtained the previous year. However, we obtained a 13% effective dollar rate growth in comparison to 2022.

The general public groups and individuals segment showed significant 28% and 16% growth respectively compared to the previous year. Together, these two channels accumulated 34% of room revenue for the year in this segment.

UPSCALE & LUXURY HOTELS

In this segment we obtained 76% of room nights through our own channels. Furthermore, the individual’s business and group segments recovered and operated above 2022 levels with 15% and 14% growth respectively.

Average annual occupancy increased by almost 3pp reaching 63%. The effective rate improved 12% in the same period. Operating margins improved thanks to tight expense control, room rate appreciation and increased Food and Beverages revenues.

MIDSCALE & ECONOMY HOTELS

In the last year, this segment achieved extraordinary results: a 65% average occupancy, a 17% increase in RevPAR and a cumulative generated room revenue through our channels of 78%. In addition, our operating margins had a 0.4 pp increase compared to 2022.

LOYALTY

In 2023, our loyalty products generated 36% of the entire Posadas hotel occupancy system, translating into approximately 2.2 million room nights. A new business approach bringing more clearly, accessibly and faster our different loyalty products to our guests allowed a 3% global sales increase compared to the previous year (adjusted due to unobtained November and December sales because of Hurricane OTIS).

Fiesta Rewards continued growing, closing the corporate year with more than 460 active members in the last twelve months. The Company Loyalty program “Fiesta Rewards” maintains, in alliance with Santander Bank, a credit card under shared brand Santander-Fiesta Rewards, thru which clients obtain travel benefits. To 2023 corporate year closing, the Santander-Fiesta Rewards credit card has more than 255,000 card holders. In the same year 73,000 new cardholders were affiliated.

Fiesta Rewards and Santander Bank continued their alliance signing a new 10-year contract which main purpose is accelerated portfolio growth through new card placement and increased cardholder billing. Beginning 2024, the product is simplified into Gold and Platinum level cards and the classic card is no longer promoted.

Fiesta Rewards has significantly contributed to Posadas’ retention of valuable clients and maintenance of stable income during different business cycles. Fiesta Rewards members receive varying benefits such as points, preferential rates, point exchanges per accommodation night in Posadas´ affiliated hotels, catalogue items, airplane tickets, automobile rental, amongst others. Fiesta Rewards has an experienced marketing program through which members can enjoy musical, gastronomic, sporting events, amongst others.

In November of 2023, vacation membership Fiesta Americana Vacation Club Access became Access Fiesta Rewards, thus taking advantage of market positioning. This evolution consists of a renewed brand identity and new benefits for its members, added to the Fiesta Rewards product portfolio. Amongst its benefits is a 40% discount in 1 million hotels throughout the world, Fiesta Rewards point bonus, 2X1 plane tickets, amongst others. The membership is valid for 5 years and has 3 plans: Classic, Gold and Platinum. At the end of 2023, it has 23,000 members.

The Company operates the following Vacation Products:

- **Fiesta Americana Vacation Club** (FAVC) is a timeshare vacation club in which members purchase a "40 year right to use" represented by annual points related to a specific installation. FAVC points, furthermore, may be exchanged for lodging at any of 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 22 years.

  As of the close of 2023, there are 28,081 members.

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

  As of the close of 2023, there are 1,761 members.

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

  Access Fiesta Rewards attained a 16% share of room night production of all loyalty products, growing 84% in comparison to 2022. During 2023, this product represented a 45% share of all products net sales.

  As of the close of 2023, there are 22,768 members.

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

- **Fiesta Americana VACATION CLUB 25th EDITION,** beginning in 2023, to celebrate the 25th anniversary of our Vacation Club, Posadas issued a special membership in April 2023 called FAVC 25th Edition, which has had very good market acceptance. FAVC 25th Edition membership income recognition is as follows:

  FAVC 25th Edition membership income recognition occurs at two moments:

a. At the time of formalizing the contract, since the Entity considers that the right is granted to the client for points backed by vacation property and the performance obligation is fulfilled by transferring an enforceable right to third parties, and by transferring the control of the properties to the membership buyers. This recognition is the same as used for the traditional FAVC membership.

b. When the member uses the Edition Points or their right to use them expires, that is, once the lodging service is provided or when the period agreed in the contract with the client for their accrual elapses. Additionally, an estimate is recognized for those points that will not be used by the members of the program upon expiration, referred to as breakage.

At the end of 2023, the memberships sold in the April to December 2023 period are 3,585.

Collectively, loyalty products contributed 35% to hotel occupancy in the entire hotel system, obtaining through direct channels 2.3 million room nights.

The membership installment sales portfolio balance, as of December 31, 2023, was $6.824 million, representing a 5% increase compared to the previous year.

During the 2023 tax year, 1,705 member contracts with fully paid memberships who failed to pay their maintenance fee for 2 consecutive years were cancelled. This cancellation is equivalent to 6.9 million points, representing $55.9 million pesos which are returned to the FAVC or LARC programs' property inventory, as applicable.

Regarding the Company's financial situation, year-end income was $9,209 million pesos ($10,468[4] million, as reported to the Mexican Securities Exchange) obtaining a $1,786 million peso EBITDA and a $1,006 million-peso IFRS majority net profit. Cash balance at 31 December 2023 was $1,841 million pesos (US$109 million), $108 million more than the previous year on a comparable bases after adjusting for the Senior Notes repurchase for US $7.5 million, and the 12.7% appreciation of the Mexican peso against the US dollar since 65% of the cash is invested in dollars. Total assets amounted to $18,250 million pesos.

The following expenditures were paid with obtained cash flow:

- Payments to the SAT (Tax Administration Service) for $416 million corresponding to the tenth and last annual payment pursuant to the concluding agreement entered into with the Mexican tax authorities in 2017.
- Capital expenditure investments in the amount of $339 million pesos.
- Debt service in the amount of $338 million pesos corresponding to interest on the Senior Notes.
- Interest on the *Inmobiliaria del Sudeste* financing for $11 million pesos and $34 million principal amortization.
- Repurchase at market value of US$7.5 million of Senior Notes, with a flow implication of US$6.6 million. After cancelling these Notes, this unpaid liability balance is US$385.7 million.
- On September 21, 2023, the S&P Global Ratings agency informed the Company that it adjusted its corporate rating upwards from 'B-' to 'B' due to continuous improvement in its operational and financial performance.

- Continuing the corporate simplification process, the merger of the following companies was formalized in 2022: Inmobiliaria Administradora del Bajio, S.A. de C.V, Promocion y Publicidad Fiesta, S.A. de C.V and Direccion Corporativa Posadas, S.A. de C.V were merged into Soluciones de Lealtad S.A. de C.V., as the surviving company. The merger became fully enforceable on June 6, 2023. It is important to note that as of this report date, the merger notice is pending authorization by the tax authority.

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 will be used for corporate purposes including refurbishment of hotel public areas. As of December 31, 2020, the remaining balance amounted to $159 M. On August 27, 2020, the second amendment agreement was signed by which the bank granted a 12-month grace period deferring interest and principal payment starting in April 2020. The third amendment agreement to the modified and restated contract, dated April 23, 2021, establishes that interest will be paid quarterly until April 23, 2022, and on this same date monthly principal payment will be resumed beginning

[4] As of 2023, in the profit and loss statement, we have added the revenues and costs related to advertising and marketing (promotion and advertising), centralized services (hotel executive committee payroll and other recoverable expenses, amongst others) that were previously presented as net. With this change, the Administration segment revenue is better seen.

with the amount of $2,458. In 2022, the subsidiary made payments of $30 M corresponding to interest and principal. The outstanding balance as of December 2022 amounted to $136 million. In 2023, the subsidiary made payments of $45 M corresponding to interest and principal. The outstanding balance as of December 2023 amounted to $101 million.

HURRICANE OTIS

On October 25, 2023, Hurricane Otis battered the coast of Acapulco, Guerrero, which represented a major challenge for the company. Thanks to strict adherence to all corresponding protocols, no guest and/or collaborator´s health and safety was affected during this phenomenon.

At this location, we manage three hotels with 683 rooms, and we have 1 owned hotel with 560 rooms, fully time-share allocated. All hotels had both material damages and consequential loss insurance coverage. The impacts on the hotels in this location are:

- Hotel One Acapulco Diamante with 126 rooms: The hotel had no major affectation and is currently operating normally.
- Hotel One Acapulco Costera with 126 rooms: The hotel had no major affectation; however, its refurbishment and remodeling works are still un- completed. The hotel re-opened on March 31, 2024.
- Gamma Acapulco Copacabana with 431 rooms: With significant impact that does not allow restarting operations. The contract was terminated in February 2023.
- Hotel Fiesta Americana Condesa Acapulco with 560 rooms: With significant impact. In November, we received a $100 million advance payment as part of our insurance coverage, of which $52 million was used to cover consequential losses. The remodeling project will cost approximately $670 million, of which Posadas will finance 15% and the remainder will be covered by insurance policies. The project has an October 2024 partial opening date which plans to open common areas and 10 hotel floors. The other 9 floors will open before the finish of 1Q25.

Selected Financial Information

This consolidated financial information summary is presented for the years 2023, 2022 and 2021, based on the Company's consolidated financial statements 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	**2023 - IFRS**	**2022 - IFRS**	**2021 - IFRS**
Total Revenues	9,209	9,078	7,406.7
Corporate expenses	602.3	576.5	397.2
Depreciation, amortization and real estate leasing	981.2	899.2	916.3
Operating income	855.3	684.7	455.1
Comprehensive financing cost (income)	236.5	131.9	253.1
Taxes	73.9	330.1	129.0
Net Income	1,017.9	222.7	57.9
Majority net income	1,006.2	217.4	63.0
Balance Sheet Data (End of period)			
Current assets	5,200.1	5,205.3	4,991.0
Property and equipment, net	3,761.4	3,904.4	4,187.5
Total assets	18,249.9	17,948.8	18,244.4
Current liabilities	4,459.3	4,989.9	4,226.2

Long-term debt	6,297.6	7,443.6	8,085.1
Total liabilities	15,982.5	16,693.8	17,232.1
Stockholders' equity	2,267.4	1,255.0	1,012.2
Other Financial Information			
EBIT / Revenues	9.3%	7.5%	6.1%
Net Income/Revenues	11.1%	2.5%	0.8%
EBITDA	$1,813.9	$1,556.1	$1,090.7
EBITDA to Revenues	19.7%	17.1%	14.7%
Total debt to EBITDA	3.5 X	4.8 X	7.4 X
Current assets / Current liabilities	1.17 X	1.04 X	1.18 X
Total liabilities / Equity	7.05 X	13.30 X	17.02 X

The shares representing the Company's corporate capital 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) to December 31, 2023, amounted to approximately 496 M.

Series "A" shares have shown medium trading activity 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	2019	2020	2021	2022	2023
Maximum Price	40.00	38.00	29.75	30.35	28.55
Minimum Price	35.50	20.00	20.50	26.00	24.00
Closing Price	38.00	21.30	29.75	28.50	27.30
Daily Average Volume (Thousands of shares)	65.5	21.6	0.7	60.7	198.8

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 information contained in the Annual Report, and specifically the following risk factors detailed below. These risks factors are not the only ones that the Company faces. Risks and uncertainties of which the Company is unaware, 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.

<u>Risks Relating to the Company</u>

We have significant indebtedness amounts due in the upcoming years, and we cannot ensure their refinancing or that it will be on fully favorable terms.

Historically, we have addressed our liquidity needs (including funds required to make scheduled principal and interest payments, refinance indebtedness, and fund working capital and planned capital expenditures) with operating cash flow, borrowings under credit facilities, and proceeds from debt offerings and asset sales. The present situation and the restrictions in the 2027 Senior Notes indenture may negatively impact our ability to access additional short-term and long-term refinancing or financing, or to do so on less favorable terms, which would negatively impact our liquidity and financial condition.

In addition to December 31, 2023, the Company is evaluating the possibility of refinancing the bank debt related to one of its subsidiaries for 3 to 5 years additional, therefore it is negotiating with the current counterparty as well as with other financial institutions in order to assess the best option in costs and guarantees. The Company cannot ensure that it can refinance this liability or do so on equal or better terms than the current.

Credit Risk

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

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

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

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

Posadas' financing terms contain determined financial, operating, and corporate restrictions, which may negatively affect the Company's ability to react to market changes, take advantage of business opportunities, obtain financing, make investments, improve its operating costs, or face business difficulties. These currently limit the payment of dividends to its shareholders, the carrying out of certain corporate operations, granting of guarantees, or disposing of assets, or demanding that investment of liquid resources be made in certain assets or for purposes, such as debt prepayment.

Taxes

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

The Company is frequently subjected to tax audits and is vulnerable to becoming debtor for tax liabilities determined by said authorities which may adversely affect the Company businesses financial situation and cash flows.

In relevant tax matters, regarding the tax liabilities corresponding to the 2006 tax year, reported in the 2015 consolidated financial statements, it is reiterated that in September 2020 the proceeding that declared the tax liability partially null was finally resolved. Consequentially, as of April 30, 2021, a new $222.8 million pesos tax liability was determined. Thus, on March 30, 2022, the Company paid the $174.0 million pesos tax liability benefitting from article 70-A of the Federal Tax Code; thus, said matter was finally concluded. For further details 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 by SAT official letters ruling revocation of the determined tax liabilities and that ordered issuance of new official letters instructing payment of the surcharges derived from the Company-made corrections to these tax years. The Company may continue with this contingency and/or a fortuitous event may occur that could impact the previous agreements with the governmental authority, such as a change in administration or an administrative interpretation. For additional information about tax loans and debts, see section 3) Financial Information, c) Material Loan Information.

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

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

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

On November 21, 2023, the Company signed a concluding agreement with the Office of the Taxpayer Defense Attorney General whereby the parties agree that various observations were duly clarified by the Company and acknowledged by the tax authority. Furthermore, the Company accepted the observation related to the regularization recorded as "omission to accumulate the amount of $409 million pesos for deferred currency exchange profit". The Company correcting its tax situation by filing an additional tax return on September 5, 2023, as well as payment of a $5 million peso fine. It is worth mentioning that the tax profit determined by the accumulation of deferred currency exchange profit was amortized by the tax losses from previous years.

On December 15, 2022, the SAT submitted the official notice exercising verification powers for the tax year from January 1 to December 31, 2017, tax year, thus verifying its tax situation.

On September 11, 2023, the Company was informed by an official observation letter of the alleged facts and omissions detected by the tax authority during the course of inspection. Since it was convenient to its interests, on January 23, 2024, the Company filed a request for a concluding agreement before the Office of the Taxpayer Defense Attorney General. To date, the period for the authority to conclude its review of the concluding agreement submitted is running.

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

Additionally, on March 15, 2023, the Second Division of the SCJN resolved conflicting legal precedents (thus becoming binding legal precedent) determining that civil set-off is not a VAT payment method nor can it result in a refundable balance payment request nor is it a tax payment. Set-off was a mechanism widely used by Posadas to execute transactions with clients/suppliers making more efficient the use of cash and mitigating credit risks. However, due to this ruling, the Company has implemented various strategies to avoid liquidating transactions with its suppliers through set-off, exchange, trade and similar operations, in order to comply with the corresponding legal precedent.

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

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

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

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

Geographic Dependency

To the 2023 corporate year closing, Company operations are concentrated mainly in Mexico, with 199 (including the Kempinski commercial franchise) hotels operated under our brands in this country. Although Mexican inventory 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.

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 instrumentalities or adapting existing instrumentalities, 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 the Company's operations, financial situation, or its overall operating results. In 2023, Posadas liquidated the May 2020 termination agreements related to its hotels in Cuba.

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, 2023, three investors own 16 hotels, another investor is the owner of 68 hotels with 10,089 rooms that represent 35% of the total hotels managed by Posadas. This concentration and dependency risk may affect, amongst others, the Company's negotiation, and operating capabilities in keeping with policies freely established by the Company and sacrifice its operating margins.

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

Foray into new related industries

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

It is not possible to ensure attainment of Company plans, consumer acceptance of developments and services, or that these will be profitably operated by the Company, or that the present or future regulations for this activity make its operation unfeasible. Moreover, the implementation and development of these businesses may distract the management and divert resources, or the benefits foreseen may be less or not fully obtained. Likewise, these types of operations are being subjected to special state regulations, mainly targeted to personal security, neighborhood coexistence, gentrification limits, land use, among others. Diversity of state regulations may negatively impact the configuration of scalable modalities for different developments, with the consequent limitations or market barriers or operating costs this may represent.

Growth Strategy

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

Within the context of the pandemic, to the issuance date of this report, 7 projected hotels in Mexico have been paused. The latter is mainly due to increasing reference rates both in the United States and Mexico, making these projects´ financing more expensive. Likewise, related inflation construction prices impact commencement delay of construction and remodeling projects.

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

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

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

Competition

Competition for guests

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

Competition in the hotel sector is represented by a variety of both national and international hotel operators, some of these, especially international operators, are substantially bigger than the Company and may have greater marketing and financial resources, as well as better distribution capacity than the Company. Said operators may operate under recognized international or Mexican brands. In addition to competing for guests with other Mexican resorts, the Company (and the national industry) also competes for guests with resorts in other countries. International competitors and other country destinations may benefit due to greater national support policies of their government, representing, if applicable, possible competitive advantages for competitors and destinations.

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

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

Competition for operating agreements

When the Company seeks growth by adding new hotel properties operated by the same, it competes against other entities seeking the same opportunities. The Company competes against others that have greater financial resources or that have international brands to enter into operating contracts with hotel owners. In addition to competing for new opportunities, the Company also competes against other hotel chains when its existing operating contracts expire. Therefore, the Company cannot ensure that it will successfully continue entering into or renewing its operating contracts or that it will do so under similar or more satisfactory economic terms or characteristics. Generally, competition may reduce the number of future growth opportunities, increase the bargaining power of hotel owners, and reduce the Company's operating margins. Likewise, said competition has forced the Issuer to negotiate operation and licensing contracts, where it undertakes contingent obligations to guarantee specific operating results which, should the hotel obtain negative operating results, would make the Company sacrifice income, and even disburse the shortage 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 franchising, based on novelty brands supported by traditional brands. The company has two types of franchise brands: (i) brands with more rigid standards such as

Fiesta Inn and One, and (ii) brands that seek to preserve their own brands and features while keeping to our reservation channels. The success of franchised hotels depends on different factors, including the operation of the owner and the brands and distribution of Posadas. The Company cannot ensure that the operation of franchises will be successful by entering into and operating these franchise agreements, and generally, competition may reduce the number of future growth opportunities, increase the bargaining power of hotel owners, and reduce the Company's operating margins.

Currently the franchised brands are: Gamma, One, Fiesta Inn, The Explorean and Curamoria Collection.

Management Contracts and Brand Licensing

As of December 31, 2023, the Company had 140 hotels operated under management, that the Company carries out by executing hotel operating and brand licensing contracts. The Company management and financial condition may be adversely affected to the extent that hotel management and brand licensing contracts which are about to expire are not renewed or are renewed on less favorable terms, or otherwise, if new managed hotels and brand licensing contracts cannot be executed. Furthermore, under certain management contracts, the Company binds itself to pay key money, minimum revenue to the hotel owner that may cause Posadas to distribute unbudgeted and unrecoverable amounts, otherwise if determined hotel performance standards are not achieved the owner may cancel the contract. However, this does not mean that the Company breached the operating contract.

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

Owners may assert the right to terminate operating contracts, even if agreements provide otherwise. 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 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.

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

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

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

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

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

Leasing contracts

Of the Company operated hotels to December 31, 2023, 15 operated under a leasing arrangement. The Company's operating and financial conditions have been and may continue to be adversely affected to the extent that income and operating profits are insufficient to make the minimum lease payments stipulated in the lease agreements. This is much more probable in an abnormally limited operation context or limited occupancy derived from social distancing or similar measures.

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

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

To December 31, 2023, we were current in rental payment for all leased hotels.

In the 2019 corporate year, the IFRS 16 modifications became effective. Posadas decided to adopt this norm under the modified retrospective method for hotel (and car) leasing that to 2019 closing are represented as operational leasing, sacrificing comparison with previous years. This norm will impact financial leverage and interest hedging ratios; therefore, it eventually may limit the manner how the Company obtains income through this operating mechanism. The initial liability entry for leased hotels, including transportation equipment decreased to $2,865 million as of December 31, 2023, compared to $3,017 million as of December 31, 2022.

Franchising Contracts

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

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

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

Finally, the economic and financial capacity of hotel owners may affect preservation of brand standards under which the hotels operate, or the upkeep of the hotels owned. The Company may need to notify termination of franchise contracts for breach of said standards or of the franchisees' payment obligations, and this situation may adversely affect Posadas' possibilities to receive the consideration stipulated in said franchise contracts. To December 31, 2023, 33 hotels were operated under franchise.

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

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

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

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

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

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

Currently, the U.S. State Department has recommended not to visit six states in Mexico where we operate. The travel alerts and recommendations issued by said authority are an international benchmark in the decision of travelers, especially travel groups or conventions, therefore, if these worsen, they can negatively impact our income.

Fibra Hotel and other fibras (REITs)

To December 31, 2023, 41% of our hotels are owned by the Fibras (REITs). Of the total hotel rooms operated by the Company, 33% are owned by of one of the Fibra´s trading on the Mexican Securities Exchange which at some moment may face operational or liquidity problems in maintaining its operations or hotels in optimum conditions which could affect the brands operated by Posadas and its results. Likewise, these operational problems may affect the hotels' operational continuity and consequently Company operations, or the lack of liquidity could affect the payment of fees and expenses in favor of Posadas.

Vacation Product Sales

We develop and operate Vacation Product resorts by marketing memberships granting the right to use. Most of the time, to pay the price of the memberships, interest-accruing monthly payments are granted. The applicable related provisions grant the purchaser the right to rescind the purchase contract without justification in a five-business day term counted from the signing of the contract. The operation and sale of said memberships is subject to Mexican legal provisions, which we believe to have fulfilled or are in the process of fulfillment. Changes to these legal requirements (an amendment to the regulating Official Mexican Standard imposing increased requirements, restrictions, and costs was published in 2022) or a perception by the authorities of non-compliance may adversely affect our business and the manner in which we operate our Vacation Products.

At present, we bear the risks derived from Vacation Product memberships purchase contracts, for a 40 year right to use, 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 outstanding purchase price balance. We recognize as income the entire purchase contract value when 10% down payment on the sale price is paid. Our policy is to cancel, against the corporate year's profits, those memberships that unsuccessfully passed through all recovery collection proceedings. If a purchaser executes a Vacation Product installment purchase contract, the possible default on said sale is covered by a reserve. However, our reserve could be insufficient to offset contract breaches and negatively affect our financial statements.

Also, historically, our Vacation Product sales have been substantially denominated in U.S. dollars. Due to financial crisis, a significant portion of our Vacation Product revenues have been recalculated upon request of members facing liquidity difficulties, in 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 enforceable payment period, 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 allocated to operating and maintaining time-share resorts. Failure to pay maintenance fees by the members results in cancellation of the corresponding contract, thus freeing inventory for a new sale. With respect to our members who paid 100% (one hundred percent) of their membership, failure to pay maintenance fees entitles the member to terminate the right to use, or the company may rescind the contract by paying a discounted compensation for their membership. However, the preceding breaches of obligation may cause the Company to allocate funds to cover said expenditures.

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

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

Posadas hired a third-party advertiser for its Dominican Republic vacation products to offer our products in said market so that potential clients have access to execute international electronic market transactions. Although the resources that the supplier allocates to carrying 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 Fee

As a subset of our Loyalty and third-party operation business, Posadas has established a new product aimed at vacation development investors seeking to receive the benefits of marketing their properties as vacation products for their customers, but with Posadas' support and brand experience, sales force, management infrastructure and guest service. So, in 2023, the Company signed various agreements and acts to implement this business that will begin to be marketed and open its doors in La Paz, Baja California Sur.

The legal, technical, and operational requirements for the sale, operation and management of a development and its vacation program are complex, and although we rely on the operating experience of third-party hotels and our own vacation programs, we cannot guarantee that this modality will have similar success with investors and timeshare purchasers in these developments and that Posadas will timely obtain and charge their fees.

Service businesses may not be successful and affect our hotel business

The operation of certain services businesses, such as Konexo and Conectum, represent, on a consolidated basis, less than 10% of the Company's total revenues to December 31, 2023, 2022 and 2021. 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 in the architectural business structure of Posadas. Moreover, the implementation and development of these businesses may distract management and divert resources, or the benefits foreseen may be less or not fully obtained. The decision to stop operating some of these businesses with third parties and limit them to service units may entail costs. However, we depend on these businesses to operate various services, such as the Fiesta Rewards loyalty program, Vacation Products customer service, the Posadas System contact center (call center), accounting processes, payroll payments, and technology services, amongst others. If any of these businesses cease to provide their respective services to us, or if they provide them less effectively, the Company results, operations and financial condition may be adversely affected.

Investments and remodeling

Investments in terms of real property assets and/or remodeling in 2023 involved continuing some of those begun in 2022, such as the remodeling of the Fiesta Americana Villas Acapulco hotel pool, and Phase II of the Villas and Spa at the Grand Fiesta Americana Golf & Spa Los Cabos hotel remodeling began. In 2023, the Fiesta Americana Villas Acapulco hotel parking lot remodeling and shoring began, adding parking spaces and a better flow for suppliers thereby making the hotel operation more efficient. However, work in Acapulco was suspended due to Hurricane Otis, and will be resumed according to the hotel's reconstruction schedule.

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

Disinvestment and Sales

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

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

In 2022, an agreement to develop an apartment complex on a land lot located in Acapulco Diamante in Acapulco, Guerrero, was signed. Consequently, Posadas contributed the plot of land to a trust and a third-party developer will build 128 apartments, of which Posadas will keep 29 units, intending to allocate these as timeshare inventory. The project's scheduled completion was in 2024, however, the effects of Hurricane Otis, processing delays of certain permits and licenses, or its adequacy, may either delay or not complete the construction due to reasons beyond the third-party developer's control or attributable to it, or Posadas may not receive authorization under the current indenture to use the properties it receives as timeshares.

Holding Company Structure

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

The Company has a current financial contractual restriction on dividend payment. Even though at present almost all subsidiaries are not contractually limited in the payment of dividends to the Company, 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 Company may adversely affect the latter's liquidity, financial situation, and operating results. Generally, Mexican corporations may pay dividends to their shareholders if dividend payments and the financial statements reflecting distributable net profits have been approved by the shareholders, after establishing the legal reserves, and only if all losses have been absorbed or paid.

Likewise, the Company is the principal creditor of Posadas' financial liabilities and may act as guarantor for the obligations undertaken by its subsidiaries or its subsidiaries may be the guarantors of the Company's liabilities. Joint liabilities between the group's corporations to third parties are not limited to financial liabilities, and these may extend to other liabilities, such as those resulting from real property sale agreements or leasing agreements amongst others. During its 2027 Senior Notes term, all current or future Posadas' subsidiaries (except those expressly exempted) are or will be guarantors for the payment of that instrument.

Since the Company is a holding and operating company, the possibility that the Company may satisfy the demands of its creditors depends, to a certain extent, firstly on its ability to participate in its subsidiaries' dividends, and subsequently on the distribution of the assets of its subsidiaries upon liquidation. The Company'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 Company is the merging entity. Corporate movements reported by the Company that are the object of the information brochures and other similar acts that, due to authorization thresholds, did not require this formality, are eminently internal in nature, that have their own associated risks. The entity considers that in the future, it may continue to carry out corporate movements according to future asset consolidating interests, eliminating inactive subsidiaries or for other efficiency reasons leading to these adjustments, which could be subject to certain risks. Said risks are described hereinbelow but are not the only factors that may affect completion of the corporate restructuring or the Company's performance. Any additional risks currently unknown to the Company or those which at this time may be deemed insignificant may adversely affect the outlined restructuring plan, the price of the shares representing Grupo Posadas, S.A.B. de C.V.'s corporate capital or its operations.

i) Creditors' Opposition

To the extent that the Company's or its subsidiaries' corporate restructuring has been conducted by executing various mergers and do not contemplate any agreement to pay, prior to the due date, all debts of the corporations to be merged, or to deposit the above amount or to obtain all their creditors' consent, the General Law of Business Corporations grants to any corporate creditor, subject to merger or split off, the right to oppose the conclusion of any such merger or split off. In this context, the different types of creditors (or those which may be deemed to be creditors) of the Company or its subsidiaries, including its clients, suppliers, financial creditors, employees, or tax authorities, may oppose the merger or split-off of any subsidiaries from other subsidiaries or from the Company. The creditor's opposition may result in suspending the various mergers until a final judicial ruling is issued, payment is made to those creditors which judicially and timely opposed the merger or split off or an agreement is reached with the creditors. Due to the above, neither the Company nor its subsidiaries may guarantee that the Company's or its subsidiaries' various corporate movements may be completed, within the deadline foreseen or that they will not result in a disbursement of funds to pay off 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 Company's subsidiaries need, in the preliminary stage, authorization from some governmental agencies, including the tax authorities, amongst others. Likewise, and in order to comply with the various applicable norms, such as consumer, employment and administrative protection rights, specific governmental authorization may be required to conduct our usual operations, as adjusted to the new corporate format resulting from restructuring or relatively significant costs due to executing the above operations. The Company cannot ensure if in its subsidiaries' authorization obtainment process, there will be no delays nor impediments nor disbursements that make it unable to obtain authorizations relevant to completing corporate restructuring or to normally operate or, if applicable, attain the efficiencies expected. As described above, the merger authorization process of Soluciones de Lealtad S.A. de C.V. as the surviving company, remains pending approval by the Tax Administration Services

iii) Changes to proposed corporate movement plan and different effects

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

iv) Foreign legal provisions

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

v) Share price fluctuation

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

vi) Tax implications

Despite 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.

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

vii) Opportunity

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

viii) Minority interests

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

Dependence on Key Employees

Several of the Company's executives have vast operating experience, industry knowledge, market recognition and these qualifications are acknowledged by the market. The Company depends on its executive staff to define strategy and manage its business, and it considers their intervention relevant to its operations. Consequently, the Company's inability to keep its executive officers or attract new ones may have an adverse effect on its operations and ultimately on its profitability. For further details 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 implements investments or strategies intended to enhance its procedures and reduce its operating costs. The Company may be unable to reduce costs or attain efficiencies or be unable to confront issues arising from operating changes, which could negatively affect its performance and, in the applicable case, its effects and the costs to mitigate these.

Risk of outdated room distribution technology.

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

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

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

(i) Alliances with external suppliers to maintain a hybrid distribution network. Currently the Company has the following alliances: alliance on websites with Amadeus TravelClick, alliance for rate distribution, availability, and content to wholesalers through IBS (HBSI) and Omnibees, alliance with Duetto to have dynamic rate optimization capabilities and "open price".
(ii) Internal development of central functionality connected to market leaders in each of the interfaces and channels.
(iii) Continued adaptation and investment to have a modern and state-of-the-art service in our properties. Specifically, strengthening lodging experience digitalization through our Fiesta Rewards application and introducing new options for our clients, such as the launch of our Digital Concierge and electronic locks in rooms.

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, information leakage, **cyber-attacks such as ransomware, phishing, denial of service, malware, amongst 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 reasonable security control and information protection. Despite the fact that the Company allocates significant economic, technological, and human resources to prevent such situations, the attackers' sophistication and resources, technological advances, inadvertent failures amongst other factors could cause that the measures adopted may be insufficient.

Information security and computer system hacking

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

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

The Company keeps a system access control registry to prevent risks of unauthorized access to information systems and/or equipment, as well as informational misuse, through a control of assignment and use of information access privileges. Failures or omissions in the execution of controls, misuse of privileges, sophistication, and resources of attackers, amongst other factors, could cause that the measures taken may be insufficient.

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

The Company thoroughly analyzes the legal requirements that it must fulfill to implement control mechanisms that guarantee the privacy of sensitive information of customers or third parties that it safeguards, as well as compliance with the processes and regulations to which it is subject due to its business, however, we cannot guarantee that there may not be differences of opinions with respect to regulatory entities or rights holders in the application of the applicable regulations.

The Company has diverse policies to mitigate these risks:

- Corporate Information Security Policies
- Technological Updates of computer equipment
- Resource Monitoring Policy
- Departure Information Backup Policy
- Incident Response Process
- Risk Analysis Procedures
- Vulnerability Management Procedures

As well as the following certifications:

- Certifications: Konexo, our contact center, has PCI (Payment Card Industry Data Security Standard) Level 1, while business units have PCI Level 2.
- Konexo has been certified by MGCIC (Global Model of Customer Interaction Centers) for 7 years.

The certifications have an annual validity and since their implementation in the company to date have been renewed on each occasion.

The company uses the following frameworks as a guide to define its security architecture:

- ISO27002 (Safety Control Guides)
- ISO27005 (Risk Management Guidelines)
- CIS (Internet Security Center)
- NIST (National Institute of Standards and Technology)

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

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

The digital world has resulted in the increase of phishing or fraud using fake websites, emails using our brands, products or designs, for the purpose of defrauding current or potential company customers. In this regard, we have participated in forums organized by the Ministry of Tourism and have taken certain actions aimed at warning third parties and mitigating, as much as possible, the impact of these fraudulent activities.

Additionally, tourism sector threats and attacks have increased considerably in recent years, to confront these risks, the following actions have been taken:

- Implementation of security solutions that allow us to monitor, detect and respond to internal and external threats.
- Development of personnel awareness campaigns to identify threats and act accordingly.
- Establishment of security policies, processes, and procedures, as well as constant updating to maintain preparation for emerging threats.
- Compliance with security standards, such as the PCI DSS standard for processing customer banking information
- Management of suppliers to reduce the attack surface.
- Specialization of personnel in information security
- Security tests to identify vulnerabilities that may compromise systems
- Cybersecurity policy
- Platform monitoring availability

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

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

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

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

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

Contractors may breach obligations to develop real properties or commissioned works

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

Operations with related parties

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

Any failure in the creation and protection of our brands could have a negative impact on the value of our brand names and adversely affect our business

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

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

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

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

Impact of government regulatory changes

New laws and legal provisions passed applicable to our industry and to our general activity, as well as their administrative or judicial interpretation, are implemented at various government levels, and such laws and legal provisions may be amended from time to time. The effects of these amendments on our activity, on our market and countries where we operate or to whose rules our activities may be subject, on our clients' economy, in their capacity to travel to and stay in our hotels are unpredictable and unquantifiable. Furthermore, such effects may result in the implementation of specific controls and procedures which may represent important costs and risks for the Company, increase compliance costs or make our activity less profitable. Moreover, such controls and procedures may not be mitigated, and they may modify or restrict the manner in which the Company currently and competitively operates in other regions.

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

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

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

We also have a large number of outsourcing, construction work, security, promotion or intermediation services suppliers, among other service providers, whose employees or auditing authorities such as the IMSS or INFONAVIT may, despite all precautions, file lawsuits against us or make us jointly and/or alternatively responsible. Under such circumstances, if our defense is unsuccessful, employment or labor or administrative obligations may be imposed on us.

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

Practically the majority of the employees engaged in the activities of the Company's corporate purpose are hired by the company, including the staff of the owned and leased hotels, sales and administrative staff of the vacation package sales rooms, our call center staffs (Konexo) and accounting processing shared services center (Conectum), as well as the executive committees (senior management) of the hotels we manage, all of them under our subordination and as dependents. The Company oversees for itself and for those hotels that it manages should these use third party services that may be considered as under the subcontracting rules, that said services are performed by entities that have the corresponding registration and continue to comply with their periodic tax and employment obligations. Notwithstanding this monitoring, it is expected that even when the service beneficiary had contracted with a registered provider and had received from them the documents that could prove the periodic fulfillment of their obligations, the risk of breaching in any manner the above provisions would constitute a joint obligation that the State transfers to the service beneficiary, so despite the trust placed on the registry, 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. Also, this would apply if the information requirement of delivering said information imposed on the service provider is not satisfied, pursuant to the terms of the Income Tax and Value Added Tax Laws. Likewise, the authority could interpret that the criminal predicate of aggravated tax fraud has materialized.

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

Employment costs, generally, including those related to indemnity and payments under employment, administrative and tax laws are significant, and may escalate beyond our expectations, which could have an adverse effect on our operating margins. Recently, amendments were made in the area of administration of employment justice and union membership sector. However, and notwithstanding the result, the application criteria of said amendment by the administrative and judicial authorities have not been consolidated and may have an adverse effect on the Company or its subsidiaries. Likewise, new labor and central unions have appeared which may dispute with the present worker unions regarding collective bargaining contracts at our work centers and potentially cause that labor conflicts transcend to the operation and profitability of our business and the third-party businesses that we manage.

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

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

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

The Company has policies applicable to our employees, managers, and directors regarding compliance with anticorruption and money laundering laws, we consider that we comply with said national provisions related to identification and prevention of operations with unlawful proceeds. However, we cannot ensure that none of our employees or executives contravene our internal or the authority’s regulations and thus violate these provisions.

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

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

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

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

The applicable norms impose a series of requirements to keep listing on the Bolsa Mexicana de Valores S.A.B. de C.V., the Mexican Securities Exchange, 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, 2023, the Company is a party to various judicial and administrative proceedings, derived from the ordinary course of business, both as plaintiff and as defendant. Although none of the judicial or administrative proceedings in which Posadas is a party and has knowledge of may be considered to have the characteristic of “material” in terms of the General Provisions Applicable to Securities Issuers and other Securities Market Participants, due to their incipient procedural status, the indeterminate amount, or the merits of the proceeding.

As we have referred in other communications, in 2017, Posadas, and other relevant defendants were the subject of a labor proceeding by two unions of the Company Mexicana de Aviacion. The Company has filed its defense remedies, and the procedural status of these lawsuits has not progressed significantly.

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

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

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

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

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

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

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

Historically, the majority of our indebtedness has been denominated in U.S. dollars. As of December 31, 2023, 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.

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 a 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 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.

If financial markets experience periods of heightened volatility, as they have recently, our operating results may be substantially affected by variations in exchange rates.

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, due to greater volatility in the derivatives and securities exchange markets, there may be fewer financial entities available with which we could continue entering into derivative financial instruments to protect the Company against currency exchange risks, and the financial conditions of our counterparties may be adversely affected under stressful conditions.

As the close of the 2023 corporate year, approximately 65% of our cash was denominated in dollars. At present, we do not have any derivative contracts in our books.

Our insurance coverage may be insufficient to cover potential losses

We carry insurance coverage for general civil liability, property damage, business interruption (consequential loss) 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 or policy coverage exemptions may apply.

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

There are also other risks including, but not limited to, armed conflicts or guerilla warfare, certain forms of nuclear, biological, or chemical terrorism, certain forms of political risks, some health (such as COVID-19) and environmental hazards and/or certain events or acts of God that may be deemed or considered outside of the general coverage limits of our policies, uninsurable (such as unlawful conduct) or for which carrying insurance coverage is cost prohibitive.

Obtaining indemnity payments from insurance providers for a particular claim that we believe to be covered under our policy may also be considered a risk. Should an uninsured loss or a loss in excess of our insured limits occur, we could lose all or a portion of the capital that we have invested in a hotel owned, managed, franchised or leased by us, as well as the anticipated future income from any such hotel. In that event, we might nevertheless remain bound to any lease payments, or any other financial obligations related to the hotel, or that a third party consider that the corporation is liable for criminal negligence or negligence of our personnel and decides to hold us responsible for the actual or consequential losses.

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

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

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

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

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

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

Reputational Risk

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

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

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

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

Risks Related to the Hospitality Industry

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

These risks include the following:

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

- Inflation increases.

The Hotel Industry is Cyclical

The hotel industry is cyclical by nature. Of the 30,446 hotel rooms that the Company operated as of December 31, 2023 (including Vacation Products), 14% are located in coastal 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. In 2023, the Resort occupancy behavior was very outstanding even if compared to that before the pandemic in contrast to the urban hotels. We cannot ensure that this trend will continue in the future or that it is unaffected by diverse factors such as the reopening of other competitor tourist markets and products.

General Real Property Investment Risks

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

Lack of Real Property Liquidity

Real property is relatively liquid. The Company's ability to diversify its investment in hotel properties in response to economic or other conditions may be limited. There can be no assurance that the market value of any of the Company's hotels will not decrease in the future. The Company cannot guarantee that it will be able to dispose of any of its properties should it deem it advantageous or necessary, nor can the Company assure that the sale price of any of its properties will be sufficient to recoup or exceed the Company's original investment amount. The assets allocated to timeshare 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 timeshares are enforceable against or have a preference with respect to the persons entitled to said real properties. Practically all the real estate assets have been granted as real property guarantees for the Company's financial debt. Under such terms, the net result of the sale of assets title must be used to pay said debt.

Natural Disasters (Acts of God)

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

Since there may be more than one hurricane at the same time in the same region, we may be exposed to greater risk depending on the region. The Company operate 24 hotels in beach locations (Resorts and other hotels) 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 will be exposed to these same weather phenomena. As of March 2024, the Hotel Gamma Copacabana Acapulco is no longer operated by the Company.

Epidemics and Pandemics

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' originating countries, has affected and may adversely affect our businesses.

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

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

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

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

We are still at risk of COVID 19 variants upticks, or the appearance of new similar diseases, vaccine and adequate medical treatments unavailability and inequity, among others, as well as an economic deterioration and an inflation and interest rate increase will continue to decrease our services and product demand, prevent our clients from traveling or cause our clients to breach commitments undertaken with both hotels and our Vacation Property (Loyalty) products and segment. Also, it may limit the capacity of the owners whose hotels we operate to build or renovate the hotels that we have agreed to operate or that are under our franchise, put at risk maintaining ownership of said real property, make the investments required or the timely investment of the same and, therefore, impact on our results and profitability. Likewise, should travel restrictions appear again, the substantial increases in air and ground transportation and the decrease in air transportation capacity mainly due to flight reduction or consolidation may also contribute to reduced demand for Vacation Product (Loyalty) hotel rooms and villas.

Environmental Regulations and other Regulations

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

Environmental laws, ordinances, and regulations in the various jurisdictions in which we operate may make us liable, amongst others, for the costs of removing, cleaning up or eliminating unhealthy, hazardous or toxic substances on, under, or in the property we currently own, operate or lease or that we previously owned, operated or leased without regard to whether we knew of, or were responsible for, the presence of hazardous or toxic substances. The presence of hazardous or toxic substances or the failure to properly clean up such substances, if present, could jeopardize our ability to develop, use, sell or rent the affected realty or to borrow money using such property as a guarantee. We are also subject to other laws, ordinances and regulations relating to lead, materials containing asbestos, operation and closure of storage tanks, and preservation of wetlands, coastal zones, or endangered species, which could limit our ability to develop, use, sell or rent our real property or use it as collateral. Future changes in environmental laws or the discovery of currently unknown environmental conditions, including archeological zones, may have a substantial adverse effect on our financial condition and operating results. In addition, Mexican and Dominican environmental regulations have become increasingly stringent. This trend is likely to continue with the passing of time and may be influenced by various international environmental agreements.

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

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. GDP growth for 2021, 2022 was 5%, 3% respectively. In 2023 and with seasonally adjusted series, GDP grew 3.2% compared to 2022. Secondary activities grew 2.9 %; tertiary activities, 2.5 % and primary activities showed no variation.

Most of the Company's debt is US dollars denominated, however, during 2023 the peso appreciated by 13%, its best level in almost seven years, while in 2022, it appreciated 5.9%

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, 2023, 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 is denominated in US dollars (see Notes in the Company's audited consolidated financial statements included in this Annual Report as Attachment). The peso has been subjected to significant past depreciations and may be depreciated in the future. The devaluation of the peso would negatively affect the Company's results and financial condition due to increased financing costs that this would imply. This because the peso cost of the Company's dollar indebtedness would increase and would affect the Company's ability to pay its dollar denominated debt. The currency exchange rate for the period ending in December 2023 was $16.8935 pesos per United States Dollar that represented a 12.7% appreciation during the corporate year. To December 31, 2023, the Company did not have any financial derivative instrument signed.

Inflation

Given that a significant portion of the Company's operating costs are peso-denominated, a considerable inflation increase may in turn increase the Company's operating costs and in the managed hotels, such as in food and beverages. Inflation may affect the purchasing power of our customers and thus adversely affect demand for hotel rooms and Vacation Products memberships. Inflationary fluctuations could have a material impact on the Company's financial condition and results of operations. Annual inflation rates, in accordance with the National Consumer Price Index ("INPC", due to its initials in Spanish) measurements published by Banco de Mexico have been 7.4%, 7.8% and 4.6% for 2021, 2022, and 2023, respectively. Mexico had not presented such high inflation in the last 20 years, affecting from basic staples products to gasoline, which, as previously stated, may have an adverse effect on the Company's operation, supply chain and guests, among others.

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

Interest Rates

As in the case of the value of the peso against the dollar and inflation levels, historically interest rates in Mexico have undergone volatility periods. These adverse situations have affected the Mexican economy, including inflation increases, and thus have resulted in substantial interest rate increases in the Mexican market during such periods. Interest rate movements may directly affect the Company's integrated financing results, thereby increasing its financing costs, in the event its bank debt is contracted at a floating rate. However, the recently experienced interest rates fall on international markets has reduced the Company's financial risk. Average interest rates on 28-day CETES (Mexican Treasury Bills) for 2021, 2022 and 2023 are: 4.4%, 7.6% and 11.1% (at the corporate year closing 11.26%), respectively.

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

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

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

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

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

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

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

As of December 31, 2023, approximately 86% of the Company's rooms were located in urban destinations, and the remaining 14% are coastal hotels.

External Information Sources and Expert Statements

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

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

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

d) Other Securities

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

Based on the applicable regulations, neither the "2027 Senior Notes" nor related documents thereto were submitted for review or approval before any federal or state securities commission or regulatory entity of any country.

Maintenance Requirements

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

I. Annual Information:

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

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

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

3. Communication signed by the secretary of the board of directors reporting the updated status of the books containing the records of the minutes of the shareholders'

meetings, sessions of the board of directors, share record book and, if a variable capital corporation, the registry book containing corporate capital increases and decreases.

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

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

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

Publication no later than May 31 of each year:

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

II. <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 results 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), the issuer should carry out diverse evaluation, review and information procedures on them (amongst others):

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

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

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

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

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

2. Copy authenticated by the chairman of the meeting, of the minutes of the meetings of bondholders or other security holders, accompanied by the attendance list signed by the ballot inspectors appointed for such purpose, indicating the number of securities corresponding to each bondholder and, if applicable, by whom 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 verification of the Company's corporate by-laws or the certification that the same have not been modified.

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

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

V. <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

Since 2014, the stated corporate capital without withdrawal rights amounts to $512,737,588.00 (five hundred twelve million, seven hundred thirty-seven thousand, five hundred eighty-eight pesos 00/100 Mexican Currency), represented by 512,737,588 (five hundred twelve million, seven hundred thirty-seven thousand, five hundred eighty-eight) common, registered Series A shares, without par value.

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

On April 18, 2024, the Issuer's Ordinary General Shareholders Meeting was held, which amongst other things, resolved on the 2024 corporate year annual results and reports and ratified the members of its board of directors.

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

On April 05, 2022, the Issuer's Ordinary General Shareholders Meeting was held, which amongst other things, resolved on the 2021 corporate year annual results and reports and ratified the members of its board of directors.

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

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

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

(b) …"

(the rest of the clause remains the same)

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

f) Public Documents

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

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

2) THE COMPANY

a) History and Development of the Company

Grupo Posadas, S.A.B. de C.V., was incorporated in Mexico, Federal District on April 18, 1967, under the original corporate name of Promotora Mexicana de Hoteles, S.A., with a corporate life of 99 years. The Company´s address is Prolongacion Paseo de la Reforma 1015 Piso 9 Torre A, Col. Cuajimalpa, Mexico City, 05348. Telephone 55-53-26-67-00.

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

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

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

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

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

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

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

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

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

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

In 2010, the Company launched the product "Kivac" which consists in the sale of points effective for 5 years exchangeable for lodging at any of the Company's hotels, and the company-initiated conversion of three of its beach hotels to the "all inclusive" category. This situation consolidated in 2011. It also purchased ownership of the shares of one of its subsidiaries (Sudamerica en Fiesta S.A.) which was owned by IFC, thereby acquiring full control over the South American business.

In 2011, the Company allied itself with Santander bank to issue the shared brand credit card Santander-Fiesta Rewards, with which clients accumulate points exchangeable in the company's loyalty program operating under the same "Fiesta Rewards" Brand. In 2023, the Company and Banco Santander renewed for a period of 10 years their co-branded card alliance, relaunching an ambitious card placement, generation and promotion program.

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

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

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

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

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

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

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

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

In 2013, we contributed to a trust (as a sale vehicle) the last land lots to which Posadas is entitled in Porto Ixtapa. We expect that economic development at that location will result in a successfully concluded sale.

In 2013, Posadas executed a strategy to sell non-priority assets or non-strategic assets. In this context, in June it agreed with FibraUno to sell the real properties which contained its Corporate Offices located at Reforma 155 and enter into a mandatory ten-year term lease agreement. Subsequently, Posadas terminated the lease contract for the Reforma 155 corporate offices and entered into a mandatory 10-year term lease contract with the same party related to offices located at Av. Prolongación Paseo de la Reforma 1015, Torre A.

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

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

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

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

As part of the activity and service consolidation process, the Company has been focusing on the hotel business industry. Therefore, the company has maintained service businesses: (i) Conectum, the administrative service center, responsible for the administrative control of the owned, leased, and third-party hotels, as well as of the corporate offices and (ii) Konexo, the contact center ("Call Center"), amongst whose relevant clients are the Company's subsidiaries and Compras which offers management and administration of centralized purchasing services to our different owned, leased and third-party hotels. These businesses have become or are in the process of becoming internal service areas for the corporate offices and for the hotels operating under our brands.

During 2016 Live Aqua presented the Live Aqua Urban Resort, Live Aqua Beach Resorts and Live Aqua Boutique Resorts. In 2018, Posadas sold the Ramada Laredo Civic Center hotel, the last of its US properties.

On April 29, 2016, the Company agreed to sell the hotel called "Fiesta Americana Hermosillo", which became effective on January 31, 2020. On June 30, 2017, the Company agreed to sell the hotel called "Fiesta Americana Hacienda Galindo", which took place in 2021. Both hotels continue to operate in the Posadas portfolio under operating contracts entered into with the purchaser.

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

In 2011, the Company acquired two pieces of land, one located in Bahia de Banderas, Nayarit and the second located in the Acapulco Diamante area. In 2019, the company sold the piece of land in Nayarit and in 2022 signed an agreement with a developer to contribute its piece of land into a trust in exchange for trust rights that would entitle the Company to receive 28 apartments that would be operated under the Live Aqua brand and destined by Posadas to the vacation properties inventory under the Loyalty program. As part of the creditors' agreements, these rights were granted as collateral for the Senior Notes due in 2027.

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

- September 2017: 15-year operating contract, under the Grand Fiesta Americana brand, with 554 rooms. This local investment project is estimated to be operating in 2020.
- August 2019: 15-year operating contract under the Live Aqua brand with 347 rooms. This project opened in February 2021.
- February 2022: 15-year operating contract, under the Funeeq brand with 498 rooms.
- It is worth mentioning that although Posadas entered Cuba with two hotels, the conditions derived from Covid-19 made it unfeasible since 2020 to continue with this operation, when the conclusion of these contracts was agreed, and the definitive agreements were liquidated in 2023.

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

Likewise, Posadas has established a new product to market third party properties for timeshare, under the brands Fiesta Americana Vacation Club and Live Aqua Residence Club. This product offers third-party investors the advantages of our reputation, experience, sales team, relationship and development management. In 2023 we signed our first Service Fee product for a development in La Paz, Baja California Sur.

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

In the financial, corporate and realty field, the following activities stand out from 2021 to publication date of this report:

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

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

- In connection with the Senior Notes issue due in 2017, issued in November 2012, in January 2013, the Senior Notes issue due in 2017 was modified to total an issue of US$275.0 M. In February 2014, US$31.6 M Senior Notes due in 2015 were exchanged for Senior Notes due in 2017 and an add-on issue was made in such a manner that the issue due in 2017 totaled the principal amount of US$310.0 M. Likewise, Impulsora de Vacaciones Fiesta, S.A. de C.V., and Controladora de Acciones Posadas, S.A. de C.V., have been included as payment guarantors on such notes. Due to the issuance of the notes denominated "2022 Senior Notes", the remaining balance of this program decreased to US$38.3 M to December 31, 2015. In November 2016, the US$38.3 million balance was pre-paid since the Company made an add-on issue on May 16, 2016, of US$50 M dollars of the “Senior Notes 2022” program at an annual 7.875% rate due in 2022. With the add-on issue, the “Senior Notes 2022” program amounted to US$400 M dollars.

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

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

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

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

  In 2023, with the generation of cash flow, the company began a repurchase program aimed at the market of the 2027 Senior Notes. The first repurchase period for an amount of US$1,711,894 was held in June, the second period was in September for an amount of US$2,300,000, the third in November for an amount of US$3,000,000, and the fourth and final period was held in December for US$523,128. The total repurchased and cancelled amount of Senior Notes was US$7,535,022 with a cash implication of US$6,440,236 plus accrued interest for US$131,658 to total US$6,571,894. These operations were carried out with the approval of the Board of Directors. After completing this repurchase program, the unpaid balance of Senior Notes to 31 December 2023 was US$385,700, 000.

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

- On June 22, 2017, the subsidiary Inmobiliaria del Sudeste, S.A. de C.V., owner of hotel Fiesta Americana Merida obtained a seven-year term secured trust loan for $210 million. The funds were used for corporate purposes including renovation 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 (thousand). As of December 31, 2020, the remaining balance amounts to $159 million. As a result of COVID, the company obtained from Citibanamex a grace period beginning on April 23, 2020, to give time for the recovery of demand for the Fiesta Americana Merida hotel, measured per occupancy factor. The third modification agreement to the modified and restated contract, dated April 23, 2021, establishes that interest will be paid quarterly until April 23, 2022, and on this same date the monthly principal payments will be resumed beginning with the amount of $2,458. In 2023, the subsidiary made payments of $45M corresponding to interest and principal. The outstanding balance as of December 31, 2023 amounted to $101 million.

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

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

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

  In September 2021, we signed a contract subject to condition precedent in order to contribute a plot of land in Acapulco to a mixed-use real property development trust. Consequently, in 2022 we signed a trust whereby, as trustor and trustee, Posadas contributed the land lot and will receive 28 apartments to be used for its vacation products. Likewise, Posadas will grant a brand license and manage the condominium.

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

- Payments were made to the SAT for $561 million pesos. $174 million pesos correspond to the resolution of the 2006 proceeding and $387 million pesos to the ninth and penultimate annual payment of the conclusive agreement with the Mexican tax authorities entered into in 2017. It is worth mentioning that each of the aforementioned annual payments has been made in due time and manner; the last payment was made on March 31, 2023. For further details see section: 3) Financial Information, c) Material Loan Information.

The 2023 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 2023 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 2023, 2022 and 2021 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 2021-2023</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 from 2021 to 2023:

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

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

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

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

For 2023, the consolidated annual capital expenses totaled $339 M:

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

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 Collection, The Explorean, Fiesta Americana Villas, Fiesta Inn, Fiesta Inn Express, Fiesta Inn Loft, Gamma and One Hotels.

Since 1999, it operates a timeshare sale and administration business under the trade name of Fiesta Americana Vacation Club, for resorts located in Los Cabos, Baja California Sur, Cancun, Cozumel and Kohunlich, Quintana Roo and Acapulco, Guerrero, and under the “Live Aqua Residence Club” brand in Puerto Vallarta and Los Cabos. For the operation of the above, it has formed alliances with Hilton Grand Vacations Club, The Registry Collection and Resort Condominiums International (RCI); furthermore, it has international reservation access through Save on Resorts, which has allowed it to penetrate foreign markets with greater force.

The Company operates products selling tourism services discount clubs memberships under brands such as Access Fiesta Rewards.

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 during the year.

The Company plans to operate and franchise in Mexico 18 additional hotels with 3,428 rooms, the majority of these projected to be operating in the second half of 2024. This will represent an 11% room offer increase and, of this, 27% corresponds to economy and business formats, including the Gamma brand. Of this hotel total, 5 will operate as Live Aqua, 1 as Live Aqua Residence Club, 1 as Grand Fiesta Americana, 1 under the Fiesta Americana brand, 1 as Funeeq, 1 under the Fiesta Inn brand, 6 under the three-star hotel chain “one”, and 2 under the Gamma brand. In line with the Company’s strategy of operating a larger number of hotels with minimal investment, the Company plans to be the operator or franchisor of said rooms through franchising, management, and leasing contracts with third party investors. Of the total investment for the aforecited projects of $14,332 million (USD$848million), Posadas contributed 2% of the funds and 98% was contributed by outside investors.

Additionally, there is a project to develop 28 apartments in Acapulco Diamante to be used for vacation products to start operating in the following two years, taking into consideration the timeframe after the impact of Hurricane Otis.

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

Grupo Posadas is an important purchaser of a broad spectrum of goods and services in the Mexican hotel industry. During 2023, 3 important areas were:

Negotiations:

Amongst the important negotiations that took place this year are:

- Fruit and vegetable negotiated quarterly for 80/20 of annual expenses.
- Wine, liquor, and meat new negotiations to find alternative suppliers.
- Nationwide negotiation of a price club with financing benefits and special prices with quarterly terms.
- ESG project counseling negotiation.
- Alliances with different producers of Wine and Liquor with sponsorship benefits.
- Hosting Data center negotiation.
- Negotiations for Fundacion Posadas due to OTIS (groceries and reconstruction materials)

Processes:

An in-depth review of the purchasing process from procurement to payment was made to identify opportunity areas to improve the shopping experience and allow users to focus on the hotel's essence. Derived from this analysis, 3 paths of action were determined:

- Purchasing platform improvements.
- Corporate negotiations changes in the food and beverage category.
- User training module.

Sustainability:

As mentioned before, since the end of 2021, we are measuring compliance in ASG supplier issues through Certification, once with these results through action plans, suppliers are encouraged to increase their compliance level and promote their development. This year we are making progress in local supplier certification and development:

The 2022 composition was 47% local and 53% corporate.

The 2023 composition was 59% local and 41% corporate.

During 2023, more stability was achieved in raw materials and supply, achieving savings especially in food and beverages. During this year as part of alternative suppliers' initiatives and to be able to ensure the supply of meat as well as wines and liquors, we expanded negotiations and alliances in order to have several alternative suppliers.

Some of our principal suppliers in 2023 were: Sigma Food Service Comercial, Travelclick Inc, Distribuidora Alimenticia para Hoteles y Restaurantes, Accenture SC, Si Vale Mexico, Construcciones y Edificaciones al Costo, Sabre, Six Sigma Networks Mexico, Beta Procesos, amongst others. It should be mentioned that Posadas is not dependent on any supplier.

Year after year, the Company carries out corporate negotiations with its suppliers so as to obtain better prices and standardized qualities and characteristics.

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

During 2019, the Company entered into a global electrical energy 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 energy contracts for minimum volumes and 5-year terms. However, various political, bureaucratic, and normative issues have hindered obtaining the necessary authorizations, so that the programs enter into force. According to information from the company Cogeneracion del Altamira, S.A. de C.V., at present it is currently litigating the omissions of the authorities and various norms issued by the Congress of the Union or the administrative authorities in this area. To this moment, there is no certainty as to the result of the above. We are currently evaluating self-generation projects in certain hotels and awaiting the resolutions of the procedures urged by the licensee.

We are currently evaluating self-generation projects in certain hotels. *3) Financial Information b) "Financial Information by Business Line, Geographic Zone and Export Sales.*

For information on risk and the effects of climate change on the Issuer's business see risk section 1*) General Information c) Risk Factors, part Natural Disasters and Environmental regulations.*

ii) Distribution Channels

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

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

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

The Company Loyalty program "Fiesta Rewards" maintains, in alliance with Santander Bank, a credit card under the shared brand Santander-Fiesta Rewards, with which the clients obtain travel benefits. As of 2023 corporate year closing, the Santander Fiesta Rewards credit card has more than 255,000 card holders, in the same year 73,000 new cardholders were affiliated.

On April 30, 2023, Fiesta Rewards and Santander Bank continued in alliance by signing a new 10-year contract which main objective is accelerated portfolio growth through the new card placement and the increase in cardholder billing. From 2024, the product is simplified in Gold and Platinum level cards and the classic card is no longer promoted.

Fiesta Rewards has significantly contributed to Posadas' retention of valuable clients and maintain stable income during different business cycles. The Fiesta Rewards members receive varying benefits such as points, preferential rates, point exchanges per night of accommodation in the Posadas affiliated hotels, catalogue items, airplane tickets, automobile rental, amongst others. Fiesta Rewards has an experience marketing program through which members can enjoy musical, gastronomic, sporting events, amongst others.

In November of 2023, vacation membership Fiesta Americana Vacation Club Access became Access Fiesta Rewards and thus took advantage of its market positioning, the evolution consists of renewed brand identity and new benefits for its members, this product is added to the Fiesta Rewards product portfolio. Amongst its benefits, it offers a 40% discount in 1 million hotels in the world, Fiesta Rewards point bonus, 2X1 plane tickets, amongst others. The membership is valid for 5 years and has 3 plans: Classic, Gold and Platinum at the end of 2023 there are 23,000 members.

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.

In 2023, we launched our new Fiesta Americana Travelty platform where our guests can find all our hotels and brands, as well as packages, transportation, and other services in one place, allowing them to plan and book their entire trip with an enhanced personalized experience, underpinned by a new architecture and new technological attributes. We closed the year with a 30% reservation growth through digital channels, which allowed 70% of all 2023 reservations to be generated through our own channels.

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

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

The Company has an online reservation tool, denominated “Corporate”, specially designed for negotiated rates, aimed at Corporate and Local Agreements, Consortiums, Agencies, Wholesalers, Exchanges, and Grupo Posadas Employees. Among the main accounts of 2023 are:

- AEROVIAS DE MEXICO, S.A. DE C.V.
- REPRESENTACIONES DE HTLS DE MEXICO, S.A. DE C.V.
- ABARROTERA DEL DUERO
- FERROCARRIL MEXICANO
- CARSO EFICENTRUM S.A. DE C.V.
- TRUPER S.A. DE C.V.
- SJMB SA DE CV (EASY WAY)
- UNIVISION (USA)
- BIMBO
- ACA FUN VIAJES S.A. DE C.V.
- COPPEL
- CERVECERIA CUAUHTEMOC MOCTEZUMA
- FEDERACION MEXICANA DE FUTBOL ASOCIACION

This channel had 14% growth compared to 2022.

During 2023, we achieved the following milestones:

- We generated 4 million reservations.
- We experienced a 6% growth compared to 2022 in terms of bookings.
- Our own channels, including groups, maintained a 66% booking contribution.
- VOZ and OTAS (*on line travel agencies*) channels remained the most significant, accounting for 18% and 20% of bookings respectively.

Additional details:

- The Website channel experienced an impressive 27% growth compared to 2022, with a 25% increase in revenue and 30% in bookings for 2023 compared to 2022.
- The remarkable growth in the number of reservations and room nights, along with ongoing negotiations with suppliers and the constant optimization of channels, has allowed us to maintain a competitive advantage, keeping the distribution cost below $10 USD.
- We achieved a 14% increase in commercial strategies (rates and promotions) implemented in the GDS (*global distribution system*) Channel, which contributed significantly to generating 11% more reservations, an 8% increase in room nights for 2023 compared to 2022.
- We handled a total of 1.1 million calls, registering an increase of 8% compared to the previous year.

- Our voice channel proved to be an essential component, generating a total of 600 thousand reservations. This figure underlines the importance of maintaining a comprehensive offering that spans different channels to meet our customers' preferences.
- We successfully implemented 40 business strategies (rates) across all our distribution channels, highlighting the effort and effectiveness of our initiatives to reach a wider audience.

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. We are currently venturing into the residential lodging segment.

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

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

The Company has signed management contracts to operate hotels not belonging to it but that give it varying degrees of control over the properties' operation. In addition, the Company has executed contracts for the use of its brands from which it receives royalty income. In some cases, the Company also signs lease agreements for the properties that it operates. As consideration for the Company's technical and operational assistance and the use of industrial property rights and copyrights in Mexico, the managed hotels and residences pay royalties to Posadas. Royalties are calculated as a percentage of each hotel or development's total sales or from other services marketed under the Company brands. The Company is the holder of diverse industrial and intellectual property rights it has created and developed throughout the years, such as: Live Aqua and its derivatives, Grand Fiesta Americana, Fiesta Americana, The Explorean, Fiesta Inn and its derivatives, Gamma, One Hotels, IOH, Curamoria Collection, Fiesta Americana Vacation Club, Fiesta Rewards, Conectum, and Konexo, amongst others. These brands are protected in different jurisdictions, subject to the terms and conditions each jurisdiction stipulates.

We implemented the Net Promoter Score (NPS) as the fundamental indicator to measure hotel performance based on guest appreciation, appealing to our customer-centric philosophy. This through Medallia, a global company specialized in Customer and Employee Experience Management, acknowledged us as the hotel company that achieved the highest customer satisfaction score (NPS) with 59.5, 19.9 points above the global hotel industry average (39.6) and 26.5 above the average in the American region (33.0). In addition, the NPS trend of Posadas has been positive: At the end of 2023 we obtained two points more than in 2022, and in the measurement of September of 2023 we reached the highest NPS in the history of Posadas with a result of 65 points. Moreover, the customer experience improvement strategies implemented during the year were reflected in an increase of 2 points in the Upscale & Luxury segment and 3 points in the Midscale & Economy segment over the 2022 score.

To December 31, 2023, the average life of the Company's hotel management contracts (except its owned hotels) was 10 years. 10.3 years for Live Aqua, 7.7 years for Grand Fiesta Americana, 10 years for Fiesta Americana, 10.0 years for Fiesta Inn, 16.4 years for Fiesta Inn Loft, 8.4 years for Fiesta Inn Express, 13.7 years for Gamma, 11.4 years for One Hotels, 17 years for Curamoria Collection and 18.3 for IOH. Generally, once the contract terminates, the owner may choose to renew the management contract, normally for periods shorter than the initial period. See chapter "Risk Factors" for more information related to contract renewal. As of March 31, 2024, the Company ceased operating the following three hotels: IOH Merida MID Center, Gamma Acapulco Copacabana and Ilo Rojo San Miguel de Allende.

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

Posadas Mix of Brands					
Brand	**Category**	**Hotel Rooms**	**Rooms by range**	**Location**	**Segment**
Live Aqua Residence Club	Luxury	2 / 160	20-100	Luxury residences for Vacation Properties	International tourists and high end locals
Live Aqua Hotels & Resorts	Luxury	5 / 1,073	130-400	Upscale Resorts and large cities	International tourists and high end locals
Grand Fiesta Americana Hotels & Resorts	Grand Tourism	9 / 2,073	200-600	Large cities and upscale Resorts	Domestic and International tourists and business travellers
Curamoria Collection	Boutique	7 / 156	1-60	Upscale Resorts and large cities	International tourists and high end locals
Fiesta Americana Hotels & Resorts	Family / Business	14 / 3,951	80-650	Large cities and upscale Resorts	Domestic and International tourists and business travellers
The Explorean Discovery Resorts	Family	2 / 96	40-100	Resorts	Ecotourism, Domestic and International tourists
Fiesta Americana Vacation Club	Family	5 / 1,774	100-300	Resorts	Domestic and International
IOH Freestyle Hotels	Freestyle	1 / 136	90-220	Small, large and mid size cities	Domestic and International tourists
Fiesta Inn Hoteles Business Class	Business	71 / 10,316	90-220	Small and mid size cities	Domestic and International business travellers
Fiesta Inn Loft	Business	4 / 388	40-150	Small and mid size cities	Domestic and International business travellers
Fiesta Inn Express	Business	3 / 378	40-150	Small and mid size cities	Domestic and International business travellers
Gamma Hoteles	Family	25 / 3,202	80-200	Small and mid size cities	Domestic and International business travellers
one hotels	Economy	51 / 6,380	100-140	Mid and large size cities in industrial locations	Domestic business travellers
Total		**199 / 30,083**			

Source: Posadas

In addition to these brands, we also announced a strategic alliance with Kempinski Hotel Cancun in Quintana Roo (legendary European luxury hotel brand), which aims to market its 363 rooms so as to have 200 hotels, with 30,446 rooms. The decision is due to an appreciation of Posadas' solid marketing network in Mexico, the United States and the rest of the American continent.

The Company has entered strategic alliances related to certain products and services offered to third parties or offered jointly by Posadas and the third parties, such as the shared-brand Santander-Fiesta Rewards credit card mentioned in section: *1) General Information, subsection b) Executive Summary* and section 2) The Company in this document. Recently, in some of its hotels it has begun to incorporate third party brands and franchises in consumption centers, gastronomic experiences, production of amenities, jewelry, among others.

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

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

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

For more details of holiday products such as FAVC 25th Edition membership, among others, see section *1) General Information, subsection b) Executive Summary*.

Other relevant contracts

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

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

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

iv) Principal Clients

Given the nature of the hotel industry, the Company considers that it is not significantly dependent on any or several identifiable clients as users of hotel services whose loss would adversely affect the Company's operating results or financial situation. The Company has a business strategy based on targeting the Mexican business and vacation market segments through the Grand Fiesta Americana, Fiesta Americana, Fiesta Inn, Gamma and One Hotels brands; the wholesale segment in the North American market, is principally for the resort line under the Live Aqua, Grand Fiesta Americana and Fiesta Americana brands; and the Mexican group and conventions market segment for Fiesta Americana and Fiesta Inn. However, it is worth mentioning that the Company's marketing efforts are focused on the Mexican, United States and Canadian markets, therefore, a slowdown or closing of said markets may significantly and adversely affect the Company's operating results. Consolidating new markets or competition in other destinations may be economically more efficient and may complicate the operating results of this market zone. This dynamic is still observed as the pandemic impact or other economic or political affectations period, although it is true that some originating markets have become more relevant, such as the Colombian market and South America in general, they are still very far from the production of countries such as the United States of America and Canada.

The segment of business travel and tourism for groups and conventions has returned more slowly and there are places such as Queretaro, Puebla, and Santa Fe in Mexico City, where, despite having no operating restrictions in place, this segment has not returned in attractive volumes, compared to the pre-pandemic available capacity.

Furthermore, there is a trend to consolidate hotel ownership in groups such as FibraHotel and other institutional real property investors. At present, we operate 68 hotels owned by FibraHotel representing 34% of total hotels operated by the Company and 3 other owners concentrate the operation of 16 third-party hotels representing 8% of the total.

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

v) Applicable Legislation and Tax Situation

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

In this same line of reasoning, the authorizations most relevant to hotel service operations are related to licenses or authorizations concerning operations, environmental, food, and beverage supply, including alcoholic beverages, swimming pools, civil defense, health, wastewater use and disposal, consumer protection, personal information, hotel registration and classification, amongst others. Thus, we rely on administrative authorities that said authorizations are issued in a timely manner, and that the application guidelines of said authorities are congruent and pursuant to the applicable normativity or with the interpretative criteria we apply. There is a constant modification of regulations that affect the segments we operate. Amongst the most relevant, in 2022, an amendment to the official standard regulating the timeshare sale and an amendment to the Regulations under the General Law to Control Tobacco, which, amongst other restrictions and modifications, prevents us from providing goods or services in areas intended for smokers were enacted. Also, within the improvement and updating process of regulations, the relevant authorities are constantly reviewing federal and local regulations, as well as issuing new regulations, requirements or restrictions that affect our business.

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

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

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

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

The challenge of Posadas' arrival to new markets in different jurisdictions is adapting its operations to comply with local regulations, which generally are like those existing in Mexico. And in the case of the Dominican Republic, additionally there are different provisions and restrictions stipulated for operations related to property, assets, and counterparties.

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

Securities Market Law and other securities market regulations

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

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

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

Mexican Tax Regulations

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

ISR - The rate is 30% for the years 2021 and 2022 and subsequent years. For the 2013 tax year, various agreements were made with the SAT to resolve differences in criteria related to brand amortization, interest deduction due to said brands acquisition, tax treatment granted by real estate investment companies (SIBRAs), the amortization of usufructs and, in particular, the effects derived from the termination of the tax consolidation rules. In regard to this last point, the loss derived from a sale of shares was eliminated from the calculation of the termination of the tax rules consolidation, which resulted in the recognition of an additional payment obligation in different years, for a total amount of $2,376.7 M. Of this amount, during April 2017, $523.9 M were paid and the remaining amount will be covered in annual installments between 2018 and 2023, for an approximate nominal amount of $308.6 M each, subject to indexation. The Company closed this audit with the SAT with various agreements and, to this date, the Company has fully paid the aforementioned installments. For further detail, see section: *3) Financial Information, c) Material Loan Information*. It is worth mentioning that each of the aforementioned annual payments has been made in due time and form; the last payment was made on March 31, 2023.

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

The services provided by the Company in Mexico are subject to Value Added Tax. In December 2013, the 0% tax rate for hotel services rendered to foreign groups was repealed and became a tax incentive effective from January 1, 2014. A 16% tax is imposed on the services provided to such groups and, if specific requirements are met, the 16% VAT may be credited. It is important to mention that a recent binding legal precedent, upheld by the SAT, has been confirmed. This states that VAT cannot be subject to set-off between private parties. This legal precedent is important for set-off operations, swaps or exchanges of goods and services and other usual mechanisms in Posadas management, as well as other less usual, such as dations on payment or similar mechanisms of compliance or extinction of obligations.

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

While the aforementioned 2014 Law repealed the tax consolidation rules, corporate groups were given the option to jointly calculate Income Tax (tax integration rules). The new rules allow integrated corporations directly or indirectly owned in more than 80% by an integrating corporation, to obtain certain tax payment benefits (if in the corporate group there exist entities with profits or loss in the same corporate year), which may be deferred for three years and paid over, as updated, on the date on which the tax return corresponding to the corporate year following the corporate year in which the aforementioned return must be filed. It is worth mentioning that the company abandoned these rules as of tax year 2019.

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

US Tax Regulations

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

Dominican Republic Tax Rules

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

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

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

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

vi) Human Resources

As of December 31, 2023, 16,788 collaborators worked in the hotels operated under the Posadas brands, of which 8,912 correspond to hotels managed for third parties and 7,876 to Posadas employees.

In Mexico, around 53% of the employees are unionized. Generally, one union represents the unionized employees of each hotel. The collective bargaining agreements are generally reviewed yearly for salary adjustments and every two years for other clauses contained therein. Each of the individual hotel unions is affiliated to one of the larger national labor organizations: either the "CTM" (due to its initials in Spanish, Confederacion de Trabajadores de Mexico) or the "CROC" (due to its initials in Spanish, Confederacion Revolucionaria de Obreros y Campesinos).

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

Likewise, the Company has a pension plan, seniority premiums and severance pay for non-unionized personnel thus complementing the legal seniority premium and pensions granted by law. In order to have access to the pension plan, employees must be older than sixty. The annual cost of legal seniority premiums, retirement and pension plans for personnel meeting certain requirements is calculated by an independent actuary based on the projected unit credit method.

The Company has established pension and retirement plans for collaborators, which to December 31, 2023, report a total accumulated reserve of $141 M.

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

Occasionally, Posadas hires temporary employees according to hotel occupancy percentages. By the end of 2023, the number of persons temporarily hired by the Issuer, due to common industry seasonality, amounted to 1,777 employees.

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

Since 2023, the culture of Posadas evolves to transcend through a purpose shared by all collaborators. In this way, all our actions and decisions are aligned to Posadas' purpose: "Touching people's lives, committed to making the world a better place to travel."

Our purpose is complemented by collective determination, a future that we seek and that motivates us to act firmly, swiftness and responsibility:" To be a world-class company, a global hotel leader and undisputed regional leader."

The hospitality industry is the best example for understanding the value of diversity and the positive impact of living in a culture of inclusion. During 2023 we implemented initiatives that allowed us to raise awareness, inform and modify attitudes, actions, policies, and processes related to the three pillars of our Diversity and Inclusion strategy: Gender Equality, Disabled Person and the LGBTQ+ Community.

With regard to gender equality, we have:

A) Wage Administration Policy – Ensure equality and that there are no gender biases in wage management.

b) Talent Attraction policy – Our talent attraction process seeks to ensure that we have the best talent, ensuring transparency, inclusion, and equal opportunities

Disabled Persons: We determine focusing most of our efforts on Hearing Impaired Persons.

a) Mexican Sign Language interpreter in live broadcasts of management messages and conferences

b) Induction course with Mexican Sign Language interpreter

c) The Mexican Sign Language Schooling Program currently has 210 registered persons.

d) Adaptation to the Attracting Talent Process for Disabled Persons, including training for recruitment areas.

LGBTQ+ community

a) Leadership awareness program
b) Awareness and microaggression elimination program for all the Company.
c) Updating the Ethics and Conduct Code as well as the Image and Apparel Code, integrating concepts and definitions that ensure a discrimination free workplace

vii) Environmental Performance

The construction and hotel industries in Mexico are subject to federal, state, and municipal laws, as well as to strict regulations in preservation, conservation and environmental protection matters, hotel operations and safety aspects, amongst others. The Company is implementing actions within its reach to reasonably comply with the laws governing hotel and environmental matters. We are currently in the process of modifying or processing various authorizations, licenses, permits and concessions necessary for the operation of its hotels.

The Company has an internal environmental and safety compliance program aimed at promoting that all its operating and under construction properties and businesses comply with applicable environmental laws and regulations.

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

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

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

Moreover, Posadas' hotels strive to comply 100% of the Civil Defense requirements prescribed at the three governmental levels, obtaining Civil Defense accreditation. In formulating new, existing, hotels Corrective Plans and maintenance tasks, the Unit works jointly with NFPA-certified and specialized consultants, as well as with insurance companies to monitor compliance with the required certification standards. Regarding franchised hotels, the owners are directly responsible for monitoring these requirements compliance.

The basic tools include construction and operation manuals, that in turn determine the use of materials, finishes, high-technology equipment, and installations, in addition to administrative and operating procedures. All of these attempts to minimize impact on natural and social surroundings and allow us to make progress in protecting and caring for the environment.

Some examples of actions taken to care for the environment are:

- 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 remote control in rooms.

- Lighting controller in public and service areas.
- Program for separation of organic and inorganic waste.
- Program for storage and final disposal of waste.
- Inorganic waste recycling program.
- Program for the use of biodegradable chemical products.
- Program to reduce the use of plastics.
- Program for the protection and release of sea turtles.
- Program for the care of green areas and responsible irrigation.
- Program for the use of ecological transportation (bicycles)
- Environmental management and regulatory compliance program.
- Greenhouse gas registration program.
- Water footprint registration program.
- Some smoke-free hotels.
- Implementation of brand standards to eradicate single-use plastics by 2022. Plan eliminates straws in resorts and places dispensers for amenities such as shampoo, soap, etc.
- Efficient use of water and treatment plants by reusing water for irrigation and washing of public areas.
- Compliance with conditions imposed by environmental authorities in their various determinations during project development and later in hotel operation.

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

During 2023, this committee decided to work on a project in collaboration with Deloitte so that we could obtain a materiality study based on our shared interests, indicators, short and long-term goals, to result in an ASG strategy and an annual sustainability report with 2023 information, under the GRI and SASB methodology.

- Knowledge of the risks and priority ASG opportunities for the organization.
- Materiality analysis to integrate the expectations and needs of the main interest groups as a starting point for the ASG strategy. To focus efforts and resources on the management of the most relevant issues.
- Identification of indicators under the GRI and SASB methodology.
- Strengthening ASG reporting to increase transparency with interest groups through an annual sustainability report.

Acknowledgements for green initiatives to December 31, 2023:

- For the eleventh consecutive year, Posadas and all its hotels received the Socially Responsible Company (ESR, due to its initial in Spanish) Emblem.
- Live Aqua San Miguel de Allende: Recognized with 4 stars of Forbes Travel Guide and Leed Gold Certification.
- Grand Fiesta Americana Coral Beach Cancun: Recognized with 4 stars from Forbes Travel Guide and Best All-Inclusive Luxury Resort-Mexico, Travvy Awards 2023.
- Blue Flag badge for hotels beaches: Live Aqua Beach Resort Cancun, Grand Fiesta Americana Los Cabos and Fiesta Americana Condesa Cancun.
- Hydro Sustainable Hotel Distinction for hotels: Live Aqua Private Residence Club Los Cabos, Grand Fiesta Americana Chapultepec, Grand Fiesta Americana Veracruz, Grand Fiesta Americana Los Cabos and Fiesta Americana Vacation Club Los Cabos.

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

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

HURRICANE OTIS

Hurricane Otis hit the coast of Acapulco, Guerrero, on October 25, 2023, which represented a major challenge for the company. Thanks to the strict adherence to all the corresponding protocols, no guest and/or collaborator´s health and safety was affected during this phenomenon.
In this place, as of December 31, 2023, we managed three hotels with 683 rooms and we have 1 owned hotel with 560 rooms, allocated for timeshare. All hotels have both material damage and consequential loss insurance coverage. The impacts in the hotels of this location are:

- Hotel One Acapulco Diamante with 126 rooms: The hotel had no major impact and is currently operating regularly.
- Hotel One Acapulco Costera with 126 rooms: The hotel had no major impact, however, its refurbishment and remodeling works are still not completed. The hotel will reopen its doors on March 31st.
- Gamma Acapulco Copacabana with 431 rooms: With significant impact that do not allow restarting operations. The company ceased to operate this hotel in the first quarter of 2024.
- Hotel Fiesta Americana Condesa Acapulco with 560 rooms: With important impact. In November, we received an advance payment of $100 million as part of our insurance coverage of which $52 million was used for business interruption coverage. The remodeling project will cost approximately $670 million, of which Posadas will finance 15% and the remaining amount will be covered by insurance policies. The project has a partial opening date for October 2024, which plans to open common areas and 10 floors of the hotel. The remaining 9 floors will open by 1Q25.

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.

According to the World Tourism Organization, in a global context during 2023 the following results were achieved:

Middle East - Surpassed levels recorded before the pandemic, as arrivals exceeded 22% of levels reached in 2019.

Europe was the most visited region in the world, reaching 94% of the levels attained in 2019, supported by intraregional demand and travelers from the United States.

Preliminary estimates of tourism's economic contribution, in terms of gross domestic product (GDP), are US$ 3.3 billion in 2023, or 3% of world GDP. This indicates a recovery in direct tourism GDP attained before the pandemic, mainly due to the growth of domestic and international tourism.

Africa recovered 96% of pre-pandemic visitors, and America accounted for 90%.

Asia and the Pacific accounted for 65% of pre-pandemic levels.

The following table are estimates of Sustainable Tourism Advanced Research Center (STARC) and data from UN Tourism and the country websites.

Ranking			
2023	2022	International Tourist Arrivals	
#	#	Country	Million arrivals 2023
1	1	France	90.0
2	2	Spain	85.1
3	3	United States	67.5
4	5	Italy	58.1
5	4	Turkey	55.0
6	6	Mexico	42.2
7	7	United Kingdom	37.5
8	8	Germany	35.4
9	9	Greece	33.2
10	10	Austria	30.9

Tourism in Mexico *(Source: Ministry of Tourism – SECTUR and Sustainable Tourism Advanced Research Center (STARC).*

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

International tourist arrivals to Mexico in 2023 were 42.2 million, 10% more than in 2022. The most important issuing markets for the country were mainly the United States (65.4% of the total), followed by Canada (11.2%) and Colombia (3.1%). The average expenditure of air tourism was $1,125.9 dollars, that is, 1.8% above 2022.

Cancun Airport, Mexico City International Airport (AICM) and Los Cabos Airport had the highest number of international tourists with 16.6 million, this is 4.8% more than in 2022, also surpassing by the 4.6 million tourists of 2019, with an increase of 13.3%.

Domestic.

The airports with most domestic traffic were Mexico City (AICM), Tijuana, Guadalajara, Cancun and Monterrey.

The arrivals of Mexican tourists to hotel rooms in 2023 were 59.4 million, a figure that represents an increase of 2.3% compared to 2019.

The Tourism Balance reported a balance of 21.6 billion dollars, more than three times the Manufacturing Balance and contrasting with the chronic deficits of the Trade and Oil Balances.

Competition

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

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

The source of information for the report by chain is: *Census Database from STR* (Smith Travel Research) leading data provider in the hospitality industry.

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

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

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

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

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

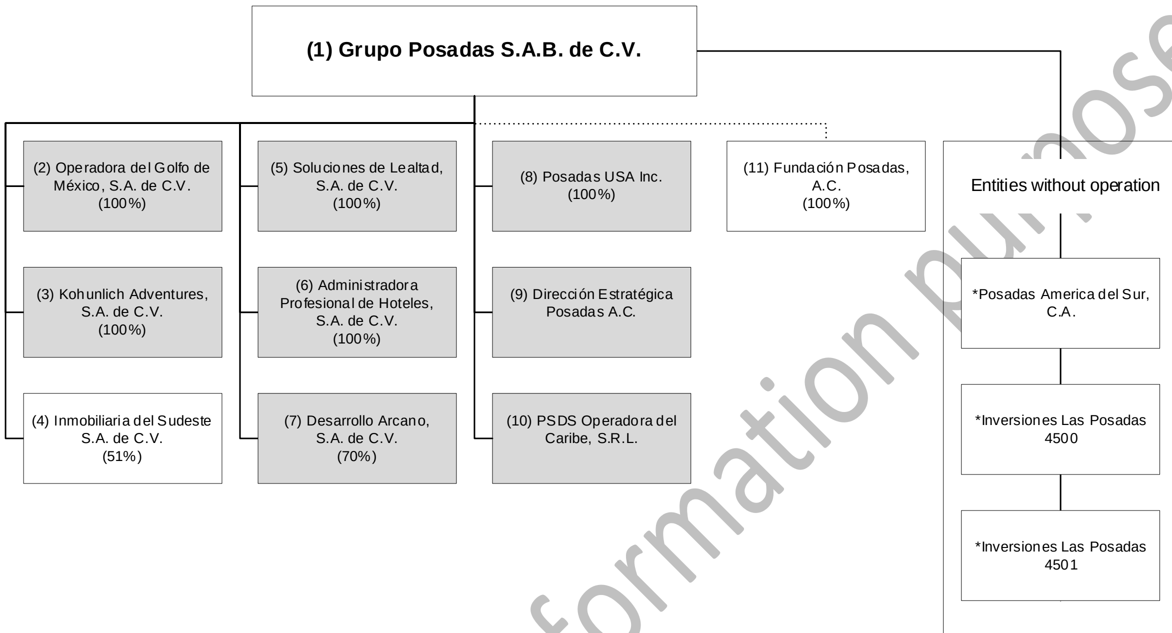
Although the Company considers itself a leader in Mexico in the number of operated hotels and rooms, there is no official publication proving the market participation of its hotels in relation to existing competitors or its competitive position. Information regarding competitors has as its source, the Posadas Chain 2023 study with information of STR Census Database (Smith Travel Research) to December 2023.

In reference to total rooms available (including own, leased, and operated rooms) in Mexico and based on the 2023 Posadas Chains study with STR Census Database information for Hotel Groups, jointly the Posadas brands have a 14% 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 21% market share; in the five star category, the hotels operating under the Fiesta Americana brand (including FAVC & Explorean) have a 17% market share; in the four star category, Fiesta Inn (including Fiesta Inn Loft and Fiesta Inn Express) have a 16% market share; likewise the Gamma brand has a 20% market share. In the “economy” three-star segment, the brand One Hotels has a 45% market share. The foregoing information includes the total inventory availability of the top 10 corresponding to each brand.

ix) Corporate Structure

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

The following organizational chart illustrates how the Company's principal subsidiaries are organized, as well as the principal activities of each entity as of Abril 24, 2024:



Source: Posadas

Guarantor of the Senior Notes 2027

1. Grupo Posadas, S.A.B. de C.V.:
    a. Owns hotel trademarks, under which it operates hotels and residences in Mexico through management and/or franchise contracts, and it receives net cash flows from owned and leased hotels. This Entity pays rents for leased hotels to third parties. This Entity hires employees for the corporate offices as well as owned and leased hotels.
    b. Manages our loyalty program Fiesta Rewards.
    c. Sells time share rights in Los Cabos, Cozumel, Acapulco, Cancun, Marina Vallarta and Kohunlich (of which it is the owner). It also manages our vacation club exchange program.
    d. Markets our Kivac and Access Fiesta Rewards.
    e. It operates the call center or contact center (Konexo) and the accounting shared services center (Conectum) for the benefit of the activities of the Issuer and its subsidiaries and third parties.
2. Operadora del Golfo de Mexico, S.A. de C.V., is the owner of the bare title of certain hotels.
3. Kohunlich Adventures, S.A. de C.V., holds our federal ground transportation permits for transportation of our hotel guests.
4. Inmobiliaria del Sudeste S.A. de C.V., is the owner of, and receives all cash flows of the FA Merida hotel.
5. Soluciones de Lealtad, S.A. de C.V., does not have operations.
6. Administradora Profesional de Hoteles, S.A. de C.V., does not have operations
7. Desarrollo Arcano, S.A. de C.V., Former developer of a residential venture in Ixtapa, Mexico. It no longer operates.
8. Posadas USA Inc., Performs sales, marketing, and collection activities in the United States on behalf of hotels in Mexico.
9. Direccion Estrategica Posadas, A.C., is the Company savings account for certain executive personnel.
10. PSDS Operadora del Caribe S.R.L, Affiliate incorporated to fulfill hotel management company duties in the Dominican Republic.
11. Fundacion Posadas A.C. Holds and administers our non-profit charity foundation. This entity is not consolidated 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 America del Sur, C.A., Among other foreign entities, these are entities that we plan to liquidate, pursuant to our on-going corporate restructuring, none of them have operations.

x) Description of the Company's Principal Assets

Herein below is a list of the Company's hotels as of December 31, 2023, including number of rooms, opening date, location, and type (franchised, owned, managed, or leased):

Hotel	Opening	Country	Contract	Rooms
Live Aqua Urban Resort Monterrey	2016	Mexico	Managed	70
Live Aqua Beach Resort Cancún	2004	Mexico	Leased	371
Live Aqua Urban Resort México	2012	Mexico	Managed	135
Live Aqua San Miguel de Allende	2018	Mexico	Managed	150
Live Aqua Beach Resort Punta Cana	2021	Dominican Republic	Managed	347
Grand Fiesta Americana Coral Beach Cancún Resort & Spa	2008	Mexico	Managed	602
Grand Fiesta Americana Chapultepec	2001	Mexico	Leased	203
Grand Fiesta Americana Guadalajara Country Club	2007	Mexico	Managed	207
Grand Fiesta Americana Puebla Angelópolis	2016	Mexico	Managed	168
Grand Fiesta Americana Monterrey Valle	2016	Mexico	Managed	180
Grand Fiesta Americana Veracruz	1995	Mexico	Managed	233
Grand Fiesta Americana Querétaro	2003	Mexico	Managed	173
Grand Fiesta Americana Grand Fiesta Americana Oaxaca	2020	Mexico	Managed	144
Sumiya Cuernavaca	2023	Mexico	Managed	163
Curamoria Náay Tulum	2020	Mexico	Franchised	36
Curamoria Ilo Rojo San Miguel de Allende	2021	Mexico	Franchised	30
Curamoria Dos Patios Querétaro	2021	Mexico	Franchised	20
Huayacán Cuernavaca Curamoria Collection	2022	Mexico	Franchised	40
Celeste Beach Residences & Spa Huatulco Curamoria Collection	2022	Mexico	Franchised	8
Curamoria Tres79	2023	Mexico	Franchised	14
Curamoria Hotel La Casona142	2023	Mexico	Franchised	8
Fiesta Americana Aguascalientes	1993	Mexico	Managed	191
Fiesta Americana Condesa Cancún	1989	Mexico	Leased	507
Fiesta Americana Hacienda San Antonio el Puente	2011	Mexico	Managed	148
Fiesta Americana CDMX Toreo	2016	Mexico	Leased	252
Fiesta Americana CDMX Satélite	2018	Mexico	Managed	223
Fiesta Americana Hacienda Galindo	1977	Mexico	Managed	169
Fiesta Americana Hermosillo	1994	Mexico	Managed	220
Fiesta Americana Mérida	1995	Mexico	Owned	350
Fiesta Americana Monterrey Pabellón M	2016	Mexico	Managed	176
Fiesta Americana Reforma	1970	Mexico	Owned	616
Fiesta Americana Guadalajara	1982	Mexico	Owned	391
Fiesta Americana Puerto Vallarta	1979	Mexico	Managed	291
Fiesta Americana Viaducto Aeropuerto	2019	Mexico	Managed	260
Fiesta Americana San Luis Potosí	2019	Mexico	Managed	157
FAVC Cancún	1981	Mexico	Owned	310
FAVC Condesa Acapulco	1970	Mexico	Owned	560
FAVC Cozumel	2007	Mexico	Owned	174
FAVC Explorean Cozumel	2014	Mexico	Owned	56
FAVC Explorean Kohunlich	1999	Mexico	Owned	40
FAVC Live Aqua Residence Club Los Cabos	2017	Mexico	Owned	109
FAVC Los Cabos	1998	Mexico	Owned	464
FAVC Live Aqua Residence Club Puerto Vallarta Nima Bay	2013	Mexico	Owned	51
FAVC Grand Los Cabos	1999	Mexico	Owned	266
IOH Mérida MID Center	2022	Mexico	Managed	136
Fiesta Inn Aeropuerto Ciudad de México	1970	Mexico	Leased	327
Fiesta Inn Aguascalientes	1993	Mexico	Managed	125
Fiesta Inn Aguascalientes Patio	2018	Mexico	Managed	126

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

Hotel	Opening	Country	Contract	Rooms
Fiesta Inn Silao Aeropuerto Bajío	2017	Mexico	Managed	142
Fiesta Inn Tampico	2002	Mexico	Franchised	124
Fiesta Inn Teatro Insurgentes	2011	Mexico	Leased	162
Fiesta Inn Tepic	2008	Mexico	Managed	139
Fiesta Inn Tijuana Otay Aeropuerto	2005	Mexico	Leased	142
Fiesta Inn Tlalnepantla	1994	Mexico	Managed	131
Fiesta Inn Toluca Centro	2009	Mexico	Managed	85
Fiesta Inn Toluca Tollocan	1998	Mexico	Managed	144
Fiesta Inn Torreón Galerías	2004	Mexico	Managed	146
Fiesta Inn Tuxtla Fashion Mall	2018	Mexico	Managed	128
Fiesta Inn Tuxtla Gutiérrez	2007	Mexico	Managed	120
Fiesta Inn Veracruz Boca del Río	1999	Mexico	Managed	144
Fiesta Inn Veracruz Malecón	2001	Mexico	Managed	92
Fiesta Inn Xalapa	1993	Mexico	Managed	119
Fiesta Inn Zacatecas	2011	Mexico	Managed	146
Fiesta Inn Parque Puebla	2019	Mexico	Leased	160
Fiesta Inn Guadalajara Periférico Poniente	2019	Mexico	Managed	142
Fiesta Inn Celaya Galerías	2019	Mexico	Managed	145
Fiesta Inn Guadalajara Aeropuerto	2020	Mexico	Leased	115
Fiesta Inn & Loft Ciudad del Carmen	2018	Mexico	Managed	253
Fiesta Inn Loft Monclova Loft	2014	Mexico	Managed	37
Fiesta Inn Loft Monterrey La Fe Loft	2016	Mexico	Managed	48
Fiesta Inn Loft Querétaro Loft	2014	Mexico	Managed	50
Fiesta Inn Express Querétaro Constituyentes	2018	Mexico	Managed	117
Fiesta Inn Express Monterrey Centro (Altea Versalles)	2019	Mexico	Managed	123
Fiesta Inn Express Puebla Explanada	2019	Mexico	Leased	138
Fiesta Inn Mazatlán Zona Dorada	2023	Mexico	Managed	138
Gamma Monterrey Gran Hotel Ancira	2015	Mexico	Franchised	253
Gamma Xalapa Nubara	2015	Mexico	Franchised	121
Gamma Boca del Río Oliba	2018	Mexico	Franchised	81
Gamma Campeche Malecón	2015	Mexico	Franchised	139
Gamma Ciudad Juárez Lincoln	2018	Mexico	Franchised	162
Gamma Ciudad de México Santa Fe	2021	Mexico	Managed	198
Gamma Cuernavaca Puerta Paraíso	2017	Mexico	Franchised	102
Gamma Guadalajara Centro Histórico	2018	Mexico	Managed	195
Gamma Lausana Tijuana	2014	Mexico	Managed	140
Gamma Mérida el Castellano	2015	Mexico	Franchised	160
Gamma Morelia Belo	2014	Mexico	Franchised	84
Gamma Plaza Ixtapa	2015	Mexico	Franchised	153
Gamma Pachuca	1998	Mexico	Leased	114
Gamma Tampico	2018	Mexico	Franchised	136
Gamma Mazatlán The Inn Centro Histórico	2019	Mexico	Franchised	63
Gamma Monterrey Rincón de Santiago (Santiago Presa de la Boca)	2019	Mexico	Franchised	87
Gamma Orizaba Grand Hotel de France	2019	Mexico	Franchised	91
Gamma Morelia Vista Bella	2020	Mexico	Franchised	20
Gamma Acapulco Copacabana	2020	Mexico	Managed	431
Gamma Villahermosa	2022	Mexico	Franchised	72
Gamma Guaymas Armida	2022	Mexico	Franchised	82

Hotel	Opening	Country	Contract	Rooms
Gamma Colima Garden	2022	Mexico	Franchised	91
Gamma Querétaro	2023	Mexico	Franchised	116
Gamma Los Cabos	2023	Mexico	Franchised	33
Gamma Puebla Hotel Señorial	2023	Mexico	Franchised	78
One Acapulco Costera	2007	Mexico	Managed	126
One Acapulco Diamante	2018	Mexico	Managed	126
One Aguascalientes Ciudad Industrial	2008	Mexico	Managed	126
One Aguascalientes San Marcos	2009	Mexico	Managed	126
One Cancún Centro	2014	Mexico	Managed	126
One Chihuahua Fashion Mall	2017	Mexico	Managed	126
One Chihuahua Norte	2021	Mexico	Managed	126
One Ciudad de México Alameda	2014	Mexico	Managed	117
One Ciudad de México La Raza	2018	Mexico	Managed	123
One Ciudad de México Patriotismo	2007	Mexico	Managed	132
One Ciudad de México Periférico Sur	2015	Mexico	Managed	144
One Ciudad del Carmen	2012	Mexico	Managed	126
One Cuautitlán	2016	Mexico	Managed	156
One Cuernavaca	2015	Mexico	Managed	125
One Culiacán	2012	Mexico	Managed	119
One Coatzacoalcos Fórum	2021	Mexico	Managed	126
One Durango	2016	Mexico	Managed	126
One Guadalajara Centro	2012	Mexico	Managed	146
One Guadalajara Expo	2017	Mexico	Managed	126
One Guadalajara Periférico Norte	2011	Mexico	Managed	142
One Guadalajara Periférico Vallarta	2014	Mexico	Managed	121
One Guadalajara Tapatío	2013	Mexico	Managed	126
One La Paz	2014	Mexico	Managed	126
One León	2014	Mexico	Managed	126
One Mexicali	2017	Mexico	Managed	120
One Monclova	2014	Mexico	Managed	66
One Monterrey Aeropuerto	2006	Mexico	Managed	126
One Monterrey Tecnológico	2018	Mexico	Managed	126
One Oaxaca Centro	2013	Mexico	Managed	109
One Puebla Angelópolis	2018	Mexico	Managed	126
One Puebla Finsa	2013	Mexico	Managed	126
One Puebla Serdán	2017	Mexico	Managed	126
One Puerto Vallarta Aeropuerto	2014	Mexico	Managed	149
One Playa del Carmen Centro	2010	Mexico	Managed	108
One Querétaro Aeropuerto	2013	Mexico	Managed	126
One Querétaro Centro Sur	2014	Mexico	Managed	126
One Querétaro Plaza Galerías	2008	Mexico	Managed	126
One Salina Cruz	2013	Mexico	Managed	126
One San Luis Potosí Glorieta Juárez	2008	Mexico	Managed	126
One Saltillo Derramadero	2009	Mexico	Managed	120
One Saltillo Aeropuerto	2021	Mexico	Managed	139
One Silao	2014	Mexico	Managed	126
One Tijuana Otay	2018	Mexico	Managed	120
One Toluca Aeropuerto	2007	Mexico	Managed	126

Hotel	Opening	Country	Contract	Rooms
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 Mazatlán Zona Dorada	2023	Mexico	Managed	144
One Irapuato	2023	Mexico	Franchised	126
One Morelia Acueducto	2023	Mexico	Franchised	90
Kempinski Cancún	2023	Mexico	Franchised	363

Source: Posadas

During 2023, the Company opened 6 hotels, representing a total of 1,273 additional rooms, under the modalities described below:

Hotel	Rooms	Contract
Gamma Querétaro	116	Franchised
Curamoria Tres79	14	Franchised
Curamoria Hotel Casona142	8	Franchised
One Mazatlán Zona Dorada	144	Managed
Gamma Los Cabos	33	Franchised
Kempinski Cancún	363	Franchised
Fiesta Inn Mazatlán Zona Dorada	138	Managed
One Irapuato	126	Franchised
Gamma Puebla Hotel Señorial	78	Franchised
One Morelia Acueducto	90	Franchised
Sumiya Cuernavaca	163	Managed
Total	**1,273**	

As of March 31, 2024, the Company ceased operating the following three hotels: IOH Merida MID Center, Gamma Acapulco Copacabana and Ilo Rojo San Miguel de Allende.

According to our standards, all these properties must have insurance covering property damage, which is common for this industry (such as fires, explosions, earthquakes, and hurricanes). These insurance policies also include coverage for consequential losses. All these policies are contracted with prestigious insurance companies.

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

Moreover, the Company holds certain real property allocated to office use in Morelia. As a consequence of the contribution of its land in Acapulco Diamante to a residential development trust, it holds trust rights to receive 28 apartments that will be used as Vacation Properties under the Live Aqua Residence Club brand. The trust rights are currently pledged. Once this transaction occurs, the Company must pledge to payment of its current Senior Notes, the rights and subsequently the properties resulting from this investment.

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

Regarding the most recent transfers of title:

a) The Fiesta Americana Hacienda Galindo Hotel with 168 rooms, underwent a staged remodeling in 2017, due to the execution of a lease agreement by the Company. Likewise, at that time, a sale-purchase contract was signed, subject to diverse conditions, which was formalized and paid in 2021. The price is a multiple of 10.06 times EBIDTA of the hotel during the 2019 corporate year minus investments and rents. The Company currently manages said hotel under an operating agreement.
b) On September 29, 2021, our 12.5% interest in the investment trust of the Rivera Maya development project was sold. This transaction completed the termination announced on July 8, 2021, of the operating agreement of the hotels in such project.

Regarding remodeling investment plans, in 2023, the main pool and parking lot of the Fiesta Americana Villas Acapulco hotel were remodeled, project which was interrupted by Hurricane Otis as mentioned in section 1b) of this report´s executive summary. Likewise, Phase II of the Grand Fiesta Americana Golf & Spa Los Cabos Hotel Villas and Spa remodeling was also completed.

xi) Judicial, Administrative or Arbitral Proceedings

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

During the 2021 corporate year and as part of its 2022 Senior Notes negotiated restructuring, the Company filed bankruptcy proceedings under the prior agreement or "pre-packaged" modality before the courts of the United States of America. Temporarily, the court resolved to suspend the debt payments accrued prior to the application date and provided certain exception measures and treatment of obligations that enabled the Company to maintain its operations in the ordinary course of business. Within the judicial proceeding, the proposed restructuring plan was formally put to the consideration of all company creditors, of these it could only be voted on by the groups of creditors affected by the restructuring, that is, by the holders of Senior Notes due in 2022. Once the necessary voting majorities were obtained and the plan approved by the jurisdictional and auxiliary bodies of the process, on December 9, 2021, the judge presiding over the case confirmed and approved the validity of the plan, and deemed it as binding on all creditors and debtors, subject to the execution of the Senior Notes due in 2027 issuance process in substitution of the current issue, the guarantees were constituted and the conditions established in the restructuring plan were met. On December 15, 2021, all the effective requirements of the plan were met, as described in the section: 3) *Financial Information, ii) Financial Situation, Liquidity and Capital Resources*. In March 2022, the judge presiding over the cases instructed the closing of the proceeding, leaving safe and sound the rights of third parties that could be considered affected. As of this date, we have no notification has been attempted by third parties in this regard.

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

To December 31, 2023, the Company was a party to various judicial and administrative proceedings, derived from the ordinary course of business, both as plaintiff and as defendant. However, none of the judicial or administrative proceedings that Posadas is aware of may be characterized as "material" in terms of the General Provisions applicable to Securities Issuers and other Securities Market Participants, given the early procedural status, the uncertainty of its amount, or the merits of the proceeding, in the opinion of our advisers. The most important proceedings are described below, both in the ordinary course of business and those that the Company considers extraordinary.

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

Reputational Damage. It is possible that the company will be exposed to future reputational damage, considering that, during the year and with no sign of these events coming to an end, some persons have been deceived by individuals who, through the internet and telecommunication means, pass themselves off as the Company and use for these purposes the Company´s trademarks, images and identity to impersonate it and deceive persons by selling them non-existent services or by deceiving them with an alleged repurchase of vacation rights. Due to this, the deceived persons consider that the company is liable to a certain extent. The company has filed complaints due to misuse of the Company's rights and its impersonation. At present, consequently, a defrauded client by scammers delivered monetary amounts to these scammers who used the company's identity to offer him a repurchase of vacation rights, and now the client has filed a complaint against the Company demanding the amount of 2.4 million pesos for damages. However, although it may not be material, we deem small and limited the probability that the company be considered responsible, but we believe that events like these may repeat and multiply.

Office of the Federal Attorney General for Environmental Protection. Closing of Fiesta Americana Cozumel Reef Hotel Beach Club: The inspection took place from June 8 to 10, 2021 directly at the Fiesta Americana Cozumel Hotel Beach Club, the hotel employees always guided the inspectors and provided the available documents. The number of the Inspection Order is PFPA/4.1/2C.27.5/0013/2021 dated June 8, 2021, issued by the General Director of Environmental Impact and Federal Maritime Terrestrial Zone of PROFEPA. The security measure imposed by PROFEPA is the temporary closing of the inspected Beach Club. On June 17, 2021, Posadas presented to the aforementioned General Director, the written document of the corresponding statements, requesting the ending of the Beach Club closing, among other issues. On December 8, 2022, we filed a plea of consent in the proceeding. On August 17, 2023, PROFEPA issued a resolution imposing a fine on the Company of $1,089,270.00 pesos, which is being appealed through a nullity proceeding before the Specialized Environmental and Regulatory Matters Division of the Federal Court of Administrative Justice. On February 2, 2024, PROFEPA prepared, pursuant to commissioning Official Letter number PFPA/4.1/8C.17.3/0030/2024-OC, an inspection record of the visit to the aforementioned beach club, recording the lifting of the total temporary closure of the beach club's works and activities.

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

On March 24, 2022, Posadas was notified of an additional information request to continue the environmental impact assessment. This additional information was submitted to SEMARNAT within the granted term.

Due to the authority's lack of response and the expiration of the legal terms to issue the environmental impact resolution, the Company filed an indirect Amparo Proceeding, which was granted by ruling dated November 17, 2023.

On January 4, 2024, the Company was notified of the conditional environmental impact authorization resolution for the rehabilitation and operation of the aforementioned Beach Club, by means of official letter number SRA/DGIRA/DG-04682-23, dated December 14, 2023, issued by the General Division of Environmental Impact and Risk of SEMARNAT. The Company has submitted to SEMARNAT evidence of compliance with the conditions of the Environmental Impact Authorization, therefore, activities at the Beach Club have now begun.

CONAGUA: On August 10, 2022, the National Water Commission (CONAGUA, due to its initials in Spanish) notified the company of the inadmissibility of the concession extension request contained in document 12QNR101178/32ESDL18. Against this resolution, the company filed an appeal remedy before CONAGUA, which affirmed its decision. To refute the preceding, the Company filed a nullity proceeding before the Federal Court of Administrative Justice, in which no ruling has yet been issued. Furthermore, the company decided to request from CONAGUA a new concession, which is currently being processed by said agency.

On August 31, 2023, notified on September 5, 2023, CONAGUA issued official letter number B00.922.-930 imposing on the Company a monetary penalty in the amount of $337,732.20 pesos related to ownership of the concession title issued in favor of Gran Operadora Posadas, S.A. de C.V., a Company subsidiary merged into the Company between 2016 and 2017, to exploit national waters in the Fiesta Americana Cozumel hotel. The Company filed on September 26, 2023, an appeal remedy against this decision before the superior of the authority issuing the decision, which is currently in the process of resolution.

On January 30, 2024, CONAGUA issued Official Letter number B00.922.-0042 determining appropriate the administrative modification to concession title 12QNR150215/32EMDL16 in favor of the Company. The concession title is enforceable until December 2025, and the Company will soon begin the extension process for this title.

On June 26, 2023, notified on the same day, CONAGUA issued official letter number B00.922.-0678 imposing on the Company a monetary penalty in the amount of $314,566.00 pesos related to ownership of the concession title issued in favor of Inversora Inmobiliaria Club, S.A. de C.V., a Company subsidiary that merged into the Company in April 2019, to exploit national waters in the hotel The Explorean Kohunlich. The Company filed on July 17, 2023, an appeal remedy against this resolution before the superior of the authority issuing the decision, which is currently in the process of resolution.

Environmental Impact Statement presented to the Ministry of Environment and Natural Resources (SEMARNAT): Regarding Live Aqua Cancun: On December 14, 2022, the company filed an Environmental Impact Assessment (EIA) for the Live Aqua Cancun hotel operation before the Ministry of the Environment and Natural Resources (SEMARNAT). The additional information requested by SEMARNAT was also submitted in due course. The EIA is currently under evaluation by SEMARNAT.

In relation to the Chemuyil Trust, an entity in which the Company had a minority12.5% investment, trustor/trustee entities face different complaints related to alleged violations of environmental protection provisions, which are ongoing.

There are accounts receivable for $7,404,593.65 pesos, with **ABC Aerolíneas S.A. de C.V. (Interjet)** the Conciliator presented the Provisional Creditor Recognition List, on which Posadas' credits were not included; therefore, a request for creditor recognition was presented on February 22, 2023. In March, the process of transferring the uncollectible credits to Results and releasing the corresponding reserve. To date, the judge presiding over the case declared the bankruptcy of said entity.

On the other hand, regarding the recognition of the debts owed to the Company and its subsidiaries in the Compañia Mexicana de Aviacion, S.A. de C.V.'s bankruptcy proceeding for the approximate amount of $171.2 million, the Company established a reserve of this total amount in 2010. Of said loans, $115 million correspond to operating transactions entered in the consolidated profit and loss statement, as line items "sale, publicity and promotion" and "direct costs and expenses". Posadas may be subject to collateral legal proceedings or other proceedings with respect to this issue.

These proceedings are documented in the following files: Compamia Mexicana de Aviacion, S.A. de C.V., File 432/2010, Court: Eleventh Civil District Court in CDMX., commercial bankruptcy of Aerovias Caribe, S.A. de C.V., file 516/2010, Court: Eleventh Civil District Court in CDMX, commercial bankruptcy of Mexicana Inter, S.A. de C.V., file 510/2010, Court: Eleventh Civil District Court in CDMX.

Employment Proceedings

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

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

Proceedings regarding Vacation Properties: Regarding administrative proceedings before the Federal Consumer Protection 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 present 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, 2023, 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 are 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	2023	2022	2021
	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, 2023, 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 18, 2024, 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, 2023.

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

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

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

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

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

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

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

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

VIII. In the Ordinary General Shareholders' Meeting held on April 18, 2024, there was approved the financial information, mandatory administrative reports, results of the 2024 tax year and their application, the amount that may be allocated to purchase own shares, ratification of the members of the board of directors, as well as the chairmen of the audit and corporate practices committees, and their remuneration. The appointment of delegates to comply with and formalize the resolutions adopted by the Meeting was also resolved.

xiii) Dividends

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

In the General Shareholders' Meeting held on April 5, 2022, March 28, 2023, and April 18, 2024, no distribution of dividends corresponding to the corporate years ending on December 31, 2021, 2022 and 2023 respectively, was resolved.

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

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.

Audited Financials (million pesos) As of December 31st:			
Financial Highlights	**2023 - NIIF**	**2022 - NIIF**	**2021 - NIIF**
Total Revenues	9,209	9,078	7,406.7
Corporate expenses	602.3	576.5	397.2
Depreciation, amortization and real estate leasing	981.2	899.2	916.3
Operating income	855.3	684.7	455.1
Comprehensive financing cost (income)	236.5	131.9	253.1
Taxes	73.9	330.1	129.0
Net Income	1,017.9	222.7	57.9
Majority net income	1,006.2	217.4	63.0
Balance Sheet Data (End of period)			
Current assets	5,200.1	5,205.3	4,991.0
Property and equipment, net	3,761.4	3,904.4	4,187.5
Total assets	18,249.9	17,948.8	18,244.4
Current liabilities	4,459.3	4,989.9	4,226.2
Long-term debt	6,297.6	7,443.6	8,085.1
Total liabilities	15,982.5	16,693.8	17,232.1
Stockholders' equity	2,267.4	1,255.0	1,012.2
Other Financial Data			
EBIT / Revenues	9.3%	7.5%	6.1%
Net Income/Revenues	11.1%	2.5%	0.8%
EBITDA	$1,813.9	$1,556.1	$1,090.7
EBITDA to Revenues	19.7%	17.1%	14.7%
Total debt to EBITDA	3.5 X	4.8 X	7.4 X
Current assets / Current liabilities	1.17 X	1.04 X	1.18 X
Total liabilities / Equity	7.05 X	13.30 X	17.02 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 and the risk factors on the Issuer's future performance may be consulted in the section "The Company" of this report.

b) Financial Information by Business Line, Geographic Zone, and Export

The following is a breakdown of the last 3 years sales behavior for each of the Company's business units:

REVENUES BY BUSINESS UNIT (Million pesos)	2023-IFRS		2022-IFRS		2021-IFRS*	
	Revenues	%	Revenues	%	Revenues	%
Owned and Leased Hotels	4,782.6	45.7%	4,429.9	43.0%	3,371.7	45.5%
Management	3,799.6	36.3%	3,597.0	34.9%	1,026.9	10.0%
Vacation Properties	1,802.8	17.2%	2,208.7	21.4%	2,919.6	28.3%
Other Businesses	82.7	0.8%	77.6	0.8%	88.5	1.2%
Other Revenues	0.0	0.0%	0.0	0.0%	0.0	0.0%
TOTAL	**10,467.8**	**100%**	**10,313.1**	**100%**	**7,406.7**	**100%**

Source: Posadas
**2021 figures do not include recoverable income.*

Although our operations in the Dominican Republic may be considered a diverse geographical area, the truth is that their originating markets and seasonal movements, operating costs, amongst other aspects, are substantially similar to those in the Mexican Caribbean. For this reason, they are not disaggregated.

c) Material Loan Information

Section B. *Financial Situation, Liquidity and Capital Resources*, found later in this Report, contains a detailed discussion of the Company's total debt structure composition.

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

On June 30, 2022, US$26,850,570 of *Senior Notes* due in 2027 were subscribed by holders who requested a trade before June 14. In turn, a partial cancellation in the amount of US$5,346,298 of Non-Qualified Holders was made as a consequence of the rules established in the restructuring process. With these actions, the restructuring was concluded. The balance as of December 31, 2022, was US$393,235,022. After the Company's market repurchases during 2023, the balance of *Senior Notes* to December 31, 2023, was US$385,700,000.

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

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

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

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

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

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 August 31, 2020. By ruling of June 19, 2019, issued by the full bench 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 thus complying with the ruling of the TFJA, determining a new $222.8 tax liability. Challenging the new liability, the Company filed a new annulment proceeding as well as a complaint. The Company withdrew the above because it was convenient to its interests.

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

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

Notwithstanding the foregoing, the SAT reviewed the above-mentioned deferred tax determination. Due to interpretative differences of the applicable legislation, an agreement was reached with the Authority and the Company closed this audit with the SAT pursuant to the following agreement 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 M, 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 M each payment, number to be updated each corporate year with payment obligation. As of the date of this report, all annual payments have been made.

b. A profit loss registered only once in 2017 for $930 M, 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 from the original calculation the tax loss deduction from the sale of shares. Said situation was ratified and approved by the tax authorities through the issuance of an approval ruling.

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

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

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

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

On March 11, 2021, the entity filed a revocation remedy against the aforementioned official letter.

On September 14, 2023, the decision contained in official letter number SEFIPLAN/SATQ/DG/DEJ/DC/SJZS/DCFEZS/0806/VIII/2023, regarding revocation appeal RR-13/2021 was notified. Said decision voided the decision ordering the on-site inspection as well as the determination of a tax liability, therefore, the case concluded favorably and finally for the Company.

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

On April 11, 2023, the Company filed an annulment proceeding against the tax liability filed under number 2027/2023, before the III Unitary Division of the Court of Administrative Justice for the State of Jalisco.

By means of official letter dated November 22, 2023, issued by the Municipal Treasury of Guadalajara, it was determined to void the tax liability imposed under the concept of ownership transfer tax identified with official letter TES/LGS/4727/2023, for a total amount of $17,385,730.39. This is because payment of the corresponding tax was proven.

Said official letter was presented as supervening evidence in proceeding 2027/2023, which is pending ruling.

On February 20, 2024, an official letter issued by the Municipal Treasury of Guadalajara cancelling the guarantee for a tax proceeding was notified, since the tax liability was voided, and the corresponding bond was returned.

d) Management Comments and Analysis of the Operating Results and Financial Situation of the Company 2023 - 2022

i) Operating Results

2023 - 2022

Corporate year ending December 31, 2023
Compared with corporate year ending December 31, 2023
Information according to International Financial Reporting Standards (IFRS)

Consolidated Comprehensive Operating Results Statement
For the years ending December 31, 2023 and 2022
(In thousands of Mexican pesos)

	2023	**2022**
Continuing operations:		
Revenue	$9,209,256	$9,077,990
Cost of sales	6,063,022	6,275,378
Gross profit	3,146,234	2,802,612
Administrative expenses	1,181,245	1,105,548
Sale and development expenses	167,146	140,249
Depreciation, amortization, and leasing	981,196	899,194
Rent discounts	-	(6,396)
Other revenue, net	(38,653)	(20,692)
Interest expense	659,074	631,351
Interest income	(112,832)	(59,783)
Extraordinary income, net	(19,342)	(107,972)
Commissions and financial expenses	69,006	94,904
Exchange (gain) loss, net	(832,393)	(426,603)
Equity in associate	-	-
	2,054,447	2,249,800
Income before income tax	1,091,787	552,812
Income tax expense	73,886	330,072
Consolidated income for the year	1,017,901	222,740
Other comprehensive (loss) income:		
(Loss) income on exchange differences from translating foreign operations, which will be reclassified subsequently to income or loss	(2,534)	327
Remeasurement of defined benefit obligation, which will not be reclassified subsequently to income or loss, - net of income tax	(3,188)	19,414
	(5,722)	19,741
Consolidated comprehensive income for the year	$1,012,179	$ 242,481

(Continued)

	2023	2022
Consolidated income for the year attributable to:		
Controlling interest	$1,006,186	$ 217,373
Non-controlling interest	11,715	5,367
Consolidated income for the year	$1,017,901	$ 222,740
Consolidated comprehensive income for the year attributable to:		
Controlling interest	$1,000,464	$ 237,114
Non-controlling interest	11,715	5,367
Consolidated comprehensive income for the year	$1,012,179	$ 242,481
Earnings per share:		
From continuing and discontinued operations -		
Basic and diluted earnings per common share (in pesos)	$ 2.05	$ 0.44
Basic and diluted earnings (loss) per common share (in pesos)	$ 2.04	$ 0.48
Weighted average of outstanding shares	495,881,988	495,881,988

(Concluded)

In this context, at the end of 2023 the following material circumstances occurred. (Additionally, reference may be made to section 2) The Company, subsection a) History and Development of the Company.

Profit and Loss Statement - IFRS (million pesos)	2023		2022		Var%
	IFRS 16	%	$	%	
Total Revenues	**10,467.8**	100.0	**10,313.1**	100.0	1.5
Owned and Leased Hotels					
Revenues	4,782.6	100.0	4,429.9	100.0	8.0
Direct Cost	3,858.8	80.7	3,473.7	78.4	11.1
Contribution	923.9	19.3	956.2	21.6	(3.4)
Management					
Revenues	3,799.6	100.0	3,597.0	100.0	5.6
Direct Cost	2,776.6	73.1	2,804.9	78.0	(1.0)
Contribution	1,023.1	26.9	792.1	22.0	29.2
Vacation Properties					
Revenues	1,802.8	100.0	2,208.7	100.0	(18.4)
Direct Cost	1,353.9	75.1	1,816.2	82.2	(25.5)
Contribution	448.9	24.9	392.5	17.8	14.4
Other Businesses					
Revenues	82.7	100.0	77.6	100.0	6.6
Direct Cost	29.7	35.9	27.2	35.1	9.0
Contribution	53.0	64.1	50.3	64.9	5.3
Corporate expenses	453.5	4.3	507.5	4.9	(10.6)
Depreciation / Amort. & Leases	930.5	8.9	878.3	8.5	5.9
Impairment of assets	0.0	0.0	0.0	0.0	Na
Other (revenues) and expenses	(10.0)	(0.1)	(20.6)	(0.2)	(51.2)
Other revenues	0.0	0.0	0.0	0.0	na
Operating Profit	**1,074.9**	**10.3**	**825.9**	**8.0**	**30.1**
EBITDA	**2,005.4**	**19.2**	**1,704.2**	**16.5**	**17.7**
Special Operations	**(219.6)**	**(2.1)**	**(141.2)**	**(1.4)**	**55.5**
EBITDA	**1,785.8**	**17.1**	**1,563.0**	**15.2**	**14.3**

Note: The 2023 Annual Report numbers of the Company were reclassified in some categories in relation to previous Annual Reports and audited Financial Statements

2023 - 2022 Total Revenues

The Company's total revenues increased 1.5% from $10,313.1 M in 2022 to $10,467.8 M in 2023. Most of the business segments showed recovery, derived from the gradual reactivation of activities.

As 2023 progressed, we saw an improvement in the company's results, particularly during the first and fourth quarter. In 2023 we obtained a comparable EBITDA of $2,005.4 million, 17.7% higher than the previous year of $1,704.2 million. EBITDA was led by coastal hotels labeled as Resorts which boosted occupancy factors, even above those observed in 2019 before the pandemic. Urban hotels continued to show a clear improvement during the fourth quarter, particularly Upscale & Luxury hotels followed by Midscale & Economy hotels,

Hotels in 2023 continue to be classified into three groups so their performance could be measured according to market trends:

Resorts

This segment continued to perform well. The Revenue per Available Room (RevPAR) was similar to that of the previous year. There was an increase in the occupancy of almost 3pp, reaching a 79% average annual occupancy and maintaining the same effective peso rate that we obtained the previous year. However, in dollars we obtained a 13% effective rate growth in comparison to 2022.

Upscale & Luxury Hotels

In this segment we obtained 76% of room nights through our own channels. Furthermore, individual business and group segments recovered and operated above 2022 levels with 15% and 14% growth, respectively.

Average annual occupancy increased by almost 3pp reaching 63%. The RevPAR improved 12% in the same period. Operating margins improved thanks to a tight expense control, an appreciation of room rates and an increase in Food and Beverages revenues.

Midscale & Economy Hotels

The "Midscale & Economy" segment had an extraordinary fourth quarter (8% higher than in 2022 in RevPAR). Due to these results, the segment RevPAR for the year grew 17%, being 15% above that of 2019. As in "Upscale & Luxury", in this segment we control over 66% of the rooms generated through our own channels. During the last year, this segment achieved extraordinary results: a 65% average occupancy, a 17% increase in RevPAR and a cumulative room revenue in our channels of 78%.

2023 – 2022 Owned and Leased Hotels

In 2023, the average available daily rate (ADR) improved, resulting in a Revenue Per Available Room of 9% 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 registered an increase in Owned and Leased Hotels of 8.0%, $4,782.6 M in 2023 against $4,429.9 in 2022.

The Departmental Costs of the hotels owned and leased by the Company consist of salaries related to the room staff, food, and beverage costs, as well as other expenses, such as commissions to agencies, reservation charges and room utility and laundry services. As of January 1, 2019, real estate leases are recorded in the Comprehensive Financial Result as indicated by IFRS-16. Departmental costs and expenses are equivalent to $3,858.8 million for 2023, which represents an increase of 11.1% compared to the $3,473.7 million for the same period of 2022. The Departmental result (Income minus departmental costs and expenses) was $923.9 million for 2023, thus representing a decrease of 3.4% compared to $956.2 million for the comparable period of 2022.

General Expenses related to the Company's own and leased hotels consist of administrative expenses, maintenance and energy, property taxes, payment of insurance premiums, payment of auditor's fees and legal advisers. In sum, these expenses increased by 6.8%, to $1,181.2 million during 2023 compared to $1,105.5 million during 2022. The main increases were in energy, maintenance and credit card commissions and professional fees resulting from the growth in operations.

2023 - 2022 Management

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

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

Revenues in 2023 increased 5.6% compared to 2022, reaching $3,799.6 million in 2023, compared to $3,597.0 million in 2022.

Direct costs and corporate expenses related to Hotel Management, Brands and Others category mainly include costs and expenses of corporate sales, as well as hotel operations. These costs and expenses decreased by 1.0% to $2,776.6 million compared to the same period in 2022 in which they amounted to $3,597.0 million. For further details on the eliminations, see note 25, Business Segments Information of the audited consolidated Financial Statements.

At the system level in 2023, including owned, leased, managed, and franchised hotels, the occupancy average rate improved, resulting in a RevPAR increase of 10%, reaching $1,289 in 2023.

Resorts, Upscale & Luxury y Midscale & Economy. The last two groups refer to urban hotels. For Resorts, 2023 was a good year, the available average daily rate (ADR) was $6,917 with a 79% average occupancy rate resulting in a $5,442 in RevPAR, presented in USD to eliminate exchange rate fluctuations, the RevPAR was USD$309, 13% improvement compared to the previous year and 69% better than in 2019. For Upscale & Luxury hotels, the result was a $2,494 available rate at 63% occupancy resulting in an $1,565 RevPAR, 12% and 23% higher than in 2022 and 2019, respectively. Midscale & Economy hotels performed similarly to the previous group with $1,225 available daily rate, 65% occupancy and $802 RevPAR resulting in a 17% improvement compared to 2022 and 15% to 2019.

In 2023, the company started operating 6 new hotels and stopped operating 3 which are listed in: 1) General Information, b) Executive Summary herein.

2023 – 2022 Vacation Properties (Loyalty)

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

Vacation Products revenue decreased 18.4% from $2,208.7 million in 2022 to $ 1,802.8 million in 2023. Loyalty products together contributed to 36% of hotel occupancy in the entire hotel system, generating 2.2 million room nights through direct channels.

Vacation Products expenses mainly include expenses related to sales, financing, administration, marketing, collection, payroll, energy and insurance, hotel exchanges and operation expenses for our destinations. These costs decreased by 25.5% from $1,816.2 million in 2022 to $1,1,353.9 million for the same period in 2023.

On the other hand, the IFRS contribution margin was 24.9%, a higher level in comparison with the 17.8% of the previous year, this was mainly due to the change in the mix of products sold from the traditional FAVC program to Access Fiesta Rewards.

As of 2023, to celebrate its 25th anniversary, Posadas decided to issue a special membership in April 2023 called FAVC 25th Edition, which has had very good acceptance in the market. The memberships sold in the period from April to December 2023 are 3,585. FAVC 25th Edition membership income recognition occurs in two moments considering the two membership components:

• When signing the contract, 3/4 of the membership value are recognized since the Entity considers that after this, once it enters into force, the customer is entitled to the points supported by a vacation property and the performance obligation is fulfilled. This recognition is the same as that used for traditional FAVC membership.
• The remaining 25% is recognized when the member uses the gift Edition Points or their right to use expires, that is, once the hosting service is provided or the accrual period agreed in contract with the customer expires.

This generates an income and expenditure reclassification of $255 million pesos reflected in deferred liabilities and deferred assets (including an expense provision cancellation) for the corporate year. Informatively, considering this reclassification, the contribution margin would be 21.8% for 2023, 4.0 pp higher compared to the previous year.

As of December 31, 2023, the vacation club receivables with a $6,824 value represented a 5% increase compared to the same period of the previous year and is within the normal collection period of less than 90 days.

2023 – 2022 Other Businesses

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

2023 – 2022 Corporate Expenses

Company corporate expenses include expenses such as salaries, administrative expenses, legal advisory fees, or the payment of corporate restructuring fees, as well as different payments related to its financial, corporate human resources and technology departments, as well as those of the CEO's office. Corporate expenses in 2022 reached $453.5 million, which represented a 10.6% decrease in comparison with the $507.5

million presented for the same period in 2022, this was in part due to the organizational restructuring carried out in December 2022 at a cost of close to $80 million. In percentage of the Company's revenue, corporate expenses represented 4.3% of its total revenue in 2023, 0.6 pp less than that of previous year.

2023 – 2022 Depreciation, Amortization, Real Estate Property Leasing and Wear and Tear

Grupo Posadas had expenses for depreciation, amortization, and leasing of real estate for an amount equivalent to $981.2 million in 2023, this represented a 9.1% increase compared to the $899.2 million that were expended for this concept in the comparable period of 2022.

2023 - 2022 Operating Results

The operating income of Grupo Posadas consolidates the income of its owned and leased hotels, management segment (mostly income fees from managed hotels), brands and others, Vacation Properties (Loyalty) and other business lines and it deducts its corporate expenses and expenses for depreciation, amortization, leasing of real estate and impaired assets. The profit from consolidated operations was a profit of $1,074.9 million for 2023, 30.1% higher than that reported in 2022.

2023 – 2022 Comprehensive Financial Result

Concept *(million pesos)*	**2023**	**2022**
Interest Income	(112,832)	(59,783)
Accrued interest	379,394	337,949
Exchange (gain) loss, net	(622,062)	(319,404)
Exchange (gain) loss, from lease payments	(210,330)	(107,199)
Accrued interest from lease payments	279,680	293,402
Other financial costs (products)	(19,342)	(107,972)
Other financial expenses	69,006	94,904
Total CFC	**(236,487)**	**131,897**

Interest expenses increased 12.3% to $379.4 million in 2023, compared to $337.9 million for the comparable period in 2022, this as a result of the financial restructuring concluded in 2021, in which it was agreed to pay interest on the Senior Notes of 5% for year 2, for more details see note 15 f of the Audit financial statements. The exchange gain related to Posadas' operations translated into a gain of $832.4 million in 2023, in comparison to the exchange gain of $426.5 million in 2022, since the Mexican peso appreciated 12.7% in comparison to 2022, currency exchange rate at end of period minus currency exchange rate at beginning of period.

At the end of 2023, net interest coverage to EBITDA including IFRS 16 was 4.1 times, 1.0 times more favorable when compared to the 2022.

2023 – 2022 Revenue from Discontinued Operations, Net Income Tax

The Company recorded a $73.9 million tax in 2023 and $330.1 million in 2022 resulting from the Income Tax generated from the operating result with profit in both fiscal years.

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

2023 – 2022 Net Majority Result

Our financial statements, per the Auditors', recorded a consolidated profit attributable to the controlling share of $1,006.2 million for 2023, 4.6 times higher than in the previous year.

2023 – 2022 Financial Situation

The cash balance as of December 31, 2023, was $ 1,841.2 million (equivalent to US $109 million), of which $211.4 million are restricted cash.

The Company's total assets as of December 31, 2023, amount to $18,249.9 million (US $1,080.3 million)

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

At the end of 2023, total debt was $6,398 million net of issuance expenses (US $392 million), while net debt according to IFRS was $4,557 million, the Net Debt to EBITDA ratio was 4.2 times while the previous year was 5.5 including IFRS 16 leases.

The Total Debt mix at the end of 2023 was as follows: almost 100% long-term, 98% in USD and 100% at fixed rate and guaranteed with most of the Company´s material assets as described at the beginning of this Annual Report.

At the end of this corporate year, S&P Global ratified our corporate rating to “B” which improved one notch at mid-year after reporting results in the second quarter of 2023.

2022) ***Management Comments and Analysis of the Operating Results and Financial Situation of the Company***

2022) Operating Results

2022 – 2021

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

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

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

(Continued)

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

(Concluded)

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

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

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

2022 – 2021 Total Revenues

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

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

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

As 2022 progressed, we saw an improvement in the company's results, particularly during the fourth quarter. In 2022 we obtained a comparable EBITDA of $1,704.2 million, 48.1% higher than the previous year. EBITDA was led by coastal hotels, labeled as Resorts and principally followed by the Vacation Properties

(Loyalty) business unit. Urban hotels continued to show clear improvement during the fourth quarter, particularly Upscale & Luxury hotels followed by Midscale & Economy hotels. Since the Covid-19 vaccination process began in several countries around the world, including Mexico, there has been a significant shift of travelers to beach destinations, seeking space, healthy distance and quality of life while allowing them to meet their commitments remotely through diverse electronic platforms. The latter boosted Resort hotels occupancy levels even beyond those observed in 2019 before the pandemic.

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

Resorts

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

Upscale & Luxury Hotels

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

Midscale & Economy Hotels

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

2022 – 2021 Owned and Leased Hotels

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

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

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

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

2022 – 2021 Management

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

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

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

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

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

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

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

2022 – 2021 Vacation Properties (Loyalty)

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

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

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

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

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

2022 – 2021 Other Businesses

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

2022 – 2021 Corporate Expenses

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

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

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

2022 – 2021 Operating Results

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

2022 – 2021 Comprehensive Financial Result

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

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

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

2022 – 2021 Revenue from Discontinued Operations, Net Income Tax

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

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

2022 – 2021 Net Majority Result

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

2022 – 2021 Financial Situation

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

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

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

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

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

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

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

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

i) Operating Results

2021 - 2020

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

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

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

(Continued)

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

(Concluded)

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

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

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

Total Revenues 2021 - 2020

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

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

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

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

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

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

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

Owned and Leased Hotels 2021 - 2020

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

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

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

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

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

2021 – 2020 Management

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

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

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

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

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

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

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

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

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

2021 – 2020 Vacation Properties (Loyalty)

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

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

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

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

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

2021 – 2020 Other Businesses

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

2021 – 2020 Corporate Expenses

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

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

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

2021 – 2020 Operating Results

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

2021 – 2020 Comprehensive Financial Result

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

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

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

2021 – 2020 Revenue from Discontinued Operations, Net Income Tax

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

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

2021 – 2020 Net Majority Result

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

2021 – 2020 Financial Situation

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

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

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

At the end of 2021, we successfully concluded our comprehensive debt restructuring by exchanging the 2022 Senior Notes for new ones due in 2027 in an amount of USD $393,235,022 (including a premium payable in capital). The latter through a complex process that established an agreement with a representative group of the previous note holders, which was later offered to the rest of the issuance holders and binding through a judicial proceeding denominated pre-packaged Chapter 11 before US Courts. For further details see section 3) Financial Information, c) Material Loan Information).

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

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

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

ii) Financial Situation, Liquidity and Capital Resources

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

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

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

Usually, the source of the Company's operating expenses was internal income, however, the effects of the Covid 19 pandemic in 2020 limited the capacity to generate income and the liquidity necessary to do so. During 2022, a significant recovery was observed even though the pandemic had not disappeared, due to this, the use of funds during 2022 was reflected in the cash balance, decreasing from $1,960.1 million in 2021 to $1,938.9 million in 2022. It should be mentioned that in 2022, the 2027 Senior Notes interest payment was made, as well as payment of $174 million regarding the 2006 SAT proceeding, which did not occur in 2021. The cash balance on December 31, 2023 was $1,841 (US$109 million), $108 million more than the previous year on comparable bases after adjusting for the Senior Notes repurchases of US$7.5 million and the 12.7% appreciation of the Mexican peso against the US dollar since 65% of the cash is invested in dollars.

To December 31, 2023, 2023 and 2021, financial debt was integrated as follows (interest rates in force to December 31, 2023 – 2021, respectively):

USD (Thousands)	2023	2022	2021
"*Senior Notes 2027*" step-up rate of 4% to 8%	6,297,640	7,343,598	7,951,884
MXN (Thousands)			
Loan at annual fixed rate 9.175%	100,533	133,794	156,747
	6,398,173	**7,477,392**	**8,108,631**
Minus			
Long-term maturities	100,533	33,830	(23,521)
Long-term debt	**6,297,640**	**7,443,562**	**8,085,110**

As of December 31, 2023, 100% of the Company's debt was at a fixed rate. Its nominal weighted interest rate with withholding taxes was 5.3% in US Dollars.

The long-term debt maturity dates to December 31, 2023, are as follows:

To pay during	Thousands of dollars	Equivalent in Thousands of Mexican pesos
2027	US$385,700	6,515,823
Less - debt issuance costs		(218,183)
		$6,297,640

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

Senior Notes

As of December 31, 2023, the balance of Senior Notes due in December 2027 was US$385,700,000 after the repurchase of (open market repurchases) US$7,535,022 during the tax year.

At the end of 2021, we successfully concluded our debt restructuring, by exchanging the 2022 Senior Notes, for new notes due in 2027 in an amount of USD$393,235,022 (including a premium payable in capital). The latter through a complex agreement established with a previous note-holder representative group, which was later offered to the rest of the bondholders and binding through a judicial procedure called "prepackaged Chapter 11", brought before the United States courts. On June 30, 2022, US$26,850,570 of Senior Notes due in 2027 were subscribed by holders who made a trade request before June 14. In turn, a partial cancellation in the amount of US$5,346,298 of Non-Qualified Holders was made as a consequence of the rules established in the restructuring process. With these actions, the restructuring was concluded.

As background, on June 30, 2015, the Company issued debt for US$350 million dollars in notes known as "2022 Senior Notes" by way of the Luxemburg Securities Exchange. The intention was to substitute the US$310 million dollars issue known as "2017 Senior Notes" that the Issuer held to December 31, 2014, and for which US$1,060 dollars were offered for each thousand dollars of the prior issue. As a result of the offer, it was possible to repurchase US$271.7 million dollars of "2017 Senior Notes" equivalent to 87.63% of the principal amount. The "2022 Senior Notes" accrue 7.875% annual interest with a principal due date of June 30, 2022. The interest is payable bi-annually starting on December 30, 2015. It is necessary to remember that in May 2016, a $50 million dollar reopening was carried out on the same 2015 issue terms and conditions.

On February 20, 2019, pursuant to the contract ("Indenture") of the 7.875% Senior Notes Due 2022, the Company announced to the market through the BMV, a Cash Purchase Offer 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 contained in the selfsame trust contract. Said trust considered five hotel projects and estimated its duration would be approximately 12 months. To the issuance date of this annual report, the trust had been extinguished after fulfilling its purpose.

Principal restrictions and negative covenants stipulated in debt contracts to December 31, 2023:

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

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

The Indenture imposes the 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, 2023)	Grupo Posadas & Guarantors			Consolidated		
	2023	2022	2021	2023	2022	2021
Total Revenues	8,918	8,826	7,258	9,209	9,078	7,407
Impairment, depreciation and amort.	928,740	854,336	864	958,563	884,712	897
Leases	22,633	14,482	(242)	22,633	14,482	(242)
(Net Loss)	994,030	211,321	48	1,017.9	222,740	58
Total Assets	17,685	17,367	17,645	18,249	17,949	18,244
Total Liabilities	15,846	16,511	17,030	15,982	16,694	17,232

Chain supply (factoring credit lines)

As of December 31, 2023, the Company had lines contracted with Banca Mifel, S.A. up to $100 M, currently of $75 M with collateral of 1.0x, and with BBVA, S.A. $50 M without collateral, and with Monex S.A. in the amount of $30,000 without collateral. The purpose of the credit lines 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 drawn at 80%.

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 refurbishment of hotel public areas. On January 23, 2018, the Company prepaid $10 M, reducing the unpaid balance to $200 M. As of December 31, 2019, and December 31, 2020, the outstanding balance amounted to $165 M and $159 M, respectively. On August 27, 2020, the second amended agreement was signed by which the bank granted a grace period to defer the payment of interest and principal for 12 months beginning in April 2020.

The third amended agreement to the modified and restated contract, dated April 23, 2021, establishes quarterly interest to be paid quarterly until April 23, 2022, and on this same date principal payment will resume on a monthly basis beginning with the amount of $2,458. In 2022, the subsidiary made payments of $30 M corresponding to interest and principal. In 2023, the subsidiary made payments of $45 M corresponding to interest and principal. The outstanding balance as of December 2023 amounted to $101 million.

Amongst the main affirmative covenants of this loan are those inherent to a loan contract, such as compliance with financial indexes and delivery of quarterly and annual financial information. Regarding the applicable negative covenants, these 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 guaranteed 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 had imposed on the accommodation and tourism sector. The amount of the funds received was used mainly for payment of the eighth out of ten annual payments that are part of the agreement with the Tax Administration Service (SAT) in 2017. The remaining amount will be used to finance expenses related to this transaction, taxes, and other corporate purposes. This loan was paid in advance in the month of October 2021.

Sale of assets.

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

a) The Nuevo Vallarta land lot was sold in early 2020.
b) The Fiesta Americana Hacienda Galindo Hotel with 168 rooms, underwent a staged remodeling in 2017, due to the execution of a lease agreement by the Company. At that time, a purchase and sale agreement were entered into subject to various conditions, which was formalized and paid in March 2021. The price was a multiple of 10.06 times EBITDA of the

hotel during the 2019 tax year, minus investments and rents. The Company currently manages said hotel under an operating agreement.

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

Without representing a sale of assets for liquidity purposes, in 2022 the Company transferred the land lot it had in Acapulco Diamante to a co-investment vehicle, as the consideration for the receipt of trust rights of 28 apartments that will be located in said complex. These apartments will be used as inventory for the Company's Vacation Products.

During 2022 and 2023, no assets were sold for liquidity purposes. For prior years' sales, refer to the audited financial statements attached hereto.

Derivatives The Company monitors and has occasionally participated in the derivatives market, using these instruments as an economic hedge for its debt. As of December 31, 2023, the company did not have any financial instrument contracted.

The Company occasionally uses derivative financial instruments by relating hedges to debt incurred. The derivative financial instruments which have been used are those involving the exchange of principal and interest from one currency to another (CCS) and instruments to fix variable debt interest rates (IRS). The preceding is for economic hedging purposes. To date, the Company does not have any of these instruments contracted.

The reference or underlying variables of derivative financial instruments applicable to Cross Currency Swaps (CCS) held by the Issuer may be subject to market, loan and operation risks that may result in unexpected and material losses. A fall in asset valuation, an unanticipated financing event or unforeseen circumstances causing a correlation of factors that were previously uncorrelated, may cause losses resulting from risks inappropriately unaccounted for when a derivative financial instrument was structured and traded. Some of these factors are the exchange rate ("FX"), Libor rate changes represented in basis points ("pbs"), changes in Spread or Basis pbs and changes in the TIIE rate represented in pbs. Currently, the notional value of these instruments has been considerably reduced and the hedge by these instruments is maintained, and the depreciation corresponding to monthly markets valuations are recorded in the integrated net profit and loss statement of savings corresponding to monthly flow exchanges for each coupon in pesos and dollars as part of the Comprehensive Financial Result ("RIF", due to its initials in Spanish). For greater detail please see section: *3) Financial Information, ii) Financial Situation, Liquidity and Capital Resources, Derivative Financial Instruments.*

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

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

At the close of tax year 2023, approximately 65% of our cash was denominated in dollars, with a cash balance as of December 31, 2023, of $1,939 million of which $184.9 million were restricted cash.

Capital Expenses. At the close of December 2023, capital expenses amounted to $339 million; of which 66% was allocated to hotel remodeling and maintenance, 16% to vacation products and 18% for corporate use and technology.

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

Balance Account Changes. For the 2023, 2022 and 2021 corporate years, the company is recognizing the adoption of IFRS which principally affects the items of fixed assets, credit risks, Vacation Properties reserves and deferred taxes, amongst others. For greater detail consult the Audited Financial Statements in the Attachment.

Off-the-Books operations. As of December 31, 2023, the Company had not carried out any material operation that was not recorded in the Audited Financial Statements.

iii) Internal Control

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

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

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

Annually, the Internal Audit Division, under the Chief Executive Officer, proposes to the Audit Committee the annual internal audit plan, whose quarterly progress and findings are presented to said Committee. Notwithstanding, the Audit Division participates in carrying out unscheduled 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 Company operations, so that they comply with the IFRS. These mechanisms, guidelines and criteria are continuously subject to auditing by the external auditor of the Company, which may be pointed out and discussed by the latter, at least quarterly in the Audit Committee sessions.

e) Critical accounting judgments and key sources of estimation uncertainty

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

The critical accounting opinions and key uncertainty sources upon applying the estimates made to the date of the consolidated financial statements December 31, 2023, are:

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

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

ii. 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 transferring control over real property to membership buyers which have an effect on revenue recognition.

   For the FAVC 25th Edition membership, deferred revenue must be recognized considering that the points awarded create a performance obligation.

iii. Classification criteria of the Entity's operating segments
   The Entity classifies its businesses into four operating segments, based on internal reports prepared pursuant to a managerial approach.

iv. 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.

v. The discount rates and terms of the hotels leased by the Entity
The Entity values leased assets and defines which are low-value. Those which are subject to recording of use rights are analyzed to determine contractual terms, renewal possibilities based on economic benefits, committed payment projections and the discount rates used for each asset type to determine the amount to be recorded.

vi. The allowance for doubtful accounts and returns related to Vacation Club.
Estimates are used to determine 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.

Documented receivables for the operation of Vacation Properties - As of December 31, 2023, the refund reserve for Vacation Properties according to IFRS amounts to $268.5 M.

vii. 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, taking into account the expected Kívac collection, which is the trigger that entitles the purchasers to use the hospitality service of this product.

viii. Long term asset impairment

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

ix. 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.

x. 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 proceeding at the date of the estimate and the opinion of legal advisers; said evaluations are periodically reviewed.

xi. The useful life and residual value of properties and equipment
The Entity uses independent appraisers to estimate the useful life and the residual value of its assets, which considers the useful life according to engineering studies and construction costs and components (foundations, electrical, hydro sanitary and air conditioning installations).

4) ADMINISTRATION

a) External Auditors

Since 2002 to 2023, Galaz, Yamazaki, Ruiz Urquiza, S.C., a member firm of Deloitte Touche Tohmatsu Limited, has conducted the independent audit. However, according to the regulations of both the National Banking and Securities Commission and the rules of the external auditor, the auditing partner responsible for the external audit work rotates every 5 years.

During the last sixteen corporate years, the Company's financial statements have not been subject to qualification or negative opinion by the external auditors, nor have said auditors refrained from issuing an opinion. For the 2020 and 2023 tax years, the auditor has included in its audit an emphasis paragraph regarding the COVID 19 pandemic effects, the 2027 Senior Notes Issue and early redemption of 2022 Senior Notes.

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

In October 2021, the external audit firm Galaz, Yamazaki, Ruiz Urquiza, S.C. informed the Company that C.P.A. Carlos M. Pantoja Flores decided, for personal reasons, to retire from the firm. In substitution, the firm appointed Carlos Torres Villagomez to take over the external audit of the company's consolidated financial statements as of December 31, 2021, as Independent External Auditor. This substitution was previously assessed by the Audit Committee and approved by the Board of Directors. In 2022, the Board of Directors approved the hiring of said firm as external audit firm for tax years 2022, 2023 and 2024, subject each year to the quality and compliance assessment concerning statutory personal, professional and independence requirements.

During the 2013 corporate year, the Audit Committee directed the selection process for the legal entity that provides the Company's external audit services by way of a quantitative and qualitative evaluation process of the four principal auditing firms in Mexico. The preceding to make a recommendation to the Board of Directors regarding the hiring of the legal entity that would provide external audit services. Due to the entry into force of the new applicable circular, the Company has followed the evaluation processes of the different personal, professional, quality control and independence aspects amongst others so as to evaluate and recommend to the Board the contracting of external auditor services. This included the fee proposal, as well as the amount of the services to be provided by said firm under the concept of permitted services un-related to audits, and which, based on internal rules, could not exceed 30% of the total auditing fees agreed with said firm. During the corporate year ending on December 31, 2023, represented approximately 23% of the professional fees approved by the Board under the concept of auditing services.

The additional or complementary services provided by Galaz, Yamazaki, Ruiz Urquiza, S.C. during the 2022 corporate year included: (i) transfer price analysis regarding Grupo Posadas' subsidiaries and (ii) attestation of reasonable compliance with liabilities due to the IMSS, INFONAVIT and local property taxes, iii) environmental, social and governance (ESG) advisory services, considering that in the opinion of the Audit Committee that the contracting of said services did not affect the independence of the external auditor as related to the auditing of the Company's financial statements.

b) Related Party Transactions and Conflicts of Interest

In the normal course of its activities, the Company has entered into commercial and financial transactions with its subsidiaries and a good number of entities where it has a shareholding participation, whether or not it has material influence. Regarding the latter, the most relevant transactions refer to loans, joint guarantees, current account contracts, consultancy, leasing, rendering of services, purchase and sale of shares, assets, inter-company loans, merger of Company subsidiaries, diverse operations to administratively simplify the corporate and subsidiary structure, and hotel management operation contracts, and/or licenses to use brands which it may have signed for managing hotel properties of Inmobiliaria del Sudeste. The Company intends to continue a 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 2023 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 could 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 2023, 2022 and 2021 in the Audit of the Independent Auditors which is found in Attachment. For further detail regarding payments to Material Directors, please see note 19 of the Audited Financial Statements attached hereto.

The Corporate Practices Committee informed the Board of Directors of the Issuer that it had information regarding specific operations between the Company's subsidiaries or between the Company's subsidiaries and the Company which were ordinary or customary for the business. The above operations were considered to have been concluded at market price; and operations with related parties consisting of the supply of pastry and bakery products, rendering hotel consultancy and advisory services, systems and marketing consulting services, legal advisory services, rendering operating and reception and trademark licensing services to hotels located in Monterrey, Saltillo, Queretaro, and Mexicali; subleasing of premises in the Fiesta Americana Guadalajara hotel and another in the Fiesta Americana Reforma hotel, acquiring gifts for hotel owners, directors and some third parties, acquiring hotel signposting fixtures, acquiring of chip bracelets to open certain hotel doors, acquiring promotional gifts for vacation club clients, as to which the committee issued a favorable opinion. In addition, transactions were entered into with related parties as customers, which are considered to have been justified and considered reasonable and market transactions.

c) Management and Shareholders

Board of Directors

According to the Company corporate by-laws, the Company's management is the responsibility of the 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. As of this date, independent directors represent 33% of the board of directors. 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 March 28, 2023, is composed of 9 permanent directors and 2 alternate directors which are listed hereinbelow, and the Board members for the current tax year were ratified at the meeting held on April 18, 2023:

Members of the Board of Directors:

Member	Age	Occupation	Appointment Date
Pablo Azcárraga Andrade	65	Chairman of the Board of Directors of Grupo Posadas	29-Apr-97
Enrique Azcárraga Andrade	59	Director General, EXIO, S.C.	31-May-91
José Carlos Azcárraga Andrade	58	Chief Executive Officer of Grupo Posadas	30-Apr-08
Juan Servitje Curzio	66	Chairman of the Board of Directors of Productos Rich S.A. de C.V.	30-Apr-12
Guillermo García-Naranjo Álvarez*	67	Independent Consultant	20-Feb-19
Silvia Sisset de Guadalupe Harp Calderoni	52	Private Investor	05-Apr-10
Carlos Levy Covarrubias	62	Private Investor	27-Apr-06
Luis Alfonso Nicolau Gutiérrez*	62	Independent Consultant	30-Apr-12
Benjamín Clariond Reyes-Retana*	75	Independent Consultant	27-Mar-13

*Independent Director

Pablo Azcarraga Andrade
Mr. Azcarraga holds an accounting degree from Universidad Anahuac, a Master's Degree in Professional Studies from Cornell University in New York, and a graduate of Advanced Management from Harvard University Business School. 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 has been a member of the board of directors of Posadas since 1997; he was the president of the Tourism Business Council (CNET) for 10 years, a leading entity in the tourism sector. He is director of the consultancy firm PPA Consulting, S.C., president of the Association of Hotels and Tourism Companies Investors (AIHET), member of the Mexican Business Council and he is currently the president 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. He has been a member of the board of directors of Posadas since 1991 and he is currently the president of the planning and finance executive committee, an auxiliary entity of the board of directors.

Jose Carlos Azcarraga Andrade

Mr. Azcarraga is an industrial engineer from the Universidad Anahuac, with a Master's Degree in Business Administration from Northwestern University J. L. Kellogg. He has held various positions in the Company, such as Commercial and Marketing Director, Real Estate Development Director, Director of Vacation Properties and since November 11, 2011, he is General Director "CEO" of Grupo Posadas, S.A.B de C.V. Likewise, He has been a member of the board of directors of Grupo Posadas since 2008, a member of the National Tourism Business Council (CNET), of the board of directors of the American Resort Development Association (ARDA), and since 2019 president of the Communication Council "Voz de las Empresas".

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 a member of the board of directors of Rich Products Corporation for several subsidiaries in Latin America and Europe, member of the board of Grupo FRIALSA (the leading company in Mexico in temperature-controlled storage and distribution). Likewise, he participates in various non-profit organizations such as ENACTUS Mexico and as director of other foundations. He has been a member of Posadas' board of directors since 2012.

Guillermo García-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 for almost 40 years, holding different positions until he became Partner General Director, which he held from 2001 to September 30, 2016, during said period, he was also a member of the International Board of KPMG and of KPMG Americas. He is also a director of various companies such as Televisa and Citi Banamex, among others. He is an independent Director of Posadas since 2019 and he is currently the president of the Audit committee, and member of the corporate practices committee.

Silvia Sisset de Guadalupe Harp Calderoni

Ms. Harp holds a Public Accounting degree from the ITAM. He worked at Robert's and Philanthropy, Education and Culture, 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. She has been a member of Posadas' board of directors since 2010.

Carlos Felipe 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. He was the Chairman of the Mexican Association of Securities Brokers from 2003 through 2005. He has been a member of Posadas' board of directors since 2006, and he is currently a member of its planning and finance executive committee.

Luis Alfonso Nicolau Gutierrez

Mr. Nicolau is a law graduate of the Escuela Libre de Derecho and holds a Master's Degree in Law from Columbia University (Fullbright Scholar). Since 1999 he is a partner of the law firm Ritch, Mueller, Heather y Nicolau, S.C. He is a member of the Board of Directors of Coca-Cola FEMSA, Grupo Coppel, GCC, Gentera and Becle (Cuervo), member of the Investment committee of Promotora Social Mexico, A.C. He is the author of diverse securities market, corporate governance, mergers and acquisitions publications. He is an independent Director of Posadas since 2012 and he is currently the chairman of the corporate practices committee and a member of the audit committee.

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. 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. He is a member of the board of directors of Banco Invex and has been an independent director of Posadas since 2013 serving as a member of the audit and corporate practices committees.

Furthermore, the Ordinary General Shareholders Meeting of Grupo Posadas, S.A.B. de C.V of April 18, 2024, 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.

Charbel Christian Francisco Harp Calderoni

Mr. Harp holds a degree in business administration from the Universidad Anahuac del Sur. From 2001 to 2005 he was marketing manager for the Diablos Rojos baseball team of Mexico. In 2007 he founded and served as president of Santo Domingo Animation, an animation production company. He is a member of the board of directors of Interceramic and Grupo Marti. Since 2006 he is a member of the board of directors of Posadas.

Alfredo de Jesus Loera Fernandez

Mr. Loera holds a degree in Economics from the ITAM. In the company Acciones y Valores de Mexico, an entity of which he was a partner in 1984, he was a stock market analyst, analysis director and deputy general manager. He was director of asset management at Banacci and then at Citi Banamex until 2012. He is currently a director of several companies, such as Procorp, Grupo Marti and Posadas and is involved in venture capital investment projects. He has been a member of Posadas board of directors since 2010.

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, shareholder of the company. Silvia Sisset of Guadalupe Harp Calderoni and Charbel Christian Francisco Harp Calderoni are siblings.

The Company benefits from the experience and exposure of its directors in various business and professional activities other than those of the Company, allowing to keep current on trends and practices used in other companies, going beyond a specialized advisory service.

The majority of the members of the Board of Directors must be Mexican. The minority shareholders holding 10% of the corporate capital are also entitled to appoint a director and their corresponding alternate and are entitled to request a shareholder meeting and to include points for discussion points on the order of business. As of this date, no shareholder or group of minority shareholders have requested to exercise said right. The directors shall continue in their positions, although their appointed term has concluded or if they have resigned from the position, for term of up to thirty calendar days in the absence of their alternate's appointment or if the latter does not take possession of their position, thus Article 154 of the General Law of Business Corporations are inapplicable. Should this be the case, the Board may appoint temporary directors without the approval of the shareholders meeting.

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

The Company's corporate by-laws provide that the Board of Directors shall convene at least once every three months, and that the Chairman of the Board, 25% of the directors, the Secretary or the Vice-Secretary, the

Chairman of the Audit Committee or the Chairman of the Corporate Practices Committee may call for a Board meeting.

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

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

- approving the Company's general business strategy;
- approving, after hearing the Audit Committee or the Corporate Practices Committee's opinion, as applicable case: (i) operations with related parties, subject to determined exceptions, (ii) the appointment of the Chief Executive Officer or Chairman, their remunerations and removal, for justifiable cause, (iii) the guidelines for the integral remuneration of the relevant executive officers, (iv) the Company and its subsidiaries' financial statements, (v) unusual or non-recurring operations and any operation or series of operations in the same corporate year which involve (a) the purchase or sale of assets in an amount equal to or greater than 2.5% of the Company's consolidated assets, or (b) the granting of guarantees or undertaking of liabilities in an amount equal to or greater than 2.5% of the Company's consolidated assets, (vi the agreements entered into with external auditors, and (vii) accounting policies;
- establishing special committees and determining their powers and authority, in the understanding that the Board of Directors may not delegate to any said committee the powers expressly reserved, in accordance with the law, to the Company's shareholders or Board;
- determining matters related to the change in control clause provided for in the corporate by-laws.

Duties of Due Diligence and Loyalty

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

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

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

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

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

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

Remuneration of Directors

The Ordinary General Shareholders Meeting of Grupo Posadas, S.A.B. de C.V., held on April 18, 2024, resolved to remunerate with the equivalent of two *centenarios* for attendance and participation by the directors, secretary, and vice-secretary at the board of directors' sessions and the audit and corporate practices committees. The audit and corporate practices committee chairpersons will be remunerated by the equivalent of three *centenarios* for each session of said committees in which they participate.

In addition, permanent directors and alternates are beneficiaries, in accordance with the current Related Persons Policy, of the directors' Omnia program consisting of receiving a number of room-nights and other discounts on different services offered at the chain hotels.

Executive Committee on Planning and Finance

In keeping with the Company's corporate by-laws, an Executive Committee on Planning and Finance exists, composed of a minimum of 3 and a maximum of 5 permanent members, who may have alternates. Members of the committee may or may not be directors. The Executive Committee on Planning and Finance is elected by the Board of Directors and its members hold their positions for a one-year term; however, they continue in their positions until the persons appointed to substitute them takes office. The Executive Committee on Planning and Finance 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 as representative of the Company when the Board of Directors so decides. Executive Committee on Planning and Finance 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 18, 2024, and the remaining members will be submitted for designation by the Board of Directors in its session of April 24, 2024. The Chairman of the Audit Committee is appointed by the Company's shareholders meeting and the other members by the Board of Directors.

At present, the Corporate Practices Committee is composed of three members: Luis Alfonso Nicolau Gutierrez (appointed by the Shareholders Meeting held on April 5, 2022), as Chairman, Guillermo Garcia-Naranjo Alvarez and Benjamin Clariond Reyes-Retana, were ratified as members of this committee at the Board of Directors meeting of April 24, 2024. The Chairman of the Corporate Practices Committee is appointed by the Company's shareholders meeting, and the remaining members by the Board of Directors.

In the opinion of the Board, each committee has at least one financial expert.

The Audit Committee and the Corporate Practices Committee are responsible for, amongst other matters and within their jurisdiction per the terms of the Securities Exchange Law, (i) supervising the performance 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 internal control systems, (iv) requesting reports from the members and material directors whenever they deem it necessary, (v) informing the board of directors of all irregularities of which they have knowledge, (vi) receiving and analyzing the comments and observations formulated by the shareholders, members of the board, relevant directors, third parties or external auditors, and carrying out, in their opinion, the pertinent actions related to said comments, as well as complying with determined obligations related to the designation, contracting, quality evaluation, independence, requisites, observations, communications, etc. of the external auditing firm, (vii) calling shareholders meetings, (viii) evaluating the performance of the Chief Executive Officer or Chairman, and the members of the executive management committee in their capacity as relevant executives, as well as to determine the comprehensive remuneration and policies corresponding to this group of officers, (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. Said annual report shall comprise, at least: (i) the status of the internal control and internal audit system and, if applicable, the descriptions of its deficiencies and deviations, as well as the aspects requiring improvements, taking into consideration the opinions, reports, communiques and the external audit report, as well as the reports issued by independent experts; (ii) report and monitor prevention and corrective measures implemented based on investigative results related to breaches of the Company's operating and accounting registration guidelines and policies; (iii) a performance assessment of the legal entity rendering the external audit services, as well as of the external auditor in charge of the same, the quality of the external auditors' report, and of the observation made to the fundamental auditing procedures, the internal controls and other material comments formulated by the external auditor; (iv) the description and evaluation of the additional or complementary services, if applicable, provided by the legal entity entrusted with carrying out the external audit, as well as those rendered by the independent experts, the evaluation of the independence requisites, and the measures implemented to guarantee the independence of the auditing firm, the external auditor and their work team; (v) material results of the review of the financial statements of the Company and its subsidiaries, (vi) the description and effects of modifications of accounting policies; (vii) the measures adopted due to material observations formulated by shareholders, members, material directors, employees and, in general, by any third party, regarding accounting, internal controls, and matters related to external or internal audits, or derived from the accusations made of non-conforming administrative conduct; and (viii) the follow-up of the resolutions resulting from the shareholders' and Board of Directors' meetings.

The Chairman of the Corporate Practices Committee shall prepare an annual report of the activities of said body and present it to the board of directors. Said annual report shall comprise, at least: (i) observations regarding the performance of the material directors; (ii) transactions executed with related parties, specifying the details of important and material operations; (iii) remunerations of the members of the board and material directors, (iv) exemptions granted by the Board of Directors pursuant to the terms stipulated in article 28, (3), subsection f of the Securities Exchange Law.

Principal Officers

A brief biographical summary of the principal officers is herein as follows:

Name	Age	Current Position	Years with the Company
Jose Carlos Azcarraga Andrade	58	Director General of Grupo Posadas	30
Javier Barrera Segura	61	Vice President Strategy, Alliances and Human Capital	35
Arturo Martínez del Campo Saucedo	57	Vice President Administration and Finance	9
Enrique Calderon Fernandez	57	Upscale & Luxury Hotels	17
Gerardo Rioseco Orihuela	60	Loyalty Vicepresident	24
Alejandro Recamier Flores	43	Director of Loyalty Products and Programs	13
Adrian Correa Perez	49	Midscale & Economy Hotels Division	22
José Jaime Lorenzo Doria	47	Commercial Management Hotel Business	15
Mauricio Elizondo Martínez de la Vega	44	Development Division	20

Javier Barrera Segura

Mr. Barrera holds a degree in Economics from the ITAM and a master's degree in business administration from Tulane University. For more than 20 years, he has held important positions in the Company. Before becoming Vice-President of Posadas´ Franchising. Mr. Barrera was responsible for designing and launching the Fiesta Americana Vacation Club business and he was also Marketing Director. In 1986, he was granted the National Economics Award.

Arturo Martinez del Campo Saucedo

Mr. Martinez del Campo is an Industrial Engineering graduate from the Universidad Iberoamericana with a master's degree in administration from the University of California. He joined Grupo Posadas, S.A.B. de C.V. on February 2, 2015. He obtained broad experience in Grupo Financiero Banamex – Citigroup; he held the following positions: Mexico Cost Management Head, Financial Planning Corporate Banking and Treasury (Mexico / Latam), Chief Financial and Administrative Officer at Credito Familiar and Chief Financial Officer at Avantel / Banamex Citigroup, among others.

Enrique Calderon Fernandez

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

Gerardo Rioseco Orihuela

Mr. Rioseco is an Industrial Engineering graduate from the Universidad Anahuac del Sur. With prior experience in the finance and tourism sectors, he joined the Company in 1999 participating in the launch of Fiesta Americana Vacation Club as Project Director in Los Cabos. From 2002 on, he is the Commercial Director of FAVC and subsequently Vacation Properties Vice-President. In November 2011, he was appointed Vice-President of Vacation Properties. He is Vice-President of the Mexican Association of Tourism Developers (AMDETOUR) and a board member of the American Resort Development Association (ARDA).

Alejandro Recamier Flores

Holds an Economics degree with a master's degree in business administration from ITAM. He has more than 10 years of experience in the tourism sector. Since 2010, he has held management positions in the Posadas Vacation Properties division, actively participating in developing products such as Kivac, Access Fiesta Rewards, amongst others

Adrian Correa Perez

Holds a degree in Administration, graduated from the Universidad del Nuevo Mundo, joined the company in 2001 in the Commercial area, holding various positions in the area of Key Accounts, Sales Divisions in Urban hotels and Resorts, Regional Sales Director for the Central- Zone. Bajio and Central Zone, Sales Director for Fiesta Inn, Gamma and One Hotels and Sales Director for Urban hotels and Resorts. Subsequently, in the Operations area, he held various positions such as Operations Director and General Director of the Fiesta Americana Reforma hotel, Western Region Operations Director, Operations Director of the Fiesta Inn, Gamma and One brands. In October 2020, he was appointed Director of Midscale and Economy Hotels.

Jose Jaime Lorenzo Doria

A Chemical Engineer from the Universidad Iberoamericana with a master's degree in Process Optimization from Imperial College. In 2008, he joined Posadas as Director of Commercial Competitiveness, from then on, he has held various positions such as Director of Strategic Planning, and Director of Distribution and CRM.

Mauricio Elizondo Martínez de la Vega

An Industrial Engineer graduated from the Universidad Iberoamericana and with a master's degree in upper-level business management, he joined Posadas in December 2003 after having worked for a few years in banking. Within the group, he has held various management positions in areas such as revenue management, distribution, and vacation properties, and has more than 17 years of experience in the hospitality sector.

Remuneration of Executive Committee (Management) members and Principal Officers

Policies on the comprehensive remuneration of the Executive Committee members are defined by the Board of Directors based on the review and opinion of the Corporate Practices Committee.

The total amount represented by all benefits of any kind received in 2023 were:

(i) Directors: $6 mdp, due to their capacity as members of the Board of Directors of the Company (this amount does not consider the remuneration given to the Director General as material director).

(ii) Executive Management Committee (material directors) due to their employment relationship with the Company: $129 million.

(iii) Related party transactions: The total amount of expenses corresponding to related party transactions is divided into two types:

a. Relationships in which the Company is a supplier of goods, services or lessor: $31 mdp, which include trademark licensing and operation contracts for hotels located in Monterrey, Saltillo, Queretaro, Tijuana and Mexicali and leases of premises at the Fiesta Americana Guadalajara hotel and another at the Fiesta Americana Reforma hotel.

b. Relationships in which the Company is the recipient or client of goods, services or lessee: $104 mdp, which includes hospitality advisory and consultancy services, receipt of lodging in hotels located in Monterrey, Saltillo, Queretaro, Tijuana and Mexicali for our loyalty products and vacation programs for employees, system consulting and marketing services related to activities, innovative processes and trends involving technology that the client has or is offered in the market by third parties operated by Tripp Ventures by Poshmash, the contracting of a box at a baseball stadium in Mexico City for promotional campaigns and benefits for customers of loyalty and vacation programs, gifts for hotel owners, bracelets with chip to open the doors of certain hotels, staff training services, confectionery and bakery products, legal advisory services, promotional gifts for loyalty program customers and vacation products supply.

The Company has established an Executive Committee retirement and pension plan which to December 31, 2023, reports a total accumulated reserve of $65.6 million.

Currently, none of the relevant management remuneration policies or retention plans for directors provide for direct or indirect shareholding in the Company's share capital.

In accordance with our Related Party Guidelines policy, the benefits for board members and shareholders holding more than one million shares of the issuer are: room nights, discounts on food and beverages, spa discounts, room upgrades, second room discounts, early check in, late check out, discounts on banquets and conventions, airport-hotel transportation, among others. These and other benefits are consolidated in a Company program called "Omnia". In addition, there are certain labor benefits regarding the use of room night and hotel consumption.

In order to give greater and timely follow-up to some of the duties of the Director General, good practices include the generation of support committees, and the Company has the following:

Personal Information Committee

Objective: To regulate the management, organization. and development of the Personal Information Protection Committee, its sessions, the powers of its members and monitoring of agreements, reports and proposals approved by the same, according to the continuous and sustained improvement corresponding to protection of personal information, in accordance with the provisions of the relative and applicable regulations.

The Personal Information Committee is the highest authority responsible for instructing, coordinating, and supervising the necessary actions, as well as establishing the bases, principles and procedures to guarantee the right of every person to the protection of their personal information held by third parties, in order to comply with the applicable provisions. The Committee meets quarterly (three times a year).

Members:

- Chairman: Compliance Officer
- Secretary and 12 members belonging to the different business units:
    - Legal
    - Information Security
    - Projects
    - Infrastructure
    - Policies and Procedures
    - Human Capital Business Partner
    - Club Operations and Senior Management of the Konexo business unit
    - Learning
    - Internal Communication
    - Material resources
    - Collection
    - Personnel administration
    - Operations Call Center Conectum

- Talent Attraction
- Service area

Vulnerable Activities Committee

Objective: To establish general guidelines and procedures for the fulfillment of the obligations set forth in the Federal Law for the Prevention and Identification of Operations with the Proceeds of Unlawful Activity hereinafter (LFPIORPI), regarding activities classified as vulnerable carried out by Grupo Posadas. The committee meets biannually in June and December

Members:

1. Director General Grupo Posadas
2. Chairman: Director of Administration
3. Compliance Officer
4. Secretary
5. Members:
    1. Legal
    2. Tax
    3. Audit
    4. Director Comptroller
    5. Director of Loyalty Products and Programs
    6. Assistant Director Fiesta Rewards
    7. Director of Administrative Control
    8. Director of Hotel Administration
    9. Director of Fundacion Posadas
    10. Director of Investor Relations, Real Estate and Treasury
    11. Director of Konexo
    12. Director of Conectum

Diversity and Inclusion Committee

Objective: To establish and align short, medium and long term strategy on inclusion and diversity issues, as well as to integrate it into our Posadas culture. This committee meets on biannually.

Members:

- Chairman: Director General of Grupo Posadas
- Vicepresident of Strategy and Human Capital,
- Upscale & Luxury Hotels,
- Corporate Legal Director
- Director of Products, Generation and Innovation
- Director of Konexo
- Director of Brands, Quality and Standards
- Assistant Director of Business Unit
- Two General Hotel Managers
- Internal Communication Manager
- Committee Coordinators: Director of Human Capital and Organizational Culture Manager

Environmental, Social and Corporate Governance Committee (ESG)

Objective: To generate an integration of environmental, social and governance sustainability criteria strategy at all organizational levels and ensure compliance with public commitments in ESG matters and the main challenges of the 2030 Agenda. This committee meets on a quarterly basis.

Members:

In 2023 and to the present, we are working on a project defining relevant topics of interest groups, their metrics under the GRI and SASB methodology to generate a sustainability report. Therefore, the new committee structure is in the validation and approval process**.**

Ethics and Conduct Committee

The objectives of the Ethics and Conduct Committee are to promote a responsible and ethical environment, respect and application of the Code of Ethics and Conduct in the institution, guidance on its content and the correction or penalization of any conduct or omissions that violates the Code.

The Committee customarily meets every quarter in the months of January, May, August and December, on dates established by the Chairman. If the President or secretary deem it appropriate, it may meet in an extraordinary manner.

Members with voice and vote:

- Chairman: Director General of Grupo Posadas (with voice and deciding vote)
- Secretary Director of Human Capital
- Members: Vice President of Franchise Posadas
- Members: Director of Auditing
- Permanent Guest: Assistant Director of Labor Relations (with voice but without vote).

Development Committee

Objective: This committee reviews the new hotel projects to be operated by the Company, giving priority to adequate profitability measured by an internal return rate. This committee meets monthly. Without excluding specific guests to address the topics to be discussed in each session, the permanent members are the following:

Members:

- Chairman: General Manager of Grupo Posadas (with voice and deciding vote)
- Members of the Executive Committee: Administration and Finance, Strategy and Human Capital, Upscale & Luxury Hotel Operation, Loyalty, Midscale & Economy Hotel Operation and Development (with Voice and Vote)
- Permanent guests with voice but without vote: Opening Division, Legal Affairs Division and Operational Legal Division, Market Intelligence Assistant Division.
- Other guests depend on the agenda with voice but without vote.

Investments Committee

Objective: This committee reviews the capital investments made and to be made in the following years. Usually, the capital expenditure exercised in the last 12 months is detailed by area and the investments that should be made are proposed, giving priority to the aspects called "zero tolerance", as well as that the programmed investments have an adequate return measured by an internal rate of return. This committee meets quarterly in the month following the end of each quarter. Without excluding specific guests to address the topics to be discussed in each session, the permanent members are the following:

Members:

- Chairman: Director General of Grupo Posadas
- Members of the Executive Committee: Management and Finance, Upscale & Luxury Hotel Operation, Loyalty, and Midscale & Economy Hotel Operation
- Director of Administration
- Director Administrative Control – Capex
- Director of Investor Relations, Real Estate and Treasury
- Director of Hotel Projects

Employment Inclusion

Diversity and a culture of inclusion are part of the company's strategic objectives, thus, at the end of 2021 the Diversity and Inclusion Committee was created. The Committee defined as priorities for 2022, the following aspects: disability, gender equality and LGBT+.

The issuer has no policy or program designed to promote employment inclusion without differentiation as to gender in the integration of its governmental bodies and the management executive committee; however, it is working on creating policies to achieve these goals amongst its employees at other levels.

At present, 89% of the permanent directors of the board are male and 100% of the alternate directors are men. 100% of the independent directors are men. Only 11% of the permanent directors are female (one director). While 100% of the material directors of the board are male.

Principal Shareholders

According to information obtained as of April 10, 2024, (date of the S.D. Indeval S.A. de C.V. report due to the ordinary general shareholders meeting held on April 18, 2024), 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. Morgan Stanley Smith Barney LLC (MSSB CLIENTS FULLY PAID SEG ACCT). We have no information that allows us to identify a "shareholder beneficiary" of this corporate capital holding.

b. A group of the members of the Azcarraga Andrade family are the holder of more than 10% of the equity of the Company. Said persons are: Maria Beatriz, Maria Cecilia, Maria Luisa, Pablo, Enrique, Jose Carlos Azcarraga Andrade, Mariana, Jeronimo, Pedro, and Xavier Azcarraga De Leschevin de Prevoisin, Joan Servitje Azcárraga, Nicolas Servitje Azcarraga, Fernanda Azcarraga Galas, Andres de Haro Azcarraga, Alvaro Azcarraga Fuentes. To the extent of the disclosure, each of them is beneficiary, in their portion, of beneficiary rights to the selfsame, therefore amongst them, a "shareholder beneficiary" cannot be identified.

(ii) Shareholders or group of shareholders with material influence, control over or power to control the Company:

a) A group of persons who are members of the Azcarraga Andrade Family may exercise material influence and power to control the Company, should they exercise their voting rights for the same purpose. Various family members or persons related to them, are material board directors and/or executive directors of the Issuer, amongst others, the Chairman of the Board of Directors, the Chief Executive Officer, and a director chairman of the Executive Planning and Finance Committee, a fourth director is related by kinship to members of the Andrade family.

(iii) Material directors and executives who hold more than 1% and less than 10%. At this date, we know that the group of people comprising: Pablo, Jose Carlos and Enrique Azcarraga Andrade hold in aggregate, directly or indirectly, approximately 5.5% of the Issuer's corporate capital. (This information corresponds to the information received up to before April 18, 2024, date of the Shareholders' Meeting, since the deadline for the delivery of this information in accordance with Article 49 bis 2 of the general provisions applicable to securities issuers and other participants of the securities market is still in force.

Code of Ethics and Conduct

The Company has a Code of Ethics and Conduct containing provisions on the duties of the Issuer's employees regarding the following aspects: Diversity and non-discrimination, bullying and harassment, respect and honesty, corruption, security, violence in the workplace, alcoholic beverages and drugs, respect for Company Assets, intellectual property rights, confidentiality and personal information, conflict of interest, among others.

Additionally, the company prepared an Integrity Policy, which complies with the provisions of the General Law of Administrative Responsibilities, thereby reinforcing our adherence to the guidelines established by the authority in the fight against corruption in the public and private sector.

Within the framework of complying with the National Code of Conduct promoted by the Ministry of Tourism, there was published an Interpretation Criteria of the National Code of Conduct regarding the prohibition of child labor, sexual and work exploitation, and human trafficking. The Company Hotels are bound to observe said Code and have implemented the measures contained therein.

d) Corporate By-laws and Other Agreements

The Board of Directors has the authority to determine the criteria for the compensation packages of the Chief Executive Officer and other material executives, and in legal terms, the power to approve policies and guidelines for the use and enjoyment of assets of Posadas, operations between related persons, amongst these, board members, executives or approval so that a relevant board member or director or a person with the power to control may take advantage of business opportunities to benefit themselves or in favor of third parties. Based on the above, the Board of Directors determined the operations policy with related parties that includes, amongst other aspects, benefits granted by the Company to shareholders, Directors and collaborators, guidelines to be observed to identify, authorize, control and report transactions/operations with related parties, how to treat and manage conflicts of interests as well as the policy for operations with shares of the Issuer.

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

To consider legally convened an ordinary general shareholders meeting at first call to meeting at least 50% of the ordinary Series "A" shares should be represented. Through second or subsequent calls, the Ordinary General Shareholders' Meeting shall be considered validly convened if any number of Series "A" shares are represented.

To consider legally convened an extraordinary general shareholder's meeting at first call at least 75% of the ordinary Series "A" shares should be represented. At second or subsequent calls, the Extraordinary General Shareholders' Meeting, in reference, shall be considered validly convened if at least 50% of the Series "A" shares are represented.

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

The members of the Board of Directors of the Issuer are elected by the favorable majority vote of the holders of Series "A" shares in circulation, present at an ordinary general shareholder's meeting. If the directors state to have a conflict of interest, then the resolutions are taken according to the principles established for such purpose by the Securities Exchange Law (abstain from being present, participating in the discussion and voting).

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

Minority Shareholder Rights

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

- The right of holders of at least 10% of the shares representing the Company's corporate capital to request that the chairperson of the Board of Directors or of the Audit Committee and of the Corporate Practices Committee to call a shareholders' meeting in which they have the right to vote.
- The right of holders of at least 5% of the shares representing the Company's corporate capital to bring, subject to satisfaction of certain legal requirements, an action to determine the liability of any director.
- The right of holders of at least 10% of the shares with the right to vote and represented in the respective shareholders' meeting to request postponement of the vote on any matter on which they believe they lack sufficient information.
- The right of holders of at least 20% of the shares representing the Company's corporate capital to bring, subject to meeting certain legal requirements, legal action challenging any resolution of the general meetings in which they have the right to vote,
- The right of holders, either individually or jointly representing at least 10% of the corporate capital, to appoint at least one director and their respective alternate director in the corresponding meetings.
- The issuer may not issue non-voting shares.

e) Other Corporate Governance Practices

In accordance with the Securities Exchange Law, the Corporate By-Laws and the decision of the Board of Directors, the Company has implemented diverse corporate government practices, including: 1. The establishment and operation of an Audit Committee and a Corporate Practices Committee that convene periodically. 2. The inclusion of independent members on its Board of Directors. 3. The Shareholder's Meeting establishing the feasibility of alternate Directors attending the sessions of the Board of Directors, at present, only two directors have designated alternate directors. 4. The holding of sessions by the Board of Directors convening at least once every three months to present the results of the immediately preceding quarter. 5. Moreover, the Issuer's information is available to the Directors. 6. The establishment and operation of a Planning and Finance Executive Committee which holds sessions periodically.

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

The Company has diverse guidelines and policies so that the Corporate Government of the selfsame becomes more efficient and professional. These are the Code of Ethics and Conduct, Internal Control and Audit Policies, Investment Policy, Issuer's Securities Operation Policy which is the responsibility of directors, officers and employees, the Issuer's Owned Shares Operation Policy which is the responsibility of the Issuer, the Company's Loans to Material Directors Policy and the Related Persons Policy, which were approved by the Board of Directors session after hearing the prior opinion of the Audit and Corporate Practices Committees, within the scope of their respective responsibilities. Furthermore, the Company has an Integrity Police, that complies with the stipulations of the General Law of Administrative Responsibilities, thus reinforcing our observance of anticorruption in the public and private guidelines set out by the authorities.

The Company established a Sustainability Committee, now ESG Committee, in order to define the socio-cultural, environmental and governance commitments, strategies and lines of action to be considered in the strategic planning and execution of Posadas' activities in the short, medium and long term, establishing homogeneous management principles, including the relationship with relevant interest groups. As well as the use of homogeneous methodologies to manage and monitor the sustainability strategy.

The ESG 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 medium trading according to the selfsame BMV's rating. Trading in series "A" shares has never been suspended by the regulatory authorities. As of February 28, 2013, only the Series "A" shares are traded.

b) Share performance on the Securities Market

Source: Bloomberg.

The past 5 years

POSADAS A	2019	2020	2021	2022	2023
Price Max.	40.00	38.00	29.75	30.35	28.55
Price Min.	35.50	20.00	20.50	26.00	24.00
Price at closing	38.00	21.30	29.75	28.50	27.30
Daily operated volume (Thousands of shares)	65.5	21.6	0.7	60.7	198.8

Quarterly, last 2 years

POSADAS A	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Price Max.	30.35	28.85	28.00	28.78	28.55	28.55	26.90	27.30
Price Min.	28.05	27.90	26.00	27.47	27.50	24.70	24.00	24.50
Price at closing	28.75	28.00	27.50	28.50	28.55	26.50	24.90	27.30
Daily operated volume (Thousands of shares)	111.5	2.6	104.9	2.3	24.0	40.6	498.9	169.6

Monthly, last 6 months

POSADAS A	nov-23	dec-23	jan-24	feb-24	mar-24	apr-24
Price Max.	26.70	27.30	27.30	28.00	29.50	28.91
Price Min.	25.80	24.50	24.25	25.80	28.00	28.91
Price at closing	25.80	27.30	25.80	28.00	28.91	28.91
Daily operated volume (Thousands of shares)	233.3	291.4	455.0	9.8	0.2	0.0

(*Information as of April 2024)

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. Jose Carlos Azcarraga Andrade	Chief Executive Officer	Grupo Posadas, S. A. B. de C. V.
Ing. Arturo Martinez del Campo Saucedo	Chief Financial Officer (Management and Finance Vice-President)	Grupo Posadas, S. A. B. de C. V.
Lic. Enrique Calderon Fernandez	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 Capital	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. Adrian Correa Perez	Midscale & Economy Director	Grupo Posadas, S. A. B. de C. V
Ing. Jose Jaime Lorenzo Doria	Hotel Business Commercial Director	Grupo Posadas, S. A. B. de C. V
Ing. Mauricio Elizondo Martinez de la Vega	Development Director	Grupo Posadas, S. A. B. de C. V
Dra. Olga Gutierrez Nevarez	Chief of Legal Affairs	Grupo Posadas, S. A. B. de C. V.
C.P. Fernando Lopez Vazquez	Chief Corporate Comptroller	Grupo Posadas, S. A. B. de C. V.
C.P. Enrique Mena Lopez	Tax Director	Grupo Posadas, S. A. B. de C. V.
C.P.C. Carlos Alberto Torres Villagomez	External Auditor	Galaz, Yamazaki, Ruiz Urquiza, S.C.

7) ATTACHMENTS

Audited financial statements corresponding to the corporate years ending December 31 of 2023, 2022 and 2021.

Annual reports prepared by the Audit Committee and the Corporate Practices Committee in accordance with article 43 of the Securities Market Law.

Documents issued by Galaz, Yamazaki, Ruiz Urquiza, S.C. and the person in charge of the external audit, pursuant to article 33, section I, subsection a), numbered paragraph 5 and article 84 Bis of the Generally Applicable Provisions to Securities Issuers and other Securities Market Participants and in accordance with the Generally Applicable Provisions to Entities and Issuers Supervised by the National Banking and Securities Commission that contract external auditing services for basic auditing services (CUAE).

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

Consolidated Financial Statements for the Years Ended December 31, 2023, 2022 and 2021, and Independent Auditors' Report Dated February 26, 2024

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

Independent Auditors' Report and Consolidated Financial Statements for 2023, 2022 and 2021

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Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Paseo de la Reforma 505, piso 28
Colonia Cuauhtémoc
06500 Ciudad de México
México

Tel: +52 (55) 5080 6000
www.deloitte.com/mx

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, 2023, 2022 and 2021, the consolidated statements of income and other comprehensive income, 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 2023, 2022 and 2021, and their consolidated financial performance and their consolidated cash flows, for the years then ended, in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the Ethics Code issued by the Mexican Institute of Public Accountants, A.C. (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. These issues have been addressed in the context of our audit of the financial statements as a whole and in the formation of our opinion on these statements, and we do not express a separate opinion on these matters. We have determined that the matters described below are the key audit matters to be reported in our report.

Deloitte.

Revenue Recognition for Vacation Club Memberships FAVC, LARC, and FAVC 25th Edition

The Entity recognizes revenue from Vacation Club memberships at the time the contract with the customer is formalized, as the Entity has determined that once the contract becomes effective, a right to a vacation property is granted and the performance obligation is fulfilled by transferring an enforceable right to third parties, and by transferring control of the properties to the membership buyers.

Our audit procedures regarding Vacation Club revenue included the following:

- Review of the design and implementation and operational effectiveness of relevant controls, as well as control testing and substantive testing of details to the OMS revenue system and its respective reconciliation to accounting records (OMS - Ownership Management System, by its acronym in English).

- Selection and documentary review, under statistical sampling, of contracts entered into with new clients, as well as direct tests to the different reports that served as a basis for the review.

- Review of the movements of the inventory of available points that support the amount of membership sales made during the period, cancellations, and/or renegotiations with clients; likewise, their respective reconciliation to accounting records.

During 2023, on the occasion of the 25th anniversary of the Vacation Club memberships, the Entity introduced a variant to the FAVC membership known as FAVC 25th Edition. This variant grants points called "Edition Points" which are supported by real estate inventory similar to the traditional FAVC membership as well as by gift points which, unlike the traditional membership, these gift points are not backed by real estate inventory; however, they can be used for the exchange of lodging services during the membership term.

Revenue recognition for FAVC 25th Edition memberships occurs at two times:

i. At the time of formalizing the contract, since the Entity considers that the right is granted to the client for points backed by vacation property and the performance obligation is fulfilled by transferring an enforceable right to third parties, and by transferring the control of the properties to the membership buyers. This recognition is the same as used for the traditional FAVC membership.

ii. When the member uses the Edition Points or their right to use them expires, that is, once the lodging service is provided or when the period agreed in the contract with the client for their accrual elapses. Additionally, an estimate is recognized for those points that will not be used by the members of the program upon expiration, referred to as breakage.

Our audit procedures regarding this key issue included the following:

- Understanding of the new product and review of the accounting recognition scheme defined by the Entity's Management for this product. For this, we involved accounting standards experts to verify the reasonableness of the model.

- Review of the main variables and assumptions of the model used by the Entity for the determination of deferred income, its mathematical accuracy, and support in previous experience.

- We performed recalculations, sensitivity analyses, and involved our actuarial services specialists to review and evaluate historical information on the behavior of FAVC memberships, the amount of contracted and collected services that before expiration have not been used to understand the pattern of use and abandonment.

- Review of point redemption reports that support the amount of contracted and collected services, recognized as revenue when provided to customers, with their respective costs and expenses.

- Documentary review under statistical sampling of the contracts entered into with clients, as well as direct tests to the different reports that served as a basis for the review.

Our procedures also included the review of the corresponding disclosures included in the notes to the consolidated financial statements.

Recovery of tax losses to amortize and recognition of deferred income tax assets

As explained in Notes 4r and 15 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, 2023, the amount of unamortized tax losses amounts to approximately $3,143 million and would represent a deferred income tax benefit of $943 million, the realization of which is subject to the entities that individually incurred them generating sufficient taxable profits in the future to utilize the benefit of amortizing the pending tax losses before their expiration.

Our audit procedures regarding this key issue included the following:

- Assessment and review of the assumptions used by the Entity to prepare the tax estimations, which included the involvement of our specialists.

- Validation of the fulfillment of past years' estimations compared with the actual tax and financial indicators, as well as the particular review of extraordinary items included in the tax estimations.

Our procedures also included the review of the corresponding disclosures included in the notes to the consolidated financial statements.

Other Information Included in the Document Containing the Consolidated Financial Statements

The Management of the Entity is responsible for the other information. The other information shall comprise the information that will be incorporated into the Annual Report that the Entity is obligated to prepare in accordance with Article 33, Section I, subsection b) of the Title Four, Chapter One of the General Provisions Applicable to Issuers and other Participants of the Securities Market in Mexico and the Instructions that accompany 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 on it.

In connection with our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when it becomes available, and in doing so, consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or appears to contain a material misstatement. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. When we read the Annual Report, we will issue the statement regarding our reading, as required by Article 33, Section I, subsection b) subparagraph 1.2 of the Provisions. We have nothing to report in this regard.

Deloitte.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related and using the going concern basis of accounting, unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

The Audit Committee members and the Board of Directors are responsible for overseeing the Entity's consolidated financial reporting process.

Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise our professional judgment and maintain an attitude of professional skepticism throughout the audit. We also:

- Identify and assess the risks of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement because of fraud is higher than for one resulting from material misstatement because of an error, as fraud may involve collusion, forgery, intentional omissions, Intentional misstatements, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies applied and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the global presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

-	We obtain sufficient and appropriate audit evidence about the Entity's financial information and its business activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We continue to be solely responsible for our audit opinion.

We will communicate with Entity's Management and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Entity's Management and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year 2023 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.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C.P.C. Carlos Alberto Torres Villagómez
February 26, 2024

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

Consolidated Statements of Financial Position

As of December 31, 2023, 2022 and 2021
(In thousands of Mexican pesos)

Assets

Assets	Notes	2023	2022	2021
Current assets:				
Cash, cash equivalents and restricted cash	6	$ 1,841,210	$ 1,938,933	$ 1,960,118
Accounts and notes receivable - Net	7	2,848,292	2,804,519	2,700,994
Inventories		36,872	39,442	28,694
Prepaid expenses		28,752	48,224	40,195
Vacation Club inventory	8	267,329	161,031	163,526
Commissions for membership sales	12	177,670	213,135	97,493
Total current assets		5,200,125	5,205,284	4,991,020
Non-current assets:				
Long-term notes receivable	9	4,696,138	4,427,828	4,062,361
Property and equipment – Net	10	3,761,391	3,904,365	4,187,585
Prepaid expenses		-	-	6,302
Investment in associates	2p, u	129,058	129,058	1,129
Right-of-use assets	11	2,646,294	2,665,955	2,866,609
Intangible assets, sold memberships commissions and other assets, net	12	803,067	538,420	759,418
Deferred tax assets	15	1,013,860	1,077,878	1,370,057
Total non-current assets		13,049,808	12,743,504	13,253,461
Total assets		$ 18,249,933	$ 17,948,788	$ 18,244,481

Liabilities and stockholders' equity

Liabilities and stockholders' equity	Notes	2023	2022	2021
Current liabilities:				
Current portion of long-term debt	14	$ 100,533	$ 33,830	$ 23,521
Trade accounts payable		634,060	775,160	602,189
Other liabilities and accrued expenses		1,633,776	1,464,348	1,262,189
Income tax payable	15d	-	412,162	553,505
Current portion of long-term lease liabilities	16	419,862	424,501	398,451
Other tax payable		479,092	447,856	426,747
Deferred income from Vacation Club	17	1,105,295	1,351,010	877,723
Current portion of long-term value-added tax payable		86,695	81,076	81,886
Total current liabilities		4,459,313	4,989,943	4,226,211
Long-term liabilities:				
Debt	14	6,297,640	7,443,562	8,085,110
Lease liabilities	16	2,444,881	2,593,003	2,861,409
Accrued liabilities	18	321,590	297,011	262,178
Value-added tax payable		684,879	654,690	606,284
Deferred income from Vacation Club	17	1,774,220	715,564	807,246
Income tax payable	15g	-	-	383,750
Total long-term liabilities		11,523,210	11,703,830	13,005,977
Total liabilities		15,982,523	16,693,773	17,232,188
Stockholders' equity:	21			
Contributed capital:				
Capital stock		495,881	495,881	495,881
Shares repurchase reserve		16,856	16,856	16,856
Additional paid-in capital		157,429	157,429	157,429
		670,166	670,166	670,166
Earned capital:				
Shares repurchase reserve		535,000	535,000	535,000
Retained earnings		802,032	(204,154)	(421,527)
Accumulated comprehensive earnings		69,478	75,200	55,459
		1,406,510	406,046	168,932
Total controlling interest		2,076,676	1,076,212	839,098
Non-controlling interest		190,734	178,803	173,195
Total stockholders' equity		2,267,410	1,255,015	1,012,293
Total liabilities and stockholders' equity		$ 18,249,933	$ 17,948,788	$ 18,244,481

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, 2023, 2022 and 2021
(In thousands of Mexican pesos, except earnings (loss) per share)

	Notes	2023	2022	2021
Continuing operations:				
Revenue	23a	$ 9,209,256	$ 9,077,990	$ 7,406,734
Cost of sales	23b	6,063,022	6,275,378	5,502,143
Gross profit		3,146,234	2,802,612	1,904,591
Administrative expenses	23c	1,181,245	1,105,548	855,781
Sale and development expenses	23d	167,146	140,249	192,261
Depreciation, amortization, and leasing		981,196	899,194	916,330
Rent discounts		-	(6,396)	(261,588)
Other revenue, net	23e	(38,653)	(20,692)	(253,243)
Interest expense		659,074	631,351	573,863
Interest income		(112,832)	(59,783)	(16,988)
Extraordinary income, net	14b	(19,342)	(107,972)	(724,019)
Commissions and financial expenses		69,006	94,904	96,263
Exchange (gain) loss, net		(832,393)	(426,603)	323,934
Equity in associate		-	-	15,000
		2,054,447	2,249,800	1,717,594
Income before income tax		1,091,787	552,812	186,997
Income tax expense	15	73,886	330,072	129,058
Consolidated income for the year	¤	1,017,901	222,740	57,939
Other comprehensive (loss) income				
(Loss) income on exchange differences from translating foreign operations, which will be reclassified subsequently to income or loss		(2,534)	327	2,549
Remeasurement of defined benefit obligation, which will not be reclassified subsequently to income or loss, - net of income tax		(3,188)	19,414	42,553
		(5,722)	19,741	45,102
Consolidated comprehensive income for the year		$ 1,012,179	$ 242,481	$ 103,041

(Continued)

	2023	2022	2021
Consolidated income for the year attributable to:			
Controlling interest	$ 1,006,186	$ 217,373	$ 63,031
Non-controlling interest	11,715	5,367	(5,092)
Consolidated income for the year	$ 1,017,901	$ 222,740	$ 57,939
Consolidated comprehensive income for the year attributable to:			
Controlling interest	$ 1,000,464	$ 237,114	$ 108,133
Non-controlling interest	11,715	5,367	(5,092)
Consolidated comprehensive income for the year	$ 1,012,179	$ 242,481	$ 103,041
Earnings per share:			
From continuing and discontinued operations -			
Basic and diluted earnings per common share (in pesos)	$ 2.05	$ 0.44	$ 0.13
Basic and diluted earnings (loss) per common share (in pesos)	$ 2.04	$ 0.48	$ 0.22
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, 2023, 2022 and 2021
(In thousands of Mexican pesos)

	Contributed capital			Earned capital				
	Capital stock	Shares repurchase reserve	Additional paid-in capital	Shares repurchase reserve	Retained earnings	Accumulated comprehensive earnings	Non-controlling interest	Total stockholders' equity
Balance at the beginning of 2021	$ 495,881	$ 16,856	$ 157,429	$ 535,000	$ (484,558)	$ 10,357	$ 178,264	$ 909,229
Change in non-controlling participation value	-	-	-	-	-	-	23	23
Consolidated comprehensive income for the year	-	-	-	-	63,031	45,102	(5,092)	103,041
Balance as of December 31, 2021	495,881	16,856	157,429	535,000	(421,527)	55,459	173,195	1,012,293
Change in non-controlling participation value	-	-	-	-	-	-	241	241
Consolidated comprehensive income for the year	-	-	-	-	217,373	19,741	5,367	242,481
Balance as of December 31, 2022	495,881	16,856	157,429	535,000	(204,154)	75,200	178,803	1,255,015
Change in non-controlling participation value	-	-	-	-	-	-	216	216
Consolidated comprehensive income for the year	-	-	-	-	1,006,186	(5,722)	11,715	1,012,179
Balance as of December 31, 2023	$ 495,881	$ 16,856	$ 157,429	$ 535,000	$ 802,032	$ 69,478	$ 190,734	$ 2,267,410

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, 2023, 2022 and 2021
(In thousands of Mexican pesos)

	2023	2022	2021
Cash flows from operating activities:			
Consolidated income for the year	$ 1,017,901	$ 222,740	$ 57,939
Adjustments for:			
Income tax expense	73,886	330,072	129,058
Depreciation and amortization	958,563	878,316	897,234
Rent discount	-	(6,396)	(261,588)
Amortization of debt issue expenses	54,578	81,757	83,644
Interest capitalization of Senior Note 2027		-	123,014
Extraordinary income, net	(19,342)	(107,972)	(724,019)
Participation in associates	-	-	15,000
Loss in sale of trustee rights	-	-	235,696
Income on sale of non-strategic fixed assets	-	-	(38,968)
(Income) loss on sale of fixed assets	(2,058)	(1,679)	1,547
Interest expense	659,074	631,351	573,863
Interest income	(112,832)	(59,783)	(16,988)
Unrealized foreign exchange income	(1,176,880)	(590,934)	308,797
	1,452,890	1,377,472	1,384,229
Transactions in working capital:			
Accounts and notes receivable – Net	(313,451)	(468,992)	(379,874)
Inventories	2,570	(10,748)	1,088
Prepaid expenses	19,472	64,179	78,358
Vacation Club inventory	(106,298)	2,495	98,907
Trade accounts payable	(141,100)	172,971	(25,818)
Other liabilities and accrued expenses	(36,351)	335,300	698,317
Vacation Club deferred income	812,941	381,605	22,012
Income tax payments	(416,907)	(557,780)	(358,986)
Net cash generated by operating activities	1,273,766	1,296,502	1,518,233
Cash flows from investing activities:			
Purchase of property and equipment and upgrades	(293,042)	(189,598)	(169,837)
Intangible assets and other assets	(46,216)	(46,291)	(98,288)
Contributions of investment in associates		-	-
Collected interest	112,832	59,783	16,988
Sale of property and equipment	5,147	4,599	2,545
Insurance recovery for property damage	42,765	-	-
Cash flows from sales of non-strategic properties	-	-	992,243
Net cash (used in) generated by investing activities	(178,514)	(171,507)	743,651

(Continued)

	2023	2022	2021
Cash flows from financing activities:			
Lease liabilities payments	(698,316)	(692,692)	(481,614)
Loan obtained	-	-	450,000
Loan payments	(145,735)	(23,521)	(450,000)
Interest paid	(348,924)	(331,071)	(90,976)
Debt renegotiation costs		(98,896)	(230,908)
Net cash used in financing activities	(1,192,975)	(1,146,180)	(803,498)
Net (decrease) increase in cash and cash equivalents	(97,723)	(21,185)	1,458,386
Cash and cash equivalents at the beginning of the year	1,938,933	1,960,118	501,732
Cash and cash equivalents at the end of the year	$ 1,841,210	$ 1,938,933	$ 1,960,118

(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, Beach Resort, Live Aqua Urban Resort, Live Aqua Boutique Resort, Grand Fiesta Americana, Fiesta Americana, The Explorean, Fiesta Inn, Fiesta Inn Loft, Fiesta Inn Express, IOH, One Hotels, Gamma and Curamoria Collection.

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

Hotels	2023	2022	2021
Owned (including vacation properties)	12	12	12
Leased	15	15	15
Managed (including lofts and franchisees)	173	162	159
Operated hotels	200	189	186
Operated rooms	30,446	29,152	28,888

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

The Entity operates a business called Fiesta Americana Vacation Club (FAVC), as well as a product named Live Aqua Residence Club (LARC), aimed at a segment with high purchasing power, through which members purchase a right to a vacation property enforceable against third parties for a period of 40 years represented by annual points of FAVC and/or LARC. FAVC points can be used for stays at the seven FAVC and/or LARC complexes located in Los Cabos (Villas and Resort), Acapulco, Cancun, Cozumel, Chetumal, and Puerto Vallarta, as well as in the hotels operated by the Entity. Additionally, FAVC/LARC members can use their points at Resorts Condominium International (RCI) and Hilton Grand Vacation Club complexes or any affiliated complex around the world through an exchange program. Furthermore, the Entity markets a product called "Kívac" which consists of the sale of points valid for up to 5 years redeemable for lodging in the hotels operated by the Entity, as well as some properties operated by third parties, and another product called "FAVC Access" which grants a membership with a validity of 5 years to access preferential rates to book hotel rooms, in the properties operated by the Entity as well as some others operated by third parties.

Since 2012, the Entity began restructuring its businesses focusing on holding strategic assets and growing its management, hotel franchising, and vacation products business such as FAVC and LARC. As part of this strategy, the Entity has sold several hotels and other non-strategic assets (see Note 2 g).

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, Tower A, Floor 9, Santa Fe, Mexico City.

2. Significant events

a. ***FAVC 25th Edition***

In celebration of the 25th anniversary of the vacation club, the Entity decided to issue a special membership in April 2023 called FAVC 25th Edition, which has been very well received in the market. The memberships sold from April to December 2023 was 3,585.

b. ***Contingencies due to Hurricane Otis***

As a result of Hurricane "Otis" passing over the port of Acapulco, Guerrero in October 2023, the facilities of the Fiesta Americana Acapulco Villas hotel, owned by the Entity, suffered significant damage. This hotel has insurance policies with coverage for property damage and consequential losses. The Entity has filed claims with the insurance company for the aforementioned issues, which are under negotiation as of the date of the issuance of the financial statements, and from which it has received an advance of $100,000 for both concepts. Of this advance, $42,765 has been applied to property damage and the remainder for payroll payments, energy costs, debris removal, and guaranteed profits. The hotel operates under a timeshare scheme and to date, 90% of the resort has been sold. Members who purchased real estate inventory from this hotel can exercise their rights at any property operated by the Entity and other properties where the Entity has signed vacation exchange agreements.

The Entity has three management contracts in Acapulco, each with insurance policies covering property damage and consequential losses (business interruption). The One Acapulco Diamante hotel suffered minor damage and has remained operational to date, One Acapulco Costera experienced non-significant damage but is currently closed for repair and remodeling, and the Gamma Copacabana Hotel, which suffered significant damage. As a result of this, an agreement was signed to suspend the operation contract until the hotel is refurbished and reopened to the public.

c. ***Repurchase of Senior Notes 2027***

During 2023, with the generation of cash flow, the company began a market buyback program for the Senior Notes due in 2027. The first buyback period took place in June for an amount of US$1,711,894, the second period was in September for an amount of US$2,300,000, the third in November for an amount of US$3,000,000, and the fourth and final period took place in December for US$523,128. The total amount repurchased and cancelled of Senior Notes was US$7,535,022 with a cash implication of US$6,440,236 plus accrued interest of US$131,658 to total US$6,571,894. These operations were conducted with the approval of the Board of Directors. After concluding this repurchase program, the outstanding balance of the Senior Notes as of December 31, 2023, was US$385,700,000.

d. ***Issuance of Senior Notes 2027 and Early Redemption of Senior Notes 2022***

On December 15, 2021, the Entity issued a relevant event to the Mexican Stock Exchange, announcing that, once the conditions for the effectiveness of the Restructuring Plan were met, it would issue new Senior Notes due on December 30, 2027, for a principal amount of up to US$398,581,321 to replace its existing Notes due on June 30, 2022. Initially, a total of US$360,891,000 of the Senior Notes due on June 30, 2022, were exchanged, and the remaining balance of US$31,714,000 could be exchanged no later than June 15, 2022.

The "Senior Notes 2027" generate staggered interest rates, 4% annually for the first year, 5% for the second year, 7% for the third and fourth years, and 8% for the fifth and sixth years, payable semi-annually in June and December, starting from June 30, 2022. For the first and second years, the Entity has the option to capitalize 50% of the interest at a rate of 6% for the first year and 7% for the second year according to the application period. The principal is due on December 30, 2027. The Senior Notes issued to Qualified Holders on the Effective Date (December 15, 2021) for an amount of USD$366,384,452 received a cash interest payment on June 30, 2022. It should be noted that the interest payments made on December 30, 2022, June 30, and December 31, 2023, were made 100% in cash at the applicable interest rate.

The amount of the issuance costs amounted to $316,434, which are being amortized based on the effective interest rate method.

e. ***Cancellation of Senior Notes 2027***

On June 30, 2022, US$26,850,570 of Senior Notes due in 2027 were subscribed by holders who had requested the exchange before June 14. Of these, US$6,598,938 corresponding to non-qualified holders were exchanged, a process that concluded on July 25. As the necessary information was not presented during the Chapter 11 process under the US Bankruptcy Code, Senior Notes for a total amount of US$5,346,298 were definitively canceled. With this issuance, the Entity concludes its restructuring process. The outstanding balance of the "Senior Notes Due 2027" is US$393,235,022. This liability is presented as a long-term debt.

The new Senior Notes are secured by the Entity's subsidiaries, as well as various assets in accordance with the mentioned plan.

f. ***Impact of the COVID-19 Pandemic***

The Entity resumed its operations after a year of the pandemic, with the main effects in 2021 being:

- A recovery of $2,180,991 compared to 2020, which represents a 42% increase.
- Selective reopening, subject to occupancy restrictions and capacity limits according to the epidemiological traffic lights of each state.
- A smaller increase of $4,156 in the impairment of accounts receivable, mainly from customers, airlines, and travel agencies compared to 2020.
- A smaller increase of $64,663 in the estimate of doubtful accounts for the Vacation Club compared to 2020.
- During 2021, the Entity generated a tax base of $409,580, which allowed it to take advantage of part of the tax loss it had reserved at the end of the 2020 fiscal year; the remaining $1,103,451 could not be compensated because it expired at the end of the 2021 fiscal year.
- In March 2021, the Entity took out a secured loan with Grupo Bursátil Mexicano S.A. de C.V (GBM) for $450,000, the resources were mainly used to pay the eighth installment of the agreement with the SAT from 2017 (see note 2 f). The loan was paid off early in October of the same year, paying one year's interest of $67,500 according to contractual obligations. The guarantee considered the Fiesta Americana Reforma and Fiesta Americana Guadalajara hotels.
- The restructuring of its financial debt known as Senior Notes Due 2022 was successfully concluded with the issuance of the Senior Notes Due 2027.
- In December 2021, having successfully completed the restructuring plan, the rating agency S&P Global Ratings changed the rating from "D" to "B-". In December 2022, the agency S&P Global Ratings confirmed the "B-" rating, which is maintained as of the issuance date of this financial statement.
- In September 2023, the rating agency S&P Global Ratings informed the issuer that it had upgraded its corporate rating from 'B-' to 'B' due to continuous improvement in its operational and financial performance.

g. ***Sale of Non-Strategic Assets***

Fiesta Americana Hacienda Galindo - On June 30, 2017, a purchase agreement subject to term, suspensive conditions, and purchase option was signed with Fibra Hotel for the disposal of the hotel known as "Fiesta Americana Hacienda Galindo" under the following clauses: i) the deadline for compliance will be December 31, 2019, ii) the consideration would be the result of multiplying 10.06 times the EBITDA corresponding to the sum of the twelve months of the calendar year of 2019, resulting in a value of $355,000, less the amount of investment made in improvements of $155,000, as well as the rents paid by the buyer in its capacity as a lessee for $43,000, under the asset lease contract. At the same time as the signing of the purchase agreement, the Entity signed an Asset Lease Agreement with Fibra Hotel with a mandatory term until March 31, 2021, in which Fibra Hotel commits to investing in improvements to the leased assets. The sale of the property was recognized in March 2021, when the aforementioned clauses were met.

The Entity and Fibra Hotel signed various extension agreements, agreeing to postpone the fulfillment of the referred conditions until March 31, 2021, and granting Fibra Hotel the right to retain 5% of the price to guarantee the fulfillment of the sale conditions.

During the term of the lease and after the purchase sale is executed, the Entity will continue to operate the hotel based on a hotel operation and brand license agreement for a total term of 22.5 years.

h. ***Provision for Restructuring***

In 2022, a reduction of personnel in the corporate offices took place, which generated expenses due to the termination of employment amounting to $63,588 and a provision of $17,417 at the end of the year. Both provisions comply with the requirements of the IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" standard: to be recognized as a restructuring provision there must be a formal detailed plan for such restructuring and the Management must have created a valid genuine expectation among those affected that the plan will be implemented.

i. ***Renovation, Modification, and New Hotel Operation and Franchise Contracts***

In May 2021, the Entity agreed that, regarding all Fibra Hotel Hotels and only during the year 2021, it will have no obligation to the owner to establish the reserve for major repairs, replacements, substitutions, and additions of furniture and operating equipment referred to in the operation contracts, nor to carry out the investments of the annual capital investment program referred to in clause six, section b) of the lease. By mutual agreement, the Entity and the owner will authorize the expenses that should be incurred in this area, assessing what is strictly necessary for the proper operation of the hotels, such as investments in equipment and materials for hotels of the brand's category at all hotels of this brand, or those required for hygiene and safety by significant demand originators for the Hotel such as tour operators, and up to the maximum amount, per hotel.

In July 2021, the operation of the Fiesta Americana Grand Guadalajara, Fiesta Americana Puerto Vallarta, Fiesta Americana Grand Coral Beach, One Acapulco Diamante hotels was transferred to new lessee entities, which acquire the status of contractual counterpart of the Entity in the existing operation contracts for such hotels, so that with effects as of July 1, 2021, the assignees acquire the rights and obligations derived respectively, in their favor or against them from the operation contracts and the agreement to the operation contract.

In April 2021, the Entity agreed with the Hotel Fiesta Inn Tijuana Otay to modify clauses 1, 2, 8, 17, and 21 of the lease contract with effects from the date of signature. 1) Object, duration, and option: a mandatory term for both parties of 10 years, divided into 2 periods of 5 years, with the first period beginning on April 1, 2021, and expiring on March 31, 2026. The second period will start on March 31, 2026, and expire on March 31, 2031. The second period will be subject to the condition that at the end of the 5th anniversary of the extended lease term, if no variable complementary rent has been generated for three consecutive months, the lessor will have the option to propose to the lessee an increase in the fixed rent and/or variable complementary rent and if the lessee does not accept the proposed increase, the lease contract could be terminated unilaterally without any penalty for the parties.

In March 2022, a contract was signed to change the operation model to a franchise for the following hotels; Hotel Fiesta Inn Coatzacoalcos, Hotel Fiesta Inn Poza Rica, and Hotel Fiesta Inn Tampico.

During 2023, 8 franchise contracts were signed, 3 under the Gamma brand in Querétaro, Baja California Sur, and Puebla, 2 under the Curamoria Collection brand in Veracruz, and 2 under the One brand in Michoacán and Guanajuato, and 1 in Quintana Roo under the Kempinski brand.

During 2023, 3 operation contracts were signed, 2 under the One and Fiesta Inn brands in Sinaloa, and one under the Grand Fiesta Americana brand in Morelos.

During 2023, the Entity signed an amending agreement for the hotels One Guadalajara Periférico Vallarta, Fiesta Inn Celaya, Fiesta Americana Querétaro, and Fiesta Americana Satélite.

In August 2023, the lease contract for the Hotel Fiesta Inn Insurgentes was renewed for 2 periods of 5 years each.

j. ***Performance Guarantees***

Some of the hotel management contracts that the Entity has signed contain a performance guarantee clause, which consists of annual amounts per room in pesos or dollars.

If in any fiscal year the hotels with this clause do not achieve the agreed operating profit, the Entity will provide a discount on its fees, and in the case of insufficiency, the Entity will deliver the shortfall as compensation. At the end of each fiscal year, the discounts and compensations are considered final, and except for some exceptions, the Entity does not have the right to recovery.

The Entity recorded $47,408, $67,965, and $35,621 at the end of 2023, 2022, and 2021, respectively, for this concept, which correspond to the hotels Live Aqua San Miguel de Allende, Fiesta Americana Satélite, Fiesta Americana Viaducto, Live Aqua Beach Resort Punta Cana, and various hotels of Fibra Uno.

k. ***Operation Contracts Signing in the Dominican Republic***

In August 2019, the Entity signed a contract to operate a hotel under the Live Aqua brand for fifteen 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.

To carry out its obligations as a hotel operator in the Dominican Republic, the Entity has established a subsidiary in that country. This subsidiary hired the executive staff designated to operate the Live Aqua hotel in Punta Cana. The start date of operations of the Live Aqua hotel in Punta Cana, Dominican Republic was February 1, 2021.

During February 2022, the Entity signed a contract to operate a hotel under the Funneq brand for 15 years in Punta Cana, Dominican Republic, with 345 rooms adjacent to Live Aqua.

l. ***Gamma Copacabana Operation Contract***

On August 29, 2019, the Entity signed a hotel operation and license agreement with Operadora Azul Copacabana, S.A. de C.V. under the Gamma brand for a term of 20 years for a hotel with 431 rooms located in Acapulco, Guerrero, which began operations on October 29, 2020.

On January 31, 2024, an agreement was signed for the early termination of the hotel administration and operation contract and the brand usage, subject to the fulfillment of certain conditions, including the return of the unamortized part of the premium paid (Key Money) for the contract, which will take effect as of February 29, 2024.

m. ***Termination of Operation and License Contracts and Signing of Hotel Lease***

On June 15, 2021, the Entity entered into an agreement for the early termination of the lease contract for the Fiesta Americana Grand Puerto Vallarta hotel, effective as of August 15, 2021. Due to the restrictions imposed by federal and local authorities because of the COVID-19 pandemic, the hotel could not be fully used by the Lessee, for which reason, the Lessor suspended the payment for rent for the months of January to July 2021, which in total amount to $80 million.

n. ***Termination of Operation Contracts***

During 2022, the Entity prematurely terminated the operation contract for the One León hotel and the franchise contracts for hotels operating under the Curamoria Collection brand.

During 2021, the Entity prematurely terminated the operation contracts for the Gamma Cancún Centro, One Tuxtla Gutiérrez, and Fiesta Inn Toluca Aeropuerto hotels.

On January 31, 2024, the franchise contract for the Curamoria Naay Tulum hotel was terminated, which has since become a hotel operated with a guarantee.

o. ***Rent Discount Agreements***

Due to the COVID-19 pandemic, the Entity negotiated with property owners for rent discounts, which ranged between 20% and 75% of the fixed monthly rent, during 2022 and 2021 the amount of the discounts amounted to $6,396 and $261,588, respectively. Starting in 2023, no further rent discounts were obtained for that reason.

The Entity accounted for the discounts in accordance with the practical expedient published by the International Accounting Standards Board ("IASB") in April 2020, which allows lessees to record rent concessions arising from COVID-19 as a variable lease payment, provided they meet certain conditions.

Additionally, the Entity negotiated a reduction in the leased area of the Corporate Offices by 852 square meters, resulting in savings of $19.5 thousand dollars starting in March 2023, and an extension of the lease contract for 3 years, with expiration now set for June 2027.

p. ***Riviera Maya Trust***

On September 29, 2021, the Entity reported the sale of its 12.5% stake in an Administration, Guarantee, and Business Activities Trust established for the development of a hotel project consisting of two hotels with a total of 855 rooms in the Riviera Maya under the Fiesta Americana and Live Aqua brands. This transaction complemented the termination announced on July 8, 2021, of the operation and license contract for the hotels involved in this project.

As consideration, the Entity received the amount of US$72,679,707, mainly for the transfer of fiduciary rights of 12.5%, the return of commercial goodwill, real estate advisory expenses, and reimbursement of development costs.

q. ***Agreements with the Tax Administration Service (SAT) on Tax Credits***

In April 2017, various agreements were made with the SAT to resolve differences in criteria related to the amortization of brands, the deduction of interests for the acquisition of said brands, the tax treatment given by real estate investment companies (SIBRAs), the amortization of usufructs, and especially, the effects resulting from the termination of the fiscal consolidation regime. These agreements resulted in the recognition of an additional payment obligation over different fiscal years, for a total amount of $2,376,766. Of this amount, during April 2017, $523,885 were settled, and the remaining amount has been covered in annual installments between 2018 and 2023, for an approximate nominal amount of $308,686 each, subject to indexing. For this reason, as of December 31, 2021, the corresponding long-term part was presented under the taxes payable heading in the consolidated statement of financial position. As of December 31, 2022, it is presented in the short term due to the last payment to be made in 2023. The last payment of $416,065 was made on March 31, 2023.

r. ***Credit Granted to Fiesta Americana Mérida Hotel***

In June 2017, a subsidiary of the Entity, owner of the Fiesta Americana Mérida hotel, contracted a seven-year loan for $210,000 at an annual rate of 9.175% with a fiduciary guarantee with Banco Nacional de México, S.A. (Banamex). The funds were used for tax payments, remodeling of the hotel's public areas, and other corporate uses. On January 23, 2018, a capital prepayment of $10,000 was made on the loan. Starting from July 2018, the subsidiary has been paying $1,872 monthly and, as of July 2019, the amortization increased to $2,050. The Entity holds 51% of the subsidiary and is jointly and severally liable for the loan payment under certain conditions.

Due to the COVID-19 pandemic, in April 2020 the subsidiary requested CitiBanamex to waive and modify the conditions and obligations set forth in the credit agreement regarding the payment of principal and interest for April and May 2020, a waiver that was formalized by signing a modification agreement dated June 18, 2020. The agreement grants a deferral of interest payments on the loan from March 23, 2020, to March 23, 2021, and a deferral of principal payments on the loan, so that principal payments according to the original amortization schedule due between April 2020 and March 2021 will be accumulated and paid in a single installment on the last payment date of the loan, which will be June 23, 2024. Moreover, the agreement temporarily waives financial ratios during the years 2020 and 2021 and assigns to the Trust the management of the hotel's revenue-collecting accounts, which will be managed under the instructions of CitiBanamex.

The third modification agreement to the modified and restated contract dated April 23, 2021, establishes that interest will be paid quarterly until April 23, 2022, and on this same date, the principal payment will resume monthly, starting with the amount of $2,458.

This loan is presented as long-term debt in the consolidated financial position statements, except for the portion payable in the following year according to the modification agreements.

The subsidiary anticipated a working capital deficit for the Fiesta Americana Mérida hotel during 2021 due to the effects of the COVID-19 pandemic, so it requested CitiBanamex for a second deferral in the payment of principal and interest on the loan until April 2022, and an extension of the credit line by $25,000. The additional credit line was not necessary, and during 2023 the amortization schedule was executed on time. The balance as of December 31, 2023, of the loan amounts to $100,533 million net of debt issuance expenses, and this loan is presented as short-term debt in the consolidated financial position statements.

s. ***Labor Reform***

On April 23, 2021, a mandatory federal decree was published in Mexico, which modified various labor and tax regulations with the aim of generally prohibiting the subcontracting of personnel and establishing the rules under which specialized services may be subcontracted. During 2021, the Entity completed all the necessary corporate actions to approve the adjustments to the constitutive documents of Grupo Posadas, S.A.B. de C.V. and its subsidiary Inmobiliaria del Sudeste, S.A. de C.V. to align them with the provisions of the current legal framework; similarly, it took all other actions to implement the necessary administrative changes to fully comply with the terms of the new legal framework as of its effective date. In addition, on August 12, 2021, the Entity obtained its registration for the Provision of Specialized Services or Specialized Work (RESPE) that allows it to a) provide contact center and interaction services through telephonic and telematic communication media in the activities of customer service or attention, telemarketing, tele-sales, reservation center, collections, operator information services, attention to order lines, conducting surveys, and in general interaction with people for any purpose through these means, on its own account (or for the benefit) or that of third parties, b) provide services with the aim of ensuring that the entrusted establishments operate under the standards, strategies, operational methods, commercial and administrative of the hotel chain to which the establishment is integrated, which includes the following:

- Services of high management, planning, advice, supervision, organization, and coordination of the establishment, in the operational, administrative, financial and treasury, accounting, relations with authorities, commercial, and human resources areas, all under the guidelines, policies, or standards of the hotel chains.
- Implementation and monitoring of the standards, strategies, operational methods, commercial and administrative of the hotel chain to which the establishment is integrated.
- Receive and execute the powers for the management of the establishment before authorities and third parties.

t. ***Corporate Restructuring***

In November 2022, the Entity merged its subsidiaries Dirección Corporativa Posadas, S.A. de C.V., Promoción y Publicidad Fiesta S.A. de C.V., and Inmobiliaria Administradora del Bajío, S.A. de C.V. into the subsidiary Soluciones de Lealtad, S.A. de C.V. This merger had no effect on the attached consolidated financial statements.

u. ***Acapulco Diamante Trust***

In June 2022, an agreement was signed to develop an apartment complex on land that the company acquired in 2013 in the Acapulco Diamante area in Acapulco, Guerrero. The project consists of the contribution of the land by the Entity and a third party as the developer of a building with 128 apartments, of which Posadas will retain 29 units. The entire complex will operate under the Live Aqua Residence Club brand. The estimated opening date is in 2025. During 2022, the Entity pledged the trust rights as a guarantee for the fulfillment of the Senior Notes Due 2027.

3. Adoption of New and Amended International Financial Reporting Standards

a. ***New and Amended International Financial Reporting Standards ("IFRS" or "IAS") that are mandatory for the current year***

During the year, the Entity has implemented the amendments to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) that are mandatory for accounting periods beginning on or after January 1, 2023. Their adoption has not had a material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 17 Insurance Contracts (including the amendments to IFRS 17 from June 2020 and December 2021)	The Entity has adopted IFRS 17 and the related amendments for the first time this year. IFRS 17 sets the principles for the recognition, measurement, presentation, and disclosures of insurance contracts and replaces IFRS 4 Insurance Contracts. IFRS 17 describes a general model, which is modified for insurance contracts with direct participation, described as the variable fee approach. The general model is simplified if certain criteria are met, measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing, and certainty of future cash flows and explicitly measures the cost of such uncertainty. It considers market interest rates and the impact of policyholders' options and guarantees. The Entity does not have any contracts that meet the definition of insurance contracts in accordance with IFRS 17.

Amendments to IAS 1 Presentation of Financial Statements and Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	The Entity has adopted the amendments to IAS 1 for the first time this year. The amendment changes the requirements in IAS 1 regarding the disclosure of accounting policies. The amendment replaces all mentions of the term "significant accounting policies" with "material accounting policy information." Accounting policy information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make based on those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that information related to accounting policies for immaterial transactions, other events, or conditions need not be disclosed. Accounting policy information can be material by the nature of the related transactions, other events, or conditions, even if the amounts of those items are immaterial. However, not all information related to accounting policies for material transactions, other events, or conditions is in itself material. The IASB has developed guidance and examples to explain and demonstrate the application of the four-step process described in Practice Statement 2.
Amendments to IAS 12 Income Taxes – Deferred Tax on Assets and Liabilities Arising from a Single Transaction.	The Entity has adopted the amendments to IAS 12 for the first time this year. The amendments introduce an additional exception to the initial recognition exemption. In accordance with the amendments, an entity does not apply the initial recognition exemption for transactions that result in equal taxable and deductible temporary differences for tax purposes. Depending on the applicable tax law, taxable and deductible temporary differences may arise upon the initial recognition of assets and liabilities in a transaction that is not a business combination and does not affect the accounting or taxable profit. The amendments to IAS 12 stipulate that an entity is required to recognize the related deferred tax assets and liabilities, considering that the recognition of any deferred tax asset is subject to the recoverability criteria of IAS 12.
Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar 2	The Entity has adopted the amendments to IAS 12 for the first time this year. The IASB amended the scope of IAS 12 to clarify that the standard applies to taxes that arise from laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”), including tax laws that implement additional domestic minimum taxes as described in those rules. The amendments introduce a temporary exception to the requirements for deferred taxes in IAS 12, so that an entity does not recognize or disclose information about deferred tax assets and liabilities related to taxes that arise from the application of Pillar 2. Continuing with the amendments, the Entity is required to disclose that it has applied the exception and to separately disclose its current tax expense or income related to the application of Pillar 2.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimate.	The Entity has adopted the amendments to IAS 8 for the first time this year. The amendments replace the definition of a "change in accounting estimate" with the definition of an "accounting estimate." Under the new definition, accounting estimates are monetary amounts in the financial statements that are not subject to measurement certainty. The definition of a change in accounting estimate has been removed.

IFRS Standards Issued but Not Yet Effective

As of the date of authorization of these financial statements, the Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective.

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

Amendments to IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current.
Amendments to IAS 1	Non-current Liabilities with Covenants of Performance and Non-performance
Amendments to IAS 7	Supplier Financing Arrangements
Amendments to IFRS 16	Lease Liabilities in a Sale and Leaseback Transaction with a Leaseback.

Management does not expect the adoption of the aforementioned standards to have a significant impact on the Entity's consolidated financial statements in future periods, except as noted below:

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 address situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments clarify that gains or losses resulting from the loss of control of a subsidiary that does not constitute a business in a transaction with an associate or a joint venture that is accounted for using the equity method are recognized in the parent's results only to the extent of the interests of unrelated investors in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement to fair value of any retained interest in any former subsidiary (which has become an associate or a joint venture accounted for using the equity method) are recognized in the results of the former parent, only to the extent of the interests of unrelated investors in the new associate or joint venture.

The effective date of the amendments has not yet been set by the IASB; however, early application is permitted. The Entity's management anticipates that the application of these amendments may have an impact on the Entity's consolidated financial statements in future periods if such transactions arise.

Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current and Non-current

The amendments to IAS 1 published in January 2020 only affect the presentation of liabilities as current and non-current in the statement of financial position and not the amount or timing of the recognition of any asset, liability, income, or expense, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on whether rights in existence at the end of the reporting period specify that the classification is not affected by the entity's expectations about whether it will exercise its right to defer settlement of a liability, it explains that rights are in place if contractual obligations (covenants) are fulfilled at the end of the reporting period and introduces the definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or other services.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments early, it is also required to apply the 2022 amendments early.

The Entity's Management anticipates that the application of these amendments may have an impact on the Group's financial statements in future periods.

Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer the settlement of the liability for at least twelve months after the reporting date (and therefore must be considered when assessing the classification of a liability as current or non-current). Such covenants affect whether the rights exist at the end of the reporting period, even if compliance with the covenants is only assessed after the reporting date (for example, a covenant based on the entity's financial position at the reporting date that is assessed for compliance only subsequent to the reporting date).

The IASB also clarifies that the right to defer the settlement of a liability for at least twelve months after the reporting date is not affected if the entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer the settlement of a liability is contingent upon meeting covenants within twelve months after the reporting date, the entity discloses information that enables users of the financial statements to understand the risk that the liabilities could be settled within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities, and the facts and circumstances, if any, that indicate the entity may have difficulty in meeting those covenants.

The amendments are to be applied retrospectively for annual reporting periods beginning on or after January 1, 2024. Early application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early as well.

The directors of the holding company anticipate that the application of these amendments may have an impact on the consolidated financial statements of the group for future periods.

***Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Statements: Disclosures – Supplier Finance Arrangements*.**

The amendments add a disclosure in IAS 7 stating that an entity is required to disclose information about supplier finance arrangements, enabling the users of the financial statements to evaluate the effects of such arrangements on the entity's liabilities and cash flows. Additionally, IFRS 7 was amended to include supplier finance arrangements as an example within the requirements to disclose information about the Entity's exposure to liquidity and concentration risks.

The term "supplier finance arrangements" is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide information.

To meet the disclosure objective, an entity is required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements.
- The carrying amount and other lines in the entity’s statement of financial position that present the liabilities related to the arrangements.
- The carrying amount and other lines by which the suppliers have been paid by the financing providers.

- Ranges of payment days for both, the financial liabilities that are part of the supplier finance arrangements and comparable trade payables that are not part of the supplier finance arrangements.
- Liquidity risk information.

The amendments contain specific transition considerations for the first annual reporting period in which the entity applies the amendments. It is applicable for reporting periods beginning on or after January 1, 2024.

Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback Transaction.

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that meet the requirements of IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine lease payments or revised lease payments such that the seller-lessee does not recognize a gain or loss related to the right of use retained by the seller-lessee after the commencement date of the lease.

The amendments do not affect the gain or loss recognized by the seller-lessee related to the partial or full termination of a lease. Without these new requirements, a seller-lessee might have recognized a gain on the right of use retained, solely from the remeasurement of the lease liability (for example, after a modification to a lease or a change in the term of a lease) by applying the general requirements in IFRS 16. This could have particularly occurred in the case of sale and leaseback transactions that include lease payments that do not depend on an index or rate.

As part of the amendments, the IASB modified an illustrative example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and a lease liability in a sale and leaseback transaction with variable payments that do not depend on an index or rate. The illustrative examples also clarify that the liability arising from a sale and leaseback transaction that qualifies as a sale in accordance with IFRS 15, is a lease liability.

Early application is permitted. If a seller-lessee applies the amendments early, this fact must be disclosed.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 for sale and leaseback transactions entered into after the initial application date, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

The Entity's management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods if such transactions arise.

4. Significant accounting policies

a. ***Statement of compliance***

The consolidated financial statements of the Entity have been prepared in accordance with IFRS, as issued by the IASB.

b. ***Basis of preparation***

The consolidated financial statements have been prepared on the historical cost basis, as it explained in the accounting polices listed below.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date The fair value for purposes of measuring and/or revealing these consolidated financial statements is determined in such a way, with the exception of share-based payment transactions that are within the scope of IFRS 2, leasing operations that are within the scope of IFRS 16, and valuations that have some fair value similarities, but are not fair value, such as the net performing value of IAS 2 or the value in use of IAS 36.

c. ***Going concern***

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

d. ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of Posadas and entities controlled by the Entity and its subsidiaries. Control is achieved when Posadas:

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

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

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

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

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when Posadas loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income (loss) from the date Posadas gains control until the date when it ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (loss) are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Posadas' accounting policies.

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

	Participation (%) **2023, 2022 and 2021**
Inmobiliaria del Sudeste, S.A. de C.V.	51%
Dirección Corporativa Posadas, S.A. de C.V. (1)	100%
Posadas USA, Inc.	100%
Inmobiliaria Administradora del Bajío, S.A. de C.V. (1)	100%
Soluciones de Lealtad, S.A. de C.V.	100%
Promoción y Publicidad Fiesta, S.A. de C.V. (1)	100%
Kohunlich Adventures, S.A. de C.V.	100%
Operadora del Golfo de México, S.A. de C.V.	100%
PSDS Operadora del Caribe, S.R.L. (2)	100%

(1) Subsidiary entities merged into Soluciones de Lealtad during 2022.

(2) Subsidiary incorporated in 2019 in the Dominican Republic.

All intragroup balances, transactions and cash flows between members of the Entity are eliminated on consolidation.

Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

e. **Financial instruments**

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

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

f. **Financial assets**

All ordinary purchases or sales of financial assets are recognized and derecognized on a trade date basis. Ordinary purchases or sales are purchases or sales of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the above, the Entity may make the following irrevocable choice/designation in the initial recognition of a financial asset:

- It may irrevocably choose to make subsequent changes in the fair value of a capital investment in other comprehensive results if certain criteria are met; and
- It may irrevocably designate a debt instrument that meets the amortized or fair value cost criteria through other comprehensive results if doing so significantly eliminates or reduces an accounting asymmetry.

i) *Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss and is included as "interest income".

ii) *Impairment of financial assets*

The Entity recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Entity always recognizes lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;
(b) A breach of contract, such as a default or past due event (see (ii) above);
(c) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) The disappearance of an active market for that financial asset because of financial difficulties.

iv) *Measurement and recognition of expected credit losses*

Measuring expected credit losses is a function of the probability of default, the loss given the default (i.e. the magnitude of the loss if there is a default), and exposure to non-compliance. The default assessment of the probability of non-compliance and loss is based on historical data adjusted for forward-looking information as described above. With regard to exposure to non-compliance, for financial assets, this is represented by the gross book value of the assets on the reporting date; for financial guarantee contracts, the exposure includes the amount set on the reporting date, along with any additional amount expected in the future by default date determined based on historical trend, the Entity's understanding of debtors' specific financial needs, and other future-relevant information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows owed to the Entity under the contract and all cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used to determine expected credit losses are consistent with the cash flows used in the measurement of the receivables lease in accordance with IFRS 16 Leases.

For a financial guarantee contract, where the Entity is required to make payments only in case of non-compliance by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss forecast is the expected payment to reimburse the holder for a loss of credit incurred less than any amount that the Entity expects to receive from the holder, the debtor or any other party.

If the Entity has measured the provision for losses for a financial instrument in an amount equal to the expected lifetime credit loss in the reporting period prior, but determines on the current filing date that the conditions for expected lifetime credit loss are no longer met, the Entity measures the margin of loss by an amount equal to 12 months expected credit loss at the current report date, except for the assets for which the simplified approach was used.

The Entity acknowledges a impairment loss or loss on the outcome of all financial instruments with an adjustment corresponding to their book value through a loss provision account, except for investments in debt instruments measured at fair value through other comprehensive results, for which the provision for losses in other comprehensive and cumulative results in the investment revaluation reserve is recognized , and does not reduce the amount in books of the financial asset in the financial position statement.

v) *Derecognition of financial assets*

The Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

g. ***Cash, cash equivalents, investments in securities and restricted cash***

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

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

The restricted cash in 2023, 2022, and 2021 corresponds to lines dedicated to productive chains and credit reserves of Inmobiliaria del Sudeste S.A. de C.V., and in 2020 to the remaining funds obtained from the sale of the Fiesta Americana Condesa Cancún hotel.

h. ***Inventories***

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

i. ***Vacation Club inventory***

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

When there are long-term vacation club inventories, they are recorded in the long term and correspond to the cost of converting hotel buildings that are under renovation to provide the vacation club service. Short-term Vacation Club units represent hotel buildings approved for sale by Management that are expected to be sold within one year; therefore, they are classified as current assets even though their business cycle could be longer.

j. ***Property and equipment***

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

The cost of improvements, renovations and replacements to hotel rooms are capitalized within the property and equipment caption and are amortized over a period of 3 to 5 years. The costs of minor repairs and maintenance are expensed as they are incurred.

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

The average percentage rate of depreciation of the components of property and equipment are:

	(%)
Buildings – Construction	2 al 5
Buildings - Installation, finishing and improvements	5 al 10
Furniture and equipment	10
Vehicles	25
Computer	30
Operating equipment	33

Land is not depreciated.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Property and equipment committed for sale refers to properties for which purchase-sale contracts have been executed and which will take effect within a period exceeding twelve months as of the date of the consolidated statements of financial position.

k. ***Intangible assets, sold memberships commissions and other assets***

1. Membership Sale Commissions and Others

This line item includes all capitalized direct expenses, mainly commissions related to the sales of the Kívac product and FAVC 25th Edition, recognized in the consolidated statement of comprehensive income once the service is provided. A short-term estimate of the commissions and others to be amortized within the next 12 months, and a long-term portion for the remaining period associated with the future use of the membership. Additionally, it also includes commissions related to the FAVC Access product, which are amortized in the consolidated statement of comprehensive income on a straight-line basis over 60 months.

2. *Internally Generated Intangible Assets - Research and Development Expenditure*

Expenditures arising from research activities are recognized as an expense in the period in which they are incurred.

An internally generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is an intention to complete the intangible asset for use or sale;
- There is an ability to use or sell the intangible asset;
- There is a way in which 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; and
- The ability to reliably measure the expenditure attributable to the intangible asset during its development.

The initial amount recognized for an internally generated intangible asset is the sum of the expenditures incurred from the time when the intangible asset first meets the recognition criteria outlined above. When an internally generated intangible asset cannot be recognized, development expenditures are charged to the income statement in the period in which they are incurred.

Subsequent to initial recognition, an internally generated intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses, on the same basis as separately acquired intangible assets.

3. Derecognition of Intangible Assets

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

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

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

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

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

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

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

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

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

When the Entity is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Entity will retain a non-controlling interest in its former subsidiary after the sale.

After the disposal takes place, the Entity accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Entity uses the equity method (see the accounting policy regarding investments in associates).

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

n. ***Investments in associates***

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

o. ***Leases***

The entity as lessee

The Entity assesses whether an agreement originally includes a lease. The Entity recognizes a right-of-use asset and a lease liability for all the lease agreements in which it acts as the lessee, except for short-term leases (12 months or less) and low-value assets (such as tablets, personal computers, small office furniture items and telephones). For these leases, the Entity recognizes lease payments as an operating expense by using the straight-line method throughout the lease duration, unless another method is more representative of the time pattern of the economic benefits obtained from the consumption of the leased assets.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted by the rate implied in the agreement. If this rate cannot be readily determined, the Entity uses incremental borrowing rates.

Lease payments included in the lease liability measurement consist of:

- Fixed lease payments (including fixed payments in-kind), less any lease incentive received
- Variable lease payments which depend on an index or rate, initially measured by using the index or rate at the commencement date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain it will exercise the options; and
- Penalty payments resulting from lease termination if the lease period reflects the exercise of a lease termination option.

The lease liability is presented as a separate item in the consolidated statement of changes in financial position.

The lease liability is subsequently measured with the book value increase to reflect interest accrued by the lease liability (using the effective interest method) and reducing the book value to reflect lease payments made.

The Entity restates the lease liability (and makes the respective adjustment to the related right-of-use asset) when:

- The lease term is modified or there is a significant change in lease circumstances, thereby resulting in a change of the purchase option exercise assessment, in which case the lease liability is measured by discounting restated lease payments based on a restated discount rate.
- Lease payments are amended as a consequence of changes in indexes or rates or a change in the expected payment under a guaranteed residual value, in which case the lease liability is restated by discounting restated lease payments based on the same discount rate (unless the change in lease payments is due to a variable interest rate change, in which case a restated discount rate is used)
- A lease agreement is amended and the lease amendment is not recorded as a separate lease, in which case the lease liability is restated based on the amended lease term by discounting restated lease payments based on a discount rate restated as of the effective amendment date

The Entity booked some of these adjustments during the periods presented.

Right-of-use assets consist of the initial measurement of the respective lease liability, lease payments made on or before the commencement date, less any lease incentive received and any initial direct cost. The subsequent valuation is based on cost less accumulated depreciation and impairment losses

If the Entity acquires an obligation arising from the costs of dismantling and removing a leased asset, restoring the place where it is located or restoring the asset underlying the condition required by the terms and conditions of the lease, a provision measured in accordance with IAS 37 must be recognized. To the extent that the costs relate to a right-of-use asset, they are included in the related right-of-use asset unless they are incurred to generate inventory

Right-of-use assets are depreciated over the shorter of the lease period and the useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset indicates that the Entity intends to exercise a purchase option, the right-of-use asset will be depreciated over the useful life. Depreciation begins on the lease commencement date.

Right-of-use assets are presented as a separate item in the consolidated statement of changes in financial position.

The Entity applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Real estate and equipment' policy Variable rent leases which do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. Related payments are recognized as an expense in the period in which the event or condition generating the payment occurs and are included under "Other expenses" in the consolidated income statement.

As a practical expedient, IFRS 16 offers the possibility of not separating non-lease components and accounting for any lease and its respective non-lease components as a single agreement. The Entity has not applied this practical expedient. In the case of contracts with lease components and one or more lease components or additional non-lease components, the Entity assigns the contract payment to each lease component according to the relative stand-alone selling price method and the aggregate of standalone selling prices for all non-lease components.

The entity as a lessor.

The entity does not maintain lease contracts as a lessor.

p. ***Foreign currencies transactions***

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

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

The reporting and functional currencies of the foreign operation are as follows:

Country	Recording and functional currencies
United States of America	US dollar
Dominican Republic	Dominican peso

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period.

q. ***Employee benefits***

Retirement benefits costs from termination benefits

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

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

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

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

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

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

Short-term and other long-term employee benefits

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

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

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

Statutory employee profit sharing (PTU)

The PTU (profit sharing) is recorded in the results of the year in which it is incurred and is presented in administration expenses line item in the consolidated statements of comprehensive income (loss).

As result of the 2014, Income Tax Law, on December 31, 2022 and 2021 PTU is determined based on taxable income, according to Section I of Article 9 of such Law. As a result of the amendment to the Federal Labor Act in 2021, the amount of profit-sharing shall be limited to a maximum of three months of the worker's salary or the average participation received in the last three years; the amount that is most favorable to the worker shall be applied.

r. ***Income taxes***

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

1. *Current tax*

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

Current tax is payable on the taxable basis for the year. Taxable profit differs from the net income as it is reported in profit or loss because it excludes components of revenues or expenses that are accruable or deductible in other years and excludes components, which have never been accruable or deductible. The Entity's liabilities for current taxes are calculated using the tax rates that were established at the end of the reporting period.

A provision is recognized accordingly where the determination of the tax is uncertain, but it is considered likely to result in a future outlay of funds for a tax authority. Provisions are valued at the best amount that is expected to be payable. The evaluation is based on the judgment of tax experts supported by the Entity's previous experiences in this type of activity, and in certain cases, the opinion of an independent tax specialist.

2. *Deferred income tax*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. *Current and deferred tax for the year*

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination the tax effect is included in that recognition.

s. ***Provisions***

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

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

Restructuring

A restructuring provision is recognized when the Entity has developed a detailed formal plan to carry out the restructuring, and a valid expectation has been created among those affected, that the restructuring will take place, either because the implementation of the plan has begun or because it has announced its main characteristics to those affected by it. The restructuring provision should include only direct disbursements arising from it, which include the amounts necessarily arising from the restructuring; and that are not associated with the Entity's ongoing activities.

t. ***Financial liabilities***

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Entity, are measured in accordance with the specific accounting policies set out below.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Entity exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

u. ***Revenue recognition***

The Entity recognizes its revenues as follows:

i. Revenue from hotel operations, which includes the operation of owned and leased hotels, is recognized as hotel services are provided to guests. These services include the rental of rooms and event spaces, sales of food and beverages, etc. In the case of leased hotels, the Entity determines whether it acts as an agent or principal by assessing whether it provides lodging services on its own behalf or on behalf of a third party, whether it assumes the risk of the inventory of available rooms, whether it assumes the credit risk for the amounts charged to customers, and whether the consideration for its services is equivalent to a fee for hotel operation and management contracts. Based on this determination, the Entity concludes that for leased hotels it can recognize revenue from hotel services for the gross amount it expects to charge for such services, except for the case of the Fiesta Americana Condesa Cancún hotel, where the Entity concludes that it acts as an agent for the lessor.

ii. Revenue from the operation of FAVC and LARC Vacation Club memberships is recognized at the time of sale, as the Entity considers that, by selling a right to a vacation property, it has fulfilled its performance obligation by transferring an enforceable right against third parties, and by transferring control of the properties to the membership buyers, who acquire the possibility of removing the Entity from management under certain normal business conditions. However, the Entity creates a reserve to adjust the sale price to consider the effect of the financing component of these revenues.

iii. Revenue recognition for FAVC 25th Edition memberships occurs at two points: at the time of contract formalization, as the Entity considers that upon the contract's signature and once it comes into effect, the right is granted to the customer for points backed by a vacation property and the performance obligation is fulfilled by transferring an enforceable right against third parties, and by transferring control of the properties to the membership buyers. This recognition is the same as that used for the traditional FAVC membership. The second point is when the member uses the Edition Points as a gift or when their right to use expires, that is, once the lodging service is provided or when the period agreed upon in the contract with the customer for its accrual elapses. Additionally, a provision is recognized, plus an estimate of those points that will not be used by members of the program upon expiration, known as breakage.

iv. Revenue from the sale of Kívac points is recognized once the lodging service is provided, plus an estimate of those points that will not be used by members of the program upon expiration. The amount of the contracted but unused services is presented under the line item "Deferred Revenue from Vacation Club" in short and long terms in the consolidated statement of financial position;

v. Revenue from the sale of FAVC Access is recognized over 60 months. The amount of the contracted service is presented under the line item "Deferred Revenue from Vacation Club" in short and long terms in the consolidated statement of financial position.

vi. Revenue from management and brand fees, and franchise revenue is recognized as it is earned based on a percentage of the revenues and the operating profit of the hotel operation as established in the respective contracts; and

vii. Other income (expenses) from the sale of non-strategic assets are recognized when control of the assets has been transferred to the buyer and/or the suspensive clauses of the purchase and sale contracts are fulfilled.

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

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

w. ***Statements of cash flows***

The Entity reports cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Interest paid is usually classified as financing activities and interest and dividends received are usually classified as investing activities.

x. ***Loyalty programs***

The fair value of the awards is recognized as a reduction to revenues and recognized as deferred income until the benefits are delivered to the client. The liability is presented under the heading of "other liabilities and accrued expenses" in the consolidated statements of financial position.

y. ***Earnings (loss) per share of the controlling interest***

Basic earnings (loss) per share are calculated by dividing the net income (loss) attributable to the controlling interest by the weighted average number of shares outstanding during the period. As of December 31, 2023, 2022 and 2021, the Entity does not have ordinary shares with potential dilution effects.

5. *Critical accounting judgments and key sources of estimation uncertainty*

In the application of the Entity's accounting policies, which are described in Note 0, the Entity's Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

a. ***Critical judgment in implementing accounting policies***

The following are the critical judgments and important sources of uncertainty that the Entity's Management has determined an estimate at the date of the consolidated financial statements that could have a significant impact on the carrying amounts of assets and liabilities during the subsequent financial periods:

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

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

- *Vacation Club revenue recognition*

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

  For the FAVC 25th Edition membership, considering that the points awarded create a performance obligation, a deferred revenue must be recognized.

- *Classification criteria of the Entity's operating segments*

  The Entity classifies its businesses into four operating segments, based on internal reports prepared under a managerial approach.

- *The estimated amount of investments in securities other than cash equivalents*

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

- *The discount rates and terms of the hotels leased by the Entity*

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

b. ***Key sources of uncertainty in estimates***

The key assumptions regarding the future and other key sources of uncertainty in the end-of-period estimates are explained below, which have a significant risk of resulting in significant adjustments in the book values of assets and liabilities over the coming year.

- *The allowance for doubtful accounts and returns related with Vacation Club.*

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

- *The presentation of deferred revenues and other Kívac assets, current and long-term*

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

- *Long term asset impairment*

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

- *The future benefit of tax losses*

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

- *The effects of the contingencies faced by the Entity*

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

- *The useful life and residual value of properties and equipment*

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

6. Cash, cash equivalents and restricted cash

	2023	2022	2021
Cash	$ 217,317	$ 120,246	$ 61,635
Cash equivalents:			
Overnight investments and restricted cash	1,581,656	1,789,671	1,880,056
Other	42,237	29,016	18,427
Total	$ 1,841,210	$ 1,938,933	$ 1,960,118

As of December 31, 2023, 2022 and 2021 the amount of cash equivalents includes $211,376, $184,904 and $110,796, respectively, restricted cash that in 2023, 2022 and 2021 correspond to lines for production chains (supply chains) and reserves of the secured loan of Inmobiliaria del Sudeste, S.A. de C.V.

7. Accounts and notes receivable

	2023	2022	2021
Notes receivable from Vacation Club (a)	$ 1,486,821	$ 1,454,778	$ 1,399,885
Kivac and FAVC Access (a)	628,538	587,800	593,672
Other receivables from Vacation Club (c)	124,047	192,114	328,524
Clients and agencies (b)	724,604	748,983	599,950
Others	47,462	53,466	39,943
	3,011,472	3,037,141	2,961,974
Less - Allowance for doubtful accounts	(163,180)	(232,622)	(260,980)
	$ 2,848,292	$ 2,804,519	$ 2,700,994

a. Notes receivable from Vacation Club, Kivac and FAVC Access

The Vacation Club membership sales are normally recognized when at least a 10% deposit is received and five-year financing is granted for the remaining portion, with interest charged at market rates. The Entity anticipates that, after the implementation of certain business strategies, those accounts that are at most 12 months old may be reactivated; accounts aged greater than 12 months are normally cancelled. However, estimates of the reserve for doubtful accounts are recorded based on the entire portfolio. Composition of the trading portfolio:

	2023	2022	2021
Maturity of notes receivable from Vacation Club, Kívac y FAVC Access			
Less than 90 days	$ 467,483	$ 452,095	$ 403,058
Between 91 and 330 days	748,465	708,288	624,852
Between 331 and 365 days	899,411	882,195	965,647
	$ 2,115,359	$ 2,042,578	$ 1,993,557

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 2023, 2022 and 2021 the Entity identified and wrote-off $13,715, $2,918 and $14,002, respectively, of the reserve for doubtful accounts, since it was determined that such amounts did not have possibility of being recovered.

	2023	2022	2021
Clients and agencies-			
Less than 90 days	$ 643,636	$ 644,035	$ 487,117
Over 90 days	80,968	104,948	112,833
	$ 724,604	$ 748,983	$ 599,950
Allowance for doubtful accounts-			
Clients and agencies	$ (51,726)	$ (58,287)	$ (66,494)
Notes receivable from Vacation Club	(111,454)	(174,335)	(194,486)
	$ (163,180)	$ (232,622)	$ (260,980)

a. *Other Accounts receivable from Vacation Club*

The other accounts receivable from Vacation Club are made up of account receivable the maintenance fees, club fees, interest on financing and other debtors.

The Entity faces a risk of concentration of the owners of hotels it operates, as four investors represent 45% of Inventory process the trading of rooms. This concentration may affect the ability to operate under policies freely established by the entity and may press operating margins.

8. Vacation Club inventory

	2023	2022	2021
Vacation Club inventory	$ 243,541	$ 137,243	$ 139,689
Villas and residential lots	23,788	23,788	23,837
	$ 267,329	$ 161,031	$ 163,526

Vacation Club inventories recognized in cost of membership sales during the period in respect of continuing operations was from de $(50,336), $119,764 and $98,932, on December 31, 2023, 2022 and 2021, respectively.

During 2023 and 2022, an inventory of $55,963 and $128,899, respectively, was recognized, resulting from the recovery and repurchase of inventory due to the early termination of Vacation Club membership contracts with defaults in the payment of maintenance fees.

9. Long-term notes receivable

The balance of the long-term portion of accounts receivable from sales of Vacation Club memberships (FAVC and LARC), Kívac and FAVC Access are as follows:

	2023	2022	2021
Long-term notes receivable:			
Vacation Club memberships	$ 3,696,703	$ 3,987,850	$ 3,937,459
Kívac and FAVC Access	1,268,612	758,534	457,918
	4,965,315	4,746,384	4,395,377
Less:			
Reserve for Vacation Club returns	(268,455)	(293,563)	(272,749)
Allowance for Kívac's doubtful accounts	(722)	(24,993)	(60,267)
Total	$ 4,696,138	$ 4,427,828	$ 4,062,361

The maturities of the long-term Vacation Club memberships on December 31, 2023 are as follows:

To collect during	Amount
2025	$ 1,355,477
2026	1,139,323
2027	746,798
2028 onwards	455,105
Total long-term notes receivable	$ 3,696,703

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.

10. Property and equipment

	2023	2022	2021
Buildings	$ 5,047,533	$ 5,018,729	$ 4,987,147
Furniture and equipment	1,188,627	1,186,557	1,186,715
Computers	99,249	95,329	116,474
Vehicles	33,871	24,777	20,449
	6,369,280	6,325,392	6,310,785
Less - Accumulated depreciation	(3,686,576)	(3,455,882)	(3,281,611)
	2,682,704	2,869,510	3,029,174
Land	958,546	958,546	1,087,600
Construction in progress	120,141	76,309	70,811
	$ 3,761,391	$ 3,904,365	$ 4,187,585

	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Cost:							
Balance at the beginning of 2021	$ 1,087,600	$ 4,897,044	$ 1,159,352	$ 106,518	$ 20,778	$ 233,321	$ 7,504,613
Additions and improvements	-	18,090	47,770	8,606	695	80,008	155,169
Transfers to assets classified as held for sale	-	12,311	11,886	894	187	962	26,240
Transfers of prepayments	-	181,984	47,856	1,049	-	(243,480)	(12,591)
Transfers from construction in progress	-	(122,282)	(80,149)	(593)	(1,211)	-	(204,235)
Disposals							
	1,087,600	4,987,147	1,186,715	116,474	20,449	70,811	7,469,196
Balance as of December 31, 2021							
	-	32,205	49,604	1,193	3,923	102,478	189,403
Additions and improvements	-	7,000	9,415	97	597	(10,807)	6,302
Transfers of prepayments (See Note 2u)	(129,054)	-	-	-	-	-	(129,054)
Transfers from construction in progress	-	17,974	52,587	3,289	-	(86,173)	(12,323)
Disposals	-	(25,597)	(111,764)	(25,724)	(192)	-	(163,277)
Balance as of December 31, 2022	958,546	5,018,729	1,186,557	95,329	24,777	76,309	7,360,247
Additions and improvements		58,867	75,871	3,086	7,739	130,724	276,287
Transfers of prepayments	-	50,254	14,336	142	4,111	(68,843)	-
Transfer to trust investment (See Note 2u)	-	13,383	3,022	1,644	-	(18,049)	-
Transfers from construction in progress	-	(24,261)	(59,405)	-	(165)	-	(83,831)
Disposals	-	(69,439)	(31,754)	(952)	(2,591)	-	(104,736)
Balance as of December 31, 2023	$ 958,546	$ 5,047,533	$ 1,188,627	$ 99,249	$ 33,871	$ 120,141	$ 7,447,967

	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Accumulated depreciation and impairment							
Balances at the beginning of 2021	$ -	$ (2,384,575)	$ (590,142)	$ (104,123)	$ (18,890)	$ -	$ (3,097,730)
Depreciation expense	-	(223,810)	(157,102)	(1,897)	(987)	-	(383,796)
Transfers to assets classified as held for sale	-	120,597	21,892	568	1,211	-	144,268
Disposals of assets completely depreciated	-	-	55,647	-	-	-	55,647
Balance as of December 31, 2021	-	(2,487,788)	(669,705)	(105,452)	(18,666)	-	(3,281,611)
Depreciation expense	-	(187,745)	(139,731)	(3,986)	(1,010)	-	(332,472)
Disposals	-	25,306	5,656	-	-	-	30,962
Disposals of assets completely depreciated	-	-	101,323	25,724	192	-	127,239

	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Balance as of December 31, 2022	-	(2,650,227)	(702,457)	(83,714)	(19,484)	-	(3,455,882)
Depreciation expense	-	(219,252)	(148,040)	(5,204)	(2,292)	-	(374,788)
Disposals	-	-	5,727	29	120	-	5,876
Disposals by damage	-	7,831	33,173	-	62	-	41,066
Disposals of assets completely depreciated	-	70,346	24,695	-	2,111	-	97,152
Balance as of December 31, 2023	$ -	$ (2,791,302)	$ (786,902)	$ (88,889)	$ (19,483)	$ -	$ (3,686,576)
Total net investment as of December 31, 2023	$ 958,546	$ 2,256,231	$ 401,725	$ 10,360	$ 14,388	$ 120,141	$ 3,761,391

11. 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 2023, 2022 and 2021 there were new asset leases, as well as indexing updates to existing contracts resulting in the addition of usage rights assets for $483,938, $270,659 and $269,465, respectively. In August 2021, in order to agree with both parties, it was agreed to terminate the lease with Fiesta Americana Grand Vallarta early, which caused a decrease in the value of the use of this asset by $715,625.

The analysis of the maturity of lease liabilities is presented in Note 16.

Right-of-use asset	Real property	Vehicles	Total
January 1, 2021	$ 4,733,008	$ 49,492	$ 4,782,500
Additions	259,844	9,621	269,465
Disposals	(984,009)	-	(984,009)
December 31, 2021	4,008,843	59,113	4,067,956
Additions	264,072	6,587	270,659
Disposals	-	(2,734)	(2,734)
December 31, 2022	4,272,915	62,966	4,335,881
Additions	439,539	36,666	476,205
Disposals	-	(49,151)	(49,151)
December 31, 2023	$ 4,712,454	$ 50,481	$ 4,762,935

Accumulated depreciation	Real property	Vehicles	Total
January 1, 2021	$ (995,949)	$ (25,179)	$ (1,021,128)
Period movements	(430,261)	(18,342)	(448,603)
Disposals	268,384	-	268,384
December 31, 2022	(1,157,826)	(43,521)	(1,201,347)
Period movements	(457,882)	(12,258)	(470,140)
Disposals	-	1,561	1,561
December 31, 2023	(1,615,708)	(54,218)	(1,669,926)
Period movements	(483,525)	(11,649)	(495,174)
Disposals	-	48,459	48,459
December 31, 2023	$ (2,099,233)	$ (17,408)	$ (2,116,641)

Book value	Real property	Vehicles	Total
December 31, 2023	$ 2,613,221	$ 33,073	$ 2,646,294
December 31, 2022	$ 2,657,207	$ 8,748	$ 2,665,955
December 31,2021	$ 2,851,017	$ 15,592	$ 2,866,609

Amounts recognized in the consolidated statement of income	2023	2022	2021
Asset depreciation expense for usage rights	$ 495,174	$ 470,140	$ 448,603
Financial expense caused by lease liability	279,680	293,402	346,826
Lease payments	698,316	692,692	481,614
Spending related to low-value asset leases	42,336	45,165	66,061
Loss will change to dollar contracts	(210,330)	(107,199)	59,571

The Entity has commitments of $92,911, $73,407, and $34,023 as of December 31, 2023, 2022 and 2021, respectively, for leases of computer equipment considered low value.

The additions made during the periods 2023, 2022, and 2021 did not require cash flows.

12. Intangible Assets, Commissions from Membership Sales, and Other Assets

	2023	2022	2021
Kívac's sales commissions	$ 502,785	$ 178,801	$ 292,478
Expenditures for technology projects	190,669	213,668	218,713
Guarantee deposits	18,027	22,407	102,519
Development expenses and other	27,938	37,376	46,856
Other assets	63,648	86,168	98,852
	$ 803,067	$ 538,420	$ 759,418
Amortizable Intangible Assets (a)	$ 903,298	$ 857,024	$ 807,261
Amortization	(684,691)	(605,980)	(541,692)
	$ 218,607	$ 251,044	$ 265,569

a. Commissions from the Sale of Kívac, FAVC Access, and FAVC 25th Edition

These correspond to all direct expenses related to the sale of Vacation Club memberships, mainly commissions pertaining to sales of the Kívac product and FAVC 25th Edition, recognized in the consolidated statement of comprehensive income once the service is provided.

As of December 31, 2023, 2022, and 2021, there is a current portion for these commissions amounting to $177,670, $213,135, and $97,493, respectively.

b. Amortizable Intangible Assets

Amortizable intangible assets are mainly comprised of expenses for technological projects, development expenses, and others. As of December 31, 2023, 2022, and 2021, the amortization is $78,762, $75,704, and $64,835, respectively.

13. Trade accounts payable

The Entity has credit lines contracted with the following banks: Banca Mifel, S.A., for an amount of $75,000 with collateral of 1.0x, BBVA, S.A. for an amount of $50,000 without collateral, and Monex S.A. for an amount of $30,000 without collateral. The purpose of the credit lines is to carry out financial factoring transactions with suppliers with a maximum payment term of 90 days. For each financial factoring operation, interest is accrued to the suppliers 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:

	2023	2022	2021
Banca Mifel, S.A.	$ 75,000	$ 100,000	$ 100,000
BBVA Bancomer, S.A.	50,000	50,000	-
Monex, S.A.	30,000	-	-
	$ 155,000	$ 150,000	$ 100,000

14. Short and Long-term debt

a. **It is as follows:**

	2023	2022	2021
US dollar-denominated:			
"Senior Notes 2027", 4% - 8% step-up rate	6,297,640	7,343,598	7,951,884
Signed in Mexican pesos:			
Loan, 9.175% annual fixed rate	100,533	133,794	156,747
	6,398,173	7,477,392	8,108,631
Less - Current portion	100,533	33,830	23,521
Long-term debt	$ 6,297,640	$ 7,443,562	$ 8,085,110

The maturities of long-term debt as of December 31, 2023, are as follows:

Payable during	Thousands of American dollars		Thousands of Mexican pesos	
2027	US$	385,700	$	6,515,823
Less - debt issuance costs				(218,183)
			$	6,297,640

b. On December 9, 2021, The US New York State Court approved the restructure plan (pre-Packaged) and on December 15 the restructured entity was indebted known as Senior Notes due December 30, 2027 for a total amount of US$398,581,321, It consists of US$392,605,000 plus 4% per year on the US$5,976,321 principal for the period August 1, 2021 to December 15, 2021. The Senior Notes Due 2022 ceased to be enforceable. Initially a total of US$360,891,000 of Notes for Senior Notes due June 2022 exchanged and the remaining by US$31,714,000 would be exchanged no later than June 15, 2022. As part of the restructure plan approved on June 30, 2022, USD $26,850,570 of Senior Notes due in 2027 for Senior Notes Due 2022 holders who made the exchange request before June 14. Of these, USD $6,598,938 were sold from unqualified holders, a process that ended on July 25. For not submitting the necessary information during the US Bankruptcy Code Chapter 11 process in December 2021 and second instance by June 14, 2022, Senior Notes 2027 in the amount of USD $5,346,298 was definitively canceled. The outstanding “Senior Notes Due 2027” is USD $393,235,022. This liability is presented in the long term. As part of this agreement, certain conditions were modified with respect to the previous debt, establishing a step-up interest payment scheme starting at 4% per year for year one, 5% for year two, 7% for year three and four and 8% for years five and six. In addition, for years one and two, 50% of interest can be capitalized (paid in kind) by applying a rate of 6% and 7%, respectively, for the capitalizable portion which is at the option of the issuer. As of December 15, 2021, the holders of the Senior Notes Due 2022 did not pre-expire the principal's payment term, nor did they exercise their collection rights for accrued interest plus outstanding delinquent interest as of July 31, 2021 and December 31, 2020 for $413,553 and $724,019, respectively, once and as a result of the restructuring, The entity canceled the liability and its effect is presented in the consolidated statement of results and other integral results, under the heading of net extraordinary income.

   The Entity committed most of its assets and the receivable portfolio of its vacation club business as part of the guarantee to the benefit of the Senior Notes Due 2027 bondholders. These assets that were contributed to a Guarantee and Administration Trust consist of the complex of three properties that integrate Fiesta Americana Reforma hotel, Fiesta Americana Guadalajara hotel and the following properties intended for the vacation club business: Grand Fiesta Americana Los Cabos, Live Aqua Residence Club Los Cabos, Fiesta Americana Acapulco, Fiesta Americana Cozumel, Fiesta Americana Cancun, Explorean Kohunlich and 16 apartments known as Nima Bay located in Puerto Vallarta, as well as the vacation property business portfolio for collection. The following subsidiaries are also guarantors of the Senior Notes: Posadas USA, Inc, Inmobiliaria Administradora del Bajío, S. A. de C. V, Soluciones de Lealtad, S. A. de C. V, , Promoción y Publicidad Fiesta, S. A. de C. V, Kohunlich Adventures, S. A. de C. V., Operadora del Golfo de México, S. A. de C. V, Administradora Profesional de Hoteles, S. A. de C. V., Dirección Corporativa Posadas, S. A. de C. V., Dirección Estratégica Posadas, S. A. de C. V., Desarrollo Arcano, S. A de C. V., and PSDS Operadora del Caribe, S. R. L. Also, a pledge contract was concluded between the entity as a debtor for the calendar and Banco Nacional de México, S.A., member of Grupo Financiero Banamex, División Fiduciaria, as a creditor, for which a pledge was constituted on the rights of the entity in the bank accounts where the entity itself receives the payments of the portfolio receivable from the business of vacation properties. During 2022, a pledge contract was concluded on trust rights arising from the entity's participation in the Acapulco Diamante project.

c. On June 22, 2017, a subsidiary of the Entity contracted a fiduciary warranty loan (based on the hotel’s collection through credit cards) with Banamex for an amount of $210 million at an annual 9.175% interest rate, and maturity in 2024.

d. The most significant restrictions and obligations contained in debt agreements as of December 31, 2023, prohibit the Entity from:

- Incurring additional indebtedness.
- Granting guarantees.
- Making certain restricted payments or investments.
- Selling assets over US$1,000,000.
- Declaring dividends.
- Making certain intercompany transactions.
- Merging with other companies.

As of December 31, 2023, 2022, and 2021, the restrictions and covenants not to do of the Senior Notes 2027 have been complied with.

At the end of 2023, 2022, and 2021, the Entity reports an amount of $211,376, $184,904, and $110,796 of restricted cash within the balance of cash equivalents, as mentioned in Note 6.

e. Below is detail of key financial items of the Entity and the subsidiary guarantors of the "Senior Notes 2027":

	2023		2022		2021	
	Guarantors	Total consolidated	Guarantors	Total consolidated	Guarantors	Total consolidated
Total revenues	$ 8,918,520	$ 9,209,256	$ 8,826,517	$ 9,077,990	$ 7,258,205	$ 7,406,734
Depreciation, amortization and impairment	928,740	958,563	854,336	884,712	864,028	897,234
Lease expense	22,633	22,633	14,482	14,482	(242,492)	(242,492)
Consolidated income (loss)	994,030	1,017,901	211,321	222,740	47,517	57,939
Total assets	17,685,106	18,249,933	17,367,100	17,948,788	17,644,564	18,244,481
Total liabilities	$ 15,846,544	$ 15,982,523	$ 16,511,279	$ 16,693,773	$ 17,030,347	$ 17,232,188

15. Income taxes

The standard income tax rate applied to the reported tax income is 30% for 2023, 2022 and 2021, respectively.

Taxation in the United States of America - The subsidiary that operated in that country was subject to income taxes at a rate of 21%.

Taxation in the Dominican Republic – The subsidiary that operated in that country was subject to income taxes at a rate of 27%.

a. Income tax expense recognized in profit or loss:

	2023	2022	2021
Current tax -			
Current ISR (1) (2)(3)	$ -	$ 1,347	$ (1,710)
ISR previous years	8,500	36,546	21,844
	8,500	37,893	20,134
Deferred ISR (benefit)	65,386	292,179	108,924
Total income tax (benefit)	$ 73,886	$ 330,072	$ 129,058

(1) ISR of the years 2022 and 2021 of $1,347 and $300, respectively, generated by PSDS Operadora del Caribe, S. R. L., entity subsidiary based in Dominican Republic.
(2) ISR of the year 2021 for $200, generated by entity subsidiaries based in Mexico.
(3) During 202 Posadas USA, Inc., a subsidiary of the Entity reflects an ISR for the year of $ (2,210), derived from applying during the same financial year the stimulus known as "tax losses carry back" from which a tax refund from previous years is expected.

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

	2023	**2022**	**2021**
	%	%	%
Statutory Rate	30%	30%	30%
(Less) Plus:			
Non-deductible Expenses	10	23	71
Annual Inflation Adjustment	(1)	10	29
Movements of Tax Losses	(19)	(25)	(164)
Income Tax from Deconsolidation	1	7	12
Others	(13)	(16)	(90)
Effective Rate	7	60	69

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

	2023	**2022**	**2021**
Notes receivable	$ (1,309,827)	$ (1,371,230)	$ (1,332,076)
Allowance for doubtful accounts	135,288	180,594	196,982
Real estate inventory	(88,763)	(56,874)	(57,608)
Property and equipment	375,635	317,034	263,772
Intangible assets and other assets	(79,699)	(162,061)	(207,010)
Reserves and deferred income	1,003,349	699,887	717,955
Tax loss carryforwards reserve	912,221	1,499,086	1,798,271
Interest pending to be deducted	121	118	5,937
Right-of-use assets - net	65,535	105,465	117,975
Unrealized exchange rate fluctuation	-	(134,141)	(134,141)
Deferred ISR asset	$ 1,013,860	$ 1,077,878	$ 1,370,057

d. The benefit of restated tax loss carryforwards for which the deferred ISR asset has been partially recognized, can be recovered subject to certain conditions. As of December 31, 2023, 2022 and 2021, the tax loss carryforwards amounted to $3,142,578, $5,116,581 and $7,209,363, respectively. As of December 31, 2023, 2022 and 2021, the entity has decided not to recognize an active deferred tax on outstanding tax losses of$101,845, $119,627 and $1,215,127, respectively.

e. As a result of the conclusive agreement reached between Grupo Posadas and the General Administration of Large Taxpayers of the Tax Administration Service, conducted during the review that the latter carried out for the closure of the fiscal year 2016. It was agreed to regularize the result of said fiscal year by accumulating the amount of $409,400 for deferred foreign exchange gains, which is why the company's deferred income tax is reduced. Said gain was amortized against tax losses from previous years.

f. Tax loss carryforwards

Expiration dates and restated amounts of tax loss carryforwards as of December 31, 2023 are:

Year	Amount
2024	$ 142
2025	929,753
2026	13,775
2027	8,995
2028	17,019
2029	560,765
2030	1,574,195
2031	11,792
2032	16,173
2033	9,969
	$ 3,142,578

g. Tax credits:

As a result of various agreements with the Tax Administration Service (SAT) made in April 2017, the Entity recognized a provision for Income Tax (ISR) payable in the current portion as of December 31, 2022, in the amount of $412,162, which was settled in 2023.

16. Lease liabilities

	2023	2022	2021
Circulating	$ 419,862	$ 424,501	$ 398,451
Non-circulating	2,444,881	2,593,003	2,861,409
Lease liabilities	$ 2,864,743	$ 3,017,504	$ 3,259,860

Maturity analysis

	2023	2022	2021
Year 1	$ 675,530	$ 678,150	$ 661,734
Year 2	658,641	617,783	644,407
Year 3	597,608	590,227	583,458
Year 4	510,115	539,645	560,565
Further	1,623,098	1,839,474	2,267,130
Less: Not accrued interest	(1,200,249)	(1,247,775)	(1,457,434)
Total lease liabilities	$ 2,864,743	$ 3,017,504	$ 3,259,860

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.

17. Short-term and long-term deferred income for Vacation Club

	2023	2022	2021
Short-term deferred income from Vacation Club:			
Income to be amortized from FAVC Access contracts	$ 456,450	$ 507,276	$ 211,706
Income to be recognized from Kívac contracts	175,891	345,692	269,082
Income to be recognized from FAVC 25th Edition contracts	15,522	-	-
Income to be amortized from maintenance fees	372,436	406,599	321,950
Income to be amortized from club fees	84,996	91,443	74,985
	$ 1,105,295	$ 1,351,010	$ 877,723
Long-term deferred income from Vacation Club:			
Income to be amortized from FAVC Access contracts	$ 1,428,929	$ 425,558	$ -
Income to be recognized from Kívac contracts	106,346	290,006	807,246
Income to be recognized from FAVC 25th Edition contracts	238,945	-	-
	$ 1,774,220	$ 715,564	$ 807,246

18. Employee benefits and other accrued liabilities

	2023	2022	2021
Employee benefits	$ 295,152	$ 265,944	$ 249,177
Other accrued liabilities	26,438	31,067	13,001
	$ 321,590	$ 297,011	$ 262,178

19. Employee Benefit Plans

The Entity sponsors funded defined benefit plans for qualifying employees. These defined benefit plans are managed by a fund that is legally separate from the Entity. The pension fund is administered by Valmex based on predefined investment profile criteria. There is a Pension Fund Management Committee that defines the fund's statutes for qualifying employees. The Management Committee is responsible for setting investment criteria in relation to the plan's assets.

The Entity operates a plan that also covers seniority premiums, which consist of a one-time payment of 12 days for each year worked based on the last salary, limited to twice the minimum wage established by law. 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 manages defined benefit plans for employees who qualify in the Entity and its subsidiaries. According to these plans, employees are entitled to retirement benefits that range from 40% to 45% of the final salary upon reaching the retirement age of 65, in addition, there is an option for early retirement under certain conditions. No other post-retirement benefits are provided.

The defined benefit plans do not require contributions from employees.

The plans typically expose the Entity to actuarial risks such as: investment risk, interest rate risk, longevity risk, and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate that is determined based on the yields of the high-quality corporate bonds; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the plan's assets and the present value of the defined benefit obligation were carried out as of December 31, 2023, by independent actuaries. The present value of the defined benefit obligation, the current service cost, and the past service cost were calculated using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2023 %	2022 %	2021 %
Discount rate(s)	9.70	9.45	7.75
Expected rate(s) of salary increase	5.00	5,.00	4.75
Others (Applies for males and females)	Early retirement 60 years age and 20 years of service Normal retirement 65 years age		

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

		Seniority premium	
	2023	2022	2021
Service cost:			
Current services cost:	$ 10,718	$ 10,475	$ 9,490
Net interest expense:	7,513	6,000	4,852
Components of defined benefit costs recognized in profit or loss	$ 18,231	$ 16,475	$ 14,342

	Pension plan		
	2023	2022	2021
Service cost:			
Current services cost:	$ 12,800	$ 14,203	$ 22,037
Net interest expense:	19,723	17,941	16,560
Components of defined benefit costs recognized in profit or loss	$ 32,523	$ 32,144	$ 38,597
Total of defined benefit plan recognized in income	$ 50,754	$ 48,619	$ 52,939

	Seniority premium		
	2023	2022	2021
Remeasurement of the net defined benefit liability:			
Actuarial (gains) and losses arising from changes in financial assumptions	$ (5,193)	$ (9,106)	$ (8,423)
Actuarial (gains) and losses arising from experience adjustments	(6,846)	(4,256)	1,164
Defined benefit cost items recognized in other comprehensive income	$ (12,039)	$ (13,362)	$ (7,259)

	Pension premium		
	2023	2022	2021
Remeasurement of the net defined benefit liability:			
Actuarial (gains) and losses arising from changes in financial assumptions	$ (4,096)	$ (28,410)	$ (19,286)
Actuarial (gains) and losses arising from experience adjustments	19,470	16,758	(19,007)
The return on plan liability (excluding amounts included in net interest expense)	1,219	5,600	2,999
Defined benefit cost items recognized in other comprehensive income	$ 16,593	$ (6,052)	$ (35,294)
Total of defined benefit plan recognized ir other comprehensive income	$ 4,554	$ (19,414)	$ (42,553)

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the entity's obligation in regard to its defined benefit plans is $295,152, $265,944, and $249,177, as of December 31, 2023, 2022 and 2021, respectively.

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

	Seniority premium 2023	2022	2021
Opening balance defined benefit obligation	$ 82,402	$ 79,858	$ 74,262
Current service cost	10,718	10,475	9,490
Past service cost losses	41	(23)	(843)
Interest cost	7,513	6,000	4,852
Remeasurement (gains) losses:			
Actuarial (gains) and losses arising from changes in financial assumptions	(5,193)	(9,106)	(8,423)
Actuarial (gains) and losses arising from experience adjustments	(6,846)	(4,256)	1,164
Liabilities assumed in a business combination	-		-
Benefits paid	(394)	(546)	(644)
Defined benefit obligation total before present value	$ 88,241	$ 82,402	$ 79,858

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

	2023	2022	2021
Contributions from the employer	$ 394	$ 546	$ 644
Benefits paid	(394)	(546)	(644)
Total plan assets at fair value	-	-	-
Closing balance defined benefit obligation	$ 88,241	$ 82,402	$ 79,858

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

	Pension plan 2023	2022	2021
Opening balance defined benefit obligation	$ 213,879	$ 250,667	$ 253,354
Current service cost	12,800	14,203	22,037
Interest cost	19,723	17,941	16,560
Remeasurement (gains)/losses:			
Actuarial gains and losses arising from changes in financial assumptions	(4,096)	(28,410)	(19,286)
Actuarial gains and losses arising from experience adjustments	19,470	16,758	(19,007)
Cost of past services including losses/(gains) for adjustments	1,234	(385)	55
Past services reduction	(6,959)	(6,549)	-
Benefits paid	(4,143)	(50,346)	(3,046)
Defined benefit obligation total before present value	$ 251,908	$ 213,879	$ 250,667

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

	2023	2022	2021
Opening fair value of plan assets	$ 30,337	$ 81,348	$ 81,866
Interest income	2,522	4,934	5,526
Remeasurement (gains)/losses:			
The return on plan assets (excluding amounts included in net interest expense)	(1,219)	(5,599)	(2,998)
Contributions from the employer	17,500	-	-
Benefits paid	(4,143)	(50,346)	(3,046)
Total plan assets at fair value	$ 44,997	$ 30,337	$ 81,348
Closing defined benefit obligation	$ 206,911	$ 183,542	$ 169,319
Defined benefit obligation total as of December 31	$ 295,152	$ 265,944	$ 249,177

The significant actuarial assumptions for the determination of the defined obligation are the discount rate, the expected wage increase and mortality. The rest of the revelations were considered to be insignificant.

The consolidation of defined profit obligations, which will not be reclassified subsequently to results and which are presented within the cumulative total results accumulated in the consolidated statements of changes in the capital of accounts for the years 2023, 2022 and 2021, was of earnings (losses), $15,764, $18,952 and $(462), respectively.

20. Financial instruments

a. ***Classes and categories of financial instruments and their reasonable values.***

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics.
- The book values of financial instruments;
- Reasonable values of financial instruments (except financial instruments when the book value approaches Fair Value Measurement its market); and
- The levels of the Fair Value Measurement equity hierarchy of the financial assets and liabilities for which Fair Value Measurement the market was disclosed.

The levels of the hierarchy from Fair Value Measurement 1 to 3 are based on the degree to which Fair Value Measurement the item is observable:

- Level 1: Fair Value Measurement the measurements of the market are those derived from quoted (unadjusted) prices on active markets, for identical assets or liabilities;
- Level 2: Level Fair Value Measurement 2 measurements are those derived from inputs other than the listed prices included in Level 1 which are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as price derivatives); and
- Level 3: Fair Value Measurement level 3 metric measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (non-observable entries).

The Entity is exposed to market risks (including interest rate risks and exchange rate risk), credit risk and liquidity risk, which are all managed centrally.

b. ***Capital risk management***

The Entity manages its capital to ensure that it will continue as a going concern, while striving to maximize the return to stockholders through the optimization of debt and equity structure. During 2023 overall strategy of the Entity has not been changed compared to 2022 and 2021.

During 2021 and 2020 the management of the entity reviewed its capital structure due to the liquidity limitation caused by the COVID-19 pandemic, modeling the impacts on the financial projections it presented to the senior management, the Board of Directors and shareholders of the entity. As part of this review, the Board considered the cost of capital and its associated risks.

The Entity analyzes the capital structure for each project independently, in order to minimize the risk for the Entity and optimize stockholder returns.

The Entity's Management, on a monthly basis, reviews the net debt and accrued interest and its relation to the EBITDA. This review is carried out when the Entity's financial projections are presented as part of the business plan to the Board of Directors and stockholders of the Entity.

The Entity is incorporated as a S.A.B. de C.V. in accordance with the Mexican Securities Law and the General Corporate Law.

Debt index

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

	2023	2022	2021
Debt (i)	$ 6,398,173	$ 7,477,392	$ 8,108,631
Leasing	2,864,743	3,017,504	3,259,860
Cash, banks and investments in securities	1,841,210	1,938,933	1,960,118
Net debt	7,421,706	8,555,963	9,408,373
Stockholders' equity (ii)	$ 2,267,410	$ 1,255,015	$ 1,012,293
Net debt to equity index	3.27	6,82	9.29

(i) Debt is defined as short and long-term borrowings in national and foreign currency, as described in Note 14.

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

c. ***Categories of financial instruments***

	2023	2022	2021
Financial assets:			
Cash	$ 217,317	$ 120,246	$ 61,635
Cash equivalents	1,623,893	1,818,687	1,898,483
Account and notes receivable	7,544,430	7,232,347	6,763,355
Financial liabilities:			
Trade accounts payable	$ 634,060	$ 775,160	$ 602,189
Debt	6,617,560	7,749,186	8,363,286
Other liabilities and accrued expenses	1,192,421	1,048,735	916,205
Lease liabilities	2,864,743	3,017,504	3,259,860

d. ***Market risk***

The Entity's activities primarily expose it to financial risks due to fluctuations in exchange rates. There have been no changes in the Entity's exposure to market risks or the way in which these risks are managed and valued.

e. ***Foreign currency risk management***

The Entity believes that the risk is material because as of December 31, 2023, 98% of its debt is denominated in US dollars. Considering the net monetary position in US dollars as of December 31, 2023, 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 $342,529.

The current exchange rates in Mexican pesos are as follows:

	December 31,			February 26,
	2023	**2022**	**2021**	**2024**
Mexican pesos per US dollar	$ 16.8935	$ 19,3615	$ 20.5835	$ 17.1210

f. ***Interest rate risk management***

The Entity is exposed to low market risks related to fluctuations in interest rates, because its debt on December 31, 2023 accrue interest at fixed rates. Therefore, an increase in interest rates does not result in a significant risk to the Entity.

g. ***Credit risk management***

Credit risk refers to the risk that the counterparties will default on their contractual obligations, resulting in a loss for the Entity. The Entity's principal credit risk stems from cash and cash equivalents, investments in securities and accounts and notes receivable.

The Entity has a policy of maintaining cash and cash equivalents only with recognized, prestigious institutions with a high credit rating. Additionally, investments are limited to instruments with high credit quality. In the case of accounts and notes receivable, the credit risk mainly stems from the Vacation Club portfolio; otherwise, the respective guarantees are obtained in accordance with established credit policies.

The maximum exposure to credit risk is represented by the amounts shown in the consolidated statement of financial position.

h. ***Liquidity risk management***

During 2021 and 2020, as a result of the decrease in income due to the COVID-19 pandemic, a liquidity risk materialized due to the amount of short-term debt held by the Entity. On December 9, 2021, the restructuring plan was approved by the court of New York City, and on December 15, 2021, this plan was executed with the holders of Senior Notes Due 2022. The main sources of liquidity for the Entity have been the cash flows from operating activities, primarily from the operating income of owned and leased hotels, management income, the sale and financing of Vacation Club memberships, areas that were affected by the COVID-19 pandemic, the proceeds from the sale of non-strategic assets, and financing that was used to bridge certain payments that needed to be made in the first quarter of 2021, such as the eighth annual installment of ISR (Income Tax), a loan that was paid off early in October with the proceeds from the aforementioned asset sale.

In 2022, a 23% recovery in revenue was observed compared to the previous year, along with a higher generation of cash flow from operations, with a cash balance of $1,938, an amount similar to that of 2021, this after paying in cash the two semi-annual payments (in June and December of 2022) of interest on the Senior Notes due in 2027.

In 2023, a recovery in revenue of 23% was observed compared to the previous year, and a greater generation of cash flow from operations, with a cash balance of $1,841, which is a comparable amount $108 million higher than in 2022, this after paying in cash the two semi-annual payments (in June and December of 2023) of interest on the Senior Notes due in 2027 and adjusting the end-of-period exchange rate and the repurchase of senior notes for US$7.5 million.

As of December 31, 2023	Weighted average effective interest Rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	5.3%Usd / 9.175%MN	$ 19,355	$ 323,036	$ 239,228	$ 1,022,676	$ 7,100,699	$ 8,704,994
Suppliers		634,060	-	-	-	-	634,060
Leasing		171,296	167,928	335,413	1,258,290	2,128,692	4,061,619
Other liabilities and accrued expenses		1,192,421	-	-	-	-	1,192,421
Total		$ 2,017,132	$ 490,964	$ 574,641	$ 2,280,966	$ 9,229,391	$ 14,593,094

As of December 31, 2022	Weighted average effective interest Rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	4.1%Usd / 9.175%MN	$ 18,739	$ 201,309	$ 218,919	$ 1,300,114	$ 8,295,612	$ 10,044,693
Suppliers		775,160	-	-	-	-	775,160
Leasing		167,849	163,181	316,624	1,189,788	1,928,151	3,765,593
Other liabilities and accrued expenses		1,048,735	-	-	-	-	1,048,735
Total		$ 2,010,483	$ 364,490	$ 545,543	$ 2,489,902	$ 10,223,763	$ 15,634,181

As of December 31, 2021	Weighted average effective interest rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	4%Usd / 9.175%MN	$ 3,971	$ 191,156	$ 199,121	$ 604,815	$ 9,774,265	$ 10,773,328
Suppliers		602,189	-	-	-	-	602,189
Leasing		171,322	171,130	333,277	1,203,200	2,385,538	4,264,467
Other liabilities and accrued expenses		916,205	-	-	-	-	916,205
Total		$ 1,693,687	$ 362,286	$ 532,398	$ 1,808,015	$ 12,159,803	$ 16,556,189

The amounts included as Debt accrue interest at a fixed rate. The Entity expects to fulfill its obligations with the cash flows from operations and any resources received from the maturity of financial assets.

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

***Valuation techniques and assumptions applied to determine fair value* -** The fair value of the financial assets and liabilities is determined as follows:

- The fair value of the financial assets and liabilities with standard terms and conditions, and negotiated in active liquid markets, are determined based on the prices quoted in the market.

- The fair value of the other assets and liabilities is determined in accordance with generally accepted price determination models, which are based on the analysis of discounted cash flows.

Fair value of the financial assets and liabilities -– Except for what is mentioned later, the Entity's Management consider that the carrying amounts of the current financial assets (including investments in securities) and financial liabilities recognized at amortized cost in the consolidated statement of financial position, approximate their fair values since they are short-term.

As of December 31, 2023, 2022 and 2021, the fair value of the Vacation Club long-term receivables is $3,377,893, $3,530,770 and $3,706,869 which is greater than its carrying amount. The Fair Value Measurement entity uses a present value technique using a discount rate to measure the time-to-value of these receivable documents. This is done through the use of a (zero) curve of interest rates on government bonds. This curve is obtained from the integral price provider "PIP".

The financial instruments measured after the initial recognition to Fair Value Measurement TASs, grouped at level 1, are those derived from quoted (unadjusted) prices in active markets for identical assets or liabilities, the Fair Value Measurement long-term debt is as follows:

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

		2023		2022		2021
Thousands of US dollars:						
Senior Notes 2027	US$	324,567	US$	304,861	US$	325,725
Thousands of Mexican pesos						
Senior Notes 2027	$	5,483,065	$	5,899,565	$	6,704,561
Banamex	$	85,730	$	113,002	$	129,415

On December 31, 2023, 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 nominal shares:

	Number of shares 2023, 2022 and 2021
Authorized capital	512,737,588
Less:	
Repurchase of shares	(16,855,600)
	495,881,988

b. As of December 31, 2023, 2022 and 2021, the share capital is composed solely of Series "A" ordinary stocks, representative of fixed capital, free-to-subscribe.

c. The Ordinary General Assemblies on March 28, 2023, April 5, 2022, and April 19, 2021, resolved to maintain the maximum amount of resources for the purchase of treasury shares at $535,000.

d. As of December 31, 2023, 2022, and 2021, the reserve fund is presented in the accumulated results and amounts to $99,187 (at nominal value), representing 20% of the nominal share capital. This fund cannot be distributed to shareholders except in the form of stock dividends.

e. Stockholders’ equity, except for restated paid-in capital and tax retained earnings, will be subject to ISR payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on dividends is paid and the following two fiscal years.

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

The following are the accumulated earnings that could be subject to withholding up to 10% ISR on distributed dividends:

Year	Amount that could be subject to withholding	Amount not subject to withholding
Retained earnings through December 31, 2013	$	$ 4,779,342

22. Balances and transactions in foreign currency

Significant monetary position in foreign currencies as of December 31 is:

	2023	2022	2021
Thousands of US dollars:			
Current:			
Monetary assets	$ 109,718	$ 98,216	$ 108,640
Monetary liabilities	(8,145)	(11,074)	(11,535)
	101,573	87,142	97,105
Long-term:			
Monetary assets	81,369	49,300	41,495
Monetary liabilities	(385,700)	(393,235)	(398,581)
	(304,331)	(343,935)	(357,086)
Net liability position	(202,758)	(256,793)	(259,981)
Equivalent in thousands of Mexican pesos	$ (3,425,299)	$ (4,971,888)	$ (5,351,314)

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:**

	2023	2022	2021
Hotel operation	$ 3,225,454	$ 2,908,951	$ 2,181,583
Vacation Club	4,079,012	4,507,159	4,092,835
Management fee, brand and other expenses	1,904,790	1,661,880	1,132,316
	$ 9,209,256	$ 9,077,990	$ 7,406,734

b. **Cost of sales:**

	2023	2022	2021
Hotel operation	$ 1,606,864	$ 1,443,591	$ 1,138,727
Vacation Club	3,470,824	3,840,031	3,328,529
Management fee, brand and other expenses	985,334	991,756	1,034,887
	$ 6,063,022	$ 6,275,378	$ 5,502,143

c. **Administrative expenses:**

	2023	2022	2021
Salaries, employee benefits and other	$ 435,366	$ 503,710	$ 427,166
PTU	219,654	138,298	36,659
Electricity	159,794	149,458	136,239
Maintenance	104,738	98,951	74,760
Professional fees	89,843	78,400	62,632
Credit card commissions	51,858	47,635	35,865
Property taxes and duties	33,496	32,003	29,660
Office rentals	4,352	4,321	4,277
Services and supplies	18,825	16,999	22,114
Insurance and bonds	13,023	9,403	9,216
Equipment leasing	910	930	927
Others	49,386	25,440	16,266
	$ 1,181,245	$ 1,105,548	$ 855,781

d. **Sale and development expenses:**

	2023	2022	2021
Marketing and publicity	$ 101,325	$ 85,029	$ 146,988
Salaries, employee benefits and other	56,465	46,507	39,916
Travel expenses	891	1,136	440
Subscription fees	187	296	2
Others	8,278	7,281	4,915
	$ 167,146	$ 140,249	$ 192,261

e. **Other (revenues) expenses, net:**

	2023	2022	2021
Other (revenues) expenses, net			
Real estate selling	$ -	$ -	$ 38,968
Fiduciary rights	-	-	(235,696)
Recoverable expenses	-	-	434,574
Others	38,653	20,692	15,397
	$ 38,653	$ 20,692	$ 253,243

24. Related party transactions

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

	2023	2022	2021
Direct, short and long-term benefits	$ 115,681	$ 109,530	$ 140,200

25. Operating segments

Information condensed by operating segments is presented according to Management's criteria. Given that Management evaluates the performance of each segment based on the EBITDA, the Entity does not segregate the amount of depreciation and amortization between different segments. In addition, as the Entity centrally manages the segments' cash flows to cover investment and financing needs, therefore it does not separately report cash flows by segment. The main long-term assets and related investment cash flows made by the Hotel operation and Vacation Club are those presented in the consolidated statements of financial position and consolidated statements of cash flows.

a. **Hotel operation** - Revenues generated by this segment are represented by the rental of hotel rooms, the sale of food, beverages and related services (laundry, telephones, spa, etc.) to guests. The expenses incurred by the segment are related to the payroll of the personnel that attend guests in hotels, the cost of food, beverages, and hotel operating expenses, including sales and administrative personnel, office expenses, electricity, insurance and property taxes. In the case of leased hotels, an additional rent expense is generated.

b. **Vacation Club -** Revenues generated by this segment include the sale of memberships, interest income generated by financed sales, annual membership fees and income from the effective use of the "Kivac" and "FAV Access" programs. Costs and expenses include the value of real property sold under FAVC and LARC regime, marketing expenses incurred for prospective clients, collection expenses, payroll of personnel located at the sites where Vacation Club operates, including electricity and insurance, the payroll and office expenses of sales and administrative personnel, along with the cost of hotel exchanges.

c. **Hotel management, brand and other -** Revenues generated by this segment include fees billed to hotels under the terms of hotel management contracts; brand use and franchise fees, as well as billing of different centralized services. The costs and expenses incurred by this segment primarily involve payroll of the personnel that supervise hotel operations, the cost of the reservation services, centralized accounting, purchasing and technology service expenses and the recovery of GDS (Global Distribution System) costs.

Statement of comprehensive income (loss):	Hotel operation	Vacation Club	Hotel management, brand and other	Total	Other corporate expenses	Eliminations	Total consolidated
2023							
Total revenues	$ 3,256,056	$ 4,083,989	$ 1,947,074	$ 9,287,119	$ -	$ (77,863)	$ 9,209,256
Cost and general expenses	2,342,030	3,316,119	1,251,482	6,909,631	-	(77,863)	6,831,768
Corporate expenses	-	-	-	-	602,277	-	602,277
Depreciation, and amortization	-	-	-	-	958,563	-	958,563
Other expenses	-	-	-	-	(38,653)	-	(38,653)
Operating income (loss)	$ 914,026	$ 767,870	$ 695,592	$ 2,377,488	$ 1,522,187	$ -	$ 855,301
					Financial expenses, net		(236,487)
					Equity in associate		-
					Income before income taxes		$ 1,091,787

Statement of comprehensive income (loss):	Hotel operation	Vacation Club	Hotel management, brand and other	Total	Other corporate expenses	Eliminations	Total consolidated
2022							
Total revenues	$ 2,936,098	$ 4,511,651	$ 1,698,481	$ 9,146,230	$ -	$ (68,240)	$ 9,077,990
Cost and general expenses	2,092,624	3,727,496	1,207,243	7,027,363	-	(68,240)	6,959,123
Corporate expenses	-	-	-	-	576,534	-	576,534
Depreciation, and amortization	-	-	-	-	878,316	-	878,316
Other expenses	-	-	-	-	(20,692)	-	(20,692)
Operating income (loss)	$ 843,474	$ 784,155	$ 491,238	$ 2,118,867	$ 1,434,158	$ -	$ 684,709
					Financial expenses, net		131,897
					Equity in associate		-
					Income before income taxes		$ 552,812

Statement of comprehensive income (loss):	Hotel operation	Vacation Club	Hotel management, brand and other	Total	Other corporate expenses	Eliminations	Total consolidated
2021							
Total revenues	$ 2,198,466	$ 4,096,282	$ 1,154,491	$ 7,449,239	$ -	$ (42,505)	$ 7,406,734
Cost and general expenses	1,503,729	3,221,505	1,227,738	5,952,972	-	(42,505)	5,910,467
Corporate expenses	-	-	-	-	397,226	-	397,226
Depreciation, and amortization	-	-	-	-	897,234	-	897,234
Other expenses	-	-	-	-	(253,243)	-	(253,243)
Operating income (loss)	$ 694,737	$ 874,777	$ (73,247)	$ 1,496,267	$ 1,041,217	$ -	$ 455,050
					Financial expenses, net		253,053
					Equity in associate		15,000
					Income before income taxes		$ 186,997

26. Commitments

a. As of December 31, 2023, 2022 and 2021, 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, 2023, 2022 and 2021, lease expense amounted to $40,393, $35,755 and $66,061, respectively. The estimated rental payments for the following years is shown below:

Years		Amount
2024	$	44,307
2025		35,796
2026		12,808

27. Contingencies

a. The Entity filed an annulment lawsuit against a tax credit determined by the International Audit Administration of the SAT for the alleged omission in the payment of ISR (Income Tax) corresponding to the fiscal year 2006 for $767,248. By a judgment issued by the Superior Chamber of the Federal Administrative Justice Tribunal, the partial annulment of the tax credit was declared, which was confirmed by the Twelfth Collegiate Tribunal in Administrative Matters of the First Circuit in its session of September 4, 2020, thus the lawsuit has been definitively resolved.

On March 24, 2021, the Entity was notified of the administrative resolution contained in the official letter of March 22, 2021, issued by the Central Administration of International Audit, attached to the General Administration of Large Taxpayers, of the Tax Administration Service, through which a tax credit for $222,896 was determined for income tax, surcharges, and fines corresponding to the fiscal year 2006 in compliance with the definitive judgment mentioned in the previous paragraph.

Against this credit, the Entity filed an annulment lawsuit which was admitted by the First Metropolitan Regional Chamber of the Federal Administrative Justice Tribunal. In its interest, the Entity presented a written withdrawal which was ratified on September 1, 2021, leading to the dismissal of the lawsuit.

Furthermore, against the official letter described above, a complaint for defect in the fulfillment of the definitive judgment issued by the Superior Chamber was filed with the Superior Chamber of the Federal Administrative Justice Tribunal. In its interest, the Entity presented a written withdrawal of the complaint, and by a judgment of December 1, 2021, the Superior Chamber accepted the Entity's withdrawal from the complaint for defect filed.

On March 30, 2022, the Entity made the payment of the tax obligation for $174,062 by obtaining the benefit of Article 70-A of the Federal Fiscal Code, so the matter has concluded definitively.

As of December 31, 2023, 2022, and 2021, the Entity has created a reserve to cover contingencies for $2,685, $3,922, and $2,872, respectively, recorded under the item "long-term accrued liabilities" in the consolidated statement of financial position.

b. On January 29, 2021, the decision contained in the Office of January 18, 2021, issued by the State Director of Service auditor the Tax Unit of the Tax Administration Service of the State of Quintana Roo, was notified, through which it determines to the entity a tax credit in the total amount of $9,545, for alleged omissions in the payment of payroll tax for the 2017 and 2018 financial years, updates, surcharges, fines and execution expenses.

On March 11, 2021, the entity filed an appeal for revocation against the aforementioned office, which is currently pending resolution.

On September 14, 2023, a notice was received from the State Legal Department of the Tax Administration Service of the State of Quintana Roo, which nullifies the tax credit contained in the official letter dated January 18, 2021, issued by the State Director of Fiscal Audit of the Tax Administration Service of the State of Quintana Roo. This official letter had determined a total tax credit of $9,545 against the entity for alleged omissions in the payment of payroll taxes corresponding to the fiscal years of 2017 and 2018, including updates, surcharges, fines, and execution expenses. As a result, the matter has been definitively concluded.

c. During 2003 a former subsidiary of the Entity, named Posadas de Argentina, S.A. signed a contract to operate a hotel in the city of Mendoza, Argentina. The counterparty undertook to build a hotel within two years from the contract signing date. However, the counterparty rescinded the contract, for this reason, Posadas de Argentina, S.A. filed a provisional claim to safeguard its rights.

d. The Entity is involved in a series of legal proceedings arising from the normal course of its operations. Due to the status of these proceedings and the difficulty in determining a probable contingent amount, no reserves have been established for these purposes.

e. There are labor lawsuits corresponding to different fiscal years, which the Entity, together with its external advisors in the field, believes have sufficient arguments to obtain favorable outcomes.

28. Authorization to issue the financial statements

The accompanying consolidated financial statements as of December 31, 2023 were authorized to be issued on February 26, 2023 by the Board of Directors with the prior opinion of Audit committee and authorized for issue, by Ing. José Carlos Azcárraga Andrade, Chief Executive Officer, Ing. Arturo Martínez del Campo Saucedo, Corporate Chief Financial Officer; consequently, they do not reflect events after this date, and are subject to the approval of the Ordinary Stockholders Meeting of the Entity, who may modify them in accordance with the provisions of the Securities Market Law.

The consolidated financial statements as of December 31, 2022 and 2021 were approved in General Stockholders Meetings held on April 26, 2023 and April 5, 2022, respectively.

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