

POSADAS®



Operating & Financial Results: Second Quarter 2020



Grupo Posadas, S.A.B. de C.V. & Subsidiaries Mexico City, July 23rd, 2020.

Information presented with respect to the same quarter of previous year under IFRS accounting standards:

- The COVID-19 health emergency required us to temporarily close all hotels until May 30, 2020, and thereafter, in accordance with the provisions of the federal and state epidemiological traffic lights. In June, we gradually resumed operations, with limited services in accordance with the health authorities' restrictions.
- In 2Q20, revenues reached \$417 million, representing an 81% decline QoQ.
- 2Q20 EBITDA was negative \$382 million, reflecting the application of IFRS 16, which went into effect on January 1, 2019.
- Cash available as of June 30, 2020 of \$925 million.

Million pesos as of June 30, 2020.	2Q20		Var. YY %
	\$	%	
Total Revenues	417.0	100	(81.4)
EBIT	(589.5)	(141)	na
EBITDA	(382.3)	(92)	na

COVID-19 significantly impacted the end of the first quarter and the second quarter and will also impact our performance in the medium term.

The authorities of the various levels of government have established protocols and mechanisms that we must implement prior to reopening our hotels. These protocols require us to modify how we interact with our guests, implement a multitude of special cleaning processes, establish barriers or physical distance between people, train our employees, and continuously monitor their health and activities.

Reopening protocols limit capacity, services and even the type of clientele (for both essential activities and the general public) that can be accommodated according to the applicable epidemiological traffic lights. However, occupancies remain very low in relation to our operational capabilities.

In June, we began reopening our hotels with the "Travel with Confidence" advertising campaign, in partnership with 3M and based on guidelines from the ABC hospital in Mexico.

The wellbeing of our guests and employees is our foremost priority, followed by preserving cash. As of June 30, 2020, Posadas has \$925 million cash on hand.

In this quarter, due to the aforementioned lockdown, we generated only 19% of the revenue versus the same period of the previous year. The main expenses were payroll, hotel leases and suppliers.

As of June 30, 2020, the balance of Vacation Properties receivables reached \$6,124 million, representing an increase of 13% compared to the same period of the previous year. However, the balance decreased 7% (\$470 million) over the previous quarter.

Given the volatility and uncertainty that COVID-19 has caused in the global economy and in the tourism industry in particular, on June 25, 2020 we published a Relevant Event regarding an action we took to maximize our financial flexibility. We proactively decided not to make our June 30, 2020 interest payment on the "7.875% Senior Notes Due 2022" and do not expect to make such payment during the subsequent 30-day cure period.

In addition, Grupo Posadas has hired DD3 Capital Partners, Ritch Mueller Heather and Nicolau, and Cleary Gottlieb Steen & Hamilton as our advisors to analyze and develop strategic solutions that will enable us to best serve the interests of all of our stakeholders.

> Hotel Development

On July 1, 2020, the 20-room Gamma Morelia Vista Bella hotel opened under a franchise contract.

On July 15, 2020, we launched Curamoria Collection, our new brand of boutique hotels through a franchise business model with the opening of the Náay Tulum hotel with 36 rooms and luxury suites.

The economic outlook of the travel and leisure businesses is still uncertain. Therefore, we have decided to focus our resources and position our brands in well-known markets.

Consequently, an agreement was reached to terminate the Fiesta Americana Punta Varadero and Fiesta Americana Costa Verde hotel contracts.

Likewise, and by mutual agreement between the parties, the following six hotel contracts were also terminated: Holiday Inn Mérida, Fiesta Inn San Cristóbal de las Casas, Aqua Boutique Resort Playa del Carmen, One Coatzacoalcos, Gamma León Universidad, Gamma Valle Grande Ciudad Obregon.

Altogether, the 2,155 rooms of these hotels represent 8% of the total room inventory with a small contribution in revenues of the management business.

During the last twelve months, the Company opened 11 hotels with 1,526 additional rooms.

Openings LTM	No. of Rooms	Type of Contract
Gamma Monterrey Rincón de Santiago	89	Franchised
Fiesta Inn Express Puebla Explanada	138	Leased
Fiesta Inn Guadalajara Periferico Poniente	142	Managed
Gamma Orizaba Grand Hotel de France	91	Franchised
Fiesta Inn Celaya Galerías	145	Managed
Fiesta Americana Viaducto Aeropuerto	260	Managed
One Tapachula	126	Managed
Fiesta Americana San Luis Potosí	150	Managed
Grand Fiesta Americana Oaxaca	144	Managed
One Tuxtla Gutiérrez	126	Managed
Fiesta Inn Guadalajara Aeropuerto	115	Leased
Total	1,526	

> Comprehensive Financial Results

At the end of the quarter (LTM), the net coverage ratio was negative, considering the effect of IFRS 16.

The exchange loss in 1H20 was \$1,540 million (including leases), as a result of the MXN / USD depreciation of 21.7%.

Concept	2Q20	2Q19	2020	2019
Interest Income	(5,329)	(25,898)	(18,778)	(60,756)
Accrued interest	192,397	159,500	362,455	322,174
Exchange (gain) loss, net	(147,169)	(48,087)	1,113,882	(135,895)
Accrued interest from lease payments	99,434	89,867	202,157	163,144
Exchange (gain) loss, from lease payments	(55,633)	(20,119)	426,691	(62,975)
Other financial costs (products)	17,754	22,202	35,508	40,106
Other financial expenses	4,573	4,379	7,674	7,678
Total	106,027	181,844	2,129,589	273,476

Figures in thousands of pesos

> Net Majority Income

As a result of the above, the net losses for the quarter and 1H20 were \$428 million and \$2,088, respectively.

> Indebtedness

Concept (Figures in millions)	2Q20		2Q19	
	US\$ Notional	IFRS MXN	US\$ Notional	IFRS MXN
FX eop:		22.9715		19.1442
EBITDA LTM		(86)		1,039
Cash		925		1,783
Indebtedness:				
Senior Notes 2022	393	9,019	393	7,516
Subsidiary	7	159	9	178
Issuance expenses (IFRS)		(141)		(213)
Total	400	9,036	402	7,481
Net Debt to EBITDA		(94.3)		5.5
Lease liabilities		4,557		4,727
Leases LTM		804		601
Adjusted Net Debt to EBITDA		17.6		6.4

As of 2Q20, the \$210 million bank loan drawn in June 2017 by our subsidiary that holds the Fiesta Americana Mérida hotel has an outstanding balance of \$159 million.

The Total Debt mix under IFRS at the end of the quarter was 100% long-term, 98% U.S. dollar denominated and 100% with a fixed rate. The average life was 2.1 years and only 2% was secured debt.

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

- Moody's: global scale "Ca".
- S&P: global "D".
- Fitch: global Issuer Default Rating (IDR) "C".

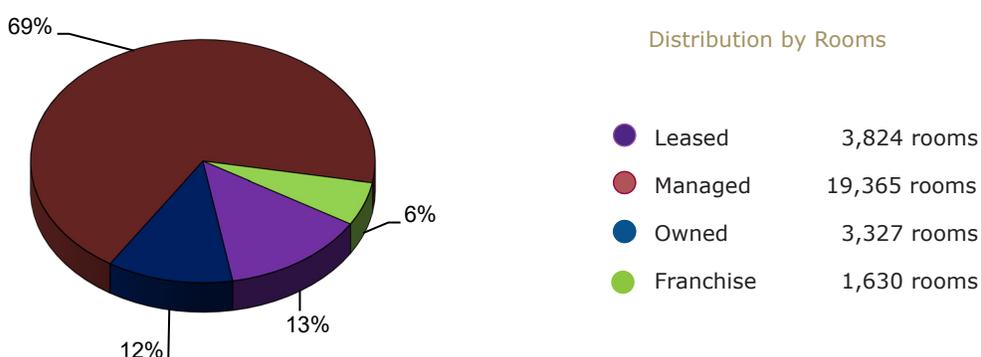
The ratings for the "7.875% Senior Notes Due 2022" were: Moody's: "Ca"/ S&P: "D" / Fitch: "C RR4". In compliance with Article 4.033.02 Section VIII of the Mexican Stock Exchange rules, Grupo Posadas coverage is provided by:

- Bank of America Merrill Lynch, analyst: Stefan A. Styk stefan.a.styk@bofa.com (1-646) 855-3322
- BCP Securities, LLC, analyst: Ben Hough bhough@bcpscurities.com (1-203) 629 2181

> Grupo Posadas as of June 30, 2020.

Posadas is the leading hotel operator in Mexico that owns, leases, franchises and manages 178 hotels and 28,146 rooms in the most important and visited urban and coastal destinations in Mexico. Urban hotels represent 85% of total rooms and coastal hotels represent 15%. Posadas operates the following brands: Live Aqua Beach Resort, Live Aqua Urban Resort, Live Aqua Boutique Resort, Curamoria Collection, Grand Fiesta Americana, Fiesta Americana, The Explorean, Fiesta Americana Vacation Villas, Live Aqua Residence Club, Fiesta Inn, Fiesta Inn LOFT, Fiesta Inn Express, Gamma and One Hotels.

Posadas has been trading on the Mexican Stock Exchange since 1992.



Brand	Mexico	
	Hotels	Rooms
Live Aqua	4	729
Live Aqua Residence Club	2	125
Grand Fiesta Americana	9	2,354
Fiesta Americana	14	3,952
The Explorean	2	96
FAVC	5	1,749
Fiesta Inn	71	10,328
Fiesta Inn Loft	4	388
Fiesta Inn Express	3	378
Gamma	17	2,189
One	47	5,858
Total	178	28,146

> Income Statement IFRS (million pesos)

Concept	2Q20		2Q19		Var %	2020		2019		Var %
	\$	%	\$	%		\$	%	\$	%	
Total Revenues	417.0	100.0	2,239.8	100.0	(81.4)	2,533.8	100.0	4,277.0	100.0	(40.8)
Owned & Leased Hotels										
Revenues	49.1	100.0	937.1	100.0	(94.8)	809.8	100.0	1,830.3	100.0	(55.8)
Direct cost	184.7	376.0	690.1	73.6	(73.2)	788.0	97.3	1,322.7	72.3	(40.4)
Contribution IFRS	(135.6)	(276.0)	247.0	26.4	na	21.8	2.7	507.6	27.7	(95.7)
Intersegment fee eliminations (1)	96.8		(45.4)			130.7		(91.0)		
<i>Business Contribution</i>	<i>(38.7)</i>	<i>(78.9)</i>	201.6	21.5	na	152.5	18.8	416.6	22.8	(63.4)
Managed										
Revenues	0.9	100.0	287.7	100.0	(99.7)	269.3	100.0	564.6	100.0	(52.3)
Direct cost	144.0	15,760.7	211.7	73.6	(32.0)	379.5	140.9	415.9	73.7	(8.8)
Contribution IFRS	(143.1)	(15,660.7)	76.0	26.4	na	(110.1)	(40.9)	148.8	26.3	na
Intersegment fee eliminations (1)	(64.4)		67.7			(46.6)		126.2		
<i>Business Contribution</i>	<i>(207.5)</i>	<i>(22,714.2)</i>	143.7	49.9	na	(156.7)	(58.2)	274.9	48.7	na
Vacation Properties										
Revenues	346.5	100.0	972.6	100.0	(64.4)	1,408.9	100.0	1,798.7	100.0	(21.7)
Direct cost	336.8	97.2	713.2	73.3	(52.8)	1,150.6	81.7	1,368.9	76.1	(15.9)
Contribution IFRS	9.7	2.8	259.4	26.7	(96.3)	258.3	18.3	429.7	23.9	(39.9)
Intersegment fee eliminations (1)	(50.7)		(57.4)			(120.9)		(104.3)		
<i>Business Contribution</i>	<i>(41.0)</i>	<i>(11.8)</i>	202.0	20.8	na	137.4	9.8	325.4	18.1	(57.8)
Other Businesses (2)										
Revenues	20.5	100.0	42.4	100.0	(51.7)	45.8	100.0	83.4	100.0	(45.1)
Direct cost	64.4	315.0	108.5	256.3	(40.6)	173.7	379.5	215.5	258.4	(19.4)
Contribution IFRS	(44.0)	(215.0)	(66.2)	(156.3)	(33.6)	(128.0)	(279.5)	(132.1)	(158.4)	(3.1)
Intersegment fee eliminations (1)	23.7		40.2			47.7		79.5		
<i>Business Contribution</i>	<i>(20.3)</i>	<i>(99.0)</i>	(26.0)	(61.4)	(22.1)	(80.3)	(175.4)	(52.7)	(63.1)	52.4
Corporate Expenses	64.7	15.5	96.7	4.3	(33.1)	151.4	6.0	191.4	4.5	(20.9)
Intersegment fee eliminations (1)	(5.5)		(5.2)			10.9		10.3		
Depreciation/Amortization and asset impairment	207.2	49.7	219.5	9.8	(5.6)	463.7	18.3	419.7	9.8	10.5
Other expenses (revenue) (3)	4.7	1.1	(18.0)	(0.8)	na	(43.1)	(1.7)	(19.3)	(0.5)	123.5
Other	0.0	0.0	0.0	0.0	na	0.0	0.0	0.0	0.0	na
Operating Profit	(589.5)	(141.4)	217.9	9.7	na	(530.0)	(20.9)	362.2	8.5	na
EBITDA	(382.3)	(91.7)	437.4	19.5	na	(66.3)	(2.6)	781.8	18.3	na
Comprehensive financing cost	106.0	25.4	181.8	8.1	(41.7)	2,129.6	84.0	273.5	6.4	678.7
Other	0.0	na	0.0	0.0	na	0.0	na	0.0	0.0	na
Part. in results of Associated Companies	0.0	0.0	0.0	0.0	na	0.0	0.0	0.0	0.0	na
Profit Before Taxes	(695.5)	(166.8)	36.1	1.6	na	(2,659.6)	(105.0)	88.7	2.1	na
Discontinued Operations	0.0	0.0	0.0	0.0	na	0.0	0.0	0.0	0.0	na
Income taxes	(1.4)	(0.3)	3.6	0.2	na	14.9	0.6	41.5	1.0	(64.1)
Deferred taxes	(256.7)	(61.6)	(6.4)	(0.3)	3,916.4	(578.5)	(22.8)	41.4	1.0	na
Net Income before Minority	(437.4)	(104.9)	38.8	1.7	na	(2,096.0)	(82.7)	5.8	0.1	na
Minority Interest	(9.1)	(2.2)	(0.6)	(0.0)	1,534.5	(8.3)	(0.3)	(0.9)	(0.0)	849.6
Net Majority Income	(428.3)	(102.7)	39.4	1.8	na	(2,087.7)	(82.4)	6.7	0.2	na

(1) Intersegment fee eliminations: Management, brand and incentive fees, among others, were eliminated from each segment.

(2) Includes the following businesses: GloboGo, Promoción y Desarrollo, Summas. Also includes third parties operations for Conectum, Konexo.

> Consolidated Balance Sheet as of June 30, 2020 and December 31st, 2019 IFRS (million pesos)

CONCEPT	JUN-20	%	DEC-19	%	VAR. %
ASSETS					
Current Assets					
Cash and cash equivalents	924.5	4.5	1,239.5	6.0	(25.4)
Trade and other current receivables	2,835.0	13.9	3,118.6	15.1	(9.1)
Current tax assets, current	-	0.0	-	0.0	-
Other current financial assets	-	0.0	-	0.0	-
Current inventories	327.7	1.6	322.6	1.6	1.6
Other current non-financial assets	218.0	1.1	217.7	1.1	0.2
Total	4,305.3	21.1	4,898.4	23.7	(12.1)
Assets held for sale	113.3	0.6	387.4	1.9	(70.7)
Total current assets	4,418.6	21.6	5,285.8	25.5	(16.4)
Non current assets					
Trade and other non-current receivables	3,905.2	19.1	3,891.3	18.8	0.4
Non-current inventories	-	0.0	-	0.0	-
Other non-current financial assets	9.6	0.0	18.0	0.1	(46.4)
Investments in subsidiaries, joint ventures and associates	1,081.9	5.3	1,081.7	5.2	0.0
Property, plant and equipment	4,443.2	21.8	4,513.2	21.8	(1.6)
Right-of-use assets that do not meet definition of investment property	4,033.8	19.8	4,086.1	19.7	(1.3)
Intangible assets other than goodwill	785.9	3.9	664.1	3.2	18.3
Deferred tax assets	1,733.9	8.5	1,155.4	5.6	50.1
Other non-current non-financial assets	-	0.0	-	-	-
Total non-current assets	15,993.5	78.4	15,409.7	74.5	3.8
Total assets	20,412.1	100.0	20,695.5	100.0	(1.4)
LIABILITIES					
Current Liabilities					
Trade and other current payables	2,361.8	11.6	2,041.1	9.9	15.7
Current tax liabilities, current	343.5	1.7	343.7	1.7	(0.1)
Other current financial liabilities	6.7	0.0	25.8	0.1	(73.9)
Current lease liabilities	454.7	2.2	416.1	2.0	9.3
Other current non-financial liabilities	742.5	3.6	881.3	4.3	(15.7)
Current provisions for employee benefits	122.0	0.6	130.9	0.6	(6.8)
Total current liabilities other than liabilities included in disposal groups classified as held for sale	4,031.2	19.7	3,838.8	18.5	5.0
Liabilities included in disposal groups classified as held for sale	-	0.0	-	0.0	-
Total current liabilities	4,031.2	19.7	3,838.8	18.5	5.0
Non Current Liabilities					
Trade and other non-current payables	556.9	2.7	632.5	3.1	(11.9)
Non-current lease liabilities	4,102.1	20.1	3,730.4	18.0	10.0
Bank loans	150.4	0.7	137.4	0.7	9.5
Stock market loans	8,875.6	43.5	7,233.9	35.0	22.7
Other non-current financial liabilities	9,026.0	44.2	7,371.3	35.6	22.4
Non-current provisions for employee benefits	243.7	1.2	237.4	1.1	2.7
Other non-current provisions	212.4	1.0	212.4	1.0	0.0
Total non-current provisions	456.2	2.2	449.9	2.2	1.4
Deferred tax liabilities	1,272.3	6.2	1,616.3	7.8	(21.3)
Total non-current liabilities	15,413.6	75.5	13,800.3	66.7	11.7
Total liabilities	19,444.8	95.3	17,639.2	85.2	10.2
EQUITY					
Total equity attributable to owners of parent	778.0	3.8	2,858.8	13.8	(72.8)
Non-controlling interests	189.3	0.9	197.6	1.0	(4.2)
Total equity	967.3	4.7	3,056.4	14.8	(68.4)
Total equity and liabilities	20,412.1	100.0	20,695.5	100.0	(1.4)

> Consolidated Cash Flow Statement - IFRS

(Million pesos from January 1st to June 30, 2020 & 2019)

STATEMENT OF CASH FLOWS		
	2Q20	2Q19
Cash flows from (used in) operating activities		
Profit (loss)	(2,096.0)	5.8
Adjustments to reconcile profit (loss)		
Discontinued operations	0.0	0.0
Adjustments for income tax expense	(563.6)	82.9
Adjustments for finance costs	581.3	463.7
Adjustments for depreciation and amortisation expense	463.7	419.7
Adjustments for unrealised foreign exchange losses (gains)	2,035.9	(280.1)
Adjustments for losses (gains) on disposal of non-current assets	(28.7)	(1.1)
Participation in associates and joint ventures	0.0	0.0
Adjustments for decrease (increase) in inventories	(5.2)	91.7
Adjustments for decrease (increase) in trade accounts receivable	348.7	(320.2)
Adjustments for decrease (increase) in other operating receivables	(71.3)	(79.1)
Adjustments for increase (decrease) in trade accounts payable	114.4	(82.0)
Adjustments for increase (decrease) in other operating payables	(356.4)	9.2
Other adjustments for non-cash items	0.0	0.0
Other adjustments to reconcile profit (loss)	0.0	0.0
Total adjustments to reconcile profit (loss)	2,518.9	304.7
Cash flows from (used in) operations	422.9	310.6
Income taxes paid (refund), classified as operating activities	342.2	338.8
Cash flows from (used in) operating activities	80.7	(28.3)
Other cash payments to acquire interests in joint ventures, classified as investing activities	0.2	17.8
Proceeds from sales of property, plant and equipment, classified as investing activities	347.9	0.0
Purchase of property, plant and equipment, classified as investing activities	113.4	195.7
Purchase of intangible assets, classified as investing activities	141.2	16.6
Interest received, classified as investing activities	18.8	60.8
Other inflows (outflows) of cash, classified as investing activities	0.0	0.0
Cash flows from (used in) investing activities	111.9	(169.3)
Proceeds from borrowings, classified as financing activities	0.0	0.0
Repayments of borrowings, classified as financing activities	6.2	151.1
Payments of lease liabilities	482.7	279.3
Dividends paid, classified as financing activities	0.0	0.0
Interest paid, classified as financing activities	18.8	322.6
Income taxes paid (refund), classified as financing activities	0.0	0.0
Other inflows (outflows) of cash, classified as financing activities	0.0	0.0
Cash flows from (used in) financing activities	(507.6)	(753.0)
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes	(315.0)	(950.6)
Effect of exchange rate changes on cash and cash equivalents	0.0	0.0
Increase (decrease) in cash and cash equivalents	(315.0)	(950.6)
Cash and cash equivalents at beginning of period	1,239.5	2,733.9
Cash and cash equivalents at end of period	924.5	1,783.3