

POSADAS®



Operating & Financial Results: Third Quarter 2020



Grupo Posadas, S.A.B. de C.V. & Subsidiaries Mexico City, October 28, 2020.

Information presented with respect to the same quarter of previous year under IFRS accounting standards (figures in MXN):

- The COVID-19 pandemic required us to operate our hotels in accordance with the provisions of federal and state epidemiological traffic lights, with limited services in accordance with the capacity restrictions determined by health authorities.
- In 3Q20, revenues reached \$1,157 million, representing a 52% decline QoQ.
- 3Q20 EBITDA was negative \$55 million, reflecting the application of IFRS 16, which went into effect on January 1, 2019.
- Cash available as of September 30, 2020 of \$573 million (equivalent to US\$26 million), including US\$14 million denominated in USD.

Million pesos as of September 30, 2020.	3Q20		Var. YY %
	\$	%	
Total Revenues	1,156.7	100	(52.0)
EBIT	(280.9)	(24)	na
EBITDA	(55.3)	(5)	na

COVID-19 has had a significant impact across both the tourism sector globally and the company's operations since the second quarter, and we expect this impact to persist in the medium term. Many countries around the world and some regions of Mexico have seen an increase in the number of cases, which could mean a return to more restrictive measures that could have a negative impact on the weak recovery that has occurred thus far.

As a result of the ongoing protocols and health security mechanisms established by the various levels of government, all hotels operated by the Company are open subject to the restrictions on capacity and complementary services mandated by federal, state and municipal authorities in compliance with the applicable epidemiological traffic lights. According to the federal epidemiological traffic light in effect as of October 26: one state (Chihuahua) is on a red traffic light which mandates that hotel occupancy must not exceed 15% and completely restricts in-restaurant (food and beverage) dining; fifteen states are on an orange traffic light, which allows hotel occupancy and restaurant capacity (food and beverage) of between 25% and 50%, as is the case for Mexico City; 15 states have a yellow traffic light, limiting hotel occupancies and restaurant capacity to between 50% and 75%; states with high tourism demand, such as Baja California Sur (Los Cabos) and Quintana Roo (Cancun), are restricted

to 50% and 60% hotel occupancy levels, respectively; and the state of Campeche is the only one on a green traffic light, which allows for 75% occupancy in hotel and restaurant capacity.

Business and international travel levels remain low. From January to August 2020, the arrival of domestic passengers at Mexico's main airports (Cancun, Puerto Vallarta, Cabos, CDMX, Guadalajara, Monterrey) experienced a 53.1% decline, and it is estimated that at the end of 2020, the arrival of domestic passengers will reflect a decline of 63.0%. It should be noted that the six airports receive 60% of total domestic passengers. In the same period, the arrival of international passengers at the main airports in Mexico (Cancun, Puerto Vallarta, Cabos, CDMX, Guadalajara, Monterrey) declined by 60.6%. It should be noted that these six airports receive 91% of total international passengers, according to figures from the Ministry of Communications and Transportation.

During 3Q20, hotel occupancy in urban and coastal hotels was 24% and 33% respectively. As a result of the aforementioned restrictions on occupancies, the RevPAR (Revenue Per Available Room) declined 69% in urban hotels and 54% in coastal hotels, compared to the same period of the previous year.

The highest priority continues to be the wellbeing of our guests and employees, followed by the preservation of cash. As of September 30, Posadas had \$573 million cash on hand, including US\$14 million, or 65%, denominated in USD.

The main uses of cash were payroll, hotel leases and suppliers. As part of the cost containment measures, the Company implemented, during the month of October 2020, a corporate organizational restructuring.

As of September 30, 2020, the balance of Vacation Properties receivables reached \$6,246 million, representing an increase of 7% compared to the same period of the previous year. Receivables grew 2% (\$122 million) when compared to the previous quarter.

> Hotel Development

During the last twelve months, 13 hotels with 1,582 additional rooms were opened. Of these, seven are under a management contract, two are leased, and four are franchised.

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
Gamma Morelia Vista Bella	20	Franchised
Curamoria Náay Tulum	36	Franchised
Total	1,582	

> EBITDA

EBITDA in the third quarter was negative \$55 million, while in the previous quarter it was negative \$382 million.

> 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 the 9M20 was \$1,336 million (including leases), as a result of the MXN / USD depreciation of 17.2%. However, in 3Q20 we recorded an appreciation of 2.2% from the previous quarter.

Concept	3Q20	3Q19	2020	2019
Interest Income	(2,740)	(19,882)	(21,518)	(80,638)
Accrued interest	183,505	163,290	545,959	485,465
Exchange (gain) loss, net	(153,276)	135,922	960,606	27
Accrued interest from lease payments	100,768	60,805	302,925	223,948
Exchange (gain) loss, from lease payments	(51,516)	128,718	375,176	65,742
Other financial costs (products)	17,754	17,754	53,262	57,860
Other financial expenses	1,966	3,651	9,640	11,329
Total	96,461	490,257	2,226,050	763,733

Figures in thousands of pesos

> Net Majority Income

As a result of the above, net loss in the third quarter was \$264 million, while in the previous quarter it was \$428 million. For the nine months of 2020, the loss amounts to \$2,352 million.

> Indebtedness

Concept (Figures in millions)	3Q20		3Q19	
	US\$ Notional	IFRS MXN	US\$ Notional	IFRS MXN
FX eop:		22.4573		19.6363
EBITDA LTM		(532)		942
Cash		573		1,621
Indebtedness:				
Interests		555		
Senior Notes 2022	393	8,817	393	7,709
Subsidiary	7	159	9	171
Issuance expenses (IFRS)		(125)		(195)
Total	400	9,406	401	7,685
Net Debt to EBITDA		na		6.4
Lease liabilities		4,411		4,243
Leases LTM		707		530
Adjusted Net Debt to EBITDA		75.9		7.0

The outstanding balance as of 3Q20 of the “7.875% Senior Notes Due 2022” is USD \$393 million. It is worth noting that on June 30, 2020, the payment of the interest due on that date was omitted, as reported to the Mexican Stock Exchange (Bolsa Mexicana de Valores) in the relevant event of June 25, 2020. This liability is presented as long-term and at any time could be reclassified in the short term.

As of 3Q20, the \$210 million bank loan drawn in June 2017 in our subsidiary that holds the Fiesta Americana Mérida hotel has an outstanding balance of \$159 million.

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

- Moody’s: global scale “Ca” with negative outlook.
- S&P: global “D” with negative outlook.

On September 24, the Company decided to discontinue with the services of Fitch Ratings. The ratings for the “7.875% Senior Notes Due 2022” were: Moody’s: “Ca”/ S&P: “D”.

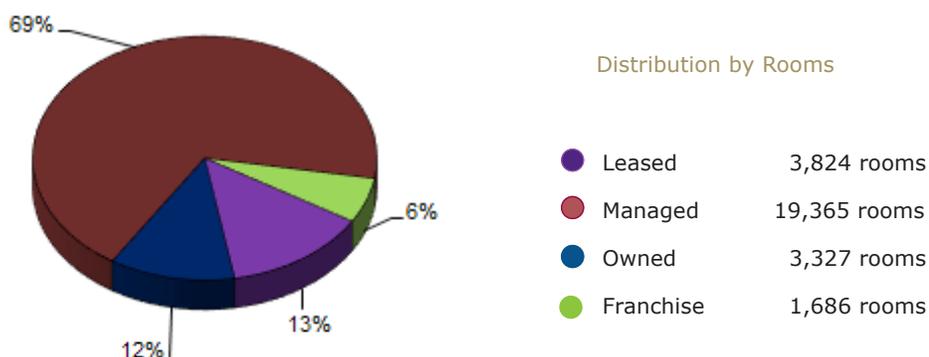
In compliance with Article 4.033.02 Section VIII of the Mexican Stock Exchange rules, Grupo Posadas coverage is provided by:

- Bank of America Merrill Lynch, analyst: Stefan A. Styk stefan.a.styk@bofa.com (1-646) 855-3322
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> Grupo Posadas as of September 30th, 2020.

Posadas is the leading hotel operator in Mexico that owns, leases, franchises and manages 180 hotels and 28,202 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
Curamoria	1	36
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	18	2,209
One	47	5,858
Total	180	28,202

> Income Statement IFRS (million pesos)

Concept	3Q20		3Q19		Var %	2020		2019		Var %
	\$	%	\$	%		\$	%	\$	%	
Total Revenues	1,156.7	100.0	2,408.2	100.0	(52.0)	3,690.5	100.0	6,685.2	100.0	(44.8)
Owned & Leased Hotels										
Revenues	259.3	100.0	870.3	100.0	(70.2)	1,069.0	100.0	2,700.6	100.0	(60.4)
Direct cost	293.2	113.1	697.4	80.1	(58.0)	1,081.2	101.1	2,020.1	74.8	(46.5)
Contribution IFRS	(33.9)	(13.1)	172.9	19.9	na	(12.1)	(1.1)	680.5	25.2	na
Intersegment fee eliminations (1)	70.2		(19.0)			201.0		(110.0)		
<i>Business Contribution</i>	36.3	14.0	153.9	17.7	(76.4)	188.8	17.7	570.5	21.1	(66.9)
Managed										
Revenues	114.8	100.0	305.2	100.0	(62.4)	384.1	100.0	869.8	100.0	(55.8)
Direct cost	178.4	155.5	222.2	72.8	(19.7)	557.9	145.2	638.0	73.4	(12.6)
Contribution IFRS	(63.7)	(55.5)	83.1	27.2	na	(173.8)	(45.2)	231.8	26.6	na
Intersegment fee eliminations (1)	(36.9)		33.7			(83.5)		159.9		
<i>Business Contribution</i>	(100.5)	(87.6)	116.8	38.3	na	(257.3)	(67.0)	391.7	45.0	na
Vacation Properties										
Revenues	750.0	100.0	1,183.4	100.0	(36.6)	2,158.9	100.0	2,982.1	100.0	(27.6)
Direct cost	612.1	81.6	913.5	77.2	(33.0)	1,762.7	81.6	2,282.4	76.5	(22.8)
Contribution IFRS	137.9	18.4	270.0	22.8	(48.9)	396.2	18.4	699.7	23.5	(43.4)
Intersegment fee eliminations (1)	(51.7)		(67.8)			(172.6)		(172.1)		
<i>Business Contribution</i>	86.2	11.5	202.2	17.1	(57.4)	223.6	10.4	527.6	17.7	(57.6)
Other Businesses (2)										
Revenues	32.7	100.0	49.2	100.0	(33.4)	78.5	100.0	132.6	100.0	(40.8)
Direct cost	54.9	167.7	126.4	257.1	(56.6)	228.6	291.2	342.0	257.9	(33.1)
Contribution IFRS	(22.2)	(67.7)	(77.2)	(157.1)	(71.3)	(150.1)	(191.2)	(209.4)	(157.9)	(28.3)
Intersegment fee eliminations (1)	23.8		58.3			71.5		137.8		
<i>Business Contribution</i>	1.6	5.0	(18.9)	(38.5)	na	(78.6)	(100.2)	(71.6)	(54.0)	9.8
Corporate Expenses	77.2	6.7	101.8	4.2	(24.1)	228.6	6.2	293.1	4.4	(22.0)
Intersegment fee eliminations (1)	(5.5)		(5.2)			16.4		15.5		
Depreciation/Amortization and asset impairment	225.7	19.5	219.0	9.1	3.0	689.4	18.7	638.7	9.6	7.9
Other expenses (revenue) (3)	(3.8)	(0.3)	(9.9)	(0.4)	(61.5)	(46.9)	(1.3)	(29.2)	(0.4)	60.6
Other	0.0	0.0	0.0	0.0	na	0.0	0.0	0.0	0.0	na
Operating Profit	(280.9)	(24.3)	137.9	5.7	na	(810.9)	(22.0)	500.1	7.5	na
EBITDA	(55.3)	(4.8)	356.9	14.8	na	(121.6)	(3.3)	1,138.8	17.0	na
Comprehensive financing cost	96.5	8.3	490.3	20.4	(80.3)	2,226.0	60.3	763.7	11.4	191.5
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	(377.4)	(32.6)	(352.3)	(14.6)	7.1	(3,037.0)	(82.3)	(263.6)	(3.9)	1,052.0
Discontinued Operations	0.0	0.0	0.0	0.0	na	0.0	0.0	0.0	0.0	na
Income taxes	8.1	0.7	5.0	0.2	62.6	23.0	0.6	46.5	0.7	(50.5)
Deferred taxes	(113.5)	(9.8)	(68.0)	(2.8)	66.9	(692.0)	(18.7)	(26.6)	(0.4)	2,500.9
Net Income before Minority	(272.0)	(23.5)	(289.4)	(12.0)	(6.0)	(2,368.0)	(64.2)	(283.5)	(4.2)	735.2
Minority Interest	(7.6)	(0.7)	0.6	0.0	na	(15.9)	(0.4)	(0.2)	(0.0)	6,293.9
Net Majority Income	(264.5)	(22.9)	(290.0)	(12.0)	(8.8)	(2,352.2)	(63.7)	(283.3)	(4.2)	730.3

(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 September 30, 2020 and December 31st, 2019 IFRS (million pesos)

CONCEPT	SEP-20	%	DEC-19	%	VAR. %
ASSETS					
Current Assets					
Cash and cash equivalents	573.4	2.9	1,239.5	6.0	(53.7)
Trade and other current receivables	2,635.9	13.2	3,118.6	15.1	(15.5)
Current tax assets, current	-	0.0	-	0.0	-
Other current financial assets	-	0.0	-	0.0	-
Current inventories	316.0	1.6	322.6	1.6	(2.0)
Other current non-financial assets	210.9	1.1	217.7	1.1	(3.1)
Total	3,736.2	18.7	4,898.4	23.7	(23.7)
Assets held for sale	113.4	0.6	387.4	1.9	(70.7)
Total current assets	3,849.6	19.3	5,285.8	25.5	(27.2)
Non current assets					
Trade and other non-current receivables	3,986.8	20.0	3,891.3	18.8	2.5
Non-current inventories	-	0.0	-	0.0	-
Other non-current financial assets	14.0	0.1	18.0	0.1	(22.4)
Investments in subsidiaries, joint ventures and associates	1,085.5	5.4	1,081.7	5.2	0.4
Property, plant and equipment	4,439.7	22.2	4,513.2	21.8	(1.6)
Right-of-use assets that do not meet definition of investment property	3,915.8	19.6	4,086.1	19.7	(4.2)
Intangible assets other than goodwill	850.4	4.3	664.1	3.2	28.1
Deferred tax assets	1,839.9	9.2	1,155.4	5.6	59.2
Other non-current non-financial assets	-	0.0	-	-	-
Total non-current assets	16,132.2	80.7	15,409.7	74.5	4.7
Total assets	19,981.8	100.0	20,695.5	100.0	(3.4)
LIABILITIES					
Current Liabilities					
Trade and other current payables	2,357.2	11.8	2,041.1	9.9	15.5
Current tax liabilities, current	346.8	1.7	343.7	1.7	0.9
Other current financial liabilities	14.1	0.1	25.8	0.1	(45.2)
Current lease liabilities	435.5	2.2	416.1	2.0	4.7
Other current non-financial liabilities	837.6	4.2	881.3	4.3	(5.0)
Current provisions for employee benefits	146.7	0.7	130.9	0.6	12.0
Total current liabilities other than liabilities included in disposal groups classified as held for sale	4,138.0	20.7	3,838.8	18.5	7.8
Liabilities included in disposal groups classified as held for sale	-	0.0	-	0.0	-
Total current liabilities	4,138.0	20.7	3,838.8	18.5	7.8
Non Current Liabilities					
Trade and other non-current payables	595.9	3.0	632.5	3.1	(5.8)
Non-current lease liabilities	3,975.7	19.9	3,730.4	18.0	6.6
Bank loans	142.3	0.7	137.4	0.7	3.6
Stock market loans	8,694.5	43.5	7,233.9	35.0	20.2
Other non-current financial liabilities	8,836.8	44.2	7,371.3	35.6	19.9
Non-current provisions for employee benefits	240.9	1.2	237.4	1.1	1.5
Other non-current provisions	212.4	1.1	212.4	1.0	0.0
Total non-current provisions	453.4	2.3	449.9	2.2	0.8
Deferred tax liabilities	1,287.2	6.4	1,616.3	7.8	(20.4)
Total non-current liabilities	15,149.0	75.8	13,800.3	66.7	9.8
Total liabilities	19,286.9	96.5	17,639.2	85.2	9.3
EQUITY					
Total equity attributable to owners of parent	513.2	2.6	2,858.8	13.8	(82.0)
Non-controlling interests	181.7	0.9	197.6	1.0	(8.0)
Total equity	694.9	3.5	3,056.4	14.8	(77.3)
Total equity and liabilities	19,981.8	100.0	20,695.5	100.0	(3.4)

> Consolidated Cash Flow Statement - IFRS

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

STATEMENT OF CASH FLOWS		
	3Q20	3Q19
Cash flows from (used in) operating activities		
Profit (loss)	(2,368.0)	(283.5)
Adjustments to reconcile profit (loss)		
Discontinued operations	0.0	0.0
Adjustments for income tax expense	(668.9)	19.9
Adjustments for finance costs	879.8	685.6
Adjustments for depreciation and amortisation expense	689.4	638.7
Adjustments for unrealised foreign exchange losses (gains)	1,782.7	41.9
Adjustments for losses (gains) on disposal of non-current assets	(29.2)	(1.7)
Participation in associates and joint ventures	0.0	0.0
Adjustments for decrease (increase) in inventories	6.6	139.6
Adjustments for decrease (increase) in trade accounts receivable	438.2	(515.5)
Adjustments for decrease (increase) in other operating receivables	(34.2)	(50.9)
Adjustments for increase (decrease) in trade accounts payable	143.2	(86.6)
Adjustments for increase (decrease) in other operating payables	(396.3)	(42.9)
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)	2,811.3	828.0
Cash flows from (used in) operations	443.2	544.5
Income taxes paid (refund), classified as operating activities	342.5	341.8
Cash flows from (used in) operating activities	100.7	202.7
Other cash payments to acquire interests in joint ventures, classified as investing activities	3.8	23.2
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	187.7	337.5
Purchase of intangible assets, classified as investing activities	220.7	28.9
Interest received, classified as investing activities	21.5	80.6
Other inflows (outflows) of cash, classified as investing activities	0.0	0.0
Cash flows from (used in) investing activities	(42.9)	(309.0)
Proceeds from borrowings, classified as financing activities	0.0	0.0
Repayments of borrowings, classified as financing activities	6.2	157.2
Payments of lease liabilities	699.2	507.7
Dividends paid, classified as financing activities	0.0	0.0
Interest paid, classified as financing activities	18.8	341.8
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	(724.1)	(1,006.7)
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes	(666.2)	(1,113.1)
Effect of exchange rate changes on cash and cash equivalents	0.0	0.0
Increase (decrease) in cash and cash equivalents	(666.2)	(1,113.1)
Cash and cash equivalents at beginning of period	1,239.5	2,733.9
Cash and cash equivalents at end of period	573.4	1,620.8