

Playa Hotels & Resorts B.V.
Directors' Report, Consolidated Financial Statements and Standalone
Financial Statements
As of and for the year ended December 31, 2016

Playa Hotels & Resorts B.V.
As of and for the year ended December 31, 2016

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I. Directors' Report

Playa Hotels & Resorts B.V.

Directors' Report

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Directors' Report

Background

Playa Hotels & Resorts B.V. ("Playa" or the "Company") is a leading owner, operator and developer of all-inclusive resorts in prime beachfront locations in popular vacation destinations. Playa's portfolio consists of 13 resorts located in Mexico, the Dominican Republic and Jamaica. We currently manage eight of our 13 resorts. Unless otherwise indicated or the context requires otherwise, references in this directors' report ("Directors' Report") to "we," "our," "us" and similar expressions refer to Playa and its subsidiaries. Capitalized terms not otherwise defined in this Directors' Report shall have the meanings set forth in the accompanying consolidated financial statements of the Company (the "Consolidated Financial Statements").

On December 13, 2016, we entered into a transaction agreement ("Transaction Agreement") with Pace Holdings Corp. ("Pace"), Porto Holdco B.V. ("Holdco"), and New PACE Holdings Corp. ("New Pace"), the effects of which replicated the economics of a reverse merger of Pace and Playa. This transaction closed on March 11, 2017, and resulted in Holdco changing its entity name to Playa Hotels & Resorts N.V. ("Playa N.V."), which became the parent company to New Pace and Playa's direct and indirect subsidiaries. Upon the closing of the transaction, Playa was dissolved. Unless otherwise noted, all information contained herein, and all references to Playa, refer to Playa Hotels & Resorts B.V. as of December 31, 2016, without considering the effects of the closing of the Transaction Agreement. This report is being issued, and the accompanying annual accounts were prepared, by the Board of Directors of Playa N.V., as successor of Playa.

General information

The address of Playa's registered office is Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands (Chamber of Commerce: 57593590). The address of Playa N.V.'s registered office is Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands (Chamber of Commerce: 67450628).

Employee information

The breakdown of personnel expenses for the year ended December 31, 2016 and 2015 are as follows (\$ in thousands):

	Year ended December 31,	
	2016	2015
Wages, salaries and severance	\$ 105,879	\$ 94,033
Benefits	19,092	15,823
Total personnel expenses	\$ 124,971	\$ 109,856

The average number of full-time equivalent employees during the year ended December 31, 2016 and the 2015 by category are as follows:

	As of December 31,	
	2016	2015
Resort management and administration	1,495	1,213
Resort staff	8,168	8,992
Total number of full-time employees	9,663	10,205

As of December 31, 2016, the Company has no employees in the Netherlands.

Board of Directors information

The board of directors of Playa (the "Board of Directors") was comprised of a total of 7 members (each, a "Board Member"), of which 6 were appointed as of December 31, 2015, with one seat remaining vacant. The Board of

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Directors had 3 committees (Audit, Compensation and Investment). The Investment Committee was composed of 5 Board Members and Audit and Compensation was each composed of 3 Board Members.

Upon the closing of the Transaction Agreement, Playa was dissolved and the majority of the members of its Board of Directors were appointed to the Board of Directors of Playa N.V., which is comprised of a total of 10 members with 4 committees (Audit, Compensation, Nominating and Governance and Capital Allocation). All committees are composed of 4 Board Members except for the Capital Allocation Committee, which is composed of 3 members. Board Members of Playa Hotels & Resorts N.V. were responsible for approving Playa's annual accounts as of and for the year ending December 31, 2016,

Board Members were entitled to reimbursement of certain travel and other expenses related to attendance of Board of Directors meetings. Only one board member received compensation for his services in 2016, which consisted of a \$0.1 million retainer fee. No advances or credits have been granted nor obligations assumed as guarantees to the members of the Board of Directors of the Company.

In relation to the compliance of article 276 of the Title 9, Book 2 of the Netherlands Civil Code ("NCC"), *Uneven Board seat allocation between men and women*, 5 of the 6 Board Members of Playa were nominated by our shareholders pursuant to the Investors Agreement, which Playa could not control. Gender was not a criteria used in the Board Member selection, however it could be considered in the future. At this time there are no expected plans to restructure the composition of the Board Board of Directors of Playa N.V.

Ordinary shares and Preferred Shares

Ordinary shares and Preferred Shares for management's purposes are measured without the impact of any bifurcations needed for International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and as endorsed by the European Union, compliance and with no different treatment as to whether additional shares were issued or accrued for the paid-in-kind ("PIK") dividends. The table below shows the composition of total shares as of December 31, 2016, which are considered by management when analyzing Company results:

	Ordinary	Preferred	Treasury	Total
Balance at January 1, 2015	60,249,330	37,646,499	5,373,884	103,269,713
PIK dividends	—	4,290,984	—	4,290,984
Balance at December 31, 2015	60,249,330	41,937,483	5,373,884	107,560,697
Balance at January 1, 2016	60,249,330	41,937,483	5,373,884	107,560,697
Preferred share redemption ⁽¹⁾	—	(4,227,100)	—	(4,227,100)
PIK dividends	—	3,474,299	—	3,474,299
Balance at December 31, 2016	60,249,330	41,184,682	5,373,884	106,807,896

⁽¹⁾ On October 14, 2016 we repurchased \$50.0 million of our Preferred Shares, which consisted of Convertible redeemable preferred shares reserve (equity component) and Preferred Shares (liability component) with respect to the Consolidated Financial Statements. We redeemed 4,277,100 of our outstanding Preferred Shares at \$8.40 per share for \$35.5 million in face value and we paid \$14.5 million of associated PIK dividends.

Financial results

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The Consolidated Financial Statements as of December 31, 2016 report a positive total equity of \$19.2 million, negative working capital of \$44.8 million and a comprehensive loss for the period of \$50.8 million. We believe our negative working capital position is not a risk to the Company's objective as we generated an operating cash flow of \$145.9 million for the period. We also had an available line of credit of \$50.0 million on our Revolving Credit Facility as of December 31, 2016 and have demonstrated the ability to adjust our cost of capital through equity

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transactions and refinancing arrangements. The comprehensive loss for the period of \$50.8 million was mainly attributable to the dividends on our Preferred Shares, all of which were canceled in 2017.

Impairment

Our Hyatt Ziva Los Cabos, located in Los Cabos, Mexico, sustained significant damage when Hurricane Odile, a Category 3 hurricane, made landfall on Mexico's Baja Peninsula on September 14, 2014. Our insurance policies provide coverage for business interruption, including lost profits, and reimbursement for other expenses and costs that we have incurred relating to the damages and losses we have suffered. We determined the fair value of the Hyatt Ziva Los Cabos by utilizing a discounted cash flow model and recorded property losses of \$17.6 million and corresponding insurance proceeds, net of deductible, of \$17.6 million within our Consolidated Statement of Profit or Loss for the year ended December 31, 2014. During 2015, we settled our claim and recorded total insurance proceeds of \$15.7 million for business interruption and total insurance proceeds of \$32.3 million for property damage.

The impairment test conducted by the Company did not result in any additional impairment relating to our other properties. As a part of this impairment test, the previously impaired hotel's recoverable amounts were re-assessed at higher values. Based on the hotel's value in use and higher recoverable amounts, we concluded that all of the impairment loss recognized in prior periods was no longer needed and would be reversed.

For the year ended December 31, 2016, we reversed \$13.3 million of previously expensed impairment resulting in a gain of \$11.9 million within the Impairment reversal gain in our Consolidated Statement of Profit or Loss. The recoverability of the hotel's assets that were tested for impairment was calculated using a discounted cash flow calculation based on five years of projections. These projected cash flows were discounted at an after tax annual rate of 9.7% for Mexican resorts and 11.2% for the Dominican resorts for the year ended December 31, 2016. A detail of the property, plant and equipment for which impairment reversal of previously recorded impairment expense has been recorded for the year ended December 31, 2016, classified by cash generating unit as follows:

	Carrying Value	Fair Value	Impairment reversal gain
Hyatt Ziva Los Cabos	170,154	265,062	1,861
Hyatt Ziva Puerto Vallarta	68,304	96,114	10,044
	\$ 238,458	\$ 361,176	\$ 11,905

For the year ended December 31, 2015, we reversed \$77.9 million of previously expensed impairment resulting in a gain of \$63.0 million within the Impairment reversal gain in our Consolidated Statement of Profit or Loss. The recoverability of the hotel's assets that were tested for impairment was calculated using a discounted cash flow calculation based on five years of projections. These projected cash flows were discounted at an after tax annual rate of 9.6% and 11.1% for the year end December 31, 2015.

Risk management

Risk appetite

The Company's risk appetite is reflective of the nature and extent of risk that the Board Members and the Company are willing to take and manage in pursuit of our strategic and other objectives. This is then cascaded through the goals we set, the strategy we choose, the decisions we make and how we allocate resources.

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Principal risks and review process

Risk description	How do we manage these risks?
Disaster recovery and cybersecurity Cyber risk and the failure to maintain the integrity of internal and guest data could result in faulty business decisions and harm to our reputation and subject us to costs, fines or lawsuits.	We take disaster recovery and cybersecurity seriously and have applied risk-based methods to build capability and resilience into our systems and processes. We manage information security to contain the risk and reduce the Company's exposure, controlling sensitive information.
Demand for our product and services General economic uncertainty and weak demand in the lodging industry could have a material adverse effect on us, including our financial condition, liquidity and results of operations.	Our business strategy depends significantly on demand for vacations generally and, more specifically, on demand for all-inclusive vacation packages. Weak economic conditions in the United States, elsewhere in North America, Europe and much of the rest of the world, and the uncertainty over the duration of these conditions, have had and could continue to have a negative impact on the lodging industry. Market trends are assessed regularly, in an effort to estimate future impact. Travel costs can be volatile. We engage a proactive selling and marketing strategy that takes seasonality and market trends into account.
Litigation and other contingent liabilities We may become subject to disputes or legal, regulatory or other proceedings that could involve significant expenditures by us, which could have a material adverse effect on us, including our financial results.	The nature of our business exposes us to the potential for disputes or legal, regulatory or other proceedings from time to time relating to tax matters, environmental matters, government regulations, including licensing and permitting requirements, personal injury, labor and employment matters, contract disputes and other issues. In addition, amenities at our resorts, including restaurants, bars and swimming pools, are subject to significant regulations, and government authorities may disagree with our interpretations of these regulations, or may enforce regulations that historically have not been enforced. Our legal department is fully integrated into decision-making processes to mitigate potential litigation. All litigation matters are promptly referred to our legal department to monitor and manage. We monitor and regularly update the status of any other contingent liability exposures.
Disaster events We are exposed to significant risks related to the geographic concentration of our resorts, (particularly in Cancun) including weather-related emergencies such as hurricanes, which could have a material adverse effect on us.	We recognize that events occur which can damage our guests/staff or property which can be largely out of our control. Our resorts located in Mexico account for the majority of our revenue. Damage to these resorts or a disruption of their operations or a reduction of travel to them due to a hurricane or other weather-related or other emergency could reduce our revenue, which could have a material adverse effect on us, including our results of operations, liquidity and financial condition. In addition, all of our resorts are located on beach front properties in Mexico and the Caribbean and are susceptible to weather-related emergencies, such as hurricanes. To mitigate the effects of such events we have comprehensive insurance which takes into account market limitation risk. We keep our properties well maintained and have developed emergency preparedness procedures to mitigate physical losses and to reduce insurance costs. We develop contingency plans for all potential event risks.
Leadership and talent Failure to recruit and retain the right leadership talent and to give them the tools, guidance and support to be successful could impact our delivery and ability to drive our strategic ambition. Losing our leadership team who have significant experience and relationships in the lodging industry, could have a material adverse effect on us.	Our leadership framework, support tools, and training and development help our people grow their careers, thereby managing internal talent. We proactively manage succession planning at all levels and consider the diversity of our people and leadership.

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For more detailed information on the risks and uncertainties associated with our business activities refer to our Playa N.V.'s Registration Statement on Amendment No. 2 to Form S-4 filed with the U.S. Securities and Exchange Commission ("SEC") on February 7, 2017 (under "Porto Holdco B.V."). You can access our filings with the SEC through the SEC website at www.sec.gov.

Capital risk management

The Company considers both cash flows arising from funds generated by operations and those received as contributions from shareholders or indebtedness with financial institutions to be capital.

Consistent with other companies in the hospitality industry, the Company controls the equity structure based on a standard ratio. This ratio is calculated as the net financial debt divided by the amount of equity the Company has.

The Company's ratio as of December 31, 2016 and 2015 is as follows (*\$ in thousands*):

	As of December 31,	
	2016	2015
Debt	\$ 824,975	\$ 823,898
Less cash and cash equivalents	(33,512)	(35,460)
Net financial debt	\$ 791,463	\$ 788,438
Equity⁽¹⁾	\$ 362,850	\$ 413,461
Net debt to equity ratio	218%	191%

⁽¹⁾Figure includes the liability portion of the convertible redeemable preferred shares in our equity base as we consider these instruments to be equity for capital management purposes.

Credit risk

Financial instruments that are subject to credit risk consist primarily of trade accounts receivable. Trade accounts receivable are generated from sales of services to customers in the United States, Canada, Europe, Latin America and Asia. The Company's policy is to mitigate this risk by granting a credit limit to each client depending on the client's volume and credit quality. In order to increase the initially established credit limit, approval is required from the director of each hotel. Each hotel periodically reviews the age of the clients' balances and the balances which may be of doubtful recoverability. The Company maintains allowances for potential credit losses based on management's evaluation of the customer's financial situation, past collection history, and the age of the accounts receivable balances. Historically, actual credit losses have been within the ranges of management's expectations and considered immaterial. The maximum exposure risk assumed by the Company is the carrying amount of trade receivables per customer, which have an expected collectability of less than one year.

The aging of the Company's receivables, based on invoice date, as of December 31, 2016 and 2015 are as follows (*\$ in thousands*):

	As of December 31,	
	2016	2015
0 - 60 days (current)	\$ 48,362	\$ 42,296
61 - 90 days	318	183
91 - 120 days	164	378
> 120 days	1,098	1,509
Gross trade and other receivables	\$ 49,942	\$ 44,366

The gross carrying amount of the trade and other receivables balance is reduced by an allowance for doubtful accounts that reflects management's best estimate of amounts that will not be collected. The allowance is based on historical loss experience, specific risks identified in collection matters, and analysis of past due balances identified

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in the aging detail. The Company's allowance for doubtful accounts as of December 31, 2016 and 2015 were approximately \$1.1 million and \$1.0 million, respectively (see Note 10 of the Consolidated Financial Statements).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal business conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyzes the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date as of December 31, 2016 (*\$ in thousands*):

Liability	Interest rate	< 1 year	> 1 to 3 years	> 3 to 5 years	> 5 years	Total
Term Loan	4.00%	\$ 3,750	\$ 359,063	\$ —	\$ —	\$ 362,813
8% Senior Notes due 2020	8.00%	—	—	475,000	—	475,000
Revolver	4.74% ⁽³⁾	—	—	—	—	—
Interest ⁽¹⁾	N/A	54,769	99,475	23,750	—	177,994
Preferred Shares ⁽²⁾	12.00%	353,873	—	—	—	353,873
Other non-interest bearing liabilities	N/A	95,454	—	—	—	95,454
		\$ 507,846	\$ 458,538	\$ 498,750	\$ —	\$ 1,465,134

⁽¹⁾ Interest includes deferred consideration, which for the purposes of this disclosure is presented at its gross value.

⁽²⁾ Includes the equity component and the liability component. The balance of Preferred Shares was based on the value at redemption (value as of March 10, 2017).

⁽³⁾ Interest rate consists of LIBOR plus 375 basis points.

During our assessment of liquidity risk, we note that we have negative working capital as of December 31, 2016; however, we do not believe this is a concern for the preparation of our Consolidated Financial Statements under the going concern principal due to our ability to raise capital and produce operating cash flow. Subsequent to December 31, 2016, all of our Preferred Shares were purchased by Porto Holdco N.V. in connection with the Transaction Agreement (and subsequently canceled) for a total amount of \$353.9 million.

Market risk

Our business strategy depends significantly on demand for all-inclusive vacation packages and demand for vacations generally. Weak economic conditions in the United States, Europe and much of the rest of the world and the uncertainty over the duration of these conditions could continue to have a negative impact on the hospitality industry. As a result, any delay or a weaker than anticipated economic recovery will adversely affect our future results of operations. Furthermore, a significant percentage of our guests originate in the United States and elsewhere in North America and, if travel from the United States or elsewhere in North America was disrupted and we were not able to replace those guests with guests from other geographic areas, it would have a material adverse effect on our results of operations. Additionally, most of our resorts are located in Mexico, and, as a result, our business is exposed to economic conditions in Mexico. If the economy in Mexico weakens or experiences a downturn, it could have a material adverse effect on us, including our financial results.

Interest rate risk

The Company's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk, a risk that the Company manages by maintaining an appropriate mix between fixed and variable rate borrowings.

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Fixed rate instruments

As of December 31, 2016, the Company had \$475.0 million of fixed rate debt bearing interest at the rate of 8.0%. Changes in interest rates in the future would not affect the Company with respect to the fixed rate debt.

Variable rate instruments

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate borrowings at the end of the reporting period. For variable rate borrowings, the analysis is prepared assuming the amount of the liability outstanding as of December 31, 2016 was outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 100 basis points higher and all other variables were held constant, without taking into account the effect that this could have on the fair value of the derivative instruments, the change in loss before income tax for the period would have been \$3.6 million or 32.3% higher, a decline in LIBOR or increase up to the fixed minimum rate would not have any effect in loss before income tax for the period due to the Term Loan's interest rate floor of 1.0% (see Note 16 and Note 17 of the Consolidated Financial Statements).

Foreign currency risk

Since the Company's resorts are based in Mexico, the Dominican Republic and Jamaica, where the currency is different from the functional currency, the Company is exposed to exchange rate fluctuations.

Interest on borrowings is denominated in currencies that correspond to the cash flows generated by resort operations, mainly in USD. This provides an economic hedge on the borrowings, sales and purchases. Approximately 97% of the Company's sales are denominated in USD, which is the functional currency of the Company's foreign consolidated subsidiaries. With respect to other monetary assets and liabilities denominated in foreign currencies other than those already mentioned, the Company ensures that its net exposure is kept at an acceptable level by buying or selling foreign currencies at spot market rates in order to cover the cash needs generated by the resorts.

As income is mainly denominated in USD, which is the functional currency of the resorts, it is not affected by the exchange rate fluctuations between the functional and local currencies. Approximately 72% of the operating expenses (non-financial) of the resorts are transacted in the local currencies (Dominican pesos, Mexican pesos and Jamaican dollars); as a result, the exchange rate fluctuations with regard to the functional currency have an effect on the amount of recorded expenses.

The following table details the Company's sensitivity to a 5 percent increase or decrease in the USD against the relevant foreign currencies (*\$ in thousands*):

		Exchange rate fluctuation	Effect on profit (loss) before income tax
Year ended December 31, 2015	USD / Dominican, Mexican Pesos, Jamaican Dollars	5%	\$ 12,088
		(5)%	\$ (12,088)
Year ended December 31, 2016	USD / Dominican, Mexican Pesos, Jamaican Dollars	5%	\$ 13,062
		(5)%	\$ (14,437)

Research and development activities

The Company has not engaged in any research and development ("R&D") activities as of and for the year ended December 31, 2016. As a hotel owner and operator, we do not anticipate to engage in these activities in the near future.

Forward-looking statements

All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Similarly, statements that describe the Company's objectives and goals are also forward-looking statements. Certain information contained herein is based on assumptions and other factors which may not prove to be appropriate or

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accurate and the actual results of the Company could differ materially from those contemplated by the relevant forward-looking statements as a result of risks and uncertainties, many of which are outside of the control of the Company. Accordingly, no assurance can be given by the Company that the projected results or events can, or will, be realized. The Company undertakes no obligation to update any forward-looking statement or projection to reflect subsequent events or circumstances.

Competitive strengths

We believe the following competitive strengths distinguish us from other owners, operators, developers, acquirers and investors in all-inclusive resorts:

Premier Collection of All-Inclusive Resorts in Highly Desirable Locations. Our goal is to be the leading owner, operator and developer of all-inclusive resorts in the markets we serve and to generate attractive risk-adjusted returns and provide long-term value appreciation to our shareholders. In pursuit of this goal, we will seek to leverage our senior management team's operational expertise and experience in acquiring, expanding, renovating, repositioning, rebranding and managing resorts. We believe that our portfolio represents a premier collection of all-inclusive resorts. Our resorts, a number of which have received public recognitions for excellence, are located in prime beachfront locations in popular vacation destinations, including Cancún, Playa del Carmen, Puerto Vallarta and Los Cabos in Mexico, Punta Cana in the Dominican Republic and Montego Bay in Jamaica. Guests may conveniently access our resorts from a number of North American and other international gateway markets. Our portfolio has been well-maintained and, in some cases, recently renovated and is in excellent physical condition. Since January 2014, we have made \$228.5 million, or approximately \$109,200 per room, of development capital improvements at four of our resorts, which included the addition of 362 rooms. Certain of our resorts have received public recognitions for excellence, including the Royal Playa del Carmen, which was named one of TripAdvisor Travelers' Choice Top 25 All-Inclusive Resorts in the World for 2015, the Hyatt Zilara Cancún, which was ranked twelfth of all hotels in the world by TripAdvisor Travelers' Choice in 2015, and the Hyatt Ziva Cancún, which was awarded AAA Four Diamond status and was named the Best All-Inclusive Resort for 2016 by Destination Wedding & Honeymoons.

Recently Renovated Portfolio with Significant Embedded Growth Opportunities. We believe there are significant opportunities within our portfolio to increase revenue and earnings from the recent expansion, renovation, repositioning and rebranding of certain of our resorts. By redeveloping and rebranding our properties and offering additional amenities to our guests, we endeavor to increase both occupancy and the rates we can charge at these properties in order to achieve attractive risk-adjusted returns on our invested capital. For example, in late 2015 we completed the expansion and renovation of the resort formerly known as Dreams Cancún, and we rebranded it as Hyatt Ziva Cancún. We are also renovating the resort formerly known as Dreams Puerto Vallarta, and rebranded it as Hyatt Ziva Puerto Vallarta. We also believe we can generate growth by internalizing resort management functions. We currently manage eight of our 13 resorts, including these three resorts, where we internalized management and eliminated the management fees that we previously paid to a third-party manager. We believe that these initiatives will be significant drivers of growth.

First Mover Advantage in a Highly Fragmented Industry. We believe that we are well-positioned to pursue acquisitions in the all-inclusive segment of the lodging industry and further establish us as a leading owner and operator of all-inclusive resorts. The all-inclusive resort segment is highly fragmented and includes numerous resorts owned and managed by smaller operators who often lack capital resources to maintain their competitive position. We believe that our management team's experience with executing and integrating resort acquisitions, track record of renovating, repositioning and rebranding resorts, and relationships with premier all-inclusive resort brands, together with our developed and scalable resort management platform and strong brands, position us to grow our portfolio of all-inclusive resorts through targeted acquisitions. We believe that our ability to offer potential resort sellers the option of receiving our publicly-traded securities (instead of or in combination with cash) may provide us a competitive advantage over private buyers, as such securities can provide sellers potential appreciation from an investment in a diversified portfolio of assets. Our senior management

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team's proven track record of sourcing and executing complex acquisitions has helped establish an international network of resort industry contacts, including resort owners, financiers, operators, project managers and contractors. For example, our August 2013 acquisition of Real Resorts included the purchase of four resorts located in Cancún with a total of 1,577 rooms and a resort management company for consideration consisting of cash, debt and a portion of our Preferred Shares.

Exclusive Focus on the All-Inclusive Model. We believe the all-inclusive resort model is increasing in popularity as more people come to appreciate the benefits of a vacation experience that offers value and a high degree of cost certainty without sacrificing quality. We also believe that the all-inclusive model provides us with advantages over other lodging business models through relatively higher occupancy predictability and stability, and the ability to more accurately forecast resort utilization levels, which allows us to adjust certain operating costs in pursuit of both guest satisfaction and more efficient operations. Because our guests have pre-purchased their vacation packages, we also have the opportunity to earn incremental revenue if our guests purchase upgrades, premium services and amenities that are not included in the all-inclusive package.

Integrated and Scalable Operating Platform. We believe we have developed a scalable resort management platform designed to improve operating efficiency at the eight resorts we currently manage and enable us to potentially internalize the management of additional resorts we own or may acquire, as well as to proficiently manage hotels owned by third parties. Our integrated platform enables managers of each of our key functions, including sales, marketing and resort management, to observe, analyze, share and respond to trends throughout our portfolio. As a result, we are able to implement management initiatives on a real-time and portfolio-wide basis. Our resort management platform is scalable and designed to allow us to efficiently and effectively operate a robust and diverse portfolio of all-inclusive resorts, including resorts owned by us, resorts we may acquire and resorts owned by third parties that we may manage for a fee in the future.

Strategic Relationship with Hyatt to Develop All-Inclusive Resorts. Our strategic relationship with Hyatt Hotels Corporation ("Hyatt"), provides us with a range of benefits, including the right to operate certain of our existing resorts under the Hyatt All-Inclusive Resort Brands in certain countries and, through 2018, certain rights with respect to the development and management of future Hyatt All-Inclusive Resort Brand resorts under such brands in certain countries. The Hyatt Ziva brand is marketed as an all-inclusive resort brand for all-ages and the Hyatt Zilara brand is marketed as an all-inclusive resort brand for adults-only. These brands are currently Hyatt's primary vehicle for all-inclusive resort growth and demonstrate Hyatt's commitment to the all-inclusive model. We also have, with respect to our Hyatt All-Inclusive resorts, access to Hyatt's lower cost distribution channels, such as Hyatt guests using the World of Hyatt (formerly Hyatt Gold Passport) guest loyalty program (which had in excess of twenty million members as of December 31, 2015), Hyatt's recently updated reservation system and website and Hyatt's group sales business. We believe that our strategic relationship with Hyatt and the increasing awareness of our all-inclusive resort brands among potential guests will enable us to increase the number of bookings made through lower cost sales channels, such as direct bookings through Hyatt, with respect to our Hyatt All-Inclusive Resort Brand resorts, and our resort websites.

Experienced Leadership with a Proven Track Record. Our senior management team has an average of 28 years of experience in the lodging industry, including significant experience with all-inclusive resorts.

Mr. Wardinski, our Chief Executive Officer founded our prior parent and previously was the Chief Executive Officer of two lodging companies: Barceló Crestline, an independent hotel owner, lessee and manager; and Crestline Capital Corporation (NYSE: CLJ), a then-NYSE-listed hotel owner, lessee and manager. Mr. Wardinski was also the non-executive chairman of the board of directors of Highland Hospitality Corporation, a then-NYSE-listed owner of upscale full-service, premium limited-service and extended-stay properties. Mr. Wardinski held other leadership roles within the industry including Senior Vice President and Treasurer of Host Marriott Corporation (now Host Hotels and Resorts (NYSE: HST)), and various roles with Marriott International.

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Mr. Stadlin, our Chief Operating Officer and Chief Executive Officer of our resort management company, was employed by Marriott International for 33 years and spent 12 years working on Marriott International's expansion into Latin America.

Mr. Harvey, our Chief Financial Officer, has over 22 years of experience in finance and capital markets. Prior to joining us, Mr. Harvey was the Chief Financial Officer of Host Hotels and Resorts and currently serves as Audit Committee Chairman for American Capital Agency Corp. (NASDAQ: AGNC) and American Capital Senior Floating, Ltd. (NASDAQ: ACSF).

Mr. Froemming, our Chief Marketing Officer, was the President of Unique Vacations Inc., the worldwide representatives of Sandals & Beaches Resorts, from October 2003 to November 2013. Mr. Froemming brings to Playa more than 20 years of experience in marketing, sales, technology, and customer support operations. Prior to his tenure as President of Unique Vacations Inc., he rose to the position of Chief Operating Officer of The Mark Travel Corporation's owned brands. In this capacity, he was responsible for bottom line profitability, and led the acquisition and integration team that was responsible for the addition of several major travel companies that were integrated into The Mark Travel Corporation's portfolio of brands. He has also held senior positions at Wyndham Hotels and Renaissance Cruise Lines. Mr. Froemming graduated from Marquette University with a Bachelor of Science in Business Administration.

Our business and growth strategies

Our goal is to be the leading owner, operator and developer of all-inclusive resorts in the markets we serve and to generate attractive risk-adjusted returns and provide long-term value appreciation to our shareholders by implementing the following business and growth strategies:

Selectively Pursue Strategic Growth Opportunities. The all-inclusive segment of the lodging industry is highly fragmented. We believe that we are well positioned to grow our portfolio through acquisitions in the all-inclusive segment of the lodging industry. We believe that our extensive experience in all-inclusive resort operations, brand relationships, acquisition, expansion, renovation, repositioning and rebranding, established and scalable management platform will make us a preferred asset acquirer. We intend to pursue acquisitions, either alone or with partners, of all-inclusive resorts that we believe are undermanaged or inappropriately branded, traditional resorts that can be renovated, repositioned and rebranded as all-inclusive resorts (as illustrated by our renovation, repositioning and rebranding of our Jamaica resort, which was formerly operated as a Ritz-Carlton hotel, under both the Hyatt Ziva and Hyatt Zilara brands that was completed in late 2014) and selected development projects that we believe will generate attractive risk-adjusted returns. We intend to continue to focus on the Latin American and Caribbean markets, where the all-inclusive model is well established, and we also intend to opportunistically pursue acquisitions in Europe and Asia over time. In addition, in an effort to strengthen our portfolio, we may consider selling resorts that we no longer regard as "core" resorts over time and reinvesting the net proceeds from any such sales in resorts that we believe offer greater growth potential or reduce our overall risk.

Capitalize on Internal Growth Opportunities. An important element of our strategy is to capitalize on opportunities to seek revenue and earnings growth through our existing portfolio and resort management platform. With respect to our existing portfolio, these opportunities may include resort expansions, renovations, repositionings or rebrandings. For example, in the last three years, we have completed three major expansion, renovation, repositioning and/or rebranding projects at Hyatt Ziva and Hyatt Zilara Rose Hall, Hyatt Ziva Cancún and Hyatt Ziva Puerto Vallarta.

Hyatt Ziva and Hyatt Zilara Rose Hall: We acquired the former Ritz-Carlton Golf & Spa Resort, Rose Hall, Jamaica in August 2013 for \$66.2 million. As of December 31, 2015, we invested approximately \$87.3 million to expand, renovate and reposition this property as an all-inclusive, internally-managed resort that we rebranded under both the all-ages Hyatt Ziva and the adults-only Hyatt Zilara brands. Upon completion of such activities, the resort included an additional 193 luxury suites, 16 food and beverage outlets, a new 50,000 square foot food and beverage village, a

Playa Hotels & Resorts B.V.

Directors' Report

As of and for the year ended December 31, 2016

renovated lobby and lobby bar and a refurbished spa. We commenced our repositioning activities in November 2013, and we reopened the resort in December 2014, while continuing ongoing renovation activities throughout 2015.

Hyatt Ziva Cancún: As of December 31, 2015, we invested approximately \$80.8 million to expand the former Dreams Cancún to add 169 rooms and rebrand the resort under the Hyatt Ziva brand as Hyatt Ziva Cancún. In addition, we comprehensively renovated all of the existing rooms, fully renovated the grounds, and added new pools, a spa, food and beverage outlets, and additional public areas. Amenities include gourmet dinners in showcase venues, swim-up suites and experienced on-site event planning professionals who can organize upgrades that are responsive to a guest's needs. We commenced our repositioning activities in May 2014 and completed this project and reopened the resort in the fourth quarter of 2015. We have also internalized the management of this resort.

Hyatt Ziva Puerto Vallarta: As of December 31, 2014, we invested approximately \$15.9 million to renovate the former Dreams Puerto Vallarta. The scope of renovation included a new lobby and public areas, significant room upgrades, three new food and beverage outlets and a new spa. The property was rebranded as the Hyatt Ziva Puerto Vallarta, and upon completion, amenities included gourmet dinners in showcase venues, swim-up suites and experienced on-site event planning professionals who can organize upgrades that are responsive to a guest's needs. We commenced repositioning activities in May 2014 and completed this project and reopened the resort in December 2014. We have also internalized the management of this resort.

We have also entered into an exclusive agreement with Panama Jack that provides Playa with the right to develop and own, and/or manage all-inclusive resorts under the Panama Jack brand in certain regions, and has agreed to rebrand two of its resorts under this brand - i.e. the Gran Caribe and Gran Porto resorts. In addition, we intend to pursue opportunities to capitalize on its scalable and integrated resort management platform and its expertise and experience with managing all-inclusive resorts, by seeking to manage all-inclusive resorts owned by third parties for a fee and to potentially, over time, internalize the management of resorts it owns that are currently managed by a third party.

Seek Increased Operating Margins by Optimizing Sales Channels. For the year ended December 31, 2016, approximately 67% of our bookings were through wholesale channels. We bear the costs of wholesale bookings (i.e., commissions), which are typically higher than those of direct guest bookings. We believe that our strategic relationship with Hyatt and the increasing awareness of our all-inclusive resort brands among potential guests will enable us to increase the number of bookings made through lower cost sales channels, such as direct bookings through Hyatt, with respect to our Hyatt All-Inclusive Resort Brand resorts, and our resort websites.

Subsequent events

See Note 27 in our Consolidated Financial Statements and Note 17 in our Standalone Financial Statements for applicable subsequent events.

Playa Hotels & Resorts B.V.

Directors' Report

As of and for the year ended December 31, 2016

Statement of management's responsibilities for the preparation and approval of the accompanying consolidated financial statements ("Consolidated Financial Statements") for the year ended December 31, 2016, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union and in accordance with Title 9, Book 2 of the Netherlands Civil Code ("NCC").

References in this report to "Playa", "the Company", "we", "us", or "our" refer to Playa Hotels & Resorts B.V. and its consolidated subsidiaries. In preparing the Consolidated Financial Statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in both IFRS and NCC are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions disclosing with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the Consolidated Financial Statements of the Company comply with the related guidance mentioned above;
- Preventing and detecting fraud and other irregularities.

Playa Hotels & Resorts B.V.

Directors' Report

As of and for the year ended December 31, 2016

On May 11, 2017, the Directors' Report, Consolidated Financial Statements and Standalone Financial Statements as of and for the year ended December 31, 2016 were prepared by the Board of Directors of Playa Hotels & Resorts N.V., as successor to the Company.

/s/ Bruce D. Wardinski

Bruce D. Wardinski

Executive Director

/s/ Hal S. Jones

Hal S. Jones

Director

/s/ Elizabeth Lieberman

Elizabeth Lieberman

Director

/s/ Daniel J. Hirsch

Daniel J. Hirsch

Director

/s/ Paul Hackwell

Paul Hackwell

Director

/s/ Stephen L. Millham

Stephen L. Millham

Director

/s/ Arturo Sarukhan

Arturo Sarukhan

Director

/s/ Stephen Haggerty

Stephen Haggerty

Director

/s/ Karl Peterson

Karl Peterson

Director

/s/ Tom Klein

Tom Klein

Director

II. Consolidated Financial Statements

Playa Hotels & Resorts B.V.
Consolidated Statement of Financial Position
As of December 31, 2016

(\$ in thousands)

		As of December 31,	
	Note	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	7	\$ 1,328,693	\$ 1,347,359
Goodwill	6.1	51,262	51,262
Other intangible assets		1,968	2,498
Investment in associates		1,389	844
Deferred tax assets	8.2	839	4,432
Other non-current assets	9	14,381	13,519
Total non-current assets		1,398,532	1,419,914
Current assets			
Inventories		10,451	10,062
Trade and other receivables, net	10	48,881	43,349
Accounts receivable from related parties	11	2,532	3,457
Prepayments and other current assets	12	23,894	45,536
Cash and cash equivalents		33,512	35,460
Total current assets		119,270	137,864
Total assets		\$ 1,517,802	\$ 1,557,778
EQUITY AND LIABILITIES			
Equity			
Share capital	13	\$ 656	\$ 656
Share premium	13	210,315	210,315
Convertible redeemable preferred shares reserve	14	26,683	27,296
Treasury stock	13	(23,108)	(23,108)
Accumulated deficit		(195,377)	(141,188)
Total equity		19,169	73,971
Non-current liabilities			
Borrowings	16	821,225	820,148
Convertible redeemable preferred shares	15	343,681	339,490
Derivative financial instrument	17	225	1,386
Deferred consideration	11	—	1,683
Deferred tax liabilities	8.2	161,153	142,239
Accounts payable to related parties	11	—	1,167
Provisions	24	2,969	3,568
Other non-current liabilities	26	5,351	5,752
Total non-current liabilities		1,334,604	1,315,433
Current liabilities			
Trade and other payables	18	145,042	152,035
Accounts payable to related parties	11	8,184	4,763
Borrowings	16	3,750	3,750
Derivative financial instrument	17	89	854
Deferred consideration	11	1,836	2,462
Current income tax payable		5,128	4,510
Total current liabilities		164,029	168,374
Total liabilities		1,498,633	1,483,807
Total equity and liabilities		\$ 1,517,802	\$ 1,557,778

The accompanying Notes 1-27 are an integral part of these consolidated financial statements.

Playa Hotels & Resorts B.V.

Consolidated Statement of Loss

For the year ended December 31, 2016

(\$ in thousands)

	Note	Year ended December 31,	
		2016	2015
Continuing operations			
Revenue		\$ 521,491	\$ 408,342
Cost of sales		(76,418)	(63,531)
Operating expenses	21	(307,666)	(266,692)
Depreciation and amortization expense	7	(50,895)	(41,337)
Insurance proceeds		348	27,958
Impairment reversal gain	7	11,905	63,011
Operating income		98,765	127,751
Finance costs	22	(104,255)	(88,842)
Other financial income		725	823
Net result of exchange differences		(6,429)	(2,895)
(Loss) income before tax from continuing operations		(11,194)	36,837
Income tax expense	8.1	(39,946)	(42,971)
Loss for the year from continuing operations		\$ (51,140)	\$ (6,134)

The accompanying Notes 1-27 are an integral part of these consolidated financial statements.

Playa Hotels & Resorts B.V.
Consolidated Statement of Comprehensive Income (Loss)
For the year ended December 31, 2016

(\$ in thousands)

	Year ended December 31,	
	2016	2015
Loss for the period	\$ (51,140)	\$ (6,134)
Other comprehensive income for the period, net of tax	338	214
Total comprehensive loss for the period	\$ (50,802)	\$ (5,920)

The accompanying Notes 1-27 are an integral part of these consolidated financial statements.

Playa Hotels & Resorts B.V.
Consolidated Statement of Changes in Equity
For the year ended December 31, 2016

(\$ in thousands, except share data)

	Ordinary share capital (Note 13)		Treasury shares		Share premium (Note 13)	Convertible redeemable preferred shares reserve (Note 14)	Accumulated deficit	Total equity
	Shares	Amount	Shares	Amount				
Balance at January 1, 2015	60,249,330	\$ 656	5,373,884	\$ (23,108)	\$ 210,315	\$ 24,500	\$ (132,472)	\$ 79,891
Net loss for the period	—	—	—	—	—	—	(6,134)	(6,134)
Net other comprehensive income for the period	—	—	—	—	—	—	214	214
Total comprehensive loss for the period	—	—	—	—	—	—	(5,920)	(5,920)
Convertible redeemable preferred shares PIK dividends	—	—	—	—	—	2,796	(2,796)	—
Balance at December 31, 2015	60,249,330	\$ 656	5,373,884	\$ (23,108)	\$ 210,315	\$ 27,296	\$ (141,188)	\$ 73,971

	Ordinary share capital (Note 13)		Treasury shares		Share premium (Note 13)	Convertible redeemable preferred shares reserve (Note 14)	Accumulated deficit	Total equity
	Shares	Amount	Shares	Amount				
Balance at January 1, 2016	60,249,330	\$ 656	5,373,884	\$ (23,108)	\$ 210,315	\$ 27,296	\$ (141,188)	\$ 73,971
Net loss for the period	—	—	—	—	—	—	(51,140)	(51,140)
Net other comprehensive income for the period	—	—	—	—	—	—	338	338
Total comprehensive loss for the period	—	—	—	—	—	—	(50,802)	(50,802)
Redemption of convertible redeemable preferred shares	—	—	—	—	—	(2,841)	—	(2,841)
Payment of accrued dividends of convertible redeemable preferred shares	—	—	—	—	—	(1,159)	—	(1,159)
Convertible redeemable preferred shares PIK dividends	—	—	—	—	—	3,387	(3,387)	—
Balance at December 31, 2016	60,249,330	\$ 656	5,373,884	\$ (23,108)	\$ 210,315	\$ 26,683	\$ (195,377)	\$ 19,169

The accompanying Notes 1-27 are an integral part of these consolidated financial statements.

Playa Hotels & Resorts B.V.
Consolidated Statement of Cash Flows
For the year ended December 31, 2016

(\$ in thousands)

	Note	Year ended December 31,	
		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss for the period		\$ (51,140)	\$ (6,134)
Adjustments to reconcile loss for the period to net cash flows from operating activities:			
Income tax expense	8.1	39,946	42,971
Depreciation of property, plant and equipment	7	49,910	40,232
Amortization of intangible assets		985	1,105
Impairment reversals	7	(11,905)	(63,011)
Finance costs	22	104,054	88,302
Gain on insurance recoveries		(348)	(15,934)
Earnings from investments in associates		(545)	(154)
Other		2,401	984
Increase in deferred consideration		201	523
Increase in other liabilities	26	4	1,275
(Decrease) increase in provisions	24	(400)	853
Working capital adjustments:			
Increase in inventories		(331)	(1,437)
Increase in trade receivable, including related parties	10, 11	(5,322)	(9,867)
Decrease (increase) in prepayments and other assets	9, 12	9,035	(12,321)
Increase in trade payables, including related parties	11, 18	9,604	16,435
Decrease in current income tax payable		(257)	(739)
Cash flows generated from operating activities		145,892	83,083
Income tax paid		(16,953)	(6,803)
Interest paid		(50,401)	(45,510)
Net cash flows from operating activities		78,538	30,770
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	7	(19,262)	(119,675)
Purchase of intangibles		(356)	(407)
Proceeds from disposal of property, plant and equipment		54	30
Insurance proceeds		518	15,934
Restricted cash escrow deposit		(5,625)	—
Net cash flows from investing activities		(24,671)	(104,118)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	16	50,500	51,500
Proceeds from borrowings on revolving credit facility		—	40,000
Repayments of borrowings on revolving credit facility	16	(50,000)	(15,000)
Payment of deferred financing costs	16	(55)	(583)
Repayments of deferred consideration		(2,510)	(2,505)
Repayments of borrowings		(3,750)	(3,750)
Redemption of convertible redeemable preferred shares	14, 15	(35,508)	—
Payment of accrued dividends of convertible redeemable preferred shares	14, 15	(14,492)	—
Net cash flows from financing activities		(55,815)	69,662
Net decrease in cash and cash equivalents		(1,948)	(3,686)
Cash and cash equivalents at the beginning of the period		35,460	39,146
Cash and cash equivalents at the end of the period		\$ 33,512	\$ 35,460

The accompanying Notes 1-27 are an integral part of these consolidated financial statements.

1. Organization and description of the Company

1.1 Background

Playa Hotels & Resorts B.V. ("Playa" or the "Company") is a leading owner, operator and developer of all-inclusive resorts in prime beachfront locations in popular vacation destinations. Playa's portfolio consists of 13 resorts located in Mexico, the Dominican Republic and Jamaica. We currently manage eight of our 13 resorts. Unless otherwise indicated or the context requires otherwise, references in these consolidated financial statements ("Consolidated Financial Statements") to "we," "our," "us" and similar expressions refer to Playa and its subsidiaries. Capitalized terms not otherwise defined in these Consolidated Financial Statements shall have the meanings set forth in the Directors' Report that these Consolidated Financial Statements are attached to.

On December 13, 2016, we entered into a transaction agreement ("Transaction Agreement") with Pace Holdings Corp. ("Pace"), Porto Holdco B.V. ("Holdco"), and New PACE Holdings Corp. ("New Pace"), the effects of which replicated the economics of a reverse merger of Pace and Playa. This transaction closed on March 11, 2017, and resulted in Holdco changing its entity name to Playa Hotels & Resorts N.V. ("Playa N.V."), which became the parent company to New Pace and Playa's direct and indirect subsidiaries. Upon the closing of the transaction, Playa was dissolved.

1.2 General information

The address of Playa's registered office is Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands (Chamber of Commerce: 57593590). The address of Playa N.V.'s registered office is Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands (Chamber of Commerce: 67450628).

1.3 Subsidiaries

Playa's consolidated subsidiaries, all of which were majority owned, as of December 31, 2016, are as follows:

Subsidiary	Country	Category	Resort
Paloma Capital N.V.	Curacao	Holding	—
Perfect Timing N.V.	Curacao	Holding	—
Perfect Tours N.V.	Curacao	Holding	—
BD Real Resorts, S. de R.L.de C.V.	Mexico	Holding	—
Hotel Gran Caribe Real B.V.	Netherlands	Holding	—
Hotel Gran Porto Real B.V.	Netherlands	Holding	—
Hotel Royal Cancun B.V.	Netherlands	Holding	—
Hotel Royal Playa del Carmen B.V.	Netherlands	Holding	—
Playa Cabos B.V.	Netherlands	Holding	—
Playa Capri Resort B.V.	Netherlands	Holding	—
Playa Dominican Resort B.V.	Netherlands	Holding	—
Playa H&R Holdings B.V.	Netherlands	Holding	—
Playa Hotels & Resorts B.V.	Netherlands	Holding	—
Playa Puerto Vallarta Resort B.V.	Netherlands	Holding	—
Playa Punta Cana Holding B.V.	Netherlands	Holding	—
Playa Punta Cancun Resort B.V.	Netherlands	Holding	—
Playa Resorts Holding B.V.	Netherlands	Holding	—
Playa Riviera Maya B.V.	Netherlands	Holding	—

Playa Hotels & Resorts B.V.
Notes to the Consolidated Financial Statements
As of and for the year ended December 31, 2016

Playa Romana B.V.	Netherlands	Holding	—
Rose Hall Jamaica Resort B.V.	Netherlands	Holding	—
St. James Parish Resort Limited	St. Lucia	Holding	—
Hotel Gran Caribe Real, S. de R.L. de C.V.	Mexico	Resort Operations	—
Playa Resorts Management Mexico, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros de Capri, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros de Punta Cancún, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros Grand Cabos Baja, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros Pvall, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros Rmaya One, S. de R.L. de C.V.	Mexico	Resort Operations	—
Beach Tours Sales, LLC	Nevis	Resort Operations	—
IC Sales, LLC	Nevis	Resort Operations	—
Playa Management USA, LLC	USA	Resort Operations	—
Playa Management, LLC	USA	Resort Operations	—
Playa Resorts Management, LLC	USA	Resort Operations	—
Resort Room Sales, LLC	USA	Resort Operations	—
Inversiones Vilazul S.A.S.	Dominican Republic	Resorts	Dreams Punta Cana
Cameron del Caribe, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Ziva Cancun
Cameron del Pacífico, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Ziva Puerto Vallarta
Desarrollos GCR, S. de R.L. de C.V.	Mexico	Resorts	Gran Caribe Real
Gran Desing & Factory, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Zilara Cancun
Hotel Capri Caribe, S. de R.L. de C.V.	Mexico	Resorts	Secrets Capri
Inmobiliaria Y Proyectos TRPLAYA, S. de R.L. de C.V.	Mexico	Resorts	THE Royal Playa del Carmen
Playa Cabos Baja, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Ziva Los Cabos
Playa Gran, S. de R.L. de C.V.	Mexico	Resorts	Gran Porto Real
Playa Rmaya One, S. de R.L. de C.V.	Mexico	Resorts	Dreams Puerto Aventuras
Playa Cana B.V.	Netherlands ⁽¹⁾	Resorts	Dreams Palm Beach
Playa Romana Mar B.V.	Netherlands ⁽¹⁾	Resorts	Dreams La Romana
Playa Hall Jamaican Resort Limited	Jamaica	Resorts	Hyatt Ziva & Hyatt Zilara Rose Hall

⁽¹⁾ With a branch in the Dominican Republic.

1.4 Investment in associates

As of December 31, 2016 the Company's investment in associates consisted of a 25% interest in Invermax S.A., a company that supplies fresh water for consumption at one of our resorts. We accounted for our investment using the equity method of accounting.

Playa Hotels & Resorts B.V.
Notes to the Consolidated Financial Statements
As of and for the year ended December 31, 2016

1.5 Resort properties

As of December 31, 2016, Playa owned 13 resorts located in Mexico, the Dominican Republic and Jamaica:

Current Name of Resort	Rooms & Suites	Location
Hyatt Ziva and Zilara Rose Hall	620	Montego Bay, Jamaica
THE Royal Playa del Carmen	513	Playa del Carmen, Mexico
Hyatt Ziva Los Cabos	591	San Jose del Cabo, Mexico
Hyatt Ziva Puerto Vallarta	335	Puerto Vallarta, Mexico
Gran Porto Real	287	Playa del Carmen, Mexico
Gran Caribe Real	470	Cancun, Mexico
Hyatt Zilara Cancun	307	Cancun, Mexico
Hyatt Ziva Cancun	547	Cancun, Mexico
Dreams Puerto Aventuras	305	Riviera Maya, Mexico
Secrets Capri	291	Riviera Maya, Mexico
Dreams La Romana	756	La Romana, Dominican Republic
Dreams Palm Beach	500	Punta Cana, Dominican Republic
Dreams Punta Cana	620	Playa Uvero Alto, Dominican Republic
Total Rooms & Suites	6,142	

2. Basis of preparation, presentation and measurement

These Consolidated Financial Statements have been prepared in accordance with the regulatory framework set forth in Note 4.1. The Consolidated Financial Statements have been approved for issue by the Board of Directors on May 11, 2017, and will be subject to adoption by the Shareholders on or before June 21, 2017.

The Consolidated Financial Statements have been prepared based on historical cost, with the exception of balances that are measured at fair value, as explained in Note 19.3.

3. Application of new and revised IFRS

3.1 Newly effective IFRS standards and interpretations

During the year ended December 31, 2016, the Company adopted these newly effective IFRS standards and interpretations.

Standards, Interpretations & Amendments	Effective Date
Endorsed by the European Union	
Amendments to IAS 27: Equity Method in Separate Financial Statements	Annual periods on or after January 1, 2016
Amendments to IAS 1: Disclosure Initiative	Annual periods on or after January 1, 2016
Annual Improvements to IFRSs 2012-2014 Cycle	Annual periods on or after January 1, 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	Annual periods on or after January 1, 2016
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Annual periods on or after January 1, 2016
Amendments to IAS 16 and IAS 41: Bearer Plants	Annual periods on or after January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities - Applying the Consolidation Exception	Annual periods on or after January 1, 2016

3.2 IFRS standards and interpretations issued but not effective

The most significant IFRS standards, interpretations and amendments issued before December 31, 2016, but not yet effective as of December 31, 2016 (either because their effective date was subsequent to the date of the Consolidated Financial Statements, or because they had not been endorsed by the European Union yet) are listed below. The Company intends to adopt these standards when they become effective.

Standards, Interpretations & Amendments	Effective Date
Endorsed by the European Union	
IFRS 9 Financial Instruments (issued on 24 July 2014)	Annual periods on or after January 1, 2018
IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015)	Annual periods on or after January 1, 2018
Not yet endorsed by the European Union	
IFRS 14, Regulatory Deferral Accounts	Annual periods on or after January 1, 2016
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	Annual periods on or after January 1, 2017
Amendments to IAS 7: Disclosure Initiative	Annual periods on or after January 1, 2017
IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016)	Annual periods on or after January 1, 2018
IFRS 16 Leases	Annual periods on or after January 1, 2019
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	Annual periods on or after January 1, 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Annual periods on or after January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle	Annual periods on or after January 1, 2017 and January 1, 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	Annual periods on or after January 1, 2018
Amendments to IAS 40: Transfers of Investment Property	Annual periods on or after January 1, 2018

The Company anticipates that these new standards, interpretations and amendments will be applied to the Consolidated Financial Statements for the periods beginning on the respective dates indicated above. The Company is currently assessing the impact of these standards, interpretations and amendments published but not yet effective.

4. Significant accounting policies

4.1 Regulatory framework applicable to the financial information

The regulatory framework applied to the Company's financial information is established by:

- IFRS as issued by the International Accounting Standards Board ("IASB") and as endorsed by the European Union
- Title 9, Book 2 of the Netherlands Civil Code ("NCC")
- Combination 3 (consolidated policies for measurement) as allowed in the NCC

4.2 Principles of consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and the subsidiaries in which the Company has a majority ownership and control. All intercompany transactions and balances have been eliminated in the consolidation process.

The Company uses the equity method of accounting for its investments in, and advances to, associates in which the Company has the ability to significantly influence, but not control, the associates' management, financial policies and operations.

4.3 Foreign currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "Functional Currency"). We have determined that the U.S. dollar is the Functional Currency of all of our international operations. Our reporting currency is also the U.S. dollar ("USD").

Foreign currency denominated monetary asset and liability amounts are remeasured into USD at end-of-period exchange rates. Foreign currency non-monetary assets, such as inventories, prepaid expenses, fixed assets and intangible assets are recorded in USD at historical exchange rates. Foreign currency denominated income and expense items are recorded in USD at the applicable daily exchange rates in effect during the relevant period. For purposes of calculating the Company's tax liability in certain foreign jurisdictions, the Company indexes its depreciable tax bases in certain assets for the effects of inflation based upon statutory inflation factors. The effects of these indexation adjustments are reflected in the Income tax expense line of the Consolidated Statement of Profit or Loss. Foreign exchange gains and losses are presented in the Consolidated Statement of Profit or Loss within Net result of exchange differences.

4.4 Related parties transactions

In the ordinary course of business the Company conducts transactions with companies related to its intermediate or ultimate shareholders. These transactions are referenced within the relevant Notes.

4.5 Business combinations

Acquisition of entities that hold properties but do not constitute a business are treated as asset acquisitions rather than business combinations.

For acquisitions meeting the definition of a business combination, the acquisition method of accounting is used. The acquisition date is the date in which the Company obtains operating control over the acquired business.

The consideration transferred is determined on the acquisition date and is the sum of the fair values of the assets transferred by us, the liabilities incurred by us, and the equity instruments issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, such as professional fees, are excluded from the consideration transferred and are expensed as incurred.

Any contingent compensation is measured at its fair value on the acquisition date. Future changes to the fair value of the contingent compensation are expensed in the Consolidated Statement of Profit or Loss unless such changes occur within one year from the purchase date, in which case it will be an adjustment to goodwill. If the consideration transferred is less than the fair value of the net assets acquired and liabilities assumed, the difference is recorded as a bargain purchase gain in the Consolidated Statement of Profit or Loss.

Common control transactions

A common control transaction is defined as the acquisition of a business in which all of the entities or net assets are ultimately controlled by the same party both before and after the business combination, and control is not transitory.

The cost of acquiring an entity under common control is by measuring the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The assets and liabilities of businesses acquired from entities under common control are measured at the carrying values recognized by the transferor. Any difference between the consideration paid and the carrying value of the net assets of subsidiaries acquired is adjusted directly to equity.

The Company has deemed appropriate to use the carry-over method when accounting for the common control transaction as new investment or capital distributions are made. The asset and liability values are carried over at their current book value and would not be remeasured.

4.6 Investments in associates

An associate is an entity over which the Company has significant influence. The Company uses the equity method of accounting for its investments in associates in whom the Company has significant influence, but not control, over the associates' operations. The investment is initially recorded at cost and is adjusted thereafter based on the Company's share of the net income or loss of the associate. The Company's share of net income or loss is included within the Other financial income line in the Consolidated Statement of Profit or Loss.

4.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. The costs of improvements that extend the life of property, plant and equipment, such as structural improvements, equipment and fixtures are capitalized. In addition, we capitalize costs for interest, insurance, construction administration and other costs that clearly relate to projects under development or construction, which are deemed qualifying assets. Start-up costs, ongoing repairs and maintenance are expensed as incurred. Buildings that are under redevelopment, or are being developed, are carried at cost. The useful life of buildings under redevelopment is re-evaluated upon completion of the projects.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values (if any) over their estimated residual useful lives, as follows:

Buildings and improvements	9 to 50 years
Fixtures and machinery	3 to 20 years
Furniture and other fixed assets	3 to 13 years

The assets' estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 4.9).

4.8 Intangible assets

a) Goodwill

Goodwill arises in connection with business combinations and asset acquisitions and represents the excess of the consideration transferred over the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree (see Note 4.5).

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the business combination.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is reviewed for impairment annually on July 1 or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

b) Other intangible assets

Advanced bookings, which consist of pre-sold reservations in advance of future guest stays ("Advanced Bookings"), acquired in a business combination are recognized at fair value at the acquisition date. These intangibles have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the intangible over its estimated useful life. The useful life for other intangibles, such as contracts for the right of use of certain facilities, is determined to be equal to the lesser of their useful life or their contractual term.

Our licenses have indefinite lives for which there is no associated amortization expense or accumulated amortization. We assess indefinite lived intangible assets for impairment annually, or more frequently if events or changes in circumstances indicate an asset may be impaired.

4.9 Impairment of non-financial assets

Assets that have an indefinite useful life (i.e., “Goodwill”) are tested annually for impairment or more frequently if indicators of potential impairment exist (see Note 4.8a).

Assets that are subject to amortization (i.e., property, plant and equipment and other intangible assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal or the asset’s value in use. The value in use is calculated by the future cash flows discounted to their present value using projected financial results prepared by the company for each of the next five years. The fair value includes a residual value based on the cash flow for the last projected year at a normalized rate in perpetuity. The referenced growth rate cannot exceed the estimated long-term rate of the market in which the company operates. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. If an impairment loss is subsequently reversed, the book value of the asset or the cash generating unit is increased by the estimated recoverable amount. The recoverable amount is limited to the historical carrying cost of the asset as if no impairment had been recognized. The reversal of an impairment loss is recognized in income.

4.10 Cash and cash equivalents

Cash and cash equivalents are comprised of cash balances and highly liquid cash deposits with maturities at the date of acquisition of three months or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Financial instruments that potentially subject us to a concentration of credit risk consist of cash on deposit at banks where the deposits are either uninsured or in excess of insured limits and money market fund balances. Substantially all of our cash is held by financial institutions that we believe are of high-credit quality.

4.11 Inventories

Inventories of food, beverages, and other items related to consumption, are valued at the lower of cost or net realizable value. Cost is determined using the weighted average cost method, not to exceed the net realizable value.

4.12 Trade receivables

Trade and other receivables are amounts due from guests and vendors for merchandise sold or services performed in the ordinary course of business. Collection is expected in one year or less and is classified as current asset. When necessary, the carrying amount of our receivables is reduced by an allowance for doubtful accounts that reflects our estimate of amounts that will not be collected. When a trade receivable is considered uncollectible, it is written off against the allowance accounts and recorded within operating expenses. Subsequent recoveries of amounts previously written off are credited against the allowance accounts. Changes in the carrying amount of the allowance accounts are recognized in the Consolidated Statement of Profit or Loss.

4.13 Ordinary share capital and share premium

Ordinary shares are classified as equity. Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder thereof. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from equity, net of any tax effects.

We issued Convertible Redeemable Preferred Shares (“Preferred Shares”) that can be converted to ordinary shares at the option of the holder or redeemed by such holder or us under certain conditions. Preferred Shares are reported as compound financial instruments (see Note 4.15).

4.14 Financial instruments

The Consolidated Statement of Financial Position contains various financial instruments including, but not limited to, cash and cash equivalents, trade and other receivables, certain prepayments and other current assets, trade and other payables, other non-current liabilities, debt and derivative financial instruments. Derivative financial instruments and deferred consideration are recorded at fair value; all other financial assets and financial liabilities are recorded at amortized cost. The carrying amounts of these financial instruments approximate their fair values.

Effective interest method

The effective interest rate 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 discounts estimated future cash outflows (including all fees and transaction costs paid) through the expected life of the financial liability to the net carrying amount upon initial recognition.

4.15 Compound financial instruments

Compound financial instruments issued by the Company consist of Preferred Shares that can be converted to ordinary shares at the option of the holder where the number of shares to be issued is fixed and are also redeemable at the option of the holder on a specific date. Preferred Shares are separated into liability and equity components in accordance with the substance of the contractual agreement and the definitions of a financial liability and an equity instrument.

The liability component of a compound financial instrument is initially recognized at fair value, which is determined using the market rate for a similar liability that does not have an equity conversion option (i.e., an equivalent non-convertible bond). Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method until it is extinguished upon conversion or redemption. The liability component will be classified as a non-current liability when the Company has the right to defer settlement of the liability for at least 12 months after the end of the reporting period (see Note 15).

The equity component of a compound financial instrument (the conversion option) is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component (i.e., the residual amount). This component of a compound financial instrument is not re-measured subsequent to initial recognition. In addition, the conversion option classified as equity will remain as such until the conversion option is exercised, in which case, the balance recognized will be transferred to share premium. If the conversion option expires unexercised, the balance recognized will be transferred to retained earnings. No gain or loss is recognized in the Consolidated Statement of Profit or Loss upon conversion or expiration of the conversion option.

Directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs allocated to the equity component are deducted from equity.

When Preferred Shares are classified as liabilities, the dividends on those shares are recognized in the Consolidated Statement of Profit or Loss as Finance costs.

4.16 Derivative financial instruments

We may periodically enter into interest rate swap agreements to manage interest rate exposure. The net settlements paid or received under these agreements will be accrued consistent with the terms of the agreements and will be recognized in Finance costs over the term of the related debt.

Derivatives including embedded derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in the Consolidated Statement of Profit or Loss immediately.

The Company may utilize hedge accounting treatment as long as the hedged forecasted transactions remain probable and the hedges continue to meet the requirements of derivatives and hedging accounting guidance. Hedge accounting is discontinued for fair value hedges if a derivative instrument is sold, terminated, or otherwise de-designated.

We do not enter into derivative transactions for trading or speculative purposes.

Cash flows from designated derivative financial instruments are classified within the same category as the item being hedged in the Consolidated Statement of Cash Flows.

4.17 Borrowings

Borrowings are recognized at amortized cost. Any difference between the proceeds (net of financing costs) and the redemption value is recognized in the Consolidated Statement of Profit or Loss over the term of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are recognized as part of the cost of the asset until the time the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the Consolidated Statement of Profit or Loss as incurred.

Deferred financing costs associated with borrowings are recorded in the Consolidated Statements of Financial Position as a reduction to the loan balance and amortized over the term of the loan based on the effective interest rate method.

4.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

4.19 Provisions and contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, whereby it is probable that the Company will be required to settle such obligation, but its ultimate settlement date and/or amount of payment are unknown.

Contingencies are amounts relating to possible obligations (legal or constructive) as a result of a past event, whereby its settlement, if any, is conditional upon the occurrence of an event that is not in the Company's control.

The amount recognized as a provision is the best available 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. Contingent liabilities are not recognized as part of the Consolidated Financial Statements, but instead are disclosed in the Notes to the Consolidated Financial Statements, to the extent that they are not probable or they cannot be measured reliably.

Provisions are measured using the present value of the best available estimate of the outflow required to settle or transfer the obligation, taking into account all available information about the contingency. Adjustments to the estimate of contingent liabilities are recognized in the Consolidated Statement of Profit or Loss in the period in which the change in estimate occurs.

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. The provision is recorded net of the receivable when there is a binding legal commitment releasing the Company from liability.

Although the Company uses the provision versus contingency approach to determine whether a tax position (“TP”) needs to be recorded in the Consolidated Financial Statements, it would not be appropriate to group TPs, which are income tax related provisions, with other non-income tax provisions. TPs are recorded through income tax expense and a separate liability account, for any amounts where there is a more likely than not chance of future liabilities that can be reasonably estimated.

4.20 Current and deferred income tax

Income tax benefit (expense) represents the sum of current and deferred tax. Tax effects are recognized in the Consolidated Statement of Profit or Loss, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity (in which case, the tax is also recognized in other comprehensive income (loss) or directly in equity, respectively).

Current tax

The current income tax provision is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts that are expected to be paid to tax authorities.

Deferred tax

Deferred tax assets and liabilities are 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 differences arise from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax asset 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 are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on the 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 Company expects, at the end of the period, to recover or settle the carrying amount of its assets and liabilities.

4.21 Severance payments

In accordance with labor law regulations in Mexico, certain employees are legally entitled to receive cash for severance that is commensurate with the tenure they had with the Company at the time of termination. Severance liabilities are calculated using actuarial valuations by applying the “projected unit credit method”. Valuations were performed as of December 31, 2016 based on the EMSSAH-09 and EMSSAM-09 mortality tables, applying a

discount rate of 7.9%, a salary increase of 4.8% and estimated personnel turnover and disability. Severance liabilities are recognized as “Other non-current liabilities” in the Consolidated Statement of Financial Position. Actuarial gains and losses are recognized in the Consolidated Statement of Comprehensive Income or Loss.

4.22 Revenues and expenses recognition

Revenues and expenses are recognized on an accrual basis, generally when the services they represent have been rendered, irrespective of the moment the cash collection occurs.

The Company primarily derives its revenue from the ownership of all-inclusive resorts, including revenues derived from room sales, food and beverage sales and other guest services provided by the resorts. Revenue from room sales and other guest services is generally recognized when the rooms are occupied and the service has been rendered. Advance deposits received from customers are deferred and included in current liabilities (classified within Trade and other payables) until the rooms are occupied and the service has been rendered. Food and beverage revenue not included in a customer’s all-inclusive package is recognized when the goods are consumed.

Revenue is measured at the fair value of the consideration received or receivable, stated net of estimated discounts, rebates and value added taxes.

4.23 Leases

Leases are classified as finance leases when they substantially transfer the risks and benefits derived from the ownership to the Company. All other leases are classified as operating leases.

As of December 31, 2016 all lease contracts maintained by the Company have been classified as operating leases.

For operating leases, the ownership of the asset, as well as all substantial risks and benefits associated with the ownership of the property remain the lessor’s responsibility.

When the Company acts as a lessor, it recognizes revenue from operating leases on a straight-line basis, according to the terms of the lease. These assets are amortized according to approved policies for tangible assets.

If the Company is the lessee, all expenses associated with the lease are recorded on a straight-line basis in the Consolidated Statement of Profit or Loss.

5. Critical accounting judgments and key sources of estimating uncertainty

The Management of the Company has prepared the accompanying Consolidated Financial Statements using estimates based on historical experience and other factors considered reasonable under the present circumstances. The carrying amount of assets and liabilities was established based on these estimates that are not readily determinable from other sources. The Company periodically reviews these estimates. However, given their inherent uncertainty, it may be necessary to make significant adjustments to the carrying amounts of assets and liabilities affected in future periods should changes occur in the information on which these estimates were based. These adjustments, when applicable, are recorded on a prospective basis and the effects of the changes recognized currently in the corresponding Consolidated Financial Statements.

The key assumptions in developing the estimate, as well as other relevant information regarding the uncertainties existing at the reporting date, that have the most significant effect on the carrying amounts of assets and liabilities are as follows:

Impairment of non-current assets

When measuring non-current assets other than financial assets for impairment, estimates must be made to determine their fair value to assess for impairment. Assets that have an indefinite useful life, such as goodwill, are tested annually for impairment. Assets that are subject to depreciation or amortization, such as property and equipment, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and

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value in use. Value in use is assessed based on estimated future cash flows discounted to their present value. The outcome of the discounted cash flow analysis is based on various estimates including: rates of future growth in hotel occupancy, average daily rate, maintenance expenses, and necessary capital expenditures, in addition to discount rates and terminal exit values.

Impairment losses are recognized for all those assets or, where applicable, for the CGUs to which they belong, when their carrying value exceeds the corresponding recoverable amount. Impairment losses are recognized in the Consolidated Statement of Profit or Loss.

Impairment reversal gains are recognized for all those previously impaired assets, other than goodwill, or, where applicable, for the CGUs to which they belong, when their re-assessed recoverable amount exceeds their carrying value. Impairment reversal gains are recognized in the Consolidated Statement of Profit or Loss.

Embedded derivatives

In order to measure its financial derivatives, the Company applies variable and financial estimates including forward LIBOR curve estimates, future scheduled principal amortization payments, and remaining time to maturity of which the future variation could have a significant impact on the embedded derivatives' estimated value.

Allowance for bad debts

An allowance for doubtful accounts is determined using a combination of factors to ensure that trade receivables are not overstated due to being unrecoverable. Such factors include the overall quality of the aging of receivables and evaluation of the customers' financial conditions. Also, specific provisions are recorded against individual accounts when the Company becomes aware of a customer's inability to meet its financial obligations.

6. Goodwill

6.1 Goodwill

The gross carrying values and accumulated impairment losses of goodwill for the year ended December 31, 2016 and 2015 are as follows (*\$ in thousands*):

	As of January 1, 2016	Addition	As of December 31, 2016
Gross carry value	\$ 51,262	\$ —	\$ 51,262
Accumulated impairment loss	—	—	—
Carrying value	\$ 51,262	\$ —	\$ 51,262

	As of January 1, 2015	Addition	As of December 31, 2015
Gross carry value	\$ 51,262	\$ —	\$ 51,262
Accumulated impairment loss	—	—	—
Carrying value	\$ 51,262	\$ —	\$ 51,262

As of December 31, 2016 and 2015, the goodwill balance is related to our Real Entities acquisition.

During the year ended December 31, 2016 and 2015, we recorded no additions or goodwill impairment charges. Given that a significant component of goodwill is related to the expected future growth in the Company's CGUs, the Company closely monitors the results and projections at each CGU. If the long-term financial forecasts for these CGUs deteriorate and/or other indicators of impairment are present, the Company could be required to recognize impairment losses on the carrying value of the goodwill in future periods.

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7. Property, plant and equipment

Property, plant and equipment are specified as follows (\$ in thousands):

	As of January 1, 2016	Additions	Disposals	Transfers	As of December 31, 2016
Land, buildings and improvements	\$ 1,399,350	\$ 4,375	\$ (2,246)	\$ (2,586)	\$ 1,398,893
Fixtures and machinery	57,016	1,379	(604)	2,569	60,360
Furniture and other fixed assets	169,158	2,669	(2,062)	(5,938)	163,827
Prepayments and CIP ⁽¹⁾	3,930	11,322	(71)	(11,315)	3,866
Acquisition cost	1,629,454	19,745	(4,983)	(17,270)	1,626,946
Land, buildings and improvements	(5,976)	—	—	5,976	—
Fixtures and machinery	(17)	—	—	17	—
Furniture and other fixed assets	(7,284)	—	—	7,284	—
Reserve for impairment of fixed assets	(13,277)	—	—	13,277	—
Land, buildings and improvements	(154,257)	(28,477)	2,164	14,140	(166,430)
Fixtures and machinery	(23,348)	(4,457)	515	776	(26,514)
Furniture and other fixed assets	(91,213)	(16,991)	2,034	861	(105,309)
Accumulated Depreciation	(268,818)	(49,925)	4,713	15,777	(298,253)
Carrying Value	\$ 1,347,359	\$ (30,180)	\$ (270)	\$ 11,784	\$ 1,328,693

⁽¹⁾ Construction In-Progress ("CIP")

	As of January 1, 2015	Additions	Disposals	Transfers	As of December 31, 2015
Land, buildings and improvements	\$ 1,275,785	\$ 9,968	\$ (2,513)	\$ 116,110	\$ 1,399,350
Fixtures and machinery	28,909	5,061	(415)	23,461	57,016
Furniture and other fixed assets	147,763	13,709	(1,079)	8,765	169,158
Prepayments and CIP ⁽¹⁾	62,340	99,367	(77)	(157,700)	3,930
Acquisition cost	1,514,797	128,105	(4,084)	(9,364)	1,629,454
Land, buildings and improvements	(73,189)	—	—	67,213	(5,976)
Fixtures and machinery	(2,604)	—	—	2,587	(17)
Furniture and other fixed assets	(15,177)	—	—	7,893	(7,284)
Prepayments and CIP ⁽¹⁾	(161)	—	—	161	—
Reserve for impairment of fixed assets	(91,131)	—	—	77,854	(13,277)
Land, buildings and improvements	(136,595)	(19,911)	2,623	(374)	(154,257)
Fixtures and machinery	(21,574)	(2,386)	417	195	(23,348)
Furniture and other fixed assets	(79,832)	(17,932)	998	5,553	(91,213)
Accumulated Depreciation	(238,001)	(40,229)	4,038	5,374	(268,818)
Carrying Value	\$ 1,185,665	\$ 87,876	\$ (46)	\$ 73,864	\$ 1,347,359

⁽¹⁾ Construction In-Progress ("CIP")

Depreciation expense for property, plant and equipment was \$49.9 million and \$40.2 million for the year ended December 31, 2016 and 2015, respectively.

Capitalization of interest

For the year ended December 31, 2016 and 2015, \$0 million and \$3.4 million of interest expense was capitalized on qualifying assets, respectively. Borrowing costs were capitalized at the weighted average interest rate of the period related to the general borrowings at an annual rate of 6.2% for the year ended December 31, 2015.

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Impairment

Our Hyatt Ziva Los Cabos, located in Los Cabos, Mexico, sustained significant damage when Hurricane Odile, a Category 3 hurricane, made landfall on Mexico's Baja Peninsula on September 14, 2014. Our insurance policies provide coverage for business interruption, including lost profits, and reimbursement for other expenses and costs that we have incurred relating to the damages and losses we have suffered. We determined the fair value of the Hyatt Ziva Los Cabos by utilizing a discounted cash flow model and recorded property losses of \$17.6 million and corresponding insurance proceeds, net of deductible, of \$17.6 million within our Consolidated Statement of Profit or Loss for the year ended December 31, 2014. During 2015, we settled our claim and recorded total insurance proceeds of \$15.7 million for business interruption and total insurance proceeds of \$32.3 million for property damage.

The impairment test conducted by the Company did not result in any additional impairment relating to our other properties. As a part of this impairment test, the previously impaired hotel's recoverable amounts were re-assessed at higher values. Based on the hotel's value in use and higher recoverable amounts, we concluded that all of the impairment loss recognized in prior periods was no longer needed and would be reversed.

For the year ended December 31, 2016, we reversed \$13.3 million of previously expensed impairment resulting in a gain of \$11.9 million within the Impairment reversal gain in our Consolidated Statement of Profit or Loss. The recoverability of the hotel's assets that were tested for impairment was calculated using a discounted cash flow calculation based on five years of projections. These projected cash flows were discounted at an after tax annual rate of 9.7% for Mexican resorts and 11.2% for the Dominican resorts for the year ended December 31, 2016. A detail of the property, plant and equipment for which impairment reversal of previously recorded impairment expense has been recorded for the year ended December 31, 2016, classified by cash generating unit as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Impairment reversal gain</u>
Hyatt Ziva Los Cabos	170,154	265,062	1,861
Hyatt Ziva Puerto Vallarta	68,304	96,114	10,044
	<u>\$ 238,458</u>	<u>\$ 361,176</u>	<u>\$ 11,905</u>

For the year ended December 31, 2015, we reversed \$77.9 million of previously expensed impairment resulting in a gain of \$63.0 million within the Impairment reversal gain in our Consolidated Statement of Profit or Loss. The recoverability of the hotel's assets that were tested for impairment was calculated using a discounted cash flow calculation based on five years of projections. These projected cash flows were discounted at an after tax annual rate of 9.6% and 11.1% for the year end December 31, 2015.

8. Income taxes

The Company conducts business in multiple countries and jurisdictions and is therefore subject to tax legislation in these jurisdictions. We consider the Netherlands, Mexico and the Dominican Republic to be our significant tax jurisdictions.

8.1 Income tax expense

The breakdown of income tax for the year ended December 31, 2016 and 2015 is as follows (*\$ in thousands*):

	<u>Year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current income tax expense	\$ 17,506	\$ 10,751
Deferred income tax expense	22,440	32,220
Total expense for the period	<u>\$ 39,946</u>	<u>\$ 42,971</u>

a) *Netherlands*

The parent company is domiciled in the Netherlands and is subject to Dutch Corporate Tax at a general tax rate of 25%.

In accordance with Dutch legislation, the dividends and capital gains arising from the sale of shares are tax exempt, provided that certain requirements are met. In this respect, two parameters are considered for applying this tax benefit: (i) The percentage ownership held in the companies from which said dividends or capital gains arise and (ii) Their classification as low tax-paying companies.

The tax exemption is applied automatically when the ownership interest is at least 5%, as long as the companies in which the Dutch Companies participate are not classified as low tax payers. Low tax-paying companies are considered to be those which fulfill the following conditions: (i) the subsidiary is held solely for investment purposes (motive test), (ii) the effective taxation of the subsidiaries does not exceed the 10% calculated in accordance with Dutch legislation (effective tax rate test) and (iii) at least 50% of its direct or indirect assets relate to passive investments (assets test). If any of the aforementioned criteria is not met, the participation exemption benefit is applicable and the Company pays zero tax on qualified dividends and capital gains.

b) *Mexico*

The Mexican companies are subject to corporate income tax at a statutory tax rate of 30%.

c) *Dominican Republic*

Taxes in the Dominican Republic are determined based upon Advance Pricing Arrangements (APA) with The Ministry of Finance of the Dominican Republic ("The Ministry of Finance"). Historically, based upon our APAs all three Dominican entities were subject to greater of an asset tax or gross receipts tax; thus not subject to income tax. The Company's APAs for 2016 and forward have not been finalized with The Ministry of Finance, as the tax authorities are working to finalize a Memoranda of Understanding ("MOU") with the Association of Hotels and Tourism of the Dominican Republic, which the Company is party to. Upon finalization of the MOU, the Company expects to negotiate its 2016 and forward APAs for purposes of determining taxes due to The Ministry of Finance. As the MOU and associated APA have not been finalized, our December 31, 2016 income tax provision contemplates the existing Dominican statutory law, without consideration of an MOU and associated APA. Pursuant to Dominican statutory law, a taxpayer will pay income tax if the income tax exceeds the asset based tax. Of our three Dominican entities, only the Dominican branch of Playa Cana B.V. is deemed to be an income taxpayer. As a result, we have recorded a \$0.6 million current tax expense and a \$1.8 million deferred tax expense for the Dominican branch of Playa Cana B.V. Once the MOU and APA are finalized, they will be retroactively applied to 2016 for purposes of determining our 2016 tax liability to The Ministry of Finance. Should the final MOU and APA result in the Dominican branch of Playa Cana B.V. being an asset tax payer for the foreseeable future, the Company would reverse the \$1.8 million of deferred tax expense recorded in 2016. Should the finalized MOU and APA require our other two Dominican entities, Inversiones Vilazul, S.A.S and the Dominican branch of Playa Romana Mar B.V., to be subject to income tax the Company would need to establish income tax balances for both current and deferred tax expenses for the Dominican branch of Playa Romana Mar B.V. and deferred tax expense only for Inversiones Vilazul, S.A.S, because Inversiones Vilazul, S.A.S has tax exemption until 2019 as explained in the following paragraph.

During 2016, the Company benefited from the tax exemption for Inversiones Vilazul S.A.S. from payment of Income tax and Asset taxation based on the Dominican Republic Law 158-01 (exemption obtained in 2004 with a valid life of ten years and extended for another five years in 2014 for a total valid life of fifteen years).

d) *Jamaica*

The Company applied for and was granted tax benefits under the Jamaican Hotel Incentives Act, allowing 10 years of income tax and import duty tax exemption. This incentive was originally in effect through December 30, 2023; however, we decided to opt-out of the Hotel Tax Incentive and opt-into the Omnibus Tax Incentive. The effective date of the Omnibus Tax Incentive is as of January 1, 2015 and it subjects the company to regular income tax and a reduced GCT rate of 10%.

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e) *Other tax jurisdictions*

The Company also carries out, to a lesser extent, activities in Nevis which is part of the Federation of St. Kitts and Nevis. With regard to the tax regulations applicable in Nevis, the companies constituted in accordance to Law 22/1996, whose activity is solely carried out with entities which are non-resident of Nevis Island, are exempt from all taxes, including income tax. This exemption is applicable to IC Sales, LLC.

Effective tax rate

The reconciliation between the income tax expense and the result of applying the Company's statutory tax rate to the consolidated results for the years ended December 31, 2016 and 2015 before taxes is as follows (*\$ in thousands*):

	2016		2015	
Tax (benefit) expense at the dominant jurisdictions tax rate	\$ (2,798)	25 %	\$ 9,210	25 %
Effect due to different jurisdictional tax rates	(11,021)	98 %	(19,150)	(52)%
Permanent differences ⁽¹⁾	18,916	(169)%	9,955	27 %
Effect of unrealizable deferred tax assets	9,496	(85)%	18,025	49 %
Effect due to foreign exchange rate and indexation	24,308	(217)%	24,884	68 %
Dominican tax based on existing statutory law	1,559	(14)%	—	— %
Accrual for uncertain tax positions	(514)	5 %	47	— %
Income tax expense	\$ 39,946	(357)%	\$ 42,971	117 %

⁽¹⁾ *Permanent differences were primarily inflationary effects and non-deductible expenses, including employee benefits, transaction expense and interest expenses.*

8.2 Deferred income tax

Deferred income taxes reflect the net tax effects of differences between the bases of assets and liabilities for financial reporting and income tax purposes. The sources and movements of deferred income tax balances for the years ended December 31, 2016 and 2015 are as follows (*\$ in thousands*):

	As of January 1, 2016	Activity for the period	As of December 31, 2016
Deferred tax liabilities less than 12 months			
Accounts receivable and prepayments to vendors	\$ 655	\$ 70	\$ 725
Deferred tax liabilities over 12 months			
Property, plant and equipment	147,625	23,048	170,673
Other liabilities	—	101	101
Total deferred tax liabilities	148,280	23,219	171,499
Deferred tax assets less than 12 months			
Advanced customer deposits	2,432	2,557	4,989
Trade payables and other accruals	2,154	1,041	3,195
Deferred tax assets over 12 months			
Labor liability accrual	523	(64)	459
Property, plant and equipment	547	(531)	16
Income tax losses	4,817	(2,291)	2,526
Total deferred tax assets	10,473	712	11,185
Net deferred tax liabilities	\$ 137,807	\$ 22,507	\$ 160,314

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	As of January 1, 2015	Activity for the period	As of December 31, 2015
Deferred tax liabilities less than 12 months			
Accounts receivable and prepayments to vendors	\$ 1,095	\$ (440)	\$ 655
Deferred tax liabilities over 12 months			
Property, plant and equipment	110,431	37,194	147,625
Other Liabilities	5,031	(5,031)	—
Total deferred tax liabilities	116,557	31,723	148,280
Deferred tax assets less than 12 months			
Advanced customer deposits	5,378	(2,946)	2,432
Trade payables and other accruals	2,331	(177)	2,154
Deferred tax assets over 12 months			
Labor liability accrual	870	(347)	523
Property, plant & equipment	—	547	547
Income tax losses	2,440	2,377	4,817
Total deferred tax assets	11,019	(546)	10,473
Net deferred tax liabilities	\$ 105,538	\$ 32,269	\$ 137,807

As of December 31, 2016 and 2015, we had \$18.9 million and \$32.0 million, respectively, of net operating loss carryforwards in our Mexican subsidiaries. Of these amounts, we anticipate that \$7.5 million and \$15.9 million, respectively, will expire unused and as a result, we have only recognized a deferred tax asset for the net operating loss carryforwards we expect to utilize. These carryforwards expire in various amounts from 2018 to 2026.

As of December 31, 2016 and 2015, we had \$258.3 million and \$213.5 million, respectively, of net operating loss carryforwards in our Dutch subsidiaries that expire in varying amounts from 2017 to 2025.

As of December 31, 2016 and 2015, we had \$34.0 million and \$24.3 million, respectively, of net operating loss carryforwards in our Jamaican subsidiary, which do not expire.

As of December 31, 2016 and 2015, we had \$9.3 million and \$5.9 million, respectively, of net operating loss carryforwards in our US subsidiary, which expire in various amounts from 2034 to 2036.

As of December 31, 2016 and 2015, we had \$0.8 million and \$1.6 million, respectively, of net operating loss carryforwards in our Dominican Republic subsidiary, which expire in 2017.

We do not anticipate generating sufficient taxable income to utilize our Dutch, Jamaican or US net operating loss carryforwards and as a result, we have not recognized a deferred tax asset in our financial statements.

9. Other non-current assets

The following summarizes the balances of deposits and other non-current assets as of December 31, 2016 and 2015 (\$ in thousands):

	As of December 31,	
	2016	2015
Restricted cash	\$ 9,651	\$ 6,383
Other non-current assets	4,730	7,136
Total other non-current assets	\$ 14,381	\$ 13,519

10. Trade and other receivables

The following summarizes the balances of trade and other receivables as of December 31, 2016 and 2015 (\$ in thousands):

	As of December 31,	
	2016	2015
Trade and other receivables	\$ 49,942	\$ 44,366
Allowance for doubtful accounts	(1,061)	(1,017)
Total trade and other receivables	\$ 48,881	\$ 43,349

11. Related parties

11.1 Balances with related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the company, have been eliminated in consolidation and are not disclosed in this Note. Refer to Note 1.3 for a full list of subsidiaries. The details of the balances between the Company and other related parties as of December 31, 2016 and 2015 are as follows (\$ in thousands):

	As of December 31,	
	2016	2015
Accounts receivable	\$ 2,532	\$ 3,457
Accounts payable	\$ (8,184)	\$ (5,930)
Deferred consideration ⁽¹⁾	\$ (1,836)	\$ (4,145)
Term Loan principal from related party ⁽²⁾	\$ (48,375)	\$ (48,875)
Preferred shares	\$ (239,492)	\$ (275,000)
Preferred shares PIK dividend ⁽³⁾	\$ (106,459)	\$ (77,275)

⁽¹⁾ Playa H&R Holdings B.V., a subsidiary of ours, agreed to make payments of \$1.1 million per quarter to the selling shareholder of Real Resorts (the "Real Shareholder") through the quarter ending September 30, 2017.

⁽²⁾ The Real Shareholder is also one of the lenders under our Term Loan. The Real Shareholder's portion of the original Term Loan was \$50.0 million.

⁽³⁾ The total accumulated amount of Non-cash PIK Dividends payable to the Real Shareholder were \$19.4 million and \$14.1 million as of December 31, 2016 and 2015, respectively. The total accrued amounts of Non-cash PIK Dividends payable to HI Holdings Playa (subsidiary of Hyatt) were \$87.1 million and \$63.2 million as of December 31, 2016 and 2015, respectively.

Relationship with Hyatt

In August 2013, HI Holdings Playa (a subsidiary of Hyatt) acquired 14,285,714 of our ordinary shares (see Note 13) and 26,785,714 of the Company's Preferred Shares for an aggregate purchase price of \$325.0 million. On October 14, 2016, we repurchased \$40.9 million of our Preferred Shares, which consisted of Preferred Shares (liability component) and Convertible redeemable preferred shares reserve (equity component) with respect to the Consolidated Financial Statements.

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See the breakout between the liability and equity components in the table below (*\$ in thousands*):

	Preferred Shares	Convertible redeemable preferred shares reserve	Total
Number of preferred shares repurchased	3,181,848	276,682	3,458,530
Face value of preferred shares repurchased	\$ 26,727	\$ 2,324	\$ 29,051
Face value of PIK dividends paid	10,909	949	11,858
Total value of preferred shares repurchased	\$ 37,636	\$ 3,273	\$ 40,909

As of December 31, 2016 and 2015, the total accumulated amount of Non-cash PIK dividends payable to HI Holdings Playa were \$87.1 million and \$63.2 million, respectively.

Holders of Preferred Shares are entitled to "as converted" voting rights, and HI Holdings Playa owned 47.3% and 47.6% of our outstanding voting securities as of December 31, 2016 and 2015, respectively. For the years ended December 31, 2016 and 2015, franchise fees related to rebranded resorts currently operating under the Hyatt All-Inclusive Resort Brands were \$13.5 million and \$6.2 million, respectively.

Relationship with the Real Shareholder

In August 2013, the Real Shareholder acquired 5,952,380 of the Company's Preferred Shares for \$50.0 million. On October 14, 2016, we repurchased \$9.1 million of our Preferred Shares, which consisted of Preferred Shares (liability component) and Convertible redeemable preferred shares reserve (equity component) with respect to the Consolidated Financial Statements.

See the breakout between the liability and equity components in the table below (*\$ in thousands*):

	Preferred Shares	Convertible redeemable preferred shares reserve	Total
Number of preferred shares repurchased	707,084	61,486	768,570
Face value of preferred shares repurchased	\$ 5,940	\$ 516	\$ 6,456
Face value of PIK dividends paid	2,424	211	2,635
Total value of preferred shares repurchased	\$ 8,364	\$ 727	\$ 9,091

As of December 31, 2016 and 2015, the total accumulated amounts of Non-cash PIK dividends payable to the Real Shareholder were \$19.4 million and \$14.1 million, respectively.

Holders of Preferred Shares are entitled to "as converted" voting rights, and the Real Shareholder owned 7.4% and 7.5% of our outstanding voting securities as of December 31, 2016 and 2015, respectively. The Real Shareholder is also one of the lenders under our \$375.0 million Term Loan (see Note 16.1). The Real Shareholder's portion of the original Term Loan was \$50.0 million.

Deferred consideration

In connection with the acquisition of Real Resorts, Playa H&R Holdings B.V., a subsidiary of ours, agreed to make quarterly payments to the Real Shareholder starting in December 2013 of \$1.1 million per quarter through the quarter ending September 30, 2017. As part of the agreement, Playa H&R Holdings B.V. provided the Real Shareholder 16 promissory notes, each with a value of \$0.5 million, which will be returned to Playa H&R Holdings B.V. as each quarterly payment is made to the Real Shareholder. A portion of the \$1.1 million quarterly payment is the related interest earned by the Real Shareholder as a lender holding \$50.0 million of our outstanding Term Loan. The deferred consideration was measured at fair value on the acquisition date by taking the difference between the guaranteed quarterly amount of \$1.1 million and the estimated quarterly interest to be received by the Real Shareholder on our Term Loan over the same four year period. The liability will be accreted over the four year

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payment term. As of December 31, 2016 and 2015, the remaining balance of such deferred consideration was \$1.8 million and \$4.1 million, respectively.

Term Loan from related party

The Real Shareholder (who is also a shareholder of Playa) is one of the lenders to the Term Loan (as defined in Note 16) for \$50.0 million of the total \$375.0 million gross proceeds.

11.2 Transactions with related parties

Transactions between the Company and related parties during the year ended December 31, 2016 and the 2015 are as follows (*\$ in thousands*):

	Year ended December 31,	
	2016	2015
Dividends on preferred shares ⁽¹⁾	\$ (40,289)	\$ (33,249)
Deferred consideration accretion ⁽¹⁾	(189)	(189)
Interest expense on related party borrowings ⁽¹⁾	(1,980)	(1,995)
Franchise fees ⁽²⁾	(13,539)	(6,205)
Lease Payments ⁽²⁾	(1,301)	(1,248)
Total transactions with related parties	\$ (57,298)	\$ (42,886)

⁽¹⁾ Included in the Finance costs line in our Consolidated Statement of Profit and Loss.

⁽²⁾ Included in the Operating expenses line in our Consolidated Statement of Profit and Loss.

Franchise fees are related to the rebranded resorts currently operating under the Hyatt All-Inclusive Resort Brands.

Transactions with key management personnel

One of our offices is owned by our Chief Executive Officer and we lease the space at that location through a third party. Lease payments related to this space were \$1.1 million and \$1.0 million, for the year ended December 31, 2016 and 2015, respectively.

One of our offices in Cancún, Mexico is owned by an affiliate of the Real Shareholder, and we sublease the space through a third party. The lease payments related to this space were \$0.2 million and \$0.2 million for the year ended December 31, 2016 and 2015, respectively.

For the year ended December 31, 2016, wages and salaries expensed for key management of the Company amounted to a total of \$4.7 million. Key management has not received any additional compensation.

In the fourth quarter of 2015, our Chief Executive Officer advanced \$2.5 million to us in order to accelerate the completion of several capital projects prior to the high season. We repaid the loan in December 2015. The loan bore interest at LIBOR plus 1.75%.

12. Prepayments and other current assets

The following summarizes the balances of prepayments and other current assets as of December 31, 2016 and 2015 (\$ in thousands):

	As of December 31,	
	2016	2015
Advances to suppliers	\$ 5,765	\$ 6,054
Prepaid income taxes	2,756	5,210
Prepaid other taxes	15,343	34,247
Other current assets	30	25
Total prepayments and other current assets	\$ 23,894	\$ 45,536

13. Ordinary share capital and share premium

Ordinary shares

As of December 31, 2016 and 2015, our ordinary share capital consisted of 60,249,330 ordinary shares outstanding, which have a par value of \$0.01 each. All ordinary shares have the same voting and economic rights. The difference between the fair value of our ordinary shares of \$7.00 and the cash paid of \$8.00 has been presented as a capital contribution.

The holders of ordinary shares are entitled to receive dividends or distributions out of funds legally available, at the discretion of our General Meeting of Shareholders, subject to proposal from our Board of Directors. They are also subject to any preferential dividend rights of outstanding Preferred Shares and are entitled to one vote per share at meetings of Playa. Upon the liquidation, dissolution, or winding down of Playa, the holders of ordinary shares will be entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of holders of any outstanding Preferred Shares. Holders of ordinary shares have no redemption or conversion rights.

14. Convertible redeemable preferred shares reserve (equity component)

As of December 31, 2016 and 2015, the Preferred shares reserve of \$26.7 million and \$27.3 million, respectively, represents the difference between the nominal amount and the fair value of the liability component per the initial recognition and the corresponding component of the accrued preferred shares dividends (see Note 15). This amount is presented net of transaction costs arising from the Preferred shares.

On October 14, 2016 we repurchased \$50.0 million of our Preferred Shares, which consisted of Convertible redeemable preferred shares reserve (equity component) and Preferred Shares (liability component) with respect to the Consolidated Financial Statements. We redeemed 338,168 of our outstanding Convertible redeemable preferred shares reserve at \$8.40 per share for \$2.8 million in face value and we paid \$1.2 million of associated PIK dividends.

As of December 31, 2016 and 2015, the Preferred shares reserve represented 2,200,837 and 2,539,048, respectively, of outstanding Preferred shares and additional authorized shares of 978,690 and 713,471, respectively, due to the PIK dividends that have been accrued.

15. Convertible redeemable preferred shares (liability component)

Holders of the Preferred Shares are entitled to preferred cumulative dividends of 12% per annum compounded quarterly, which changed from 10% on August 9, 2015, with such dividends to be exclusively paid in kind with additional Preferred Shares. The Preferred Shares are convertible at the option of the holders into our ordinary shares on the basis of one ordinary share for every Preferred Share held (i.e. at \$8.40 each, as adjusted for share dividends, share splits, Non-cash PIK Dividends, combinations, reorganizations, or otherwise). The holders of the Preferred

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Shares are entitled to "as converted" voting rights. For purposes of the conversion, all accrued and unpaid Non-cash PIK Dividends are deemed to have been paid in Preferred Shares. Conversion may occur at any time up to an initial public offering of Playa. If the Preferred Shares have not been previously converted or redeemed, they can be redeemed at the option of the holder on August 9, 2021 at \$8.40 each plus any accrued and unpaid dividends. A portion of the Preferred Shares may also be redeemed at the election of the holders in connection with any equity offering made by Playa. In addition, we are entitled to redeem all of the Preferred Shares at any time beginning on August 13, 2015. Due to the increasing dividend rate from the initial 10% from issuance to August 9, 2015 and 12% thereafter, we calculated the effective conversion price and recorded a Preferred Shares discount of \$11.4 million, as a reduction of accumulated deficit. Preferred Share issuance costs of \$0.3 million and the Preferred Shares discount of \$11.4 million were amortized over a two-year period that began on August 9, 2013.

Preferred Shares Non-cash PIK Dividends are accumulated on a quarterly basis until the shares are converted or redeemed, subject to distributable profits. The accrued Preferred Shares' Non-cash PIK Dividends are recorded as a reduction of paid-in capital.

The Preferred Shares issued by the Company have been classified as a compound financial instrument primarily because the holder has the choice of equity or cash settlement. The equity component is presented under the heading of "Convertible redeemable preferred shares reserve" in the Consolidated Statement of Financial Position and is discussed in Note 14.

On October 14, 2016 we repurchased \$50.0 million of our Preferred Shares, which consisted of Convertible redeemable preferred shares reserve (equity component) and Preferred Shares (liability component) with respect to the Consolidated Financial Statements. We redeemed 3,888,932 of our outstanding Preferred Shares at \$8.40 per share for \$32.7 million in face value and we paid \$13.3 million of associated PIK dividends

Calculation of the liability component of the Preferred Shares is shown below (*\$ in thousands*):

	As of December 31,	
	2016	2015
Face value of preferred shares	\$ 239,492	\$ 275,000
Face value of preferred shares dividends	106,459	77,275
Transaction costs	(324)	(324)
Net value of preferred shares	345,627	351,951
Equity component of preferred shares	(18,462)	(21,303)
Equity component of preferred shares dividends	(8,221)	(5,993)
Accumulated accretion of discount	24,737	14,835
Liability component of preferred shares	\$ 343,681	\$ 339,490

Additional Preferred Shares as PIK dividends are accumulated quarterly with issuance to holders of the Preferred Shares, subject to distributable profits. The PIK dividends will have rights, preferences, terms and conditions similar to those of the originally issued Preferred Shares. Accordingly, these dividends are separated into a liability and equity component and accounted for in accordance with the guidance set forth in Note 4.15. As of December 31, 2016 PIK dividends have been accrued but none have been issued.

The Preferred Shares carry certain liquidation preferences in the event of liquidation of Playa. In the event of a dissolution and liquidation, the assets remaining after payment of all of our debts (including any liquidation expenses) are to be distributed (i) first to the holders, if any, of Preferred Shares, the greater of (a) the nominal value of the Preferred Shares (to the extent paid-up) plus unpaid accrued dividends, and (b) the amount the holders of Preferred Shares would receive if such shares plus any dividends thereon were converted into ordinary shares prior to such liquidation distribution, and (ii) second, the balance remaining to the ordinary shareholders in proportion to the aggregate nominal value of their ordinary shares.

16. Borrowings

The following summarizes the carrying amounts of the Company's borrowings as of December 31, 2016 and 2015 (\$ in thousands):

	As of December 31,	
	2016	2015
Term Loan	\$ 362,813	\$ 366,562
Unamortized financing costs and discount on Term Loan	(9,218)	(12,660)
Net Term Loan	353,595	353,902
8% Senior Notes due 2020	475,000	425,000
Unamortized financing costs and premium on Senior Notes	(3,620)	(5,004)
Net 8% Senior Notes due 2020	471,380	419,996
Revolving Credit Facility	—	50,000
Total borrowings	824,975	823,898
Less amounts due within one year ⁽¹⁾	(3,750)	(3,750)
Non-current borrowings	\$ 821,225	\$ 820,148

⁽¹⁾ The entire current borrowings balance is related to the Term Loan.

16.1 Senior Secured Credit Facility

Playa Resorts Holding B.V. ("Borrower"), a subsidiary of Playa, holds a senior secured credit facility ("Senior Secured Credit Facility"), which consists of a term loan facility ("Term Loan") which matures on August 9, 2019 and a revolving credit facility ("Revolving Credit Facility") which matures on August 9, 2018.

Term Loan

The Borrower borrowed \$375.0 million under the Term Loan. Additionally, the Company bifurcated an embedded derivative related to the Term Loan of \$6.2 million at inception, which was recorded as a discount to the net proceeds of the Term Loan and as a separate derivative liability (see Note 17).

Prior to February 26, 2014, the Term Loan bore interest at a rate per annum equal to LIBOR plus 375 basis points (where the applicable LIBOR rate had a 1.0% floor) and interest was payable quarterly in cash in arrears on the last day of the interest period, beginning on November 8, 2013. At our option an alternate base rate derived from the greatest of the federal funds rate, prime rate, eurocurrency and the initial term loan rate with varying spreads for each may be used. Our LIBOR-based rates can be tied to one, three or six month LIBOR periods, at our option, upon completion of each interest period.

On February 26, 2014, we re-priced the Term Loan. The amended Term Loan bears interest at a rate per annum equal to LIBOR plus 300 basis points (where the applicable LIBOR rate has a 1.0% floor), which results in a reduction of 75 basis points from the original Term Loan, and interest continues to be payable in cash in arrears on the last day of the applicable interest period (unless we elect to use the ABR Rate).

The Term Loan requires quarterly payments of principal equal to 0.25% of the \$375.0 million principal amount (approximately \$0.9 million) on the last business day of each March, June, September and December. The remaining unpaid amount of the Term Loan is due and payable at maturity on August 9, 2019.

Revolving Credit Facility

The Revolving Credit Facility permits us to borrow up to a maximum aggregate principal amount of \$50.0 million, matures on August 9, 2018 and bears interest at variable interest rates that are either LIBOR-based or based on an alternate base rate ("ABR Rate") derived from the greatest of the federal funds rate, prime rate, eurocurrency and the initial term loan rate with varying spreads for each. We are required to pay a commitment fee of 0.5% per annum on the daily undrawn balance. As of December 31, 2016, there was a \$0 million outstanding balance on this Revolving Credit Facility and the remaining available line of credit was \$50.0 million.

16.2 8% Senior Notes due 2020

The Borrower has 8.0% senior notes due August 15, 2020 (the “Senior Notes due 2020”). The Senior Notes due 2020 bear interest at a rate of 8.0% per annum payable semi-annually in cash in arrears on February 15 and August 15 of each year. The face amount of the Senior Notes due 2020 is due and payable at maturity on August 15, 2020.

At any time before August 15, 2016, we were able to redeem some or all of the 8.0% Senior Notes due 2020 at 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest (if any) thereon, plus a make-whole premium. The amount of any make-whole premium is partially based, on the yield of U.S. Treasury securities with a comparable maturity at the date of redemption. In addition, at any time before August 15, 2016, we were able to redeem up to 35.0% of the Senior Notes due 2020 at 108.0% of the principal amount of the notes to be redeemed plus accrued and unpaid interest (if any) thereon with net proceeds we receive from certain equity offerings.

As of December 31, 2016, we did not redeem any of the Senior Notes due 2020. At any time on or after August 15, 2016, we were able to redeem some or all of the Senior Notes due 2020 at the applicable redemption prices set forth below, if redeemed during the twelve-month period beginning on August 15th of the years indicated below:

<u>Year</u>	<u>Percentage</u>
2016	106%
2017	104%
2018	102%
2019 and thereafter	100%

The Senior Notes due 2020 are our senior unsecured obligations and rank equally with our other senior unsecured indebtedness. The Senior Notes due 2020 will be effectively subordinated to any of our existing and future secured debt to the extent of the value of the assets securing such debt, including the Senior Secured Credit Facility.

On February 2014, we issued an additional \$75.0 million of Senior Notes due 2020, bringing the aggregate outstanding principal amount of the Senior Notes due 2020 to \$375.0 million. The additional notes were priced at 105.5% of their principal amount.

On May 11, 2015, we issued an additional \$50.0 million of our Senior Notes due 2020, bringing the aggregate outstanding principal amount of the Senior Notes due 2020 to \$425.0 million. The additional notes were priced at 103.0% of their principal amount.

On October 4, 2016, we issued an additional \$50.0 million of our Senior Notes due 2020, bringing the aggregate outstanding principal amount of the Senior Notes due 2020 to \$475.0 million. The additional notes were priced at 101% of their principal amount.

Debt Covenants

Our Senior Secured Credit Facility and the Senior Notes due 2020 contain a number of affirmative and restrictive covenants, including limitations on our ability to: place liens on our direct or indirect subsidiaries' assets; incur additional debt; merge, consolidate and dissolve; sell assets; engage in transactions with affiliates; change our direct or indirect subsidiaries' fiscal year or organizational documents; pay cash dividends and make restricted payments.

Our Senior Secured Credit Facility also requires us to meet leverage ratio and interest coverage ratio financial covenants in each case measured quarterly as defined in our Senior Secured Credit Facility. These financial ratios are calculated using US GAAP figures. We were in compliance with all applicable covenants as of December 31, 2016.

17. Derivative financial instruments

Derivative financial instruments consist of an embedded derivative related to the Term Loan’s 1.00% LIBOR floor. In our evaluation of the Term Loan, we concluded that the 1.00% interest rate floor required bifurcation and separate accounting in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. We therefore bifurcated the embedded derivative related to the interest rate floor and carried it as a derivative liability at fair value. As of December 31, 2016, the fair value of this derivative was estimated to be \$0.3 million, of which \$0.1 million was classified as current and \$0.2 million was classified as non-current in the Consolidated Statement of Financial Position. As of December 31, 2015, the fair value of this derivative was estimated to be \$2.2 million, of which \$0.8 million was classified as current and \$1.4 million was classified as non-current in the Consolidated Statement of Financial Position. See Note 19.3 for derivative fair value information.

The derivative is revalued at the end of each reporting period, recognizing any change in fair value directly in earnings, classified as “Finance costs” (see Note 22) in the Consolidated Statement of Profit or Loss.

18. Trade and other payables

The following summarizes the balances of trade and other payables as of December 31, 2016 and 2015 (*\$ in thousands*):

	As of December 31,	
	2016	2015
Trade payables	\$ 21,229	\$ 26,299
Advance deposits	41,621	54,161
Withholding and other taxes payable	27,432	24,052
Interest payable	16,151	14,828
Professional service accruals	19,566	12,104
Payroll and related accruals	12,963	10,181
Other payables	6,080	10,410
Total trade and other payables	\$ 145,042	\$ 152,035

19. Financial instruments

19.1 Capital management

The Company considers both cash flows arising from funds generated by operations and those received as contributions from shareholders or indebtedness with financial institutions to be capital.

Consistent with other companies in the hospitality industry, the Company controls the equity structure based on a standard ratio. This ratio is calculated as the net financial debt divided by the amount of the Company's equity.

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The Company's ratio as of December 31, 2016 and 2015 are as follows (*\$ in thousands*):

	As of December 31,	
	2016	2015
Debt	\$ 824,975	\$ 823,898
Less cash and cash equivalents	(33,512)	(35,460)
Net financial debt	\$ 791,463	\$ 788,438
Equity⁽¹⁾	\$ 362,850	\$ 413,461
Net debt to equity ratio	218%	191%

⁽¹⁾ Figure includes the liability portion of the convertible redeemable preferred shares in our equity base as we consider these instruments to be equity for capital management purposes.

19.2 Categories of financial instruments

The Consolidated Statement of Financial Position contains various financial assets and liabilities as shown in the table below (*\$ in thousands*). It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Of these financial assets and liabilities, only the derivative financial instrument and deferred consideration are recorded at fair value in the Consolidated Statement of Financial Position (See Note 19.3).

	As of December 31,	
	2016	2015
Financial assets not measured at fair value:		
Cash and cash equivalents	\$ 33,512	\$ 35,460
Trade and other receivables	48,881	43,349
Accounts receivable from related parties	2,532	3,457
Total financial assets	\$ 84,925	\$ 82,266
Financial liabilities not measured at fair value:		
Borrowings:		
Term Loan	\$ 353,595	\$ 353,902
8% Senior Notes due 2020	471,380	419,996
Revolving credit facility	—	50,000
Convertible redeemable preferred shares	343,681	339,490
Trade payables	21,229	26,299
Accounts payable to related parties	8,184	5,930
	1,198,069	1,195,617
Financial liabilities measured at fair value:		
Deferred Consideration	1,836	4,145
Derivative financial instruments	314	2,240
	2,150	6,385
Total financial liabilities	\$ 1,200,219	\$ 1,202,002

19.3 Fair value measurements

Fair value represents 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. Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significant of the inputs to the fair value measurement in its entirety, which are described below:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.
- Level 2: Inputs, other than quoted prices included in Level 1, are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs are unobservable for the assets or liabilities.

Liabilities measured at fair value on a recurring basis

The following table presents the Company's liabilities that are measured at fair value as of December 31, 2016 and 2015 (\$ in thousands):

	As of December 31, 2016	Fair Value		
		Level 1	Level 2	Level 3
Financial liabilities measured at fair value:				
Derivative financial instrument ⁽¹⁾	\$ 314	\$ —	\$ 314	\$ —
Deferred consideration	\$ 1,836	\$ —	\$ —	\$ 1,836

	As of December 31, 2015	Fair Value		
		Level 1	Level 2	Level 3
Financial liabilities measured at fair value:				
Derivative financial instrument ⁽¹⁾	\$ 2,240	\$ —	\$ 2,240	\$ —
Deferred consideration	\$ 4,145	\$ —	\$ —	\$ 4,145

⁽¹⁾ Includes both the current and non-current portions of the derivative financial instrument.

Reconciliation of level 3 fair value measurements

The following table presents the activity for the Company's liabilities that are measured at fair value with Level 3 inputs as of December 31, 2016 and 2015 (\$ in thousands):

	Deferred Consideration
January 1, 2015	<u>\$ 6,127</u>
Total (gains) losses:	
- in profit or loss	523
Settlements	(2,505)
January 1, 2016	<u>\$ 4,145</u>
Total (gains) losses:	
- in profit or loss	201
Settlements	(2,510)
December 31, 2016	<u><u>\$ 1,836</u></u>

Derivative financial instruments

The derivative financial instrument consists of an embedded derivative related to the Term Loan's 1.00% LIBOR floor (see Note 17) and is presented at fair value in the Consolidated Statement of Financial Position. The valuation of this instrument was determined using widely accepted valuation techniques including discounted cash flow analysis and volatilities on the expected cash flows of the floor. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves, spot and forward rates, as well as option volatility.

To comply with the provisions of IFRS 13, the Company incorporates credit valuation adjustments to appropriately reflect its own nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counter-parties. However, as of December 31, 2016, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. During 2016 and 2015 there were no reclassifications between Levels.

The fair value of the derivative financial instrument is re-measured at the end of every reporting period. The change in fair value of the derivatives is recognized directly in earnings, classified as "Finance costs" in the Consolidated Statement of Profit or Loss (see Note 22).

Deferred consideration

Deferred consideration, as described in Note 11.1, is presented at fair value in the Consolidated Statement of Financial Position. The valuation of this instrument was determined using widely accepted valuation techniques including discounted cash flow analysis.

The sensitivity analysis below has been determined based on the exposure to changes in Level 3 inputs at the end of the reporting period. For deferred consideration, the analysis is prepared assuming the amount of the liability outstanding as of December 31, 2016 was outstanding for the whole period. A 25 basis point increase or decrease is used when reporting unobservable input risk internally to key management personnel and represents management's assessment of the reasonably possible change in Level 3 inputs.

If the forward rate had been 25 basis points higher/lower and all other variables were held constant, the change in fair value of the instrument and loss before income tax for the period would have been \$0.1 million less/more. A 25 basis points increase or decrease in the discount rate would have had a \$0.1 million impact in the fair value of the instrument and loss before income tax for the period.

The fair value of the deferred consideration is re-measured at the end of every reporting period. The change in fair value of the derivatives is recognized directly in earnings, classified as "Finance costs" in the Consolidated Statement of Profit or Loss (see Note 22).

Assets not measured at fair value in the statement of financial position but for which the fair value is presented

All assets not measured at fair value in the Consolidated Statement of Financial Position are considered to be Level 2 where the carrying value approximates fair value.

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Liabilities not measured at fair value in the statement of financial position but for which the fair value is presented

The following table presents the Company's liabilities that are not measured at fair value in the Consolidated Statement of Financial Position but for which the fair value is presented (*\$ in thousands*):

	As of December 31, 2016	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities not measured at fair value⁽¹⁾:					
Term Loan	\$ 353,595	\$ —	\$ —	\$ 363,060	\$ 363,060
8% Senior Notes due 2020	471,380	—	513,405	—	513,405
Revolving Credit Facility	—	—	—	—	—
Total	\$ 824,975	\$ —	\$ 513,405	\$ 363,060	\$ 876,465

⁽¹⁾ As of December 31, 2016, the fair value of convertible redeemable preferred shares was excluded from the table above because the carrying value approximated the fair value. All of our preferred shares were also redeemed on March 10, 2017 (See note 27).

	As of December 31, 2015	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities not measured at fair value:					
Term Loan	\$ 353,902	\$ —	\$ —	\$ 357,896	\$ 357,896
8% Senior Notes due 2020	419,996	—	445,550	—	445,550
Revolving Credit Facility	50,000	—	—	50,000	50,000
Convertible redeemable preferred shares	339,490	—	—	354,585	354,585
Total	\$ 1,163,388	\$ —	\$ 445,550	\$ 762,481	\$ 1,208,031

The following table displays valuation techniques and the significant unobservable inputs for our Level 3 liabilities measured at fair value as of December 31, 2016 and 2015 (*\$ in thousands*):

	Fair Value	Fair Value Measurements as of December 31, 2016		
		Significant Valuation Techniques	Significant Unobservable Inputs	Input
Deferred consideration	\$ 1,836	Discounted cash flow	Discount rate	4.00%
			Forward rate	4.63% - 5.00%
			Expected term	7 months
Term Loan	\$ 363,060	Discounted cash flow	Discount rate	3.00%

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	Fair Value	Fair Value Measurements as of December 31, 2015		
		Significant Valuation Techniques	Significant Unobservable Inputs	Input
Deferred consideration	\$ 4,145	Discounted cash flow	Discount rate	4.00%
			Forward rate	4.46% - 5.00%
			Expected term	19 months
Term Loan	\$ 357,896	Discounted cash flow	Discount rate	3.75%
			Forward rate	4.00% - 5.16%
			Expected term	44 months
Convertible redeemable preferred shares	\$ 354,585	Discounted cash flow	Discount rate	12.00%
			Forward rate	12.00%
			Expected term	14 months

Term Loan

The fair value of the Term Loan is estimated using cash flows projected using market forward rates and discounted back at the appropriate discount factors. The primary sensitivity in these estimates is based on the selection of appropriate discount rates. Fluctuations in these assumptions will result in different estimates of fair value as an increase in the discount rate would result in a decrease in the fair value.

Senior Notes due 2020

The fair value of the Senior Notes due 2020 is estimated using unadjusted quoted prices in a market that is not active. Current pricing was compiled and applied to the outstanding principal amount.

19.4 Credit risk

Financial instruments that are subject to credit risk consist primarily of trade accounts receivable. Trade accounts receivable are generated from sales of services to customers in the United States, Canada, Europe, Latin America and Asia. The Company's policy is to mitigate this risk by granting a credit limit to each client depending on the client's volume and credit quality. In order to increase the initially established credit limit, approval is required from the director of each hotel. Each hotel periodically reviews the age of the clients' balances and the balances which may be of doubtful recoverability. The Company maintains allowances for potential credit losses based on management's evaluation of the customer's financial situation, past collection history, and the age of the accounts receivable balances. Historically, actual credit losses have been within the ranges of management's expectations and considered immaterial. The maximum exposure risk assumed by the Company is the carrying amount of trade receivables per customer, which have an expected collectability of less than one year.

The aging of the Company's receivables, based on invoice date, as of December 31, 2016 and 2015 is as follows (\$ in thousands):

	As of December 31,	
	2016	2015
0 - 60 days (current)	\$ 48,362	\$ 42,296
61 - 90 days	318	183
91 - 120 days	164	378
> 120 days	1,098	1,509
Gross trade and other receivables	\$ 49,942	\$ 44,366

The gross carrying amount of the trade and other receivables balance is reduced by an allowance for doubtful accounts that reflects management's best estimate of amounts that will not be collected. The allowance is based on

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historical loss experience, specific risks identified in collection matters, and analysis of past due balances identified in the aging detail. The Company's allowance for doubtful accounts as of December 31, 2016 and 2015 were approximately \$1.1 million and \$1.0 million, respectively (see Note 10).

19.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal business conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyzes the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date as of December 31, 2016 (*\$ in thousands*):

Liability	Interest rate	< 1 year	> 1 to 3 years	> 3 to 5 years	> 5 years	Total
Term Loan	4.00%	\$ 3,750	\$ 359,063	\$ —	\$ —	\$ 362,813
8% Senior Notes due 2020	8.00%	—	—	475,000	—	475,000
Revolver	4.74% ⁽³⁾	—	—	—	—	—
Interest ⁽¹⁾	N/A	54,769	99,475	23,750	—	177,994
Preferred Shares ⁽²⁾	12.00%	353,873	—	—	—	353,873
Other non-interest bearing liabilities	N/A	95,454	—	—	—	95,454
		\$507,846	\$ 458,538	\$ 498,750	\$ —	\$1,465,134

⁽¹⁾ Interest includes deferred consideration, which for the purposes of this disclosure is presented at its gross value.

⁽²⁾ Includes the equity component and the liability component. The balance of Preferred Shares was based on the value at redemption (value as of March 10, 2017).

⁽³⁾ Interest rate consists of LIBOR plus 375 basis points.

As of December 31, 2016, there were no derivative financial liabilities other than the embedded derivative already accounted with the Term Loan the table above.

19.6 Market risk

Our business strategy depends significantly on demand for all-inclusive vacation packages and demand for vacations generally. Weak economic conditions in the United States, Europe and much of the rest of the world and the uncertainty over the duration of these conditions could continue to have a negative impact on the hospitality industry. As a result, any delay or a weaker than anticipated economic recovery will adversely affect our future results of operations. Furthermore, a significant percentage of our guests originate in the United States and elsewhere in North America and, if travel from the United States or elsewhere in North America was disrupted and we were not able to replace those guests with guests from other geographic areas, it would have a material adverse effect on our results of operations. Additionally, most of our resorts are located in Mexico, and, as a result, our business is exposed to economic conditions in Mexico. If the economy in Mexico weakens or experiences a downturn, it could have a material adverse effect on us, including our financial results.

19.7 Interest rate risk

The Company's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk, a risk that the Company manages by maintaining an appropriate mix between fixed and variable rate borrowings.

Fixed rate instruments

As of December 31, 2016, the Company had \$475.0 million of fixed rate debt bearing interest at the rate of 8.0%. Changes in interest rates in the future would not affect the Company with respect to the fixed rate debt.

19.8 Variable rate instruments

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate borrowings at the end of the reporting period. For variable rate borrowings, the analysis is prepared assuming the amount of the liability outstanding as of December 31, 2016 was outstanding for the whole period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 100 basis points higher and all other variables were held constant, without taking into account the effect that this could have on the fair value of the derivative instruments, the change in loss before income tax for the period would have been \$3.6 million or 32.3% higher, a decline in LIBOR or increase up to the fixed minimum rate would not have any affect in loss before income tax for the period due to the Term Loan's interest rate floor of 1.0% (see Note 16 and Note 17).

19.9 Foreign currency risk

Since the Company's resorts are based in Mexico, the Dominican Republic and Jamaica, where the currency is different from the functional currency, the Company is exposed to exchange rate fluctuations.

Interest on borrowings is denominated in currencies that correspond to the cash flows generated by resort operations, mainly in USD. This provides an economic hedge on the borrowings, sales and purchases. Approximately 97% of the Company's sales are denominated in USD, which is the functional currency of the Company's foreign consolidated subsidiaries. With respect to other monetary assets and liabilities denominated in foreign currencies other than those already mentioned, the Company ensures that its net exposure is kept at an acceptable level by buying or selling foreign currencies at spot market rates in order to cover the cash needs generated by the resorts.

As income is mainly denominated in USD, which is the functional currency of the resorts, it is not affected by the exchange rate fluctuations between the functional and local currencies. Approximately 72% of the operating expenses (non-financial) of the resorts are transacted in the local currencies (Dominican pesos, Mexican pesos and Jamaican dollars); as a result, the exchange rate fluctuations with regard to the functional currency have an effect on the amount of recorded expenses.

The following table details the Company's sensitivity to a 5 percent increase or decrease in the USD against the relevant foreign currencies (*\$ in thousands*):

		Exchange rate fluctuation	Effect on profit (loss) before income tax
Year ended December 31, 2015	USD / Dominican, Mexican Pesos, Jamaican Dollars	5%	\$ 12,088
		(5)%	\$ (12,088)
Year ended December 31, 2016	USD / Dominican, Mexican Pesos, Jamaican Dollars	5%	\$ 13,062
		(5)%	\$ (14,437)

20. Employee benefits

In accordance with labor law regulations in Mexico, certain employees are legally entitled to receive severance that is commensurate with the tenure they had with us at the time of termination. Liabilities are calculated using actuarial valuations by applying the "projected unit credit method." Valuations were performed as of December 31, 2016 and 2015 based on the EMSSAH-09 and EMSSAM-09 mortality tables, applying a discount rate of 7.9% and 6.7% for December 31, 2016 and 2015, respectively, and a salary increase of 4.8% and 4.8% for December 31, 2016 and 2015, respectively, and estimated personnel turnover and disability. Liabilities are recognized as "Other non-current

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liabilities" in the Consolidated Statement of Financial Position. Actuarial gains and losses are recognized in the Consolidated Statement of Financial Position as "Other comprehensive income (loss)".

The following table sets forth our benefit obligation and funded status (*\$ in thousands*):

	As of December 31,	
	2016	2015
Change in benefit obligation		
Balance at beginning of period	\$ 3,183	\$ 3,205
Service cost	590	608
Prior service cost	(17)	(20)
Interest cost	205	210
Effect of changes in financial assumptions	(377)	106
Experience adjusted	(29)	(342)
Effect of foreign exchange rates	(579)	(515)
Benefits paid	(97)	(69)
Balance at end of period	\$ 2,879	\$ 3,183
Underfunded status	\$ (2,879)	\$ (3,183)

There were no plan assets as of December 31, 2016 or 2015. Contributions are paid only to the extent benefits are paid. The net underfunded status of the plans as of December 31, 2016 and 2015 was \$2.9 million and \$3.2 million, respectively, which is recorded in the Other non-current liabilities line in the Consolidated Statement of Financial Position.

The following table presents the components of net periodic benefit cost (*\$ in thousands*):

	Year ended December 31,	
	2016	2015
Service cost	\$ 590	\$ 608
Interest cost	205	210
Amortization of prior service cost	(17)	(20)
Effect of foreign exchange rates	(579)	(515)
Net periodic benefit cost recorded in P&L	199	283
Effect of change in financial assumptions	(377)	106
Experience adjusted	(29)	(342)
Total remeasurement included in OCI	(406)	(236)
Total defined benefit (gain) cost	\$ (207)	\$ 47

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The weighted average assumptions used to determine benefit obligations as of December 31, 2016 and 2015 and the net periodic benefit cost for the years ended December 31, 2016 and 2015 were as follows:

	As of December 31,	
	2016	2015
Discount rate	7.90%	6.71%
Rate of compensation increase	4.79%	4.79%

The following table represents our expected plan payments for the next five years and the five years thereafter (*\$ in thousands*):

2017	343
2018	341
2019	348
2020	366
2020	395
Thereafter	2,809
Total	\$ 4,602

Changes in assumptions used to determine benefit obligations and net periodic benefit costs may have a material impact on the Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss. The key assumption is the discount rate. The sensitivity analysis below is based on reasonable possible changes in this assumption occurring at the end of the period.

- If the discount rate is increased (decreased) by 50 basis point, the benefit plan obligation would decrease by \$0.1 million (increase by \$0.1 million) and the current service cost would decrease by \$0.02 million (increase by \$0.02 million).

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21. Operating expenses

For the year ended December 31, 2016 and the 2015, the breakdown of operating expenses is as follows (*\$ in thousands*):

	Year ended December 31,	
	2016	2015
Personnel expenses	\$ 124,971	\$ 109,856
General operating expenses	70,541	56,499
Utilities	24,991	24,765
Advertising	26,477	20,756
Independent professional services	9,247	9,155
Hotel and asset management fees	11,373	10,116
Insurance expenses	10,713	11,343
Repairs and maintenance	14,597	12,459
Franchise fee	13,539	6,205
Other	1,217	5,538
Total operating expenses	\$ 307,666	\$ 266,692

The breakdown of personnel expenses for the year ended December 31, 2016 and the 2015 are as follows (*\$ in thousands*):

	Year ended December 31,	
	2016	2015
Wages, salaries and severance	\$ 105,879	\$ 94,033
Benefits	19,092	15,823
Total personnel expenses	\$ 124,971	\$ 109,856

The number of full-time employees as of December 31, 2016 and 2015 by category are as follows:

	As of December 31,	
	2016	2015
Resort management and administration	1,495	1,213
Resort staff	8,168	8,992
Total number of full-time employees	9,663	10,205

As of December 31, 2016 and 2015, the Company has no employees in the Netherlands.

22. Finance costs

For the year ended December 31, 2016 and the 2015, the breakdown of finance costs is as follows (*\$ in thousands*):

	Year ended December 31,	
	2016	2015
Interest expense:		
Interest on Term Loan	\$ 14,849	\$ 14,966
Interest on 8% Senior Notes due 2020	34,956	32,544
Interest and commitment fee on Revolver	1,375	1,840
Amortization of financing costs	3,103	3,011
Amortization of derivative discount on borrowings	1,033	991
Amortization of Preferred Shares discount	9,902	6,952
Dividends on Preferred Shares	40,289	33,249
Change in deferred consideration ⁽¹⁾	390	712
Capitalized interest	—	(3,375)
Change in fair value of derivatives	(1,926)	(2,343)
Other financing costs	284	295
	\$ 104,255	\$ 88,842

⁽¹⁾ Includes deferred consideration accretion.

23. Information on Board Member compensation

Board Members were entitled to reimbursement of certain travel and other expenses related to attendance of Board of Directors meetings. Only one board member received compensation for his services in 2016, which consisted of a \$0.1 million retainer fee. No advances or credits have been granted nor obligations assumed as guarantees to the members of the Board of Directors of the Company.

24. Provisions

As of December 31, 2016 and 2015, the operating tax contingencies recognized related to sales tax / value added tax (“VAT”) were \$3.0 million and \$3.1 million, respectively, and the income tax contingencies recognized related to withholding tax were \$0.0 million and \$0.5 million, respectively, which are included in “Provisions” in the Consolidated Statement of Financial Position.

25. Commitments and contingencies

Litigation, claims and assessments

The Company is involved in certain litigation and claims, including claims and assessments with taxing authorities, which are incidental to the conduct of its business, mentioned in Note 25.

The Dutch corporate income tax act provides the option of a fiscal unity, which is a consolidated tax regime wherein the profits and losses of group companies can be offset against each other. Our Dutch companies file as a fiscal unity, with the exception of Playa Romana B.V., Playa Romana Mar B.V. and Playa Hotels & Resorts B.V. As of January 1, 2016, Playa Resorts Holding B.V. replaced Playa Hotels & Resorts B.V. as the head of our Dutch fiscal unity and is jointly and severally liable for the tax liabilities of the fiscal unity as a whole.

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The Mexican tax authorities have issued an assessment to one of our Mexican subsidiaries. In February 2014, we filed an appeal before the tax authorities, which was denied on May 26, 2014. On June 11, 2014, we arranged for the posting of a tax surety bond issued by a surety company, which guarantees the payment of the claimed taxes and other charges (and suspends collection of such amounts by the tax authorities) while our further appeal to the tax court is resolved. To secure reimbursement of any amounts that may be paid by the surety company to the tax authorities in connection with the surety bond, we provided cash collateral to the surety company valued at approximately \$4.0 million as of December 31, 2016. On August 15, 2014, we filed an appeal of the assessment with the tax court. In August 2016, we received notice of a favorable resolution from the tax court, which was appealed by both, the Mexican tax authorities and our local subsidiary, which would only be analyzed if the appeal by the tax authorities succeeds. The total assessment from the Mexican tax authorities was valued at \$8.5 million as of December 31, 2016.

During the third quarter of 2015, we identified and recorded a potential Dutch operating tax contingency resulting from allocations to be made of certain corporate expenses in 2014 and 2015. We have provided all requested documentation to the Dutch tax authorities for their review and are currently waiting for their final determination. We have an estimated amount of \$1.5 million as a tax contingency at December 31, 2016 that is recorded in other liabilities within the Consolidated Statement of Financial Position.

Electricity supply contract

One of our subsidiaries entered into an electricity supply contract wherein we committed to purchase electricity from a provider over a five-year period ending December 2019. In consideration for our commitment, we received certain rebates. Should this contract be terminated prior to the end of the five-year period, we will be obligated to refund to the supplier the undepreciated portion of (i) the capital investment it made to connect our facilities to the power grid (original amount approximately \$1.4 million) and (ii) the unearned rebates we received (unearned rebates of \$1.2 million and \$1.6 million as of December 31, 2016 and 2015, respectively), in each case using a 20% straight-line depreciation per annum.

Leases and other commitments

We lease certain equipment for the operations of our hotels under various lease agreements. The leases extend for varying periods through 2021 and contain fixed components and utility payments. In addition, several of our administrative offices are subject to leases of building facilities from third parties, which extend for varying periods through 2021 and contain fixed and variable components.

Our minimum future rents at December 31, 2016 payable under non-cancelable operating leases with third parties and related parties were as follows (*\$ in thousands*):

2017	\$ 1,003
2018	807
2019	647
2020	547
2021	475
Thereafter	625
Total	\$ 4,104

Rental expense under non-cancelable operating leases, including contingent leases, consisted of \$2.1 million and \$1.9 million for the years ended December 31, 2016 and 2015, respectively.

26. Other non-current liabilities

The following summarizes the balances of other non-current liabilities as of December 31, 2016 and 2015 (*\$ in thousands*):

	As of December 31,	
	2016	2015
Pension obligations	\$ 2,879	\$ 3,183
Casino loan and license	1,027	1,149
Other	1,445	1,420
Total other non-current liabilities	\$ 5,351	\$ 5,752

27. Subsequent events

For our Consolidated Financial Statements as of and for the year ended December 31, 2016, we evaluated subsequent events through May 11, 2017, which is the date the financial statements were approved for issue by the Board of Directors.

Transaction Agreement

On February 6, 2017, we amended our Transaction Agreement between Pace, Holdco and New Pace, the effect of which clarified the original terms and updated the closing date so that the transaction will not close prior to March 10, 2017.

On February 10, 2017, the second amendment to the Porto Holdco B.V. form S-4 registration statement (filed with Securities Exchange Commission in the U.S.), which disclosed the details surrounding the Transaction Agreement discussed in Note 1, was declared effective.

Purchase of Preferred Shares

On March 11, 2017, all of our Preferred Shares were purchased (and subsequently canceled) for a total amount of \$353.9 million in connection with the closing under the Transaction Agreement. The purchase and subsequent cancellation consisted of Preferred Shares (liability component) and Convertible redeemable preferred shares reserve (equity component) with respect to the Consolidated Financial Statements.

Transaction Closing

On March 11, 2017, we closed the series of transactions described in the Transaction Agreement. See further discussion in Note 1. Playa, as an entity, has been dissolved, but the operations have continued under Playa Hotels & Resorts N.V.

Senior Secured Credit Facility Refinance

On April 27, 2017, we refinanced our Senior Secured Credit Facility, consisting of a new \$530.0 million term loan ("New Term Loan") priced at 99.75% of the principal amount and a revolving credit facility with a maximum aggregate borrowing capacity of \$100.0 million. The proceeds received from the New Term Loan were used to repay our existing Term Loan and \$115.0 million of our Senior Notes due 2020. The full effects of the financing have not been determined as of May 11, 2017.

On May 11, 2017, the undersigned declare that to the best of their knowledge, the Consolidated Financial Statements were prepared in accordance with applicable accounting principles, present fairly the equity, financial position and results of the Company and its subsidiaries when taken as a whole.

/s/ Bruce D. Wardinski

Bruce D. Wardinski
Executive Director

/s/ Hal S. Jones

Hal S. Jones
Director

/s/ Elizabeth Lieberman

Elizabeth Lieberman
Director

/s/ Daniel J. Hirsch

Daniel J. Hirsch
Director

/s/ Paul Hackwell

Paul Hackwell
Director

/s/ Stephen L. Millham

Stephen L. Millham
Director

/s/ Arturo Sarukhan

Arturo Sarukhan
Director

/s/ Stephen Haggerty

Stephen Haggerty
Director

/s/ Karl Peterson

Karl Peterson
Director

/s/ Tom Klein

Tom Klein
Director

III. Standalone Financial Statements

Playa Hotels & Resorts B.V.
Standalone Statement of Financial Position (after appropriation of result)
As of December 31, 2016

(in thousands of USD)

	As of December 31,		
	Note	2016	2015
ASSETS			
Fixed assets			
Participations in group companies	\$	423,650	\$ 426,861
Total fixed assets		<u>423,650</u>	<u>426,861</u>
Current assets			
Trade and other receivables		—	4,666
Prepayments and other current assets		84	80
Cash and cash equivalents		10	1
Total current assets		<u>94</u>	<u>4,747</u>
Total assets	\$	<u>423,744</u>	\$ <u>431,608</u>
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	\$	656	\$ 656
Convertible redeemable preferred shares		285	327
Share premium - Ordinary shares		210,315	210,315
Share premium - Convertible redeemable preferred shares		238,883	274,349
Accumulated deficit		(64,181)	(49,078)
Treasury shares		(23,108)	(23,108)
Total equity		<u>362,850</u>	<u>413,461</u>
Long term liabilities			
Provisions		1,510	1,595
Total long-term liabilities		<u>1,510</u>	<u>1,595</u>
Current liabilities			
Trade and other payables		59,384	16,552
Total current liabilities		<u>59,384</u>	<u>16,552</u>
Total liabilities	\$	<u>60,894</u>	\$ <u>18,147</u>
Total equity and liabilities	\$	<u>423,744</u>	\$ <u>431,608</u>

The accompanying Notes 1-17 are an integral part of these Standalone Financial Statements.

Playa Hotels & Resorts B.V.
Standalone Statement of Profit or Loss (after appropriation of result)
For the year ended December 31, 2016

(in thousands of USD)

		Year ended December 31,	
	Note	2016	2015
		<u> </u>	<u> </u>
Continuing operations			
Operating expenses		(313)	(3,351)
Other financial income		13,227	7,504
Finance costs		(16,088)	(812)
(Loss) profit after income tax	12	<u>(3,174)</u>	<u>3,341</u>
Share in result of participation	4	(11,929)	30,940
(Loss) gain for the period		<u>\$ (15,103)</u>	<u>\$ 34,281</u>

The accompanying Notes 1-17 are an integral part of these Standalone Financial Statements.

Playa Hotels & Resorts B.V.

Standalone Statement of Changes in Equity (after appropriation of result)

For the year ended December 31, 2016

(\$ in thousands, except share data)

Equity										
Ordinary share capital		Treasury shares		Convertible redeemable preferred shares		Share premium Ordinary Shares	Share premium Convertible redeemable preferred shares	Accumulated deficit	Total equity	
Shares	Amount	Shares	Amount	Shares	Amount					
Balance at January 1, 2015	60,249,330	\$ 656	5,373,884	\$ (23,108)	32,738,094	\$ 327	\$ 210,315	\$ 274,349	\$ (83,359)	\$ 379,180
Total gain for the period	—	—	—	—	—	—	—	—	34,281	34,281
Balance at December 31, 2015	60,249,330	\$ 656	5,373,884	\$ (23,108)	32,738,094	\$ 327	\$ 210,315	\$ 274,349	\$ (49,078)	\$ 413,461
Ordinary share capital		Treasury shares		Convertible redeemable preferred shares		Share premium Ordinary Shares	Share premium Convertible redeemable preferred shares	Accumulated deficit	Total equity	
Shares	Amount	Shares	Amount	Shares	Amount					
Balance at January 1, 2016	60,249,330	\$ 656	5,373,884	\$ (23,108)	32,738,094	\$ 327	\$ 210,315	\$ 274,349	\$ (49,078)	\$ 413,461
Total loss for the period	—	—	—	—	—	—	—	—	(15,103)	(15,103)
Redemption of convertible redeemable preferred shares					(4,227,100)	(42)		(35,466)		(35,508)
Balance at December 31, 2016	60,249,330	\$ 656	5,373,884	\$ (23,108)	28,510,994	\$ 285	\$ 210,315	\$ 238,883	\$ (64,181)	\$ 362,850

The accompanying Notes 1-17 are an integral part of these Standalone Financial Statements.

1. Organization and description of the Company

1.1. Background

Playa Hotels & Resorts B.V. ("Playa" or the "Company") is a leading owner, operator and developer of all-inclusive resorts in prime beachfront locations in popular vacation destinations. Playa's portfolio consists of 13 resorts located in Mexico, the Dominican Republic and Jamaica. We currently manage eight of our 13 resorts. Unless otherwise indicated or the context requires otherwise, references in these standalone financial statements ("Standalone Financial Statements") to "we," "our," "us" and similar expressions refer to Playa on a standalone basis. Capitalized terms not otherwise defined in these Standalone Financial Statements shall have the meanings set forth in the Directors' Report that these Standalone Financial Statements are attached to, or in the Consolidated Financial Statements that accompany such Directors' Report.

On December 13, 2016, we entered into a transaction agreement ("Transaction Agreement") with Pace Holdings Corp. ("Pace"), Porto Holdco B.V. ("Holdco"), and New PACE Holdings Corp. ("New Pace"), the effects of which replicated the economics of a reverse merger of Pace and Playa. This transaction closed on March 11, 2017, and resulted in Holdco changing its entity name to Playa Hotels & Resorts N.V. ("Playa N.V."), which became the parent company to New Pace and Playa's direct and indirect subsidiaries. Upon the closing of the transaction, Playa was dissolved.

1.2 General information

The address of Playa's registered office is Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands (Chamber of Commerce: 57593590). The address of Playa N.V.'s registered office is Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands (Chamber of Commerce: 67450628).

1.3 Subsidiaries

When presenting Standalone Financial Statements, the Company accounts for its investment in subsidiaries using the net asset value method of accounting. Playa Hotels & Resorts B.V.'s direct and indirect subsidiaries, all of which were majority owned, as of December 31, 2016, are as follows:

Subsidiary	Country	Category	Resort
Paloma Capital N.V.	Curacao	Holding	—
Perfect Timing N.V.	Curacao	Holding	—
Perfect Tours N.V.	Curacao	Holding	—
BD Real Resorts, S. de R.L.de C.V.	Mexico	Holding	—
Hotel Gran Caribe Real B.V.	Netherlands	Holding	—
Hotel Gran Porto Real B.V.	Netherlands	Holding	—
Hotel Royal Cancun B.V.	Netherlands	Holding	—
Hotel Royal Playa del Carmen B.V.	Netherlands	Holding	—
Playa Cabos B.V.	Netherlands	Holding	—
Playa Capri Resort B.V.	Netherlands	Holding	—
Playa Dominican Resort B.V.	Netherlands	Holding	—
Playa H&R Holdings B.V.	Netherlands	Holding	—
Playa Hotels & Resorts B.V.	Netherlands	Holding	—
Playa Puerto Vallarta Resort B.V.	Netherlands	Holding	—

Playa Hotels & Resorts B.V.
Notes to the Standalone Financial Statements
As of and for the year ended December 31, 2016

Playa Punta Cana Holding B.V.	Netherlands	Holding	—
Playa Punta Cancun Resort B.V.	Netherlands	Holding	—
Playa Resorts Holding B.V.	Netherlands	Holding	—
Playa Riviera Maya B.V.	Netherlands	Holding	—
Playa Romana B.V.	Netherlands	Holding	—
Rose Hall Jamaica Resort B.V.	Netherlands	Holding	—
St. James Parish Resort Limited	St. Lucia	Holding	—
Hotel Gran Caribe Real, S. de R.L. de C.V.	Mexico	Resort Operations	—
Playa Resorts Management Mexico, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros de Capri, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros de Punta Cancún, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros Grand Cabos Baja, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros Pvall, S. de R.L. de C.V.	Mexico	Resort Operations	—
Servicios Hoteleros Rmaya One, S. de R.L. de C.V.	Mexico	Resort Operations	—
Beach Tours Sales, LLC	Nevis	Resort Operations	—
IC Sales, LLC	Nevis	Resort Operations	—
Playa Management USA, LLC	USA	Resort Operations	—
Playa Management, LLC	USA	Resort Operations	—
Playa Resorts Management, LLC	USA	Resort Operations	—
Resort Room Sales, LLC	USA	Resort Operations	—
Inversiones Vilazul S.A.S.	Dominican Republic	Resorts	Dreams Punta Cana
Cameron del Caribe, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Ziva Cancun
Cameron del Pacifico, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Ziva Puerto Vallarta
Desarrollos GCR, S. de R.L. de C.V.	Mexico	Resorts	Gran Caribe Real
Gran Desing & Factory, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Zilara Cancun
Hotel Capri Caribe, S. de R.L. de C.V.	Mexico	Resorts	Secrets Capri
Inmobiliaria Y Proyectos TRPLAYA, S. de R.L. de C.V.	Mexico	Resorts	THE Royal Playa del Carmen
Playa Cabos Baja, S. de R.L. de C.V.	Mexico	Resorts	Hyatt Ziva Los Cabos
Playa Gran, S. de R.L. de C.V.	Mexico	Resorts	Gran Porto Real
Playa Rmaya One, S. de R.L. de C.V.	Mexico	Resorts	Dreams Puerto Aventuras
Playa Cana B.V.	Netherlands ⁽¹⁾	Resorts	Dreams Palm Beach
Playa Romana Mar B.V.	Netherlands ⁽¹⁾	Resorts	Dreams La Romana
Playa Hall Jamaican Resort Limited	Jamaica	Resorts	Hyatt Ziva & Hyatt Zilara Rose Hall

⁽¹⁾ With a branch in the Dominican Republic.

2. Basis of preparation, presentation and measurement

These Standalone Financial Statements have been presented in accordance with the regulatory framework set forth in Note 3.1. For the general principles for the preparation of the Standalone Financial Statements, the principles for valuation of assets and liabilities and determination of the result, as well as for the notes to the specific assets and

liabilities and the results, reference is made to the notes to the Consolidated Financial Statements, if not presented otherwise hereinafter.

The financial information relating to Playa Hotels & Resorts B.V. and its subsidiaries is presented in the Consolidated Financial Statements. Accordingly, in accordance with article 2:402 of the Netherlands Civil Code, the Standalone Financial Statements only contain an abridged profit and loss account. We have reclassified certain amounts reported in our prior period Consolidated Financial Statements to conform to our current period presentation.

Proposed appropriation of the result

During the year ended December 31, 2016, the Company had a loss in the Standalone Financial Statements which the management board proposes to include in the unappropriated losses of the Company.

The financial statements do reflect this proposal.

3. Significant accounting policies

3.1 Regulatory framework applicable to the financial information

The regulatory framework applied to the Company's financial information is established by:

- Title 9, Book 2 of the Netherlands Civil Code ("NCC");
- All other applicable Dutch accounting principles.

3.2 Functional currency

The functional currency of the Company and its subsidiaries is the U.S. dollar ("USD").

3.3 Net asset value of controlled participating interests

The net asset value of controlled participating interests in the Standalone Financial Statements is determined based on the IFRS-EU ("International Financial Reporting Standards, endorsed by the European Union") recognition and measurement criteria applied for preparation of the Standalone Financial Statements.

4. Difference of consolidated and company only equity and result

The difference of \$343.7 million (2015: \$339.5 million) between the shareholders' equity according to the Standalone Statement of Financial Position and according to the Consolidated Statement of Financial Position and the difference of \$35.7 million (2015: \$40.2 million) between the result after taxation according to the Standalone Profit or Loss account and according to the Standalone Profit or Loss account, relate to the differences of the accounting principles applied for the Preferred Shares in accordance with IFRS and T9BW2 NCC. In accordance with IFRS in the Consolidated Financial Statements, they are classified as a compound financial instrument, resulting in part of the Preferred Shares recognized as equity and part as financial liability. In accordance with T9BW2 NCC as per the Standalone Financial Statements, all the Preferred Shares are included as part of equity. In accordance with IFRS, PIK dividends are recognized partly as interest expense in the Consolidated Financial Statements. In accordance with T9BW2 as per the Standalone Financial Statements, the PIK dividends are recognized as part of equity. For more details on the accounting policies on the Preferred Shares, refer to Note 14 and Note 15 in the Consolidated Financial Statements and Note 10 in the Standalone Financial Statements. Due to this difference in accounting principles of the Preferred Shares, the equity and result in the Consolidated Financial Statements differs from the Standalone Financial Statements.

Playa Hotels & Resorts B.V.
Notes to the Standalone Financial Statements
As of and for the year ended December 31, 2016

<i>(\$ in thousands)</i>	<u>2016</u>	<u>2015</u>
Total equity according to the Standalone Financial Statements	\$ 362,850	\$ 413,461
Total equity according to the Consolidated Financial Statements	19,169	73,971
Difference	\$ 343,681	\$ 339,490
(Loss) gain for the period according to the Standalone Financial Statements	\$ (15,103)	\$ 34,281
Total comprehensive loss according to the Consolidated Financial Statements	(50,802)	(5,920)
Difference	\$ 35,699	\$ 40,201

5. Participations in group companies

As of December 31, 2016, the Company has 100% ownership of its direct investment in subsidiaries in Playa Resorts Holding B.V. The Company accounted for its investment in subsidiaries using the net asset value method of accounting. At the end of each reporting period, the Company assessed whether there is any indication that an investment may be impaired. As of December 31, 2016, no provision for impairment has been taken.

The following tables summarize the movements of participations in group companies for the year ended December 31, 2016 and the 2015 (*\$ in thousands*):

	<u>% Participation</u>	<u>At January 1, 2016</u>	<u>Additions</u>	<u>Distributions</u>	<u>Share in result of participation</u>	<u>At December 31, 2016</u>
Participations in group companies						
Investment Playa Resorts Holding BV	100%	\$ 426,861	\$ 12,841	\$ (4,123)	\$ (11,929)	\$ 423,650
Total		<u>\$ 426,861</u>	<u>\$ 12,841</u>	<u>\$ (4,123)</u>	<u>\$ (11,929)</u>	<u>\$ 423,650</u>

	<u>% Participation</u>	<u>At January 1, 2015</u>	<u>Additions</u>	<u>Distributions</u>	<u>Share in result of participation</u>	<u>At December 31, 2015</u>
Participations in group companies						
Investment Playa Resorts Holding BV	100%	\$ 395,921	\$ —	\$ —	\$ 30,940	\$ 426,861
Total		<u>\$ 395,921</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 30,940</u>	<u>\$ 426,861</u>

6. Trade and other receivables

The following summarizes the balances of trade and other receivables as of December 31, 2016 and 2015 (*\$ in thousands*):

		As of December 31,	
		2016	2015
		<u> </u>	<u> </u>
	Group companies:		
Trade receivables	Cameron del Caribe, S. de R.L C.V.	\$ —	\$ 264
Trade receivables	St James Parish Resort Ltd	—	1
Trade receivables	Playa Resorts Holding B.V.	—	440
Short-term loan	BD Real Resorts, S. de R.L. de C.V.	—	3,000
Interest receivable	BD Real Resorts, S. de R.L. de C.V.	—	360
Other receivables	Riviera Porto Real, S. de R.L. de C.V.	—	27
Other receivables	Royal Porto, S. de R.L. de C.V.	—	574
Total		<u><u>\$ —</u></u>	<u><u>\$ 4,666</u></u>

7. Cash and cash equivalents

There are no restrictions on the availability of cash and cash equivalents as they are balances maintained in current accounts at financial institutions. They are at the Company's free disposal. The following summarizes the balances of cash and cash equivalents as of December 31, 2016 and 2015 (*\$ in thousands*):

		As of December 31,	
		2016	2015
		<u> </u>	<u> </u>
Bank of America NL		\$ 10	\$ 1
Total		<u><u>\$ 10</u></u>	<u><u>\$ 1</u></u>

8. Ordinary share capital and share premium

Ordinary shares

As of December 31, 2016 and 2015, our ordinary share capital consisted of 60,249,330 ordinary shares outstanding, which have a par value of \$0.01 each. All ordinary shares have the same voting and economic rights. The difference between the fair value of our ordinary shares of \$7.00 and the cash paid of \$8.00 has been presented as a capital contribution.

The holders of ordinary shares are entitled to receive dividends or distributions out of funds legally available, at the discretion of our General Meeting of Shareholders, subject to proposal from our Board of Directors. They are also subject to any preferential dividend rights of outstanding Preferred Shares and are entitled to one vote per share at meetings of Playa. Upon the liquidation, dissolution, or winding down of Playa, the holders of ordinary shares will be entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of holders of any outstanding Preferred Shares. Holders of ordinary shares have no redemption or conversion rights.

9. Preferred Shares

Holders of the Preferred Shares are entitled to preferred cumulative dividends of 12% per annum compounded quarterly, which changed from 10% on August 9, 2015, with such dividends to be exclusively paid in kind with

Playa Hotels & Resorts B.V.
Notes to the Standalone Financial Statements
As of and for the year ended December 31, 2016

additional Preferred Shares. The Preferred Shares are convertible at the option of the holders into our ordinary shares on the basis of one ordinary share for every Preferred Share held (i.e. at \$8.40 each, as adjusted for share dividends, share splits, Non-cash PIK Dividends, combinations, reorganizations, or otherwise). The holders of the Preferred Shares are entitled to "as converted" voting rights. For purposes of the conversion, all accrued and unpaid Non-cash PIK Dividends are deemed to have been paid in Preferred Shares. Conversion may occur at any time up to an initial public offering of Playa. If the Preferred Shares have not been previously converted or redeemed, they can be redeemed at the option of the holder on August 9, 2021 at \$8.40 each plus any accrued and unpaid dividends. A portion of the Preferred Shares may also be redeemed at the election of the holders in connection with any equity offering made by Playa. In addition, we became entitled to redeem all of the Preferred Shares at any time beginning on August 13, 2015.

Preferred Shares Non-cash PIK Dividends are accumulated on a quarterly basis until the shares are converted or redeemed, subject to distributable profits. The accrued Preferred Shares' Non-cash PIK Dividends are recorded as a reduction of paid-in capital.

Additional Preferred Shares as PIK dividends are accumulated quarterly with issuance to holders of the Preferred Shares, subject to distributable profits. The PIK dividends will have rights, preferences, terms and conditions similar to those of the originally issued Preferred Shares.

On October 14, 2016 we repurchased \$50.0 million of our Preferred Shares, which consisted of issued shares at face value and their corresponding backlog of PIK dividends. We redeemed 4,227,100 of our outstanding Preferred Shares at \$8.40 per share for \$35.5 million in face value and we paid \$14.5 million of associated PIK dividends.

As of December 31, 2016, there is a backlog of PIK dividends as none have been issued. The backlog of PIK dividends has to be paid upon the redemption of the Preferred Shares per the Articles of Association.

The Preferred Shares issued by the Company have been classified as equity. The balance of the Preferred Shares and PIK dividend backlog is shown below (*\$ in thousands*):

	As of December 31,	
	2016	2015
Face value of Preferred Shares	\$ 239,492	\$ 275,000
Transaction costs	(324)	(324)
Net value of Preferred Shares	\$ 239,168	\$ 274,676
Preferred Shares outstanding	28,510,994	32,738,094
Backlog of PIK dividends		
Face value of PIK dividends	\$ 106,459	\$ 77,275
PIK dividends equivalent number of Preferred Shares	12,673,688	9,199,389

The Preferred Shares carry certain liquidation preferences in the event of liquidation of Playa. In the event of a dissolution and liquidation, the assets remaining after payment of all of our debts (including any liquidation expenses) are to be distributed (i) first to the holders, if any, of Preferred Shares, the greater of (a) the nominal value of the Preferred Shares (to the extent paid-up) plus unpaid accrued dividends, and (b) the amount the holders of Preferred Shares would receive if such shares plus any dividends thereon were converted into ordinary shares prior to such liquidation distribution, and (ii) second, the balance remaining to the ordinary shareholders in proportion to the aggregate nominal value of their ordinary shares.

Playa Hotels & Resorts B.V.
Notes to the Standalone Financial Statements
As of and for the year ended December 31, 2016

10. Trade and other payables

The following summarizes the balances of trade and other payables as of December 31, 2016 and 2015 (\$ in thousands):

		As of December 31,	
		2016	2015
		<u> </u>	<u> </u>
	Group companies:		
Trade payables		\$ 2	\$ 1
Trade payables	Playa Management USA LLC	66	66
Trade payables	Playa Resorts Holding B.V.	—	14
Short-term loan	Playa H&R Holdings B.V.	—	3,641
Short-term loan	Resort Room Sales, LLC	7,500	11,500
Long-term loan	Playa Resorts Holding B.V.	49,447	—
Interest payable	Playa Resorts Holding B.V.	884	—
Interest payable	Playa H&R Holdings B.V.	—	396
Interest payable	Resort Room Sales, LLC	1,256	926
Other payables		229	8
Total		<u>\$ 59,384</u>	<u>\$ 16,552</u>

11. Transactions with related parties

Details of the balances between the Company and other related parties as of December 31, 2016 and 2015, and for the transactions between the Company and other related parties for the year ended December 31, 2016 and 2015, are as follows (\$ in thousands):

		As of December 31,	
		2016	2015
		<u> </u>	<u> </u>
Balances:	Relation:		
<i>Accounts receivable:</i>			
Cameron del Caribe, S. de R.L C.V.	Group Companies	\$ —	\$ 264
St. James Parish Resort Ltd	Group Companies	—	1
Playa Resorts Holding B.V.	Group Companies	—	440
Total		<u>\$ —</u>	<u>\$ 705</u>
<i>Other receivables:</i>			
Riviera Porto Real, S. de R.L. de C.V.	Group Companies	\$ —	\$ 27
Royal Porto, S. de R.L. de C.V.	Group Companies	—	574
Total		<u>\$ —</u>	<u>\$ 601</u>
<i>Short-term loan receivable:</i>			
BD Real Resorts S d RL de CV	Group Companies	\$ —	\$ 3,000
Total		<u>\$ —</u>	<u>\$ 3,000</u>

Playa Hotels & Resorts B.V.
Notes to the Standalone Financial Statements
As of and for the year ended December 31, 2016

Balances:	Relation:	As of December 31,	
		2016	2015
<i>Interest receivable:</i>			
BD Real Resorts S d RL de CV	Group Companies	\$ —	\$ 360
Total		\$ —	\$ 360
<i>Accounts payable:</i>			
Playa Management USA LLC	Group Companies	\$ 66	\$ 66
Playa Resorts Holding BV	Group Companies	—	14
Total		\$ 66	\$ 80
<i>Short-term loan payable:</i>			
Playa H&R Holdings B.V.	Group Companies	\$ —	\$ 3,641
Resort Room Sales, LLC	Group Companies	7,500	11,500
Total		\$ 7,500	\$ 15,141
<i>Long-term loan payable:</i>			
Playa Resorts Holding B.V.	Group Companies	49,447	—
Total		\$ 49,447	\$ —
<i>Interest payable:</i>			
Playa H&R Holdings B.V.	Group Companies	\$ —	\$ 396
Resort Room Sales, LLC	Group Companies	1,256	926
Playa Resorts Holding B.V.	Group Companies	884	—
Total		\$ 2,140	\$ 1,322
<i>Other financial income:</i>			
BD Real Resorts S de RL de CV	Group Companies	\$ 127	\$ 152
Total		\$ 127	\$ 152
<i>Finance costs:</i>			
Playa H&R Holdings B.V.	Group Companies	\$ 72	\$ 166
Resort Room Sales, LLC	Group Companies	574	583
Playa Resorts Holding B.V.	Group Companies	884	—
Total		\$ 1,530	\$ 749

Relationship with group companies:

Loan Receivable

On August 18, 2014, the Company entered into a \$3.0 million short-term loan with BD Real Resorts S. de R.L. de C.V., due August 18, 2015. The loan bore 5.0% interest.

On August 18, 2015, the Company entered into a \$3.0 million short-term loan with BD Real Resorts S. de R.L. de C.V., due August 18, 2016. The loan bore 5.0% interest and was settled at maturity.

Playa Hotels & Resorts B.V.
Notes to the Standalone Financial Statements
As of and for the year ended December 31, 2016

Loan Payable

On August 13, 2014, the Company entered into a \$3.6 million short-term loan with Playa H&R Holdings B.V., due August 13, 2015. The loan bore 5.0% interest payable at maturity.

On August 13, 2015, the Company entered into a \$3.6 million short-term loan with Playa H&R Holdings B.V., due August 13, 2016. The loan bore 5.0% interest and was settled at maturity.

On May 30, 2014, the Company entered into a \$11.5 million short-term loan with Resorts Room Sales, LLC, due May 29, 2015. The loan bore 5.0% interest payable at maturity.

On May 29, 2015, the Company entered into a \$11.5 million short-term loan with Resorts Room Sales, LLC, due May 29, 2016. The loan bears 5.0% interest payable at maturity.

On May 29, 2016, the Company entered into a \$11.5 million short-term loan with Resorts Room Sales, LLC, due May 29, 2017. The loan bears 5.0% interest payable at maturity. On December 12, 2016, the Company made a \$4.0 million principal payment resulting in an outstanding balance of \$7.5 million as of December 31, 2016.

On October 14, 2016, the Company entered into a \$49.4 million loan with Playa Resorts Holding B.V., due October 14, 2021. The loan bears 8.25% interest payable at maturity.

Relationship with Shareholders:

Relationship with Hyatt

In August 2013, HI Holdings Playa (a subsidiary of Hyatt) acquired 14,285,714 of our ordinary shares (see Note 13) and 26,785,714 of the Company's Preferred Shares for an aggregate purchase price of \$325.0 million. On October 14, 2016, we redeemed 3,458,530 outstanding Preferred Shares from HI Holdings Playa at \$8.40 per share for \$29.0 million in face value and we paid \$11.9 million of the corresponding backlog of PIK dividends. As of December 31, 2016 and 2015, the total accumulated amount of Non-cash PIK dividends payable to HI Holdings Playa were \$87.1 million and \$63.2 million, respectively.

Holders of Preferred Shares are entitled to "as converted" voting rights, and HI Holdings Playa owned 47.3% and 47.6% of our outstanding voting securities as of December 31, 2016 and 2015, respectively.

Relationship with the Real Shareholder

In August 2013, the Real Shareholder acquired 5,952,380 of the Company's Preferred Shares for \$50.0 million. On October 14, 2016, we redeemed 768,570 of our outstanding Preferred Shares from the Real Shareholder at \$8.40 per share for \$6.5 million in face value and we paid \$2.6 million of the corresponding backlog of PIK dividends. As of December 31, 2016 and 2015 the total accumulated amounts of Non-cash PIK dividends payable to the Real Shareholder were \$19.4 million and \$14.1 million, respectively.

Holders of Preferred Shares are entitled to "as converted" voting rights, and the Real Shareholder owned 7.4% and 7.5% of our outstanding voting securities as of December 31, 2016 and 2015, respectively.

12. (Loss) profit after income tax

For the year ended December 31, 2016 and the 2015, loss after income tax is as follows (*\$ in thousands*):

	Year ended December 31,	
	2016	2015
Operating expenses	\$ (313)	\$ (3,351)
Other financial income	13,227	7,504
Finance Costs	(16,088)	(812)
Total (loss) profit after income tax	\$ (3,174)	\$ 3,341

13. Financial instruments

See the Company's Consolidated Financial Statements for further information about financial instruments.

13.1 Capital management

The Company considers both cash flows arising from funds generated by operations and those received as contributions from shareholders or indebtedness with financial institutions to be capital.

Consistent with other companies in the hospitality industry, the Company controls the equity structure based on a standard ratio. This ratio is calculated as the net financial debt divided by the amount of the Company's equity.

13.2 Categories of financial instruments

The Company's Statement of Financial Position contains various financial instruments as shown in the table below (*\$ in thousands*). Financial assets and financial liabilities are recorded at amortized cost in the Statement of Financial Position.

	As of December 31,	
	2016	2015
	<hr/>	<hr/>
Financial assets:		
Cash and cash equivalents	\$ 10	\$ 1
Trade and other receivables	—	4,666
Total financial assets	<u>\$ 10</u>	<u>\$ 4,667</u>
Financial liabilities:		
Trade payables	59,384	16,552
Total financial liabilities	<u>\$ 59,384</u>	<u>\$ 16,552</u>

13.3 Credit risk

Financial instruments that are subject to credit risk consist primarily of trade accounts receivable. Trade accounts receivable are generated from sales of services to customers in the United States, Canada, Europe, Latin America and Asia. The Company's policy is to mitigate this risk by granting a credit limit to each client depending on the client's volume and credit quality. In order to increase the initially established credit limit, approval is required from the director of each hotel. Each hotel periodically reviews the age of the clients' balances and the balances which may be of doubtful recoverability. The Company maintains allowances for potential credit losses based on management's evaluation of the customer's financial situation, past collection history, and the age of the accounts receivable balances. Historically, actual credit losses have been within the ranges of management's expectations and considered immaterial. The maximum exposure risk assumed by the Company is the carrying amount of trade receivables per customer, which have an expected collectability of less than one year.

13.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal business conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

13.5 Interest rate risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal business conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company currently doesn't have any long term borrowings at the parent level.

13.6 Foreign currency risk

Since the Company's resorts are based in Mexico, the Dominican Republic and Jamaica, where the currency is different from the functional currency, the Company's subsidiaries are exposed to exchange rate fluctuations.

14. Remuneration of Board Members

Board Members were entitled to reimbursement of certain travel and other expenses related to attendance of Board of Directors meetings. Only one board member received compensation for his services in 2016, which consisted of a \$0.1 million retainer fee. No advances or credits have been granted nor obligations assumed as guarantees to the members of the Board of Directors of the Company.

15. Audit fees

During the year ended December 31, 2016, the fees related to audit services by Deloitte Accountants B.V., for the audit of the Company's Consolidated and Standalone Financial Statements and other services provided, as well as professional fees for miscellaneous services invoiced to the subsidiaries, as referred to in Article 1, first part, 'a' and 'e' of the Dutch Law (*Wet toezicht accountantsorganisaties*) are as follows (*\$ in thousands*):

	Year ended December 31, 2016		
	Deloitte Accountants B.V.	Other Deloitte	Total Network
Audit of the financial statements	\$ 100	\$ 148	\$ 248
Audit related services	—	3,384	3,384
Tax advisory services	121	125	246
Other non-audit services	—	2,398	2,398
Total	\$ 221	\$ 6,055	\$ 6,276

16. Commitments and contingencies

Playa has guaranteed liabilities of (certain consolidated) group companies, as meant in article 2:403 of the Netherlands Civil Code. Playa is therefore jointly and severally liable for the liabilities arising from the legal acts of those group companies.

The Company and its subsidiaries are involved in certain litigation and claims, including claims and assessments with taxing authorities, which are incidental to the conduct of its business.

The Dutch corporate income tax act provides the option of a fiscal unity, which is a consolidated tax regime wherein the profits and losses of group companies can be offset against each other. Our Dutch companies file as a fiscal unity, with the exception of Playa Romana B.V., Playa Romana Mar B.V. and Playa Hotels & Resorts B.V. As of January 1, 2016, Playa Resorts Holding B.V. replaced Playa Hotels & Resorts B.V. as the head of our Dutch fiscal unity and is jointly and severally liable for the tax liabilities of the fiscal unity as a whole.

Playa Hotels & Resorts B.V.
Notes to the Standalone Financial Statements
As of and for the year ended December 31, 2016

During 2015, we identified and recorded a potential Dutch operating tax contingency resulting from allocations to be made of certain corporate expenses for 2014 and 2015. We have provided all requested documentation to the Dutch tax authorities for their review and are currently waiting for their final determination. We have an estimated amount of \$1.5 million as a tax contingency at December 31, 2016 that is recorded in provisions of the Standalone Statement of Financial Position.

17. Subsequent events

For our Standalone Financial Statements as of December 31, 2016, and for the year ended December 31, 2016, we evaluated subsequent events through May 11, 2017, which is the date the financial statements were approved for issue by the Board of Directors.

Transaction Agreement

On February 6, 2017, we amended our Transaction Agreement between Pace, Holdco and New Pace, the effect of which clarified the original terms and updated the closing date so that the transaction will not close prior to March 10, 2017.

On February 10, 2017, the second amendment to the Porto Holdco B.V. form S-4 registration statement (filed with Securities Exchange Commission in the U.S.), which disclosed the details surrounding the Transaction Agreement discussed in Note 1, was declared effective.

Purchase of Preferred Shares

On March 11, 2017, all of our Preferred Shares were purchased (and subsequently canceled) for a total amount of \$353.9 million in connection with the closing under the Transaction Agreement.

Transaction Closing

On March 11, 2017, we closed the series of transactions described in the Transaction Agreement. See further discussion in Note 1. Playa, as an entity, has been dissolved, but the operations have continued under Playa Hotels & Resorts N.V.

On May 11, 2017, the undersigned declare that to the best of their knowledge, the Standalone Financial Statements were prepared in accordance with applicable accounting principles, present fairly the equity, financial position and results of the Company when taken as a whole.

/s/ Bruce D. Wardinski
Bruce D. Wardinski
Executive Director

/s/ Elizabeth Lieberman
Elizabeth Lieberman
Director

/s/ Paul Hackwell
Paul Hackwell
Director

/s/ Arturo Sarukhan
Arturo Sarukhan
Director

/s/ Karl Peterson
Karl Peterson
Director

/s/ Hal S. Jones
Hal S. Jones
Director

/s/ Daniel J. Hirsch
Daniel J. Hirsch
Director

/s/ Stephen L. Millham
Stephen L. Millham
Director

/s/ Stephen Haggerty
Stephen Haggerty
Director

/s/ Tom Klein
Tom Klein
Director

IV. Other Information

Playa Hotels & Resorts B.V.

Other Information

As of and for the year ended December 31, 2016

Other Information

Independent auditors' report

Reference is made to the independent auditors' report as included hereinafter.

Appropriation of results according to articles of association

Article 18 "Payments to shareholders" of the Articles of Association of the company provides the following concerning the disposition of profits of the Company:

The balance of the profits shall be at the free disposal of the General Meeting for distributions exclusively on ordinary shares, reservations or such other purposes within the object of the Company as the General Meeting shall decide.

The Company may only make distributions to shareholders from profits qualifying for payment, insofar as the net assets exceed the reserves that have to be maintained by virtue of Dutch law or the Company's articles of association.

No distribution of profits for the benefit of the Company will be made on shares owned by the Company.

Independent auditor's report

To the Board of Directors and Shareholders of Playa Hotels & Resorts B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2016 THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements 2016 of Playa Hotels & Resorts B.V., based in Amsterdam, the Netherlands. The financial statements include the consolidated financial statements and the standalone financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Playa Hotels & Resorts B.V. as at December 31, 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU- IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying standalone financial statements give a true and fair view of the financial position of Playa Hotels & Resorts B.V. as at December 31, 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The Consolidated Statement of Financial Position as of December 31, 2016.
2. The following statements for 2016: the consolidated statements of Profit and Loss, Comprehensive Income (Loss), Changes in equity and Cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The standalone financial statements comprise:

1. Statement of Financial Position as at December 31, 2016.
2. Statement of Profit and Loss for 2016.
3. Statement of Changes in Equity for 2016.
4. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Playa Hotels & Resorts B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:

- Directors' Report

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including Directors' Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.



We provide the Board of Directors 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.

Amsterdam, May 11, 2017

Deloitte Accountants B.V.

Signed on the original: J. Holland