

## **NH Hotel Group, S.A. and Subsidiaries**

Audit Report,  
Consolidated Annual Accounts and  
Consolidated Management Report  
at 31 December 2022



*Free translation of the independent auditor's report on the consolidated annual accounts originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.*

## **Audit report on the consolidated annual accounts issued by an independent auditor**

To the shareholders of NH Hotel Group, S.A

### **Report on the consolidated annual accounts**

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#### **Opinion**

We have audited the consolidated annual accounts of NH Hotel Group, S.A (the parent company) and subsidiaries (the Group), consisting of the consolidated statement of financial position at 31 December 2022, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow and the notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the Group's consolidated equity and financial position at 31 December 2022 and its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

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#### **Basis for opinion**

Our audit has been carried out in accordance with prevailing Spanish auditing regulations. Our responsibilities under these regulations are described below in the section *Responsibilities of the auditor in relation to the audit of the consolidated annual accounts*.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, applicable to our audit of the consolidated annual accounts in Spain, as required by auditing regulations. In this respect, we have not provided any services other than audit services, nor have any situations or circumstances arisen that, in accordance with those regulations, might have undermined said independence.

We consider that the audit evidence obtained provides a sufficient and appropriate basis for our opinion.

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#### **Key audit matters**

Key audit matters are those that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts for the current period. These matters have been addressed in the context of our audit of the consolidated annual accounts as a whole and in the preparation of our opinion thereon, and we do not express a separate opinion on these matters.

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Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es*

Key audit matters	How the matters were addressed in the audit
<p data-bbox="365 602 1150 676"><b>Recoverability of assets associated with the hotel business</b></p> <p data-bbox="365 721 1150 1086">The Group carries out its business through 350 hotels. All assets associated with the hotel business include goodwill, right-of-use assets, property, plant and equipment and other intangible assets whose carrying amounts at 31 December 2022 total EUR 89 million (note 8), EUR 1,584 million (note 7), EUR 1,479 million (note 6) and EUR 120 million (note 9), respectively, representing 80% of total assets.</p> <p data-bbox="365 1130 1150 1448">The Group assesses its assets for indications of a decline in value each year and if they exist, and in any event, with respect to the recoverability of goodwill, it assesses whether there is impairment requiring the write-down of the carrying amounts of the assets, calculated as described in notes 4.2, 4.4 and 10 to the consolidated annual accounts.</p> <p data-bbox="365 1492 1150 1810">When estimating the recoverable amount of each cash generating unit (CGU), Group Management considers the higher of fair value less costs to sell and value in use. Value in use is calculated based on future cash flows estimated by applying expected discount and growth rates, in accordance with the business plans approved by management.</p> <p data-bbox="365 1855 1150 2012">As recognised in the consolidated statement of comprehensive income, the Group has recognised a net reversal of impairment losses amounting to EUR 6.8 million (note 10.3).</p> <p data-bbox="365 2056 1150 2374">In view of the significance of the judgements made by the Group and the significant estimates made to perform such calculations and having regard to the quantitative relevance of such assets, we consider the assessment of the recoverability of the assets associated with the hotel business to be a key audit matter (note 2.7).</p>	<p data-bbox="1161 721 1950 765">Our audit procedures included, among others</p> <p data-bbox="1161 810 1950 923">Understanding the methodology employed and evaluating the controls in place in the Group's asset recovery analysis processes</p> <p data-bbox="1161 967 1950 1124">Obtaining from management the impairment tests performed, with respect to which we applied the following procedures, assisted by our internal experts:</p> <ul data-bbox="1161 1169 1950 2139" style="list-style-type: none"> <li data-bbox="1161 1169 1950 1282">• Verifying the reasonableness of the procedures and methods used to perform impairment testing.</li> <li data-bbox="1161 1326 1950 1605">• Assessing the reasonableness of the key assumptions and estimates included in the model in relation to future cash flow forecasts and the key aspects considered in estimating cash flows, and the methodology applied to estimate discount rates within an acceptable range.</li> <li data-bbox="1161 1650 1950 1967">• Arithmetic verification of the calculations taken into consideration in the impairment test and assessment of the sensitivity analyses, including the ranges within which the key model assumptions should fluctuate in order to give rise to the impairment of assets or the reversal of existing provisions.</li> <li data-bbox="1161 2012 1950 2139">• Evaluating the sufficiency of the related information disclosed in the consolidated annual accounts.</li> </ul> <p data-bbox="1161 2184 1950 2297">The results of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.</p>

Key audit matters	How the matters were addressed in the audit
<p><b>Recoverability of deferred tax assets</b></p> <p>As recognised in the accompanying consolidated statement of financial position, at 31 December 2022 deferred tax assets amount to EUR 258 million, of which, according to note 17 to the accompanying consolidated annual accounts, EUR 132 million relates to available tax losses.</p> <p>In assessing whether the amount recognised in the consolidated annual accounts for these assets is recoverable, Group management takes into account, as outlined in notes 4.10 and 17 to the accompanying consolidated annual accounts, forecasts of future tax profits, using the method defined to analyse the recovery of its assets, based on the evaluation of estimates of the results of each entity or tax group in accordance with the Group's strategic direction.</p> <p>In view of the significance of the judgements made by the Group and the significant estimates made to perform such calculations, and having regard to the quantitative relevance of such assets, we consider assessing the recoverability of deferred tax assets to be a key audit matter (note 2.7).</p>	<p>Our audit procedures included, among others:</p> <p>Understanding of the methodology employed and evaluation of the controls in place in the Group's deferred tax asset recovery analysis processes.</p> <p>Obtaining the deferred tax asset recovery plans, with respect to which we applied the following procedures:</p> <ul style="list-style-type: none"> <li>• Analysing, with the support of our tax experts, the recoverability plans for such assets and obtaining evidence of the reasonableness of the projections and tax profits for future years budgeted and included in the recoverability plans.</li> <li>• Evaluation of the sufficiency of the related information disclosed in the consolidated annual accounts.</li> </ul> <p>The results of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.</p>

#### Other information: Consolidated management report

Other information refers exclusively to the consolidated management report for 2022, the preparation of which is the responsibility of the parent company's directors, and is not an integral part of the consolidated annual accounts.

Our opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the consolidated management report, in accordance with prevailing audit legislation consists of:

- a) Solely verifying that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Director Compensation Report, referred to in the Audit Act, have been provided as established in applicable legislation and, if not, disclosing this fact.
- b) Assessing and reporting on the consistency of the other information included in the consolidated management report with the consolidated annual accounts, based on our knowledge of the Group obtained during the audit of the accounts, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated management report are consistent with applicable legislation. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) is provided in the manner stipulated in applicable legislation and the other information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2022 and its content and presentation comply with applicable legislation.

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### **Responsibility of the directors and the Audit and Control Committee in relation to the consolidated annual accounts**

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The directors of the parent company are responsible for the preparation of the accompanying consolidated annual accounts such that they present fairly the Group's consolidated equity, financial situation and results in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and the internal control considered necessary to permit the preparation of consolidated annual accounts free from material misstatements, due to fraud or error.

In preparing the consolidated annual accounts, the parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the directors either intend to wind up the Group or to cease trading, or have no realistic alternative but to do so.

The parent company's Audit and Control Committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

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### **Responsibilities of the auditors in relation to the audit of the consolidated annual accounts**

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Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report containing our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated annual accounts.

As part of an audit conducted in accordance with prevailing auditing standards in Spain, we apply our professional judgement and maintain an attitude of professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated annual accounts whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.

- We assess whether the accounting policies applied are appropriate and the reasonableness of the accounting estimates and the related disclosures by the parent company's directors.
- We conclude on the appropriateness of the parent company's directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated annual accounts 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 audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and assess whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and adequate evidence in relation to the financial information of the companies or the business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for managing, overseeing and carrying out the Group's audit. We are the solely responsible for our audit opinion.

We communicate with the parent company's audit and control committee in relation to, among other matters, the planned scope and timing of the audit and the significant audit findings, as well as any major internal control weakness that we identify in the course of our audit.

We also provide the parent company's audit and control committee with a statement to the effect that we have complied with applicable ethical requirements, including those of independence, and we have notified the Audit Committee of any issues that could reasonably pose a threat to our independence and, if appropriate, the relevant safeguards.

Among the matters notified to the parent company's audit and control committee, we determine those that have been of the greatest significance in the audit of the consolidated annual accounts for the current period and which therefore are key audit matters.

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

## **Report on other legal and regulatory requirements**

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### **European single electronic format**

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We have examined the digital files of the European Single Electronic Format (ESEF) of NH Hotel Group, S.A. and subsidiaries for 2022, consisting of the XHTML file, which includes the consolidated annual accounts for the year and the XBRL files with the entity's labels, that will form part of the annual financial report.

The directors of NH Hotel Group S.A. are responsible for presenting the annual financial report for 2022 in accordance with the format and markup requirements contained in EU Delegated Regulation 2019/815 of 17 December 2018 of the European Commission (hereinafter ESEF). In this regard, the Annual Corporate Governance Report and Annual Director Compensation Report have been included as a reference in the consolidated management report.



Our responsibility consists of examining the digital files prepared by the parent company's directors, in accordance with prevailing audit legislation in Spain. Such legislation requires that we plan and carry out our audit procedures in order to verify whether the content of the consolidated annual accounts included in such digital files fully agrees with the consolidated annual accounts that we have audited and whether the format and markups of such consolidated annual accounts and files agree, in all material respects, with ESEF requirements.

In our opinion, the digital files examined fully agree with the audited consolidated annual accounts and these are presented and marked up, in all material respects, in accordance with ESEF requirements.

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#### **Additional report for the parent company's audit and control committee**

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The opinion expressed in this report is consistent with the content of our additional report for the company's audit and control committee dated 22 February 2023.

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#### **Term of engagement**

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We were appointed auditors of the Group for a three-year period at the annual general meeting of shareholders held on 30 June 2022, that is, as from the year ended 31 December 2022.

We were previously appointed under a resolution adopted by the annual general meeting of shareholders for a period of three years and we have been auditing the annual accounts uninterrupted since the year ended 31 December 2019.

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#### **Services provided**

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Non-audit services provided to the audited Group are detailed in note 24.2 to the accompanying consolidated annual accounts.

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PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Mariano Cortés Redín (21829)

22 February 2023

NH | HOTEL GROUP  
PART OF  
**MINOR**  
HOTELS

Anantara Plaza Nice Hotel  
Nice, France

**2022**

**NH HOTEL GROUP  
AND SUBSIDIARIES**

**Consolidated Annual Accounts and  
Consolidated Management Report  
at 31 December 2022**



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NH HOTEL GROUP, S.A. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 December 2022 AND 31 December 2021**

(Thousands of euros)

ASSETS	Note	31/12/2022	31/12/2021
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	6 and 10	1,478,548	1,518,859
Right-of-use assets	7 and 10	1,583,611	1,592,345
Investment property		2,318	2,905
Goodwill	8 and 10	89,488	96,127
Other intangible assets	9 and 10	120,270	126,948
Deferred tax assets	17	258,345	294,005
Investments accounted for using the equity method	11	41,935	40,922
Other non-current financial assets	12	36,782	30,206
<b>Total non-current assets</b>		<b>3,611,297</b>	<b>3,702,317</b>
<b>CURRENT ASSETS:</b>			
Inventories		12,589	9,576
Trade and other receivables	13	166,034	131,522
Current income tax assets	17	10,974	4,740
Other current assets		6,642	13,227
Cash and cash equivalents	14	301,763	243,930
<b>Total Current Assets</b>		<b>498,002</b>	<b>402,995</b>
<b>TOTAL ASSETS</b>		<b>4,109,299</b>	<b>4,105,312</b>
<b>EQUITY:</b>			
Share capital	15.1	871,491	871,491
Share premium	15.1	776,452	776,452
Other Reserves	15.3	107,555	90,749
Treasury shares	15.4	(273)	(308)
Retained earnings	15.5	(871,986)	(724,776)
Currency translation reserve	15.6	(135,978)	(147,865)
Profit for the year attributable to the Parent Company		100,308	(133,667)
<b>Equity attributed to the Parent Company</b>		<b>847,569</b>	<b>732,076</b>
Non-controlling interests	15.7	53,157	48,998
<b>Total Equity</b>		<b>900,726</b>	<b>781,074</b>
<b>NON-CURRENT LIABILITIES</b>			
Debt instruments and other marketable securities	16	396,363	395,020
Bank borrowings	16	135,834	389,943
Lease liabilities	7	1,641,972	1,673,018
Deferred tax liabilities	17	192,030	186,359
Non-current liabilities	19	42,003	44,061
Other non-current liabilities	18	22,693	21,864
<b>Total Non-current liabilities</b>		<b>2,430,895</b>	<b>2,710,265</b>
<b>CURRENT LIABILITIES:</b>			
Debt instruments and other marketable securities	16	6,567	6,803
Bank borrowings	16	71,913	21,281
Lease liabilities	7	253,620	252,335
Trade and other payables	20	347,389	288,281
Current income tax liabilities	17	14,580	1,361
Current liabilities	19	7,339	3,475
Other current liabilities	21	76,270	40,437
<b>Total current liabilities</b>		<b>777,678</b>	<b>613,973</b>
<b>Total liabilities</b>		<b>3,208,573</b>	<b>3,324,238</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>		<b>4,109,299</b>	<b>4,105,312</b>

Notes 1 to 30 set out in the Consolidated Annual Report and Annexes I/II are an integral part of the Consolidated Statement of Financial Position at 31 December 2022. The Consolidated Statement of Financial Position at 31 December 2021 is presented solely for the purposes of comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEARS 2022 AND 2021**

(Thousands of euros)

	Note	2022	2021
Revenue	24.1	1,722,357	746,484
Other income	24.1	38,027	86,940
Net gains on disposal of non-current assets	6,7,9 y 24.1	2,771	65,108
<b>TOTAL INCOME</b>		<b>1,763,155</b>	<b>898,532</b>
Procurements		(70,803)	(32,073)
Staff costs	24.2	(441,143)	(268,614)
Other operating expenses	24.2	(719,205)	(318,596)
Net Profits/(Losses) from asset impairment	6, 7, 8, 9 y 10	6,815	2,131
Right of use amortisation	7	(174,344)	(172,774)
Property, plant and equipment and other intangible assets amortisation	6 y 9	(102,979)	(107,454)
<b>OPERATING PROFIT/LOSS</b>		<b>261,496</b>	<b>1,152</b>
Financial income		6,492	3,411
Financial expenses on debt		(39,783)	(61,381)
Financial expenses on leases		(81,073)	(83,048)
Other financial expenses		(19,776)	(7,944)
Other financial profit/(loss)		26,442	146
Results from exposure to hyperinflation (NIC 29)		4,384	3,151
Net exchange differences (Income/(Expense))		(2,123)	703
<b>FINANCIAL PROFIT/LOSS</b>	<b>24.3</b>	<b>(105,437)</b>	<b>(144,962)</b>
Share of profit/(Loss) from entities accounted for the equity method	11	(449)	(1,447)
<b>NET PROFIT/(LOSS) BEFORE TAX</b>		<b>155,610</b>	<b>(145,257)</b>
Corporate income tax	17	(53,066)	9,327
<b>PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>		<b>102,544</b>	<b>(135,930)</b>
<b>PROFIT (LOSS) FOR THE YEAR</b>		<b>102,544</b>	<b>(135,930)</b>
Profit/(Loss) for the year attributable to:			
Parent Company Shareholders		100,308	(133,667)
Non-controlling interests		2,236	(2,263)
<b>BASIC PROFIT/(LOSS) PER SHARE IN EUROS</b>	<b>5</b>	<b>0.230</b>	<b>(0.331)</b>
<b>Diluted Profit/(Loss) per share in euros</b>	<b>5</b>	<b>0.230</b>	<b>(0.331)</b>

Notes 1 to 30 set out in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated statement of profit and loss for 2022. The Consolidated statement of profit and loss for 2021 is presented solely for the purposes of comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS 2022 AND 2021**

(Thousands of euros)

	Note	2022	2021
<b>PROFIT (LOSS) FOR THE YEAR</b>		<b>102,544</b>	<b>(135,930)</b>
Conversion differences	15.6	14,126	17,886
<b>Total other comprehensive gains (losses) to be registered to profit/(loss) in later periods</b>		<b>14,126</b>	<b>17,886</b>
Actuarial gains (losses) for pension plans and similar obligations - Net of tax	19	5,462	1,632
<b>Total other comprehensive gains (losses) not to be registered to profit/(loss) in later periods</b>		<b>5,462</b>	<b>1,632</b>
<b>OTHER COMPREHENSIVE PROFIT/(LOSS)</b>		<b>19,588</b>	<b>19,518</b>
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS)</b>		<b>122,132</b>	<b>(116,412)</b>
Comprehensive Profit / (Loss) attributable to:			
Parent Company Shareholders		117,657	(116,968)
Non-controlling interests	15.7	4,475	556

Notes 1 to 30 set out in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated statement of comprehensive income for 2022. The Consolidated statement of comprehensive income for 2021 is presented solely for the purposes of comparison.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2022 AND 2021

(Thousands of euros)

	Capital (Note 15.1)	Issue premium (Note 15.1)	Other reserves (Note 15.3)	Treasury shares (Note 15.4)	Accumulate d Gains (Note 15.5)	Conversion differences (Note 15.6)	Profit for the year attributable to the Parent Company	Equity attributed to the Parent Company	Non- controlling interests (Note 15.7)	Total Equity
<b>Balance at 1.1.21</b>	<b>784,361</b>	<b>756,990</b>	<b>90,749</b>	<b>(367)</b>	<b>(282,640)</b>	<b>(162,932)</b>	<b>(437,159)</b>	<b>749,002</b>	<b>49,582</b>	<b>798,584</b>
Profit/(loss) for the year	—	—	—	—	—	—	(133,667)	(133,667)	(2,263)	(135,930)
Other comprehensive profit/(loss)	—	—	—	—	1,632	15,067	—	16,699	2,819	19,518
<b>Total comprehensive profit/(Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,632</b>	<b>15,067</b>	<b>(133,667)</b>	<b>(116,968)</b>	<b>556</b>	<b>(116,412)</b>
Capital increase	87,130	19,462	—	—	(153)	—	—	106,439	—	106,439
Distribution of profit (loss) 2020-	—	—	—	—	(437,159)	—	437,159	—	—	—
Remuneration scheme in shares	—	—	—	759	(2,286)	—	—	(1,527)	—	(1,527)
Distribution of dividends	—	—	—	—	—	—	—	—	(166)	(166)
Other movements	—	—	—	(700)	(4,170)	—	—	(4,870)	(974)	(5,844)
<b>Balance at 31.12.21</b>	<b>871,491</b>	<b>776,452</b>	<b>90,749</b>	<b>(308)</b>	<b>(724,776)</b>	<b>(147,865)</b>	<b>(133,667)</b>	<b>732,076</b>	<b>48,998</b>	<b>781,074</b>
<b>Balance at 1.1.22</b>	<b>871,491</b>	<b>776,452</b>	<b>90,749</b>	<b>(308)</b>	<b>(724,776)</b>	<b>(147,865)</b>	<b>(133,667)</b>	<b>732,076</b>	<b>48,998</b>	<b>781,074</b>
Profit/(loss) for the year	—	—	—	—	—	—	100,308	100,308	2,236	102,544
Other comprehensive profit/(loss)	—	—	—	—	5,462	11,887	—	17,349	2,239	19,588
<b>Total comprehensive profit/(Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,462</b>	<b>11,887</b>	<b>100,308</b>	<b>117,657</b>	<b>4,475</b>	<b>122,132</b>
Distribution of profit (loss) 2021-	—	—	16,806	—	(150,473)	—	133,667	—	—	—
Remuneration scheme in shares	—	—	—	506	(2,231)	—	—	(1,725)	—	(1,725)
Other movements	—	—	—	(471)	32	—	—	(439)	(316)	(755)
<b>Balance at 31.12.22</b>	<b>871,491</b>	<b>776,452</b>	<b>107,555</b>	<b>(273)</b>	<b>(871,986)</b>	<b>(135,978)</b>	<b>100,308</b>	<b>847,569</b>	<b>53,157</b>	<b>900,726</b>

Notes 1 to 30 described in the consolidated Annual Report and Appendices I/II form an integral part of the consolidated statement of changes in equity for the year 2022. The consolidated statement of changes in equity for the year 2021 is presented for comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOW FOR 2022 AND 2021**

(Thousands of euros)

	Note	2022	2021
<b>OPERATING ACTIVITIES</b>			
<b>Consolidated profit (loss) before tax and discontinued operations:</b>		<b>155,610</b>	<b>(145,257)</b>
<b>Adjustments:</b>			
Property, plant and equipment and other intangible assets amortisation (+)	6 y 9	102,979	107,454
Right of use Amortisation (+)	7	174,344	172,774
Net Profits/(Losses) from asset impairment (+/-)	6, 7, 8 y 9	(6,815)	(2,131)
Net gains on disposal of non-current assets (+/-)	6, 7, 9 y 24.1	(2,771)	(65,108)
Share of profit/(Loss) from entities accounted for the equity method (+/-)	11	449	1,447
Financial income (-)	24.3	(6,492)	(3,411)
Change in fair value of financial instruments	24.3	(831)	(1,815)
Financial expenses on debt, leases and others (+)	24.3	140,632	152,373
Results from exposure to hyperinflation (NIC 29)	24.3	(4,384)	(3,151)
Net exchange differences (Income/(Expense))	24.3	2,123	(703)
Profit (loss) on disposal of financial investments	24.3	(23,560)	966
Impairment on financial investments (+/-)		(2,051)	703
Other non-monetary items (+/-)		41,033	(48,702)
<b>Adjusted profit (loss)</b>		<b>570,266</b>	<b>165,439</b>
<b>Net variation in assets / liabilities:</b>			
(Increase)/Decrease in inventories		(3,013)	(1,619)
(Increase)/Decrease in trade debtors and other accounts receivable		(38,112)	(1,538)
(Increase)/Decrease in other current assets		(128)	13,757
Increase/(Decrease) in trade payables		22,734	71,328
Increase/(Decrease) in other current liabilities		32,575	10,780
Increase/(Decrease) in provisions for contingencies and expenses		(3,291)	(10,031)
(Increase)/Decrease in non-current assets		(9,800)	(312)
Increase/(Decrease) in non-current liabilities		(750)	436
Income tax paid		(9,545)	444
<b>Total net cash flow from operating activities</b>		<b>560,936</b>	<b>248,684</b>
<b>INVESTMENT ACTIVITIES</b>			
<b>Other interest/dividends received</b>		<b>1,876</b>	<b>816</b>
<b>Investments (-):</b>			
Tangible and intangible assets and investments in property	6 y 9	(49,394)	(36,837)
Financial investments and other current financial assets		7,437	(7,527)
		<b>(41,957)</b>	<b>(44,364)</b>
<b>Disinvestment (+):</b>			
Group companies, joint ventures and associates	2.9.5 y 11	46,145	—
Tangible and intangible assets and investments in property		20,635	128,160
Other assets		2,087	7,415
		<b>68,867</b>	<b>135,575</b>
<b>Total net cash flow from investment activities</b>		<b>28,786</b>	<b>92,027</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid out (-)		—	(143)
Interest paid on debts (-)		(53,576)	(55,888)
Interest paid by means of payment		(19,749)	(7,929)
Interest paid by financing and other		(33,827)	(47,959)
Proceeds from share issues (+)		—	6,318
Payments for transactions with minority shareholders (-)		(554)	—
Payments for transactions with treasury shares (-)		(508)	(770)
Proceeds for bonds and other tradeable securities +		—	400,000
Payment for debt instruments and other marketable securities (-)		—	(356,850)
Proceeds for loans from credit institutions (+)		—	2,484
Payments for loans from credit institutions (-)		16	(206,135)
Proceeds for loans from related entities (+)		15.1 y 16	—
Payments for lease liabilities (-)		7	(271,188)
Payments for other financial liabilities (+/-)			(108)
<b>Total net cash flow from financing activities</b>		<b>(532,069)</b>	<b>(418,153)</b>
<b>GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>57,654</b>	<b>(77,442)</b>
<b>Effect of exchange rate variations on cash and cash equivalents</b>		<b>179</b>	<b>521</b>
<b>NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS</b>		<b>57,833</b>	<b>(76,921)</b>
<b>Cash and cash equivalents at the start of the financial year</b>		<b>243,930</b>	<b>320,851</b>
<b>Cash and cash equivalents at end of year</b>		<b>301,763</b>	<b>243,930</b>

Notes 1 to 30 set forth in the Consolidated Annual Report and Annexes I /II form an integral part of the Consolidated Statement of Cash Flow for 2022. The consolidated statement of cash flow for 2021 is presented for the purposes of comparison.

# Report on the Consolidated Financial Statements for 2022

## I.- ACTIVITY AND COMPOSITION OF THE PARENT COMPANY

NH HOTEL GROUP, S.A. (hereinafter the Parent Company) was incorporated as a public limited company in Spain on 23 December 1881 under the trade name "Material para Ferrocarriles y Construcciones, S.A.", which was subsequently changed to "Material y Construcciones, S.A." (MACOSA) and later to "Corporación Arco, S.A."

In 1992, Corporación Arco, S.A. took over Corporación Financiera Reunida, S.A. (COFIR), while at the same time adopting the trade name of the company taken over and amending its corporate purpose to the new activity of the Parent Company, which focused on the management of its shareholding portfolio.

During 1998, Corporación Financiera Reunida, S.A. (COFIR) merged with Grupo Catalán, S.L. and its subsidiaries and Gestión NH, S.A. through the absorption of these companies by the former. Subsequently, Corporación Financiera Reunida, S.A. (COFIR) took over NH Hoteles, S.A., adopted its trade name and broadened its corporate purpose to allow for the direct performance of hotel activities, activities in which it had already been engaged indirectly through its subsidiaries.

Information on these mergers can be found in the financial statements of the years in which said transactions took place.

The General Shareholders' Meeting of 21 June 2014 agreed to change the company's name from "NH Hoteles, S.A." to "NH Hotel Group, S.A."

The Parent Company heads up a group of subsidiary companies which, together with NH Hotel Group, S.A., make up the NH Hotel Group (hereinafter, the "Group" or "NH Group" - see Appendices I and II) which is dedicated to running hotels, on its own, either owning or leasing the hotels, or via third parties, with management, offering a wide range of functions from its corporate head office and regional offices.

NH Hotel Group's shares are traded on the Madrid, Barcelona, Valencia and Bilbao Stock Markets' Continuous Market.

On 11 June 2018, MHG Continental Holding (Singapore) Pte Ltd made a public offer to acquire 100% of the shares making up NH Hotel Group, S.A.'s company capital, the result of which was that Minor International Public Company Limited ("MINT") acquired, via its wholly owned subsidiary, MHG Continental Holding (Singapore) Pte. Ltd., shares representing 94.13% of the share capital of NH Hotel Group, S.A.

At the end of the financial year, the Group was operating hotels in 30 countries, with 350 hotels and 54,820 rooms, of which around 72% are located in Spain, Germany, Italy and the Benelux countries.

NH Hotel Group, S.A. has its registered address at Calle Santa Engracia, 120 - 7th floor, Madrid, Spain. Furthermore, the name of the Parent Company did not change in this financial year or in the previous one.



## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATION PRINCIPLES

### 2.1 Basis of presentation of the Consolidated Financial Statements

The consolidated annual accounts were prepared using the accounting records of NH Hotel Group, S.A. and the consolidated entities. The consolidated annual accounts for the 2022 financial year were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), other provisions within the financial reporting standards framework which are applicable and with the requirements for format and framework provided for in the Delegated Regulation EU 2018/815 of the European Commission, Regulation (EC) No. 1606/2002 of the European Parliament and by Law 62/2003, of 30 December on tax, administrative and social measures, as well as the applicable rules and circulars of the National Securities Market Commission and the other Spanish accounting regulations that may be applicable, with the purpose of showing a true image of NH Hotel Group, S.A. and its subsidiaries' consolidated equity and consolidated financial position at 31 December 2022, and the consolidated financial performance, consolidated cash flows and consolidated changes in equity for the financial year ended on that date.

The Group adopted the IFRS-EU on 1 January 2004 and, on that date, applied IFRS 1 "First-time adoption of International Financial Reporting Standards".

The Directors of the Parent company consider that the consolidated annual accounts for the 2022 financial year, which were drawn up on 22 February 2023, will be approved by the General Shareholders Meeting without amendment. The consolidated financial statements for 2021 were approved by the shareholders at the Annual General Meeting held on 30 June 2022 and filed with the Companies Registry of Madrid.

Since the accounting standards and valuation criteria applied in the preparation of the Group's consolidated financial statements may differ from those used by some of its component companies, the necessary adjustments and reclassifications have been made to standardise them and adapt them to the EU-IFRS.

### 2.2 Standards and interpretations effective in this period

During the year, new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements, but which did not give rise to a change in the Group's accounting policies:

#### 1) New obligatory regulations, amendments and interpretations for the year commencing 01 January 2022:

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Approved for use in the European Union		
Amendments and/or interpretations		
Amendment to IFRS 3: "Reference to the conceptual framework"	Updates IFRS 3 to bring the definitions of assets and liabilities in a business combination into line with those contained in the conceptual framework.	01 January 2022
Amendment to IAS 16 Tangible assets: income obtained prior to the intended use.	This prohibits deduction of any proceeds from the sale of articles produced from the cost of a tangible fixed asset while the entity is preparing the asset for its intended use. Income from the sale of such samples, along with production costs, is now recognised in profit and loss.	01 January 2022
IAS 37 Onerous contracts: costs of performing a contract.	The amendment explains that the direct cost of fulfilling a contract includes the incremental costs of performing that contract and an accrual of other costs that are directly related to the performance of contracts.	01 January 2022
Improvements to IFRS 2018-2020 cycle	Minor amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41	01 January 2022

These amendments have been applied to these consolidated financial statements with no significant impacts on either the reported figures or the presentation and breakdown of the information.

## 2) New regulations, amendments and interpretations which will be obligatory in the years following the year commencing 1 January 2022

The following standards and interpretations had been published by the IASB on the date the consolidated financial statements were drawn up but had not yet entered into force, either because the date of their entry into force was subsequent to the date of these consolidated financial statements or because they had not yet been adopted by the European Union:

### Aprobadas para su uso en la Unión Europea

#### Modificaciones y/o interpretaciones:

Amendment to IAS 1 Breakdown of accounting policies.	IAS 1 has been amended to improve breakdowns of accounting policies so that they provide more useful information to investors and other main users of the financial statements.	01 January 2023
Amendment to IFRS 17 Initial application of IFRS 17 and IFRS 9.. Comparative information	Amendment to the IFRS 17 transition requirements for insurance companies applying IFRS 17 and IFRS 9 for the first time, simultaneously.	01 January 2023
Amendment to IAS 12 Deferred taxes arising from assets and liabilities in a single transaction	Classifications of how entities should record the deferred tax generated in transactions such as leases and decommissioning obligations.	01 January 2023
Amendment to IAS 8 Definition of accounting estimates	Amendments and clarifications on what should be understood to be a change in accounting estimates.	01 January 2023

#### New Standards:

IFRS 17 Insurance contracts	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	01 January 2023
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### Awaiting approval for use in the European Union as of the date of publication of this document<sup>1</sup>

#### Amendments and/or interpretations

Amendment to IAS 1 Classification of liabilities as current or non-current and classification of non-current liabilities with covenants	Clarifications regarding presentation of liabilities as current or non-current.	01 January 2024
Amendment to IFRS 16 Lease liabilities in a sale with subsequent leasing	This amendment clarifies the subsequent accounting for lease liabilities arising from transactions for sale with subsequent leasing.	01 January 2024
Amendment to IFRS 10 and IAS 28 Sale or contribution of assets between and investor and its associates or joint ventures	These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will rest on if the non-monetary assets sold or contributed to an associate or joint venture constitute a "business".	Pending approval

1) The approval status of the standards can be consulted on the EFRAG website.

## 2.3 Accounting correction

During 2022, there were no corrections of errors.

## 2.4 Accounting criteria change

In 2022 there were no significant changes in accounting criteria.

## 2.5 Comparison of information

As required by IAS 1, the information on 2021 contained in this consolidated annual report is presented for solely comparative purposes with the information on 2022 and consequently does not in itself constitute the Group's consolidated financial statements for 2021.

In the current year, the Group decided to make several changes to the presentation of the financial statements with the intention of presenting more relevant information and make it easier to understand them. Therefore, the Group has chosen to present the consolidated statement of profit and loss and the statement of comprehensive income (which includes conversion differences and actuarial gains on pension plans) in two different sections.

The Group also decided to change the grouping of items in the financial statement affecting the consolidated statement of financial position, consolidated statement of profit/(loss) and consolidated statement of changes in net equity. These changes have occurred without undermining the information shown and making the changes needed to the details included in the report, as well as in the comparative information, in the event that it was necessary.

In this respect, it is worth pointing out the change in the presentation of equity, where it was decided to regroup the parent company's profit/(loss) for previous years and the accumulated gains for the remaining companies included within the consolidation perimeter by the various consolidation methods, from when they were incorporated into it, under the

“accumulated gains” entry. Furthermore, the presentation of the headings on the consolidated profit/(loss) statement was changed, creating headings that add relevant information for analysis of the Group’s evolution.

## 2.6 Foreign currency transactions and balances

### 2.6.1 Working currency and presentation currency

The consolidated annual accounts are presented in thousands of euros, rounded to the nearest thousand, which is the Parent company’s working and presentation currency.

### 2.6.2 Foreign currency transactions, balances and cash flows

Transactions in foreign currencies are converted to the working currency using the exchange rates for the working currency and the foreign currency on the dates on which the transactions are carried out.

Cash assets and liabilities in foreign currencies have been converted into euros using the rate at the end of the financial year, while non-cash valued at historic cost are converted using the exchange rates applicable on the date the transaction took place. The conversion to euros of non-cash assets which are valued at fair value has been carried out using the exchange rate on the date when they were quantified.

In the presentation of the consolidated statement of cash flows, the flows from transactions in foreign currencies were converted to euros using the exchange rates on the date they occurred. The effect of exchange rate change on cash and other cash equivalents in foreign currency is presented separately in the cash flow statement as “The effect of exchange rate differences on cash”.

The differences appearing in settling transactions in foreign currency and the conversion of foreign currency cash assets and liabilities to euros is recognised in profit and loss. Nevertheless, exchange rate differences occurring in cash entries forming a part of the net business investment abroad are recorded as conversion differences in other global profit and loss.

Losses or gains from exchange rate differences relating to foreign currency cash financial assets or liabilities are also recognised in profit and loss.

The exchange rates for the euro (EUR) for the main Group company currencies for the years ended 31 December 2022 and 2021 were as follows:

	31/12/2022		31/12/2021	
	Closing rate	Accumulated average rate (1)	Closing rate	Accumulated average rate (1)
US dollar (USD)	1.07	1.05	1.13	1.18
Argentine peso (ARS)	189.04	189.04	116.82	116.82
Uruguayan peso (UYU)	42.44	43.38	50.84	51.52
Chilean peso (CLP)	909.09	917.43	970.87	900.90
Mexican peso (MXN)	20.86	21.18	23.14	23.99
Colombian peso (COP)	5,263.16	4,545.45	4,545.45	4,347.83
Czech koruna (CZK)	24.11	24.56	24.86	25.64
Hungarian florin (HUF)	401.61	392.16	369.00	358.42

(1) In Argentina the closing exchange rate is used as a result of Argentina being considered to be a hyper-inflationary economy..

### 2.6.3 Conversion of business abroad

The following criteria have been different applied for converting into euros the different items of the consolidated statement of financial position and the consolidated statement of profit and loss of foreign companies included within the scope of consolidation:

- Assets and liabilities have been converted by applying the effective exchange rate prevailing at year-end.
- Equity has been converted by applying the historical exchange rate. The historical exchange rate existing at 31 December 2003 of any companies included within the scope of consolidation prior to the transitional date has been considered as the historical exchange rate.

- The consolidated statement of profit and loss was translated at the average exchange rate for the year, except for the companies in Argentina whose economy was declared hyperinflationary and therefore, in accordance with IAS 29, their consolidated statement of profit and loss was translated at the year-end exchange rate.

Any difference resulting from the application these criteria have been included in the "Translation differences" item under the "Equity" heading.

Any adjustments arising from the application of IFRS at the time of acquisition of a foreign company with regard to market value and goodwill are considered as assets and liabilities of such company and are therefore converted using the exchange rate prevailing at year-end.

#### 2.6.4 Foreign operations in hyper-inflationary economies

In 2018, Argentina was declared a hyperinflationary economy due, among other causes, to the fact that the accumulated inflation rate of its economy exceeded 100% over a continuous period of three years.

As a result, the Group began to apply IAS 29 to the financial statements of Argentine companies with retroactive effect from 1 January 2018. Applying the standard involves the following exceptions:

- Adjusting the historical cost of non-monetary assets and liabilities and the different equity items from the acquisition date or inclusion on the consolidated statement of financial position until year-end to reflect the changes in currency's purchasing power resulting from the inflation.
- Reflecting the loss or gain corresponding to the impact of inflation for the year on the net monetary position in the profit and loss account.
- Adjusting the various items of the consolidated statement of profit and loss and the consolidated statement of cash flow for the inflationary index since its generation, with a counterpart in financial results and in a reconciliation item on the statement of cash flow, respectively.
- Converting all components of the financial statements of Argentine companies at the closing exchange rate.

#### 2.7 Responsibility for the information, estimates made and sources of uncertainty

The Directors of the Parent Company are responsible for the information contained in these consolidated financial statements.

Estimates made by the management of the Group and of the consolidated entities have been used in preparing the Group's consolidated financial statements to quantify some of the assets, liabilities, revenue, expenses and undertakings recognised. These estimates essentially refer to:

- The useful life of the tangible and intangible assets. The Group increases the amount for depreciation/amortisation when service lives are less than those previously estimated, and will cancel or reduce the value of obsolete assets which have been abandoned or sold (Note 4.1 and 4.3).
- The assessment of possible impairment losses on certain non-financial assets that require an estimate of the future evolution of business and the most suitable discount rates. The Group considers that its estimates in this area are appropriate and coherent with the current economic climate and reflect its plans for investment and best available estimates for its future income and profit/(loss) based on the sector's recovery. It considers that its discount rates reflect the risks relating to each cash generating unit appropriately (Note 4.4).
- The market value of specific assets.
- The valuation of consolidation goodwill.
- The estimates for impairment to accounts receivable (Note 4.6).
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce; The Group has made certain assumptions to calculate the liability arising from commitments to employees (Note 4.11 and 4.13).
- Calculation of provisions and evaluation of contingencies. To do so, the Group assesses certain legal, tax or other types of proceedings that are not closed off at the date the Consolidated Annual Statements are drawn up (Note 4.15).
- For the calculation of corporation tax, the Group is subject to it in various jurisdictions. To calculate the provision at worldwide scale, issue of significant judgments is required (Note 4.10).
- The recoverability of capitalised tax credits. The Group only recognises deferred tax assets in as far as their future realisation or use is sufficiently guaranteed. As future circumstances are unsure and partially escape the Group's control,

assumptions must be made to estimate future taxable benefits and the period in which deferred tax is recovered (Note 4.10).

The Group's strategy takes into account the targets set in relation to climate change (Note 28), for which reason they are also taken into account when preparing these consolidated annual statements. Therefore, in the context of preparing these consolidated annual statements, the effect of the commitments taken on by the Group was taken into account when calculating the service life of assets, closing costs and analysing impairment to non-financial assets.

In spite of the fact that these estimates were carried out using the best information available at 31 December 2022 on events analysed, it is possible that events may take place in the future which compel their amendment (upwards or downwards) in years to come. This will be done in accordance with the provisions of IAS 8, prospectively.

## 2.8 Going concern

As a result of applying the IFRS 16 accounting standard, the Group has recognised a short-term liability corresponding to the current value of the lease payment commitments to be made in the next twelve months that, at 31 December 2022, amounted to 253,620 thousand euros (252,335 thousand euros at December 2021) meaning that, at 31 December 2022, in part, current liabilities are 279,676 thousand euros higher than current assets (210,978 thousand euros at December 2021).

Excluding this effect on grounds of a purely accounting focus (non-financial) (Note 16), the current liabilities are higher than the current assets of 26,056 thousand euros, which is mainly explained by the early, voluntary repayment of 200,000 thousand euros of the Syndicated ICO backed loan during 2022, which was made with the Group's available cash (Note 16), and by the increase in current liabilities as a result of the increase in debts becoming due in 2023. This does not involve any impediment to the normal business development due to the consequent cash generation and that, in turn, the Group has credit lines available for a total of 267,000 thousand euros.

Based on expectations for the business and consequent cash generation in 2023, in January 2023 the Parent Company, voluntarily and in advance, paid off the Syndicated ICO backed loan maturing in 2026 in the amount of 50,000 thousand euros (Note 30).

The Directors have prepared the Consolidated Annual Statements bearing in mind the going concern principle as they understand that the future perspectives of the Group's business will allow positive results and positive cash flows to be obtained in the next financial years.

## 2.9 Consolidation principles applied

### 2.9.1 Subsidiaries (Appendix I)

Subsidiaries are considered as any company included within the scope of consolidation in which the Parent Company directly or indirectly controls their management due to holding the majority of voting rights in the governance and decision-making body, with the ability to exercise control. This ability is shown when the Parent Company has the power to direct an investee entity's financial and operating policy in order to obtain profits from its activities. Subsidiaries are consolidated from the date control is transferred to the group and they cease to be consolidated from the date on which control ceases.

The purchase method of accounting is used by the group to account for business combinations.

The financial statements of subsidiaries are consolidated with those of the Parent Company by applying the full consolidation method. Consequently, all significant balances and effects of any transactions taking place between them have been eliminated in the consolidation process. If necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those used by the Group.

Non-controlling interests on the subsidiaries' profit and loss and equity are shown separately on the consolidated statement of profit and loss, the consolidated statement of changes in equity and on the consolidated financial statement, respectively.

The profit or loss of any subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of profit and loss from the effective date of acquisition or until to the effective date of disposal, as appropriate.

### 2.9.2 Business combinations

The Group applied the exception contemplated in IFRS 1 "First-time adoption of International Financial Reporting Standards", so that only business combinations carried out from 1 January 2004—the transition date to IFRS-EU—have been recorded using the acquisition method. Acquisitions of entities prior to that date were recorded in accordance with the previous Generally Accepted Accounting Principles, taking the necessary corrections and adjustments on the transition date into account.

The Group has applied IFRS 3 "Business Combinations"—revised in 2008—to transactions carried out from 1 January 2010.

The acquisition date is the date on which the Group gains control of the acquired business.

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the purchase of a subsidiary includes:

- the fair value of the assets transferred
- the fair value of the assets transferred
- the liabilities incurred with the previous owners of the business acquired
- the holdings in the equity issued by the group
- the fair value of any asset or liability arising from a contingent consideration agreement, and
- the fair value of any prior holding in the subsidiary's equity.

The identifiable assets acquired, the liabilities and the contingent liabilities assumed in a business combination are, with limited exceptions, initially valued at their fair value on the acquisition date. The group recognises any non-controlling interest in the entity acquired on a basis of acquisition at fair value, or by the proportional part of the non-controlling interest of the net identifiable assets of the entity acquired.

The costs relating to the acquisition are recognised as expenses when they are incurred.

The excess of:

- the consideration transferred
- the amount of any non-controlling interest in the entity acquired, and
- the fair value of any prior holding in the equity of the entity acquired on the acquisition date

over the fair value of the net identifiable assets acquired is recorded as goodwill. If these amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is directly recognised in profit and loss as a bargain purchase.

When payment of any part of the consideration in cash is deferred, the amounts payable in the future are discounted at their actual value on the exchange date. The discount rate used is the entity's incremental borrowing rate of interest, being the rate at which a similar loan may be obtained from an independent financier under comparable terms and conditions.

The contingent consideration is classified as equity or a financial liability. The amounts classified as a financial liability are subsequently revalued at fair value with the changes in fair value being recognised in profit and loss.

If the business combination is carried out in stages, the book value at the date of acquiring the previously held equity holding is revalued at fair value on the acquisition date, and any gain or loss is recognised in profit and loss.

### **2.9.3 Non-controlling interests**

Non-controlling interests in subsidiaries acquired after 1 January 2004 are recorded by the percentage holding at the acquisition date at the fair value of the net identifiable assets. Non-controlling interests in subsidiaries acquired prior to the transition date are recognised by the percentage holding in their equity on the date of first consolidation.

Excess losses attributable to non-controlling interests prior to 1 January 2010 but not allocated to them as they exceeded the total amount of the holding in the equity of the subsidiary, are recorded as a decrease in equity attributable to the Parent Company shareholders, except in cases where the non-controlling interests have a binding obligation to assume a part or all of the losses and they have the capacity to make the necessary additional investment. Profit obtained in subsequent financial years is allocated to the equity attributable to Parent Company shareholders until the total losses absorbed in previous accounting period relating to non-controlling interests are recovered.

From 1 January 2010, profit and loss and each item on the other comprehensive results, are allocated to equity attributable to the Parent Company shareholders and the non-controlling interests in proportion to the holding, even if this involves a debtor balance for non-controlling interests. Agreements entered into between the Group and the non-controlling interests are recognised as a separate transaction.

### **2.9.4 Associates (Appendix II)**

Associates are considered as any companies in which the Parent Company has the ability to exercise significant influence, though it does not exercise either control or joint control. In general terms, it is assumed that significant influence exists

when the percentage stake (direct or indirect) held by the Group exceeds 20% of the voting rights, as long as it does not exceed 50%.

Associates are accounted using the equity method in the consolidated annual accounts.

The profit (loss) net of tax of the associate companies is included in the Group's consolidated statement of profit and loss, in the item "Share of profit/(Loss) from entities accounted for the equity method", according to the percentage of the Group's stake.

If, as a result of the losses incurred by an associate company, its equity was negative, in the Group's consolidated statement of financial position it would be nil; unless there were an obligation on the part of the Group to support it financially.

At each year-end, the existence of indicators of a potential impairment of the investment in the associate is assessed in order to recognise the related impairment loss, where appropriate. In order to calculate the fair value of investments in companies whose sole asset is property stock, valuations have been obtained from an independent expert. For the remaining companies, cash flow discount valuations made in-house have been used, similar to those described in Note 4.4.

## 2.9.5 Changes in the scope of consolidation

### Additions to the scope of consolidation

During 2022, there were no additions to the scope of consolidation.

During the 2021 financial year the company Grupo Operadores de Hoteles Santa Fe, S.A. de C.V. was incorporated. This company is not currently trading.

### Disposals

In December 2022 the Group sold 100% of its investment in the company Immo Hotel BCC N.V., owner of the NH Brussels Louise hotel in Belgium. The sale involved a cash entry of 34 million euros. The net result of the transaction was a consolidated profit of 15.5 million euros.

Moreover, on 1 July 2022, the sale was completed of the minority shareholding in the company Kensington Hotel Value Added I, Ltd, owner of a hotel in the United Kingdom, for the price of 12 million euros. The net result of the transaction was a consolidated profit of 11 million euros.

The company NH France, S.A. was liquidated during the year. This transaction did not have a significant impact on the profit/(loss) for the year.

### Mergers and divisions

During the financial year, the company Hotel Aukamm Wiesbaden, GmbH & Co.KG was merged. with the company Astron Immobilien, GmbH, this operation has not had a significant impact on the result of the year.

During 2022, there were no mergers or divisions.

## 3. PROPOSED DISTRIBUTION OF PROFITS

The proposed distribution of the profit (loss) for the year prepared by the Parent Company's Directors and that will be submitted for approval by the Shareholders at the General Shareholders' Meeting is as follows (in thousands of euros):

	<u>Exercise 2022</u>
To legal reserve	2,236
To Prior years' profits (losses)	20,124
<b>Total</b>	<b>22,360</b>

## 4. ACCOUNTING POLICIES

The main principles, accounting policies and valuation standards applied by the Group to draw up these consolidated financial statements, which comply with IFRS in force on the date of the relevant financial statements, have been the following:

### 4.1 Property, plant and equipment

Tangible fixed assets are valued at their original cost. They are subsequently valued at their reduced cost resulting from cumulative depreciation and, as appropriate, from any impairment losses they may have suffered.

Due to the transition to IFRS, the Group reappraised the value of some land to its market value on the basis of appraisals made by an independent expert. The reappraised cost of such land was considered as a cost attributed to the transition to the IFRS. The Group followed the criterion of not re-valuing any of its tangible fixed assets at subsequent year-ends.

Enlargement, modernisation and improvement costs entailing an increase in productivity, capacity or efficiency or a lengthening of the assets' useful life are recognised as increases in the cost of such assets. Conservation and maintenance costs are charged against the consolidated statement of profit and loss for the year in which they are incurred.

Withdrawn assets and items, whether arising as a result of a modernisation process or due to any other cause, are accounted for by derecognising the balances presented in the corresponding cost and accumulated depreciation accounts.

The Group depreciates its property, plant and equipment following the straight line method, distributing the cost of the assets over their estimated useful lives, in accordance with the following table:

	<u>Estimated years of useful life</u>
Buildings	33-50
Plant and machinery	10-30
Other plant, fixtures and furniture	5-10
Other fixed assets	4-5

These items are depreciated based on their estimated useful life or the remaining term of the lease, if this is less than the useful life.

The profit or loss resulting from the disposal or withdrawal of an asset is calculated as the difference between the profit from the sale and the asset's book value, and is recognised in the consolidated statement of profit and loss.

### 4.2 Goodwill

Goodwill is determined from the criteria set out in the section on business combinations.

Goodwill is not amortised, but its impairment is checked annually or earlier if there are indications of a potential loss in asset value. For these purposes, the goodwill resulting from the business combination is assigned to each of the Group's cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the combination and have the criteria referred to in section 4.4 (impairment) applied. After initial recognition, goodwill is valued at cost less accumulated impairment losses.

At the time of the disposal of a subsidiary or jointly controlled entity, the amount attributable to the goodwill is included when determining the profits or losses arising from the disposal.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is valued in the functional currency of the acquired company, with the conversion to euros being made at the exchange rate prevailing at the date the financial statements were closed.

Internally generated goodwill is not recognised as an asset.

### 4.3 Other intangible assets

Other intangible assets are considered to be any specifically identifiable non-monetary assets which have been acquired from third parties or developed by the Group. Only those whose cost can be estimated in an objective way and from which future economic profits are expected are recognised.



Other intangible assets are initially recognised at acquisition or production cost and are subsequently measured at cost less, as appropriate, their accumulated amortisation and any impairment losses they have suffered.

Any assets deemed to contribute indefinitely to the generation of profits are considered to have an indefinite useful life. The remaining intangible assets are considered have a "finite useful life".

Other intangible assets with an indefinite useful life are not amortised and are hence subjected to the "impairment test" at least once a year (Note 4.4).

Other intangible assets with a finite useful life are amortised according to the straight-line method on the basis of the estimated years of useful life of the asset in question.

The following are the main items recognised under the "Other intangible assets" heading:

- I. **Usufruct Rights:** As a consequence of entering into the consolidation of Hoteles Royal, S.A., the Group recognised operating rights of the hotel portfolio for 35 years within this concept. Furthermore, in the 2020 financial year, with the entry of the "Boscolo Hotels" Group (operating 8 hotels in privileged areas of Rome, Florence, Venice, Prague, Nice and Budapest) into the scope of consolidation, operating rights of the hotels where operation commenced with this business combination were recognised lasting 31 years.
- II. **Concessions, patents and trademarks:** basically reflect the disbursements made by Gran Círculo de Madrid, S.A. for the refurbishment and remodelling of the building where the Casino de Madrid is located. The amortisation of such works is calculated on a straight-line basis by taking into account the term of the concession for operating and managing the services provided in the building where the Casino de Madrid is located, which finalises on 1 January 2037. Furthermore, this item includes the brands of the Grupo Royal with a useful life of 20 years.
- III. **Computer applications:** include the costs incurred by the Group Companies in the acquisition and development of various computer software programmes acquired by the different consolidated companies. The amortisation of software applications is performed using the straight-line method at a rate of 20-25% per year.
- IV. **Other rights:** include rights relating to lease agreements as a result of business combinations.

#### **4.4 Impairment to non-financial assets subject to amortisation or depreciation**

The Group evaluates the possible existence of a loss of value each year that would oblige it to reduce the carrying amounts of its tangible and intangible assets. A loss is deemed to exist when the recoverable value is less than the carrying amount.

The recoverable value of the assets is the greater of their fair value less the costs of transfer or disposal by another means and their value in use.

Moreover, and regardless of the existence of any indication of impairment, the Group, at least once a year, checks potential impairment that may affect goodwill.

The recoverable value should be calculated for an individual assets, unless the asset does not generate cash entries which are, by and large, independent of those relating to other assets or groups of assets. If this is the case, the recoverable value is calculated for the Cash-Generating Unit (CGU) it belongs to. As a general rule, the Group has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

If there are signs of impairment in a CGU that goodwill could not be allocated to goodwill, the Group checks, in the first place, the impairment to the CGU, without including goodwill and recognises, as appropriate, the impairment loss at the level of the CGU. Subsequently, the Group checks the impairment in the group of CGUs to which goodwill was allocated and recognises, as appropriate, the impairment loss at the level of the groups of CGUs.

In the case of Hoteles Royal, S.A., where the whole business of Grupo Royal was acquired and whose purchase was effective in 2015, the cash-generating unit corresponds to the Group as a whole (Colombian, Chilean and Ecuadorian market).

In 2020, with the acquisition of the Boscolo Hotels Group, goodwill was generated which was allocated to a single cash generating unit that relates to the entire Group.

The operating result for each CGU is obtained at the end of the year without taking non-recurring results (if any) or financial results into account. Once the operating result is obtained for each CGU, the impairment test is performed for those in which there are indications of impairment. Among others, the Group considers that a CGU has indications of impairment if it meets the following conditions: it has negative operating results and its business is stable (it has been open for 3 years). In the current context, the Group has decided to analyse the recoverability of all its CGUs.

Losses due to impairment of the CGU initially, if appropriate, reduce the value of the goodwill allocated to it, and subsequently to the CGU's other assets, pro rata depending on the book value of each one of the assets, with the limit for each one of them of the greater of their fair value less the costs of disposal and its value in use.

On each closing date the Group assesses whether there are any indications that impairment losses recognised in previous years no longer exist, or may have decreased. Impairment losses relating to goodwill are not reversible. Impairment losses on the remaining assets are only reversed if a change has occurred in the calculations used to determine the asset's recoverable value. Reversal of the impairment loss is recorded as a credited to profit and loss.

The value in use is calculated from the estimated future cash flows, discounted at a discount rate after tax that reflects the current market valuation with respect to the value of money and the specific risks associated with the asset, covering a five-year period and a perpetual value, except in the case of leased hotels that correspond to the term of the lease, a perpetual value therefore not being considered in the latter.

The Group periodically requests valuations of hotel assets it owns from independent experts. These valuations are used to determine fair value. In the years where valuations are not obtained from independent experts, the Group assesses their fairness and, where necessary, this is supplemented by internal calculations.

Depreciation of assets subject to impairment is affected depending on their book value net of impairment. In the event that an impaired asset reaches a recoverable value that is higher than its net book value, the impairment loss will be reversed but will not exceed the book value that could have been obtained (net of depreciation) if a value impairment loss had not been recognised for that asset in previous years.

#### 4.5 Leases

At the beginning of a contract, the Group assesses whether it contains a lease. A contract is, of contains, a lease if it gives the right to control the use of the asset identified during a period of time in exchange for a consideration. Leases are recognised as a right-of-use asset and the corresponding liability on the date the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially valued based on their present value. Lease liabilities include the net present value of the following leasing payments:

- Fixed payments (including fixed payments in essence), less any lease incentive collectable.
- Variable payments for leases that reply on an index or rate, initially valued according to the index or rate on the start date.
- Amounts expected to be paid by the group for residual value guarantees.
- The price to exercise a purchase option if the group is reasonably certain that it will exercise that option.
- Penalty payments terminating the lease if the term of the lease reflects the group exercising that option.

In order to determine the term of the lease contracts, the Group has taken as non-cancellable the initial term of each contract, taking the possible unilateral extensions at the option of the Group only in those cases in which it has been reasonably considered certain that they will be exercised, and only the cancellation options whose exercise has been reasonably considered certain have been taken into account.

The general determination of not including unilateral extension of contracts as a part of their term, is based on the Group's historical experience. The windows for renewal have historically been used as renegotiation windows, unless the market situation was clearly favourable for the Group. Therefore, given that hotel rental agreements are normally signed with a first term that is higher than a macroeconomic cycle (5 years), our experience shows that is it highly probable that some unknown event may occur on the date the agreement is signed, and which may significantly affect such judgment. The attacks in Europe, in Brussels or in Nice, serve as an example, as does the Covid-19 pandemic itself, as they changed the economic paradigm and affected the frameworks for negotiating rent. Furthermore, to determine the term for lease agreements, the term for recovering the investments made in it are taken into account.

To determine lease terms, there are no penalties for not exercising the extensions mentioned above, nor have early terminations with penalties been included.

Contracts may contain leasing and non-leasing components. The Group assigns the consideration in the contract to the leasing and non-leasing components based on their relative independent prices. For real estate leases in which the Group cannot separate the leasing and non-leasing components, it accounts for them as a single leasing component.

Leasing payments are discounted using the implicit interest rate in the lease. If this rate cannot be easily determined, which is generally the case for the group's leases, the incremental interest rate is used. The incremental interest rate is the interest rate that the lessee would incur at the commencement of the lease if it borrowed, over a period of time, with similar guarantees and in a similar economic environment. The interest was calculated as a combination of the following elements:

- CDS curve of the economic environment
- Euribor Swap Rate Curve.

- Synthetic NH CDS curve.

These elements were combined to obtain an interest rate curve for each contract based on its geoeconomic specificities and from which the calculation process consists of bringing each of the discounted flows to the present value at the interest rate corresponding to each maturity within said curve and calculating which single equivalent rate would be used to discount said flows.

Potential future increases in variable payments for leases based on an index or rate are not included in lease liabilities until they take effect. When the adjustments to the leasing payments based on an index or rate take effect, the leasing liability is assessed again and set against the asset for right of use.

Leasing payments are allocated between principal and financial cost. The financial cost is charged to profit/(loss) during the leasing period in a manner that creates a periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets are valued at cost that comprises the following:

- The initial valuation amount of the leasing liability.
- Any leasing payment made on or before the state date, less any incentive to lease received.
- Any initial indirect cost.
- Restoration costs.
- Incentives to lease received from the lessor.
- Provision on onerous contracts

In application of IFRS 16, all rent that does not come under the definition of fixed payments in substance and, therefore, is outside the Group's maximum compulsory commitment, as they are not inevitable, is recorded as an operational expense for the year.

Therefore, the Group records variable rent that is linked to exploitation of the underlying assets as an expense, along with those arising from percentages of sales and other similar reference points. Moreover, all rent that, in application of IFRS 16, are outside the Group's maximum compulsory commitment are recorded as an operational expense for the year.

Variable rents that are not, in essence, fixed and the way in which they may involve a liability for the Group would be that the flows arising from exploitation of the CGU are estimated to be negative and, therefore, the Group would be obliged to record a provision for onerous contracts.

In the event that the Group carries out the sale of a hotel asset with subsequent leasing of it, the value of the leasing liability is calculated in accordance with the criteria set out above, but the value of the asset will be calculated according to the part of the previous book value for the asset retained. Therefore, only the amount of any loss or gain referring to the rights transferred to the purchase/lessor will be recorded as profit/(loss) for the sale. Any substantial amendment to the contract after the transaction for sale and subsequent leasing will be treated in the same way as any contractual change, without affecting the profit/(loss) recorded for the sale.

## 4.6 Financial Instruments

### 4.6.1 Financial assets

Financial assets are recognised in the consolidated statement of financial position when they are acquired and initially recognised at their fair value. The financial assets held by Group companies are classified as follows:

- Financial assets at fair value through comprehensive profit or loss or consolidated profit and loss: are those assets acquired by the companies with the objective of obtaining the contractual flows and selling them; or those assets that do not consist exclusively of the payment of the principal and interest and the management model is the sale of the same, in general terms, practically all of the variation in the fair value of the Group's financial assets are recorded with a charge to the consolidated statement of changes in equity. Interest income, exchange rate differences and impairment losses are recognised in the income statement and other gains or losses are recognised in the consolidated statement of profit and loss. Any cumulative gain or loss recognised in equity is reclassified to profit or loss at the time of derecognition.
- Financial assets at amortised cost: assets whose contractual cash flows consist exclusively of principal and interest payments and, if the management model of such assets is to hold them to obtain the contractual flows. In this case, the Group records any changes in value with a charge to the consolidated statement of profit and loss.

Transaction costs at the time of acquisition are recognised as an increase in acquisition cost or as an expense, depending on whether the financial asset being transacted is considered at fair value with changes in the comprehensive profit and loss or consolidated profit and loss.

Fair value of a financial instrument on a given date is construed as the amount for which it could be bought or sold on that same date by two knowledgeable parties acting freely and prudently under conditions of mutual independence.

Interest accrued on financial assets at amortised cost is recognised in the consolidated comprehensive statement of profit and loss on the basis of the effective interest rate. Amortised cost is construed as the initial cost minus any collections or amortisation of the principal, taking into account any potential reductions based on expected loss.

As regards valuation corrections made to trade and other accounts receivable in particular, the criterion used by the Group to calculate the corresponding valuation corrections, if any, generally consists of provisioning according to the expected loss based on the credit risk of the customer portfolio.

The Group derecognises financial assets when the cash flow rights of the corresponding financial asset have expired or have been transferred and the risks and rewards incidental to its ownership have been substantially all transferred.

Conversely, the Group does not derecognise financial assets and recognises a financial liability for an amount equal to the consideration received in the transfers of financial assets in which the risks and rewards inherent in its ownership are substantially all retained.

### **Trade debtors and other receivables**

Accounts receivable arising from trading operations are initially recorded at their transaction price and, subsequently, a value correction is made for expected credit losses. Expected credit losses—due to the fragmentation of the Group's trade debtors—are estimated taking the history of losses due to non-payment with respect to the Group's sales and open items into account. For the value correction, in the current situation of uncertainty caused by Covid-19, a detailed analysis is being carried out. To do so, all entries considered to be at risk are being monitored and plans for collecting their payment are being made, or provisions being made for those considered to be at risk of recovery.

Furthermore, the group's credit risk tools are being used, with a default insurance policy for the clients included in the policy, and for which, in the event of there not being certainty about payment, the requirements of the policy to claim the amounts as an "incident" are being followed.

### **4.6.2 Cash and cash equivalents**

"Cash and Cash Equivalents" in the consolidated statement of financial position includes cash, demand deposits and other short-term, highly liquid investments that can be realised in cash quickly and are not subject to a risk of changes in value.

### **4.6.3 Financial liabilities**

#### **Issues of bonds and other securities**

Debt issues are initially recognised at the fair value of the consideration received, less the costs directly attributable to the transaction. They are subsequently valued at their amortised cost using the effective interest rate method. Bonds with a maturity date greater than twelve months are classified under non-current liabilities, while those with a maturity date of less than twelve months are included in current liabilities.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

Convertible bond issues are recognised at the time of their issue, distributing the fair value of the consideration received between their equity and liability components, assigning the residual value obtained after deducting the amount established separately for the liability component, from the fair value of these instruments as a whole, to the equity instrument. The value of any derivative embedded in the compound financial instrument other than the equity component will be included in the liability component.

#### **Bank loans**

Loans received from banking institutions are recognised at the amount received, net of costs incurred in the transaction. They are subsequently valued at amortised cost. These costs incurred in the transaction and the financial expenses are recognised on an accrual basis in the consolidated statement of profit and loss using the effective interest rate method, and their amount is added to liabilities to the extent to which they are not settled in the period they were produced.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

### Trade and other payables

Trade accounts payable are initially recognised at fair value and are subsequently valued at amortised cost using the effective interest rate method.

The Group has contracted confirming operations with various financial entities to manage the payment to suppliers. Trade payables whose payment is managed by financial entities are shown under the entry for trade creditors and other accounts payable, in as far as the Group has only assigned payment management to the financial entities and remains primarily obliged to pay the debt to trade creditors.

### Valuation techniques and assumptions applying to the measurement of fair value

The fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities under standard terms and conditions which are traded in active liquid markets are based on market prices.
- The fair value of other financial assets and liabilities (excluding derivatives) is determined in accordance with generally accepted valuation models on the basis of cash flow discounting using the price of observable market transactions and contributor listings of similar instruments.
- In order to determine the fair value of interest rate derivatives, cash flow discounting is used based on the implicit flow determined by the interest rate curve according to market conditions. In order to determine the fair value of options, the Group uses the Black-Scholes valuation model and its variants, using for this purpose market volatilities for the strike and maturity prices of said options.

Any financial instruments valued after their initial recognition at fair value are classified as level 1 to 3 based on the extent to which fair value can be observed:

- Level 1: includes any instruments indexed to listed prices (without adjustment) of identical assets or liabilities in active markets.
- Level 2: includes any instruments indexed to other observable inputs (which are not the listed prices included under Level 1) for assets or liabilities, be it directly (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3: includes any instruments indexed to valuation techniques, which include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

#### 4.6.4 Equity instruments

An equity instrument represents a residual interest in the equity of the Parent Company once all its liabilities are subtracted.

Equity instruments issued by the Parent Company are recognised in equity for the amount received, net of the issue expenses.

#### 4.7 Classification of financial assets and debts into current and non-current

In the attached consolidated statement of financial position, financial assets and debts are classified on the basis of their maturity; in other words, those with a maturity date equivalent to or less than twelve months are classified as current and those with a maturity date exceeding this are non-current.

#### 4.8 Income and expenses

Income and expenses are recognised on an accrual basis, i.e. when the control of goods and services they represent has been transferred, irrespective of the moment when the monetary or financial flows deriving from them arise.

More specifically, income is calculated at the fair value of the consideration to be received and represents the amounts to be collected for the goods and services delivered within the ordinary framework of operations, subtracting any discounts and taxes.

### Sale of rooms and other related services

Income from the sale of rooms and other related services is recognised daily based on the services provided by each hotel, including customers who are still staying at the hotel at the close of each day. In this respect, the Group recognises the income when the service is considered to be provided and, therefore, fulfils the obligation for performance assumed on check-in. Due to this, for example, in the case of an accommodation service that covers several nights, the income is recognised on a daily basis for each one of the overnight stays.

The consideration received is distributed among the contracted services. These include direct services such as room, food, drink and other consumption, and others related to banquets, events and the rental of spaces. Therefore, the obligations are completely separate and they are recorded at the time they occur.

In the case of the sale of several services together, such as, for example, an accommodation service with one for breakfast, the Group, when it makes the offer, sets the price for each one of the obligations assumed, for which reason at the time the services are considered to be provided the income is recorded at the price set beforehand. Solely in the case of promotions where the service is provided "free-of-charge" with the other one, the Group applies a methodology where the consideration is divided using a ratio calculated by hotel based on the costs of the service at that hotel plus an additional margin.

### Provision of services

The Group recognizes the income from its hotel management contracts in the year in which the services are provided, based on the evolution of the variables that determines this income and which are mainly the total income and the gross operating profit of each hotel managed by the Group.

### Loyalty programme

With regarding to the accounting treatment of the "NH Rewards" customer loyalty programme, we consider that if awarding points gives a significant right to the customer, then it effectively pays the company for future goods or services in advance, and the company should recognise the income from ordinary activities when the points are redeemed or when they expire.

Therefore, when the significant right is generated, the Group records a provision for the estimated equivalent value, partly lowering the income from the sale coupled with the issue of the right. When points are redeemed the income from the transaction is recorded and the provision is derecognised.

The estimated value of the significant right is calculated, showing the discount the customer would receive when exercising the option (one Euro for each point the customer has collected) and taking the two following aspects into account:

- any discount the customer may receive without exercising the option; and
- the probability that the option will be exercised.

The amount of the provision relating to the loyalty programme is recorded in current liabilities on the consolidated statement of financial position.

On 1 July 2022 the Group joined the Global Hotel Alliance (GHA) which runs the multi-brand loyalty programme Discovery, and "NH Rewards" became "NH Discovery". This has meant that the loyalty programme has been outsourced and is now managed by GHA, involving a change to its accounting treatment. Therefore, the Group is no longer responsible for the significant right given to the customer with the award of points, for which reason there is no provision relating to the loyalty programme. The existing provision at 31 December 2022 relates to the rights given to customers generated under the previous loyalty programme. These rights expire in a maximum of 1 year from the close of this year.

## 4.9 Official subsidies

Group companies follow the criteria set out below in recognising official subsidies:

- Non-reimbursable capital subsidies (connected with assets) are valued at the amount granted, recognised as deferred income and taken into profit and loss in proportion to the depreciation of the assets financed by such subsidies during the financial year.
- Operating subsidies are recorded depending on the grounds for them being granted, either as a reduction in the expenses they finance, or as other income.

## 4.10 Income tax

The cost of the year's gains tax is calculated through the sum of the current tax resulting from applying the tax rate to the taxable income for the year and then applying the relevant tax adjustments according to the law plus any changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities include temporary differences, being any amounts expected to be payable or recoverable due to differences between the carrying amounts of the assets and liabilities and their tax value, as well as tax loss carry-forwards and any credits resulting from unapplied tax deductions. Said amounts are recognised by applying to the relevant temporary difference or credit the tax rate at which they are expected to be recovered or settled.

In some countries, the tax rate varies depending on whether a transfer of assets is made. In these cases, the Group's policy consists of applying the effective tax rate at which they are expected to be recovered or settled. In the opinion of the Parent's Directors, the deferred tax thus calculated covers the amount which may eventually be settled, if any, in the foregoing case.

Deferred tax liabilities for all taxable temporary differences are recognised, except for those in which the temporary difference arises from the initial recognition of goodwill amortisation of which is not tax-deductible or the initial recognition of other operating assets and liabilities which do not affect either the tax or accounting result.

Deferred tax assets identified as temporary differences are recognised only if it is deemed probable that the consolidated entities will make sufficient tax profits in the future to realise them and they do not come from the initial recognition of other assets and liabilities in a transaction which does not affect either the tax or accounting result. Other deferred tax assets (tax loss carry-forwards and tax credits) are recognised only if it is likely that the consolidated companies will make sufficient tax profits in the future to be able to apply them.

The Group offsets deferred tax assets and liabilities if there is a legal right to offset with the tax authorities and such assets and liabilities relate to the same tax authority, and the same taxpayer, or several taxpayers, who intend to settle or realise current tax assets and liabilities for their net amount, or realise assets and settle liabilities simultaneously, in each one of the future years where is expected to settle or recover significant amounts of deferred tax assets or liabilities.

At each year-end, deferred taxes (both assets and liabilities) are reviewed in order to verify that they remain in force and the relevant corrections are made in accordance with the outcome of the analyses conducted.

#### **4.11 Obligations to employees**

Spanish hotel companies are obliged to make a specific number of monthly salary payments to those employees who leave the company due to retirement, permanent disability or upon reaching a certain age and having a certain number of years of service and fulfilling certain pre-established requirements.

In this regard and in compliance with Royal Decree-Law 16/2005, the Group has outsourced its pension obligations for its employees' pension plans.

Also, in accordance with Italian law, employees of Italian companies have the right to compensation if they resign or are dismissed.

Its obligations to personnel also include those arising from contracting pension funds for certain employees, which in the Group, mainly affects the business units of Italy and the Netherlands.

Therefore, to provide for these obligations to future payments to personnel, the Group has recognised a liability under "Provisions" (Note 19).

#### **4.12 Onerous contracts**

The Group considers onerous agreements to be those in which the inevitable costs of fulfilling the obligations they entail exceed the economic benefits expected from them.

The Group follows the principle of recording a provision at the present value of the aforementioned differences between the costs and benefits of the contract, or the compensation foreseen for abandonment of the contract, if such is decided.

#### **4.13 Share-based Remuneration Schemes**

These schemes, which are settled in shares, are valued at the time of granting, using a financial method based on a binomial model which takes into consideration the strike price, volatility, the exercise period, the expected dividends, the risk-free interest rate and the assumptions made concerning the financial year.

In accordance with IFRS 2, the above-mentioned valuation is recognised in profit or loss under personnel expenses during the period established as a requirement for the employee to remain in the company before exercising the option. Said value is recognised on a straight-line basis in the consolidated statement of profit and loss from the date the option is granted until the date on which it is exercised.

On each subsequent closing date, the Group reviews the estimates regarding the number of options expected to be exercisable, adjusting the equity figure if necessary.

The third and last cycle (2019-2021) of the second long-term incentive plan was settled in the first half of 2022 and, at the close of 2022, there is no remuneration plan referenced to the current share value (Note 23).

#### 4.14 Treasury shares

Pursuant to IAS 32, treasury shares are presented by reducing the Group's equity. Treasury shares are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the consolidated statement of profit and loss.

#### 4.15 Provisions for risks and charges

The Group follows the policy of provisioning for the estimated amounts arising from ongoing litigation, indemnities or obligations, as well as for any sureties or guarantees granted by Group companies which could involve the Group in a payment obligation (either legal or implicit), provided the amount can be reliably estimated.

Provisions are quantified based on the best information available on the position and evolution of the events that cause them and are re-estimated at the end of each reporting period, being totally or partially reversed when these obligations cease to exist or decrease.

Contingent liabilities, except in business combinations, are not recognised in the consolidated financial statements, but are reported in the notes to the financial statements, in accordance with the requirements of IAS 37.

#### 4.16 Environmental policy

Investments arising from environmental activities are valued at their original cost and capitalised as increases in the cost of fixed assets or inventory in the financial year in which they are incurred.

Any expenses arising from environmental protection and improvement are recognised in the consolidated statement of profit and loss for the year in which they are incurred, irrespective of the moment when the cash or financial flows deriving from them arise.

Provisions for likely or certain liabilities, ongoing litigation and outstanding indemnities or obligations of an indeterminate amount connected with the environment and not covered by the insurance policies taken out are established at the time the liability or obligation linked to the indemnities or payment arises.

#### 4.17 Consolidated statement of cash flow

The following terms with their corresponding explanation are used in the consolidated statement of cash flow prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operational activities: the typical activities of the entities forming the consolidated group, along with other activities that cannot be classified as investing or financing activities. The group presents confirming activities for trade payables as an operational activity.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.



## 5. PROFIT/(LOSS) PER SHARE

Profit (Loss) per share is calculated by dividing the net profit or loss attributable to the Group in a period by the weighted average number of shares in circulation during the period, excluding the average number of treasury shares held during the same period.

In accordance with this:

	2022	2021
Net Profit/(Loss) for the year (thousands of euros)	100,308	(133,667)
Weighted average number of shares in circulation (thousands of euros)	435,642	403,288
<b>Basic and diluted Earnings/(Losses) per share in euros</b>	<b>0.230</b>	<b>(0.331)</b>

## 6. PROPERTY, PLANT & EQUIPMENT

The breakdown and movements in the year were as follows:

	Thousands of euros				Total
	Land and buildings	Plant and machinery	Other fixtures, tools, furniture and others	Property, plant and equipment in progress	
Cost, deemed cost, revalued cost	1,619,396	869,889	456,270	17,758	2,963,313
Accumulated amortisation and Impairment losses	(490,347)	(598,485)	(355,622)	—	(1,444,454)
<b>Net Book Value at 01 January 2022</b>	<b>1,129,049</b>	<b>271,404</b>	<b>100,648</b>	<b>17,758</b>	<b>1,518,859</b>
<b>Cost, deemed cost, revalued cost</b>					
Inclusions	688	14,756	9,705	23,166	48,315
Retirements	(21,222)	(17,098)	(16,180)	(251)	(54,751)
Changes in the scope of consolidation	(19,362)	(5,132)	(1,512)	—	(26,006)
Transfers	2,325	6,965	2,113	(8,551)	2,852
Exchange differences and IAS 29 impact	32,078	13,704	5,376	14	51,172
<b>Accumulated amortisation and Impairment losses</b>					
Inclusions	(20,291)	(41,761)	(27,574)	—	(89,626)
Retirements	3,056	16,421	15,730	—	35,207
Reversal/(Accrual) of impairment losses recognised in profit and loss (Note 10)	5,227	(1,970)	1,606	(436)	4,427
Changes in the scope of consolidation	1,850	4,577	1,469	—	7,896
Transfers	528	6	731	(1,265)	—
Exchange differences and IAS 29 impact	(8,830)	(6,408)	(4,559)	—	(19,797)
<b>Balance at 31/12/2022</b>	<b>1,105,096</b>	<b>255,464</b>	<b>87,553</b>	<b>30,435</b>	<b>1,478,548</b>
Cost, deemed cost, revalued cost	1,613,903	883,084	455,772	32,136	2,984,895
Accumulated amortisation and Impairment losses	(508,807)	(627,620)	(368,219)	(1,701)	(1,506,347)
<b>Net Book Value at 31 December 2022</b>	<b>1,105,096</b>	<b>255,464</b>	<b>87,553</b>	<b>30,435</b>	<b>1,478,548</b>

	Thousands of euros				
	Land and buildings	Plant and machinery	Other fixtures, tools, furniture and others	Property, plant and equipment in progress	Total
Cost, deemed cost, revalued cost	1,608,309	850,825	447,447	85,586	2,992,167
Accumulated amortisation and Impairment losses	(467,915)	(570,111)	(338,217)	—	(1,376,243)
<b>Net Book Value at 01 January 2022</b>	<b>1,140,394</b>	<b>280,714</b>	<b>109,230</b>	<b>85,586</b>	<b>1,615,924</b>
<b>Cost, deemed cost, revalued cost</b>					
Inclusions	699	11,361	5,930	10,019	28,009
Retirements	(54,696)	(28,068)	(13,597)	(2,132)	(98,493)
Transfers	41,594	23,201	12,310	(80,946)	(3,841)
Exchange differences and IAS 29 impact	23,490	12,570	4,180	5,231	45,471
<b>Accumulated amortisation and Impairment losses</b>					
Inclusions	(19,372)	(43,461)	(29,664)	—	(92,497)
Retirements	7,093	17,281	12,771	—	37,145
Reversal/(Accrual) of impairment losses recognised in profit and loss (Note 10)	138	2,892	854	—	3,884
Transfers	(4,609)	2,446	2,097	—	(66)
Exchange differences and IAS 29 impact	(5,682)	(7,532)	(3,463)	—	(16,677)
<b>Balance at 31/12/2022</b>	<b>1,129,049</b>	<b>271,404</b>	<b>100,648</b>	<b>17,758</b>	<b>1,518,859</b>
Cost, deemed cost, revalued cost	1,619,396	869,889	456,270	17,758	2,963,313
Accumulated amortisation and Impairment losses	(490,347)	(598,485)	(355,622)	—	(1,444,454)
<b>Net Book Value at 31 December 2022</b>	<b>1,129,049</b>	<b>271,404</b>	<b>100,648</b>	<b>17,758</b>	<b>1,518,859</b>

The main additions occurring during the financial year relate to hotel refurbishment and opening new hotels. Highlights in Southern Europe are, in Spain, the works to the NH Collection Barcelona Gran Hotel Calderón, in France, the Anantara Plaza Nice Hotel and NH Lyon Airport and, in Portugal, the Tivoli Avenida Liberdade Lisbon. In Italy, the refurbishment of the NH Collection Roma Vittorio Veneto, NH Collection Torino Santo Stefano, NH Collection Grand Hotel Convento di Amafi, NH Napoli Panorama and NH Collection Roma Centro, as well as the NH Milano Corso Buenos Aires and NH Collection Milano City Life openings. In Benelux, the works to the Anantara The Marker Dublin and nhow Amsterdam Rai hotels. In Central Europe, the openings of the nhow Frankfurt and NH Collection Frankfurt Spin Tower (planned for February 2023) in Germany, and the refurbishment of the Anantara New York Palace Budapest Hotel and NH Collection Budapest City Centre in Hungary, are highlights. In Latin America, mainly the refurbishment of the NH Collection Monterrey San Pedro (Mexico) and NH Ciudad de Santiago (Chile).

The main derecognitions for the financial year were the sales of NH Naarden in Holland and NH Wiesbaden in Germany. The hotels were sold for €18.9 million.

In 2021 the main derecognition was the sale of the NH Collection Barcelona Gran Hotel Calderón in Spain with a sale and leaseback transaction. The hotel was sold for 125.5 million euros with a linked 20 year lease agreement, with NH having the option of additional extensions.

Within the changes in scope of consolidation heading, the derecognition of all the assets owned by the property company "Immo Hotel BCC, N.V." stands out as it was sold during the year (Note 2.9.5.).

The effect on the profit and loss account of assets de-recognised, replaced or disposed of to third parties outside the Group was a profit of 1,267 thousand euros (a profit of 66,402 thousand euros in 2021), recognised under "Profit/(loss) on the disposal of non-current assets" in the 2022 consolidated statement of profit and loss.

At 31 December 2022, there were mortgages on tangible fixed asset elements with a net book value of 149 million euros (158 million euros in 2021) (Note 16).

The Group has taken out insurance policies to cover any possible risks to which the different elements of its tangible fixed assets are subject, and to cover any possible claims that may be filed against it in the course of its activities. These policies sufficiently cover the risks to which the Group is exposed.

At 31 December 2022, firm investment undertakings amounted to 69.2 million euros. These investments will be made between 2023 and 2024 (26.8 million euros in 2021).

## 7. LEASES

The breakdown and movements under this heading were as follows:

	Thousands of euros		
	Real estate	Premiums for contracts and other rights	Total
Cost	4,135,869	73,267	4,209,136
Accumulated amortisation and Impairment losses	(2,566,873)	(49,918)	(2,616,791)
<b>Net Book Value at 01 January 2022</b>	<b>1,568,996</b>	<b>23,349</b>	<b>1,592,345</b>
<b>Cost</b>			
Inclusions	168,022	—	168,022
Retirements	(156,122)	—	(156,122)
Transfers	(2,866)	—	(2,866)
Currency translation difference	9,587	—	9,587
<b>Accumulated amortisation and Impairment losses</b>			
Inclusions	(171,717)	(2,627)	(174,344)
Retirements	153,725	—	153,725
Reversal/(Accrual) of impairment losses recognised in profit and loss (Note 10)	1,249	—	1,249
Transfers	—	—	—
Currency translation difference	(7,985)	—	(7,985)
<b>Balance at 31/12/2022</b>	<b>1,562,889</b>	<b>20,722</b>	<b>1,583,611</b>
Cost	4,154,490	73,267	4,227,757
Accumulated amortisation and Impairment losses	(2,591,601)	(52,545)	(2,644,146)
<b>Net Book Value at 31 December 2022</b>	<b>1,562,889</b>	<b>20,722</b>	<b>1,583,611</b>

	Thousands of euros		
	Real estate	Premiums for contracts and other rights	Total
Cost.	4,132,468	73,267	4,205,735
Accumulated amortisation and Impairment losses	(2,464,946)	(46,969)	(2,511,915)
<b>Net Book Value at 01 January 2021</b>	<b>1,667,522</b>	<b>26,298</b>	<b>1,693,820</b>
<b>Cost</b>			
Inclusions	103,807	—	103,807
Retirements	(110,585)	—	(110,585)
Reclassifications	3,631	—	3,631
Conversion differences	6,548	—	6,548
<b>Accumulated amortisation and Impairment losses</b>			
Inclusions	(169,825)	(2,949)	(172,774)
Retirements	72,998	—	72,998
Reversal/(Accrual) of impairment losses recognised in profit and loss (Note 10)	424	—	424
Conversion differences	(5,524)	—	(5,524)
<b>Balance at 31/12/2021</b>	<b>1,568,996</b>	<b>23,349</b>	<b>1,592,345</b>
Cost	4,135,869	73,267	4,209,136
Accumulated amortisation and Impairment losses	(2,566,873)	(49,918)	(2,616,791)
<b>Net Book Value at 31 December 2021</b>	<b>1,568,996</b>	<b>23,349</b>	<b>1,592,345</b>

	Balance at 1/1/2022	Expenses for interest (Note 24.3)	Changes	Rent payments	Exchange rate differences	Balance at 31/12/2022
Lease liabilities	1,925,353	81,073	157,965	(271,188)	2,389	1,895,592
	Net 1/1/2021	Expenses for interest (Note 24.3)	Changes	Rent payments	Exchange rate differences	Net 31/12/2021
Lease liabilities	2,059,739	83,048	53,832	(271,847)	581	1,925,353

The main recognitions for the year are due to the opening of several hotels on a lease basis. Therefore, it is worth pointing out the opening of nhow Frankfurt in Germany, NH Milano Corso Buenos Aires and NH Collection Milano City Life in Italy and Anantara Plaza Nice Hotel in France. During the year NH Frankfurt Mörfelden Conference Center and NH Frankfurt Villa in Germany, NH Logroño and NH Amistad de Murcia in Spain, NH Hotel de Ville and NH Waalwijk in Holland, NH London Kensington in the United Kingdom and NH Milano Concordia in Italy.

The main impacts on the statement on the consolidated statement of profit and loss related to the application of IFRS 16 are a higher financial expense of 81,073 thousand euros (83,048 thousand euros in 2021) (Note 24.3), a net loss on the disposal of non-current assets of 1,385 thousand euros (a loss of 1,294 thousand euros in 2021), due mainly to the amendment to the term of a contract in Italy, that had no cash impact and a reversal for asset impairment of 1,249 thousand euros (allotment for impairment of 424 thousand euros in 2021).

The amounts recorded as right-of-use assets correspond to properties where the Group is a lessee for its operation as a hotel.

Short-term leases and low-value leases are recognised as an expense in the consolidated profit and loss account on a straight line basis. A short-term lease contract is one where the period is less than or equal to 12 months. A "low value contract" is one whose underlying asset assigned in use would have a new value of under 5 thousand euros. The impact

recorded on the attached consolidated statement of profit and loss for the leases totals an expense of 126,541 thousand euros (16,692 thousand euros income in 2021) (Note 24.2).

Furthermore, in the lease agreements, there are no restrictions or imposed clauses and no sales transactions with subsequent leasing were carried out during the financial year.

Future cash output that the lessee is potentially exposed to, and which are not shown in the valuation of lease liabilities, exclusively relate to payments for variable leasing. Therefore, future gross payments estimated for the next 5 years total 1,123 million euros. Nevertheless, these expenses will result in higher income and produce higher profits.

The Group has not granted any options to extend and terminate, or guarantees of residual value. There do exist leases that have not commenced, for which the Group has undertaken gross lease payments of 49,854 thousand euros in a period of 1 to 5 years, and 214,539 thousand euros in a period of over 5 years.

## 8.- GOODWILL

The balance included under this item corresponds to the net goodwill arising from the acquisition of businesses of certain companies, and breaks down as follows:

	Thousands of euros	
	2022	2021
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	55,921	58,888
Grupo Royal	19,427	22,494
Boscolo Hotels	10,920	11,571
Others	3,220	3,174
<b>Total</b>	<b>89,488</b>	<b>96,127</b>

The movements in this heading of the consolidated statement of financial position in the financial year were as follows:

	Thousands of euros			
	Goodwill 1/1/2022	Currency translation difference	Impairment (Note 10)	Goodwill 31.12.22
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	58,888	—	(2,967)	55,921
Grupo Royal	22,494	(3,067)	—	19,427
Boscolo Hotels	11,571	(651)	—	10,920
Others	3,174	46	—	3,220
<b>Total</b>	<b>96,127</b>	<b>(3,672)</b>	<b>(2,967)</b>	<b>89,488</b>

	Thousands of euros				
	Goodwill 1/1/2021	Currency translation difference	Business combinations	Impairment (Note 10)	Goodwill 31.12.21
NH Hoteles Deutschland, GmbH y NH Hoteles Austria, GmbH	61,114	—	—	(2,226)	58,888
Grupo Royal	24,539	(2,045)	—	—	22,494
Boscolo Hotels	11,554	25	(8)	—	11,571
Otros	3,862	2	—	(690)	3,174
<b>Total</b>	<b>101,069</b>	<b>(2,018)</b>	<b>(8)</b>	<b>(2,916)</b>	<b>96,127</b>

Details of the cash-generating units to which such goodwill arising on consolidation has been allocated is shown below:

	Thousands of euros	
	2022	2021
Grupo Royal CGUs	19,427	22,494
Group CGUs (Boscolo Hotels)	10,920	11,571
CGU 6	13,587	13,587
CGU 21	9,929	9,929
CGU 12	6,272	6,272
CGU 5	2,996	2,996
CGU 13	5,286	5,624
CGU 2	5,023	5,023
CGUs with goodwill allocated individually < €4 M	16,048	18,631
<b>Total</b>	<b>89,488</b>	<b>96,127</b>

## 9. OTHER INTANGIBLE ASSETS

The breakdown and movements under this heading were as follows:

	Thousands of euros				
	Rights of use	Concessions, patents and trademarks	Software applications	Other rights	Total
Cost, deemed cost, revalued cost	92,292	36,814	105,484	17,039	251,629
Accumulated amortisation and Impairment losses	(8,484)	(34,917)	(79,223)	(2,057)	(124,681)
<b>Net Book Value at 01 January 2022</b>	<b>83,808</b>	<b>1,897</b>	<b>26,261</b>	<b>14,982</b>	<b>126,948</b>
<b>Cost, deemed cost, revalued cost</b>					
Inclusions	—	147	6,906	—	7,053
Retirements	(1,044)	—	(343)	—	(1,387)
Changes in the scope of consolidation	(88)	—	—	—	(88)
Transfers	—	32	141	—	173
Exchange differences and IAS 29 impact	(3,678)	(544)	37	—	(4,185)
<b>Accumulated amortisation and Impairment losses</b>					
Depreciation and amortisation charge	(2,401)	(424)	(10,482)	—	(13,307)
Retirements	—	—	92	—	92
Impairment losses recognised in profit and loss	—	3,622	—	484	4,106
Changes in the scope of consolidation	28	—	—	—	28
Transfers	—	(283)	(128)	252	(159)
Exchange differences and IAS 29 impact	826	202	(32)	—	996
<b>Balance at 31/12/2022</b>	<b>77,451</b>	<b>4,649</b>	<b>22,452</b>	<b>15,718</b>	<b>120,270</b>
Cost, deemed cost, revalued cost	87,482	36,449	112,225	17,039	253,195
Accumulated amortisation and Impairment losses	(10,031)	(31,800)	(89,773)	(1,321)	(132,925)
<b>Net Book Value at 31 December 2022</b>	<b>77,451</b>	<b>4,649</b>	<b>22,452</b>	<b>15,718</b>	<b>120,270</b>

	Thousands of euros				
	Usufruct Rights	Concessions, patents and trademarks	Software applications	Other rights	Total
Cost, deemed cost, revalued cost	84,215	37,489	101,118	17,039	239,861
Accumulated amortisation and Impairment losses	(6,458)	(34,843)	(67,627)	(2,796)	(111,724)
<b>Net Book Value at 01 January 2021</b>	<b>77,757</b>	<b>2,646</b>	<b>33,491</b>	<b>14,243</b>	<b>128,137</b>

**Cost, deemed cost, revalued cost**

Inclusions	9,848	155	4,397	—	14,400
Retirements	(20)	(460)	(309)	—	(789)
Transfers	—	—	275	—	275
Exchange differences and IAS 29 impact	(1,751)	(370)	3	—	(2,118)

**Accumulated amortisation and Impairment losses**

Depreciation and amortisation charge	(2,468)	(502)	(11,939)	—	(14,909)
Retirements	—	299	223	—	522
Impairment losses recognised in profit and loss	—	—	—	739	739
Changes in the scope of consolidation	—	—	—	—	—
Transfers	—	(120)	120	—	—
Exchange differences and IAS 29 impact	442	249	—	—	691

<b>Balance at 31/12/2021</b>	<b>83,808</b>	<b>1,897</b>	<b>26,261</b>	<b>14,982</b>	<b>126,948</b>
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Cost, deemed cost, revalued cost	92,292	36,814	105,484	17,039	251,629
Accumulated amortisation and Impairment losses	(8,484)	(34,917)	(79,223)	(2,057)	(124,681)
<b>Net Book Value at 31 December 2021</b>	<b>83,808</b>	<b>1,897</b>	<b>26,261</b>	<b>14,982</b>	<b>126,948</b>

## 9.1 Software applications

The most significant additions in this financial year were a result of investments made in digitisation and improvement to the customer journey experience, and digitisation and optimisation of operating processes to gain sustainability, mobility and include customer care.

## 9.2 Other rights

Other rights: include rights relating to lease agreements as a result of business combinations in Italy.

## 10. IMPAIRMENT

The Group evaluates the possible existence of a loss of value each year that would oblige it to reduce the carrying amounts of its tangible and intangible assets or reverse them, if appropriate. A loss is deemed to exist when the recoverable value is less than the carrying amount. The recoverable value of the assets is the greater of their fair value less the costs of transfer or disposal by another means (mainly used for hotel assets in ownership) and their value in use.

The value in use is calculated from the estimated future cash flows, discounted at a discount rate after tax that reflects the current market valuation with respect to the value of money and the specific risks associated with the asset, covering a five-year period and a perpetual value, except in the case of leased hotels that correspond to the term of the lease, a perpetual value therefore not being considered in the latter. Value in use has been calculated for all the CGUs.

For the purposes of determining fair value for the owned hotels in 2021, the Group made a valuation of the greater part of the hotel assets in ownership. The valuation was made by a global firm specialising in valuation and consultancy services. In order to calculate the value of the assets, the most used valuation criteria was discounted cash flow, due to the fact that the hotel investments are valued depending on their potential future income.

The Group analysed whether there were indications of impairment to the assets subject to the valuation made in 2021. Therefore, the improvement to the profit/(loss) and the estimates for the hotel assets allowed the conclusion that, in the majority of cases, there are no changes that may significantly affect the valuations.

### 10.1 Key assumptions used

The evolution of the key assumptions in the analysed hotels has taking the business knowledge of Group Management into account as well as the continued recovery expected in the sector. Therefore, the projections assumed are based on

performance of the budget prepared by the Group for 2023, which assume an increase in income compared to 2022, mostly explained by the impact of the Omicron variant during the first quarter of 2022.

On the other hand, the increase in inflation in 2022 was taken into account and its future forecast to estimate the costs of the projections and, therefore, operational margins, with the increase seen in the price of supplies of products and services, particularly energy, being the most significant as they have drastically increased in Europe due to the geopolitical situation in Eastern Europe, and are reflected in the services with a high energy use, for example, laundry. Other operational costs affected by the pressure of inflation are salaries, due to the increase in the minimum wage, and the rents for leased hotels, amongst others.

The strong positioning of the countries where the Group has a presence, the good locations of the portfolio and the high level of recognition of its brands are key factors for continuing with a business strategy that focusses on maximising average rates per room, as well as identifying measures for efficiency in operational costs based on continuous investment in digitisation and systems, supporting ourselves on the economy of scale due to the extensive presence in the main countries.

There are a number of factors that are considered by the Group's Management to make the projections, which are:

- Estimate of external sources specialising in the hotel sector, along with investment banks with reference to the recovery of the hotel sector.
- Knowledge of the business/asset/local situation of the local Management of each Business Unit to which each CGU belongs.
- Historical results obtained by the CGUs.
- Investments in repositioning the CGUs.

These factors are reflected in the cash flows through the following working hypotheses used to obtain the projections:

- Income from accommodation is projected as the product of percentage occupation, and average rate per room ("ADR" Average Daily Rate: is the ratio of the total income from rooms in a specific period divided by the rooms sold in that specific period) and the total rooms available per year.
- The other revenues are projected based on the average of the relationship between the revenue from accommodation and those revenues.
- Personnel expenses are calculated on the basis of the average cost for personnel plus the relevant increase in each country referenced to the collective employment agreement for each year.
- Fixed expenses increase with the inflation forecast in each country according to the International Monetary Fund (IMF) estimate in its report published in October each year for the next 5 years, and variable expenses are projected on the basis of the evolution of income. With respect to energy expenses, a gradual correction downwards has been estimated for 2024-2026 until a return to normal levels prior to the geopolitical conflict in Eastern Europe.
- For its part, tax is calculated from the tax rates applicable in each country.

The discount rates were calculated by a third party using the Weighted Average Cost of Capital (WACC) methodology: Weighted Average Cost of Capital (WACC), as follows:

$$WACC = K_e * E / (E + D) + K_d * (1 - T) * D / (E + D)$$

Where:

Ke: Cost of Equity

Kd: Cost of Debt

E: Equity Amount

D: Debt Amount

T: Tax Rate

The Capital Asset Pricing Model (CAPM) is used to estimate the cost of equity (ke).

The main variables used by a third party to calculate the discount rate are as follows:

- Risk-free rate: the WACC calculation is based on an increased risk-free rate. The risk-free rate is standardised to show the average sustainable performance of the long-term bonds issued by governments and considered to be "safe" (usually those classified as AAA by the main ratings agencies).



- For European countries, a rate of 2% was taken into account as the performance of German government bonds at 15 years, on the valuation date, and a 3% standardisation was extended.
- For non-European countries, the performance of American sovereign debt at 20 years was taken into account which, at the valuation date, was 3.7%. In these countries, the differential of inflation to the USA is also applied.
- Market risks premium: defined at 5.5% for rates in EUR and 6% for USD, based on a wide range of financial information, multiple methodologies and economic and financial market conditions at December 2022.
- Beta or systematic risk: Using a sample of listed companies whose businesses are comparable, the sector's risk differential is estimated in relation to the average risk on the global market. In order to calculate the WACC, a sample of traditional hotel companies is included as a comparison and, in addition, a sample of real estate investment trusts (REITs), for the purpose of reflecting the property contribution to the business. Bloomberg's historic betas were taken as a reference (weekly data at 2 years). Given that these betas are leveraged, they have been de-leveraged taking into account the average historical debt/capital structure for each company over 2 years.
- The capital structure applied was estimated on the basis of the capital structure of the comparable companies, taking the proportion of debt with interest, preferential capital and ordinary capital of these companies that are listed on the stock exchange into consideration. The average capital structure applied is 57% for Own Funds and 43% for Debt.
- In addition, the local rate for corporation tax on the valuation date in each country was considered.
- In order to calculate the Cost of the debt, a debt differential of 2.2% is applied, calculated as the average spread of the group's bond emissions with comparables.

Below are the pre-tax discount rates of the major countries:

	Discount rate before taxes:				
	Germany	Netherlands	Italy	Spain	Colombia
2022	9,89% - 10,64%	7,43% - 8,43%	11,58% - 12,58%	10,29% - 11,29%	15,47%
2021	6,36% - 8,73%	6,17% - 8,35%	8,24% - 10,47%	7,61% - 9,86%	15,02% - 15,98%

The evolution of the key assumptions in hotels with indications of impairment at 31 December in the major countries in euros was as follows:

	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Germany		Netherlands		Italy		Spain		Colombia	
Post-tax WACC	5,5% - 6,25%	4,5% - 6,0%	5,5% - 6,5%	4,5% - 6,25%	7,5% - 8,5%	6,25% - 8,0%	7% - 8%	5,75% - 7,5%	11,5%	10,75% - 11,25%
Growth rate (g)	1,95%	2,03%	2,00%	1,90%	2,00%	1,39%	1,70%	1,70%	2,96%	2,91%
Average ADR (years of projection)	127.6	104.2	91.1	65.6	166.2	136.7	115.3	97.2	63.7	58.9
Average Occupancy Rate (years of projection)	70.8%	72.1%	62.2%	64.4%	68.9%	70.7%	75.0%	73.9%	69.7%	67.2%

The after-tax discount rates used by the Group for these purposes range in Europe from 3.75% (Denmark) to 15.75% (Hungary) (4.5% and 10.25% in 2021) and in Latin America from 9.25% to 17% (9.0% and 14.5% in 2021) without taking into account Argentina, whose after-tax discount rate has been calculated taking into account its hyperinflationary economic situation and varies between 91.75% in 2023 and 35.50% in 2027, and standardised to 17.0% for the perpetuity calculation based on the estimate of inflation. In this regard, the cash flows resulting from the impairment tests were also calculated after tax. In addition, the book value to which the value-in-use is compared does not include any deferred tax liabilities which could be associated with the assets.

Using a post-tax discount rate and post-tax cash flows is consistent with paragraph 51 of IAS 36, which states that "estimated future cash flows will reflect assumptions that are consistent with the manner of determining the discount rate". In addition, the result of the post-tax flows updated at a post-tax discount rate would obtain uniform results with respect to the impairment test if a pre-tax rate were used and, therefore, the impairment and reversion accounting records would be uniform.

## 10.2 Sensitivity analysis

Furthermore, the Group has carried out a sensitivity analysis for each of the CGUs, and for the groups of CGUs where goodwill is allocated.

For each scenario, each hypothesis has been considered individually, recording the impact on impairment for each of them. Scenario 1 is a negative one where the discount rate is raised 100 b.p. above the rate used in the test and a growth rate lower

by 100 b.p., i.e. with minimum growth, and falls in occupancy of 100 b.p. and ADR of 1% which would lead to additional impairment to that registered in 2022.

In the case of Scenario 2, this is a positive one where the discount rate is 100 b.p. below the rate used in the test, a growth rate of 100 b.p., with increases in occupancy of 100 b.p. and ADR of 1% which would lead to lower impairment to that registered in 2022.

A sensitivity analysis of the results of the impairment analysis given variations in the following scenarios, including the impacts that the amendment of each scenario would have without affecting the rest, for the main goodwill, is set out below:

**NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH**

	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	6,25%-7,00%	7,25%-8,00%	(1,436)	5,25%-6,00%	1.663
Growth rate	1,95%-2,00%	0,95%-1,00%	(2,440)	2,95%-3,00%	2.637
Occupancy rate	72,32%-74,93%	71,32%-73,93%	(1,429)	73,32%-74,93%	1.97
ADR (euros)	150,97-157,71	152.8	(1,349)	155.9	1.556

**Grupo Royal**

	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	9,50%-17,00%	10,50%-18,00%	—	—	—
Growth rate	1,00%-3,00%	0,00%-2,00%	—	—	—
Occupancy rate	68.8%	67.8%	—	—	—
Average ADR	77.48	76.7	—	—	—

**Boscolo Group**

	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	7,25%-9,5%	8,25%-10,5%	—	—	—
Growth rate	1,56%-3,19%	0,56%-2,19%	—	—	—
Occupancy rate	73.7%	72.7%	—	—	—
Average ADR	358.40	354.8	—	—	—

In addition, a sensitivity analysis of the results of the impairment analysis of the most significant CGUs that have associated property, plant and equipment, intangible assets and rights of use is set out below:

**Sensitivity analysis of tangible and intangible assets and rights of use**

	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	5,50%-91,75%	6,50%-92,75%	(7.963)	4,50%-90,75%	24.69
Growth rate	1,00%-4,80%	0,00%-3,80%	(7.944)	2,00%-5,80%	17.358
Occupancy rate	69.7%	68.7%	(5.111)	70.1%	6.136
ADR (euros)	147,14	145.7	(4.609)	148.6	2.986

### 10.3 Impairment losses

If the recoverable amount of an asset is estimated to be lower than its carrying amount, the latter is reduced to the recoverable amount by recognising the corresponding reduction through the consolidated statement of profit and loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the limit of the original value at which such asset was recognised before the loss of value was recognised.

The Group recognised a net reversal of impairment losses of 6,815 thousand euros (2,131 thousand euros accrual for impairment in 2021) as summarised below:

- **Property, Plant and Equipment:** an impairment loss of 17,457 thousand euros was recorded in 2022 for certain property, plant and equipment. This impairment mainly relates to hotels in Argentina as a result of the impact of the hyperinflationary economic situation on the net book value of the hotels and cash flows (26,998 thousand euros in 2021). On the other hand, there was a reversal of 21,884 thousand euros resulting from the improvement in future expectations for cash flows, mainly in Southern Europe, recorded under the heading "Gains/(Net losses) from asset impairment" on the consolidated income statement for 2022 (30,882 thousand euros in 2021).
- **Right-of-use assets:** an impairment reversal was recorded for Rights of use of 1,413 thousand euros and an accrual to impairment of 164 thousand euros (Right-of-use impairment reversal of 1,834 thousand euros and an accrual to impairment of 1,410 thousand euros in 2021) (Note 7).
- **Goodwill:** the Group recognised an impairment loss of 2,967 thousand euros on goodwill for NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH (2,916 thousand euros in 2021). This impairment arises from their worsening expectations of future cash flows mainly due to the opening of competitor hotels and the worsening of the outlook.
- **Other intangible assets:** reversals of impairment losses of 4,106 thousand euros (reversals of 739 thousand euros in 2021) were recognised under "Net Gains/(Losses) on asset impairment" of the consolidated income statement for 2022.

The balance of impairment to property, plant and equipment at 31 December is as follows:

	Thousands of euros	
	2022	2021
Spain	3,460	5,129
Italy	36,380	45,831
Germany	9,529	15,759
Benelux	10,674	17,860
Latin America	20,548	6,438
Others	—	66
<b>Total impairment</b>	<b>80,591</b>	<b>91,083</b>

The recoverable amount of the CGUs subject to impairment or reversal (not the entire portfolio of the Group) is as follows:

	Thousands of euros	
	2022	
<b>TOP 10</b>		
UGE 35		73.3
CGU 30		35.0
CGU 36		28.0
CGU 37		26.9
CGU 29		24.4
CGU 32		18.9
CGU 38		14.8
CGU 39		14.7
CGU 40		12.5
CGU 41		9.1
<b>Subtotal</b>		<b>257.6</b>
<b>Other CGUs by country</b>		
Spain		14.5
Italy		34.6
Benelux		12.4
Germany		12.9
LatAm		39.1
Other Countries		2.3
<b>Subtotal</b>		<b>115.8</b>
<b>Total</b>		<b>373.4</b>

## II. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associated companies at the close of the year are shown below:

Company	Activity centre	Share percentage	Relationship nature	Thousands of euros	
				2022	2021
Mil Novecientos Doce, S.A. de C.V.	CDMX, México	25 %	Associate	2,068	2,000
Consortio Grupo Hotelero T2, S.A. de C.V.	CDMX, México	10 %	Associate	1,931	1,567
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla, México	17 %	Associate	139	—
Hotelera del Mar, S.A.	Mar de Plata, Argentina	20 %	Associate	482	645
Borokay Beach, S.L.	Madrid, España	50 %	Associate	929	929
Sotocaribe, S.L.	Madrid, España	36 %	Associate	36,386	35,781
<b>Total</b>				<b>41,935</b>	<b>40,922</b>

The impact recorded on the consolidated statement of profit and loss for the financial year due to consolidation of these holdings was losses of 449 thousand euros (1,447 thousand euros loss in 2021), recorded under the heading "Share of profit/ (Loss) from entities accounted for the equity method". In addition, these holdings increased in 2022 by 1,462 thousand euros due to the effect of the exchange differences and accruals (596 thousand euros in 2021).

On 1 July 2022, the sale was completed of the minority shareholding in the company Kensington Hotel Value Added I, Ltd, for the price of 12 million euros. The net result of the transaction was a consolidated profit of 11 thousand euros (Note 2.9.5). This investment was fully impaired at the end of the 2021 financial year.

The Group's policy on holdings in associated companies consists of ceasing to book losses in these companies if the associated company's consolidated losses attributable to the Group are equivalent to or exceed the cost of its holding in them, provided there are no additional contingencies or guarantees connected with existing losses.

The financial statement of these key companies accounted for using the equity method at year-end is as follows:

Company	Thousands of euros				Equity	Net Profit (Loss)
	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities		
Mil Novecientos Doce, S.A. de C.V.	495	5,992	2,375	7	4,106	(588)
Consorcio Grupo Hotelero T2, S.A. de C.V.	6,395	17,522	2,946	6,995	13,976	1,901
Inmobiliaria 3 Poniente, S.A. de C.V.	903	12,630	546	4,993	7,994	(623)
Hotelera del Mar, S.A.	694	3,462	480	750	2,926	—
Borokay Beach, S.L.	963	1,104	95	115	1,857	—
Sotocaribe, S.L.	10,595	245,484	32,503	48,606	174,970	(494)

## 12. OTHER NON-CURRENT FINANCIAL ASSETS

The composition of this heading on the financial statement was as follows:

	Thousands of euros	
	2022	2021
Financial assets at fair value with change in profit/loss (Note 12.1)	1,340	2,334
Other financial assets at amortised cost (Note 12.2)	35,442	27,872
	<b>36,782</b>	<b>30,206</b>

### 12.1 Financial assets at fair value with change in profit/loss

The breakdown of this heading is as follows:

	Thousands of euros	
	2022	2021
NH Panamá, S.A.	3,767	3,767
Other investments	758	757
Impairment	(3,185)	(2,190)
<b>Total</b>	<b>1,340</b>	<b>2,334</b>

In regard to the fair value of financial assets, it does not differ significantly from its cost.

### 12.2 Other financial assets at amortised cost

The breakdown of this heading is as follows:

	Thousands of euros	
	2022	2021
Subordinated loans to companies owning hotels operated by the Group through leases	10,627	13,038
Loans to associates (Note 25)	—	148
Long-term deposits and sureties	23,016	12,843
Others	1,799	1,843
<b>Total</b>	<b>35,442</b>	<b>27,872</b>

The “Subordinated loans to companies owning hotels operated by the Group through leases” item includes a series of loans granted by the Group to companies which own hotels in countries such as Germany, Austria, the Netherlands, Italy and Spain, and which are operated by the Group under a leasing agreement.

The main features of these agreements are as follows:

- Hotel rentals are not subject to evolution of the inflation rate or to that of any other index.
- The aforementioned subordinated loans accrue interest at a fixed rate of 3% per annum.
- Lease agreements establish a purchase right on properties subject to agreements that, as a general rule, may be executed in the fifth, tenth and fifteenth year from the entry into force of the agreement.
- The model used for these lease agreements has been analysed and independent experts consider them to be operating leases. These hotels are covered by the scope of IFRS 16 and, therefore, from the transition date involve recording a right of use asset and a leasing liability.

The increase in the “Long-term deposits and sureties” line is explained by the advance payments on energy contracts recorded by the Group.

### 13. TRADE DEBTORS AND OTHER RECEIVABLES

This item reflects different accounts receivable from the Group’s operations. Its detail is as follows:

	Thousands of euros	
	2022	2021
Trade receivables for services provided	110,290	56,283
Less: impairment on accounts receivable	(4,398)	(7,319)
<b>Trade receivables</b>	<b>105,892</b>	<b>48,964</b>
<b>Other non-trade debtors</b>	<b>24,385</b>	<b>50,341</b>
<b>Public administration receivables (Note 17)</b>	<b>33,343</b>	<b>31,032</b>
<b>Accounts receivable from related entities (Note 25)</b>	<b>2,414</b>	<b>1,185</b>
<b>Total</b>	<b>166,034</b>	<b>131,522</b>

As a general rule, these receivables do not accrue interest and are due at less than 90 days with no restrictions on how they may be availed.

The movement for impairment on accounts receivable during the year was as follows:

	Thousands of euros	
	2022	2021
Balance at 1 January	7,319	9,025
Conversion differences	6	70
Additions	1,182	1,390
Applications	(4,109)	(3,166)
<b>Balance at 31 December</b>	<b>4,398</b>	<b>7,319</b>

The analysis of the ageing of financial assets in arrears but not considered impaired in the financial year is as follows:

	Thousands of euros	
	2022	2021
Less than 30 days	12,733	2,618
From 31 to 60 days	10,101	3,002
More than 60 days	11,261	3,217
<b>Total</b>	<b>34,095</b>	<b>8,837</b>

In this regard, the impairments recorded take into account all the expected losses on the balances of trade receivables on the financial statement. The remaining accounts included under the accounts receivable heading do not have assets that have undergone impairment.

## 14. CASH AND CASH EQUIVALENTS

The breakdown of this heading is as follows:

	Thousands of euros	
	2022	2021
Cash and banks	183,111	243,930
Short term deposits maturing in under three months	118,652	—
<b>Total</b>	<b>301,763</b>	<b>243,930</b>

These assets are recognised at their fair value.

The Group's liquidity position at 31 December 2022 is based on the following points:

- The group had cash and cash equivalents amounting to 301,763 thousand euros (broken down above).
- Available undrawn credit facilities of 267,000 thousand euros (Note 16).

There are no restrictions on how cash may be used. There are 3,432 thousand euros reserved in accordance with a firm commitment with the co-owners of Hoteles Royal (2,424 thousand euros in 2021) for future investments in the hotels.

As a result of the enactment of Royal Decree 1558/2012 of 15 November, of Article 42 bis of Royal Decree 1065/2007 of 27 July, approving the General Regulations on tax management, inspection and procedures, and implementing the common rules of the procedures for applying taxes, which establishes certain reporting obligations with regard to overseas assets and rights, among others, it is disclosed that some members of the NH Hotel Group S.A. Board of Directors have the right, as representatives or authorised officials, to dispose of bank accounts located abroad, which are in the name of Group companies. The reason certain Board members have the right to dispose of overseas bank accounts is that they are directors or board members of said subsidiaries.

NH Hotel Group S.A. holds other accounting documents, namely the consolidated annual accounts, from which sufficient data can be extracted in relation to the aforementioned accounts.

## 15. EQUITY

### 15.1 Subscribed share capital and issue premium

#### Subscribed capital

NH Hotel Group, S.A. share capital at the end of 2022 comprised 435,745,670 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

The Company increased its share capital and premium by 106.6 million euros in the 2021 financial year with the offset of loans from the main shareholder and preferential subscription rights for the other shareholders, by virtue of the resolutions of the General Shareholders' Meeting held on 30 June 2021.

According to the most recent notifications received by the Parent Company and the communications submitted to the Spanish National Securities Market Commission (CNMV) prior to the end of each reporting period, the main shareholdings at 31 December were as follows:

	2022	2021
Minor International Public Company Limited ("MINT")	94,13%	94,13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd., shares representing 94.13% of the share capital of NH Hotel Group, S.A.

### Share premium

The Capital Companies Act expressly permits the use of the share premium to increase capital and does not establish any specific restrictions as to its use.

### 15.2 Dividends

In 2022 (as mentioned in note 3) and in 2021 the Parent Company did not distribute dividends.

### 15.3 Other Reserves

Sole relates to the legal reserve accrued in accordance with article 274 of the Consolidated Text of the Capital Companies Act, which provides that, in all cases, a figure equal to 10% of the profit for the financial year must go into it until it reaches at least 20% of the share capital.

It may not be distributed and, if it is used to offset losses, in the event that there are no other reserves that are sufficient for that purpose, it must be replenished with future profits.

At 31 December 2022 and 2021 the Parent Company had not accrued the minimum limit provided for in the Consolidated Text of the Capital Companies Act to this reserve.

### 15.4 Treasury shares

At 31 December 2022, the Group had 92,915 own shares, compared to 96,246 own shares at 31 December 2021. The reduction in treasury shares over the period can be explained by the following movement:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract at 31 December 2022 is 92,915 shares and the current amount allocated to the cash account is 329,492 euros. At 31 December 2021, the number of shares assigned to the liquidity contract was 96,246 shares. The negative effect recorded in reserves for operations carried out in 2022 was (471) thousand euros.
- In 2022, the third, and final, cycle (2019-2021) of the Second Long-Term Incentive Plan 2019-2021 for certain executives and personnel was settled (Note 23), which was settled in the first quarter of 2022 with handover of the shares. A purchase of 150,351 treasury shares was made to settle the second cycle, with this amount matching the total number of shares handed over. The total recorded positive impact of these movements on equity was 506 thousand euros.

### 15.5 Accumulated Gains

This heading includes the parent company's profit/(loss) for previous years and the accumulated gains for the remaining companies included within the consolidation perimeter by the various consolidation methods, from when they were incorporated into it, under the "accumulated gains" entry.

The movement under this heading in 2022 mainly related to a decrease of 150 million euros due to the distribution of negative results in the previous year (437 million euros loss in 2021).



## 15.6 Currency translation difference

Exchange differences include the following equity effects: the equity effect caused when converting their respective financial statements to Euros, using the exchange rate conversion at the end of the financial year (8,301 thousand euros) and the re-expression of the financial statements of group Companies operating in hyperinflationary economies due to inflation (3,586 thousand euros).

## 15.7 Non controlling interests

The movements under this heading during the financial year are summarised below:

	Thousands of euros	
	2022	2021
Opening balance	48,998	49,582
Profit (Loss) for the year	4,475	556
Dividends paid to non-controlling interests	—	(166)
Other movements	(316)	(974)
<b>Closing balance</b>	<b>53,157</b>	<b>48,998</b>

The 2021 "Dividends paid to non-controlling interests" item recorded the dividends of 166 thousand euros paid out by the company NH Lagasca, S.A.

## 16. DEBT IN RESPECT OF BOND ISSUES AND BANK BORROWINGS

The balances of the "Bonds and other negotiable securities" and "Debts with credit institutions" items for the financial year were as follows:

	Thousands of euros			
	2022		2021	
	Non Current	Current	Non Current	Current
Guaranteed senior notes	400,000		400,000	
Borrowing costs		7,911		8,089
Arrangement expenses	(3,637)	(1,344)	(4,980)	(1,286)
<b>Debt instruments and other marketable securities</b>	<b>396,363</b>	<b>6,567</b>	<b>395,020</b>	<b>6,803</b>
Unsecured loans	71,690	58,021	326,119	5,089
Subordinated loans	40,000		40,000	
Mortgages	20,341	2,300	20,363	3,071
Credit lines	6,000	11,000	5,000	12,000
Arrangement expenses	(2,744)	(1,011)	(5,108)	(1,356)
Effect of renegotiation of debt NIIF 9	547	258	3,569	1,047
Borrowing costs		1,345		1,430
<b>Bank borrowings</b>	<b>135,834</b>	<b>71,913</b>	<b>389,943</b>	<b>21,281</b>
<b>Total</b>	<b>532,197</b>	<b>78,480</b>	<b>784,963</b>	<b>28,084</b>

The effect of debt movement on the Group's cash flows as reflected in the cash flow statement is affected by non-cash movements generated by exchange rate differences as the group has debts in currencies other than the euro.

### Secured senior bonds maturing in 2026

On 14 June 2021 the Parent Company offered guaranteed senior bonds, which mature in 2026, at the nominal value of 400,000 thousand euros. The nominal annual interest rate for the issue is 4% and the cost of arranging the issue of the bond was 6,896 thousand euros.

After the issue was paid up and closed on 28 June 2021, using the funds received from the issue, the Parent Company paid off the total guaranteed senior notes (the "Bonds") in the amount of 356,850 thousand euros maturing in 2023 early, with a payment of 100.938% of the nominal value of the Bonds subject to repayment.

The outstanding nominal amount at 31 December 2022 was 400,000 thousand euros.

### Secured credit line

On 22 September 2016, the Parent Company and NH Finance, S.A. entered into a revolving business credit with credit institutions amounting to 250,000 thousand euros ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior notes maturing in 2019. As a consequence of the refinancing of the guaranteed senior notes maturing in 2019, which took place in 2017, the maturity date of said financing was extended to 29 September 2021.

On 16 October 2020, the Parent Company and NH Finance, S.A. agreed the extension of the maturity of the finance to 29 March 2023, with a limit of 236,000 thousand euros.

On 29 June 2021, the Parent Company and NH Finance, S.A. agreed an additional extension of the maturity of the finance to 31 March 2026, with a limit of 242,000 thousand euros. On 1 December 2022, the company NH Finance S.A. was liquidated with the Parent Company being the sole borrower.

At 31 December 2022, the total amount of 242,000 thousand euros of this financing was available.

### Unsecured loans

#### ■ Syndicated ICO backed loan maturing in 2026

On 29 April 2020, the Group entered into a loan for 250,000 thousand euros over 3 years, with no repayments until maturity.

The contract, within the legal framework established by the Spanish government to mitigate the economic impact of Covid-19, received a guarantee granted by the Spanish state.

On 29 April 2021, on the basis of Royal Decree Law 34/2020 approved in November 2020, the Parent Company agreed the extension of this financing with the loan institutions until 2026, with no partial repayments until maturity.

In August 2022, the Parent Company requested voluntary early repayment of the loan for a total of 100,000 thousand euros. Furthermore, in December 2022, the Parent Company requested another voluntary early repayment of the loan for a total of 100,000 thousand euros. Both repayments were made with cash available at the Company.

At 31 December 2022, the outstanding nominal amount of this financing was 50,000 thousand euros, which was paid back in full in January 2023 (Note 30).

#### ■ Other non-guaranteed loans

- In May 2020, the parent company signed a bilateral loan for 10,000 thousand euros over 2 years, within the legal framework provided by the Spanish state to mitigate the economic impact of Covid-19 and, in this way, receiving the ICO guarantee. In May 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of May 2025. At 31 December 2022, the outstanding nominal amount of this financing was 8,333 thousand euros.
- In July 2020, the parent company signed a bilateral loan for 7,500 thousand euros over 3 years, within the legal framework provided by the Spanish state to mitigate the economic impact of Covid-19 and, in this way, receiving the ICO guarantee. In April 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of July 2026. At 31 December 2022, the outstanding nominal amount of this financing was 6,743 thousand euros.
- In October 2020 the Italian subsidiary NH Italia Spa signed a bilateral loan for 15,000 thousand euros over 6 years, within the legal framework provided by the Italian state to mitigate the economic impact of Covid-19 and, in this way, receiving the State guarantee (SACE). At 31 December 2022, the outstanding nominal amount of this financing was 15,000 thousand euros.
- Furthermore, various bilateral loans were signed between June and September 2020 in different regions (Portugal and Chile) to mitigate the economic impact of the pandemic. At 31 December 2022 the total amount drawn down from these loans was 2,155 thousand euros.

Subsidiaries of the Parent Company have other unsecured bilateral loans, including a loan from the American subsidiary of 50,000 thousand dollars (46,878 thousand euros at December 2022) signed in 2018, fully drawn down at 31 December 2022 and maturing in July 2023. These funds were used to finance the New York hotel's capex. The remaining bilateral loans are distributed amongst the companies in Colombia and, at 31 December 2022, the amount drawn down was 602 thousand euros.

## Subordinated loan

A loan amounting to 40,000 thousand euros fully drawn at 31 December 2022 and with a single maturity and repayment in 2037, are included in this item. The interest rate on this loan is the 3-month Euribor plus a spread.

## Mortgages

The detail of the mortgage loans and credits is as follows:

		Thousands of euros			Net book value of the mortgaged asset
		2022			
	Mortgaged asset	Fixed rate	Variable interest	Total	
Spain	Wilan Ander	3,362	—	3,362	4,218
	Wilan Huel	2,408	—	2,408	4,122
	NH Palacio de la Merced	—	2,018	2,018	15,031
<b>Total Spain</b>		<b>5,770</b>	<b>2,018</b>	<b>7,788</b>	<b>23,371</b>
Chile	NH Plaza de Santiago	14,853	—	14,853	14,888
<b>Total Other</b>		<b>14,853</b>	<b>—</b>	<b>14,853</b>	<b>14,888</b>
<b>Total</b>		<b>20,623</b>	<b>2,018</b>	<b>22,641</b>	<b>38,259</b>

		Thousands of euros			Net book value of the mortgaged asset
		2021			
	Mortgaged asset	Fixed rate	Variable interest	Total	
Spain	Wilan Ander	3,714	—	3,714	4,668
	Wilan Huel	2,661	—	2,661	4,985
	NH Palacio de la Merced	—	2,620	2,620	15,243
<b>Total Spain</b>		<b>6,375</b>	<b>2,620</b>	<b>8,995</b>	<b>24,896</b>
Chile	NH Plaza de Santiago	14,439	—	14,439	14,346
<b>Total Other</b>		<b>14,439</b>	<b>—</b>	<b>14,439</b>	<b>14,346</b>
<b>Total</b>		<b>20,814</b>	<b>2,620</b>	<b>23,434</b>	<b>39,242</b>

## Bilateral credit lines

At 31 December 2022, the balances under this item include the amount drawn down from credit facilities. The joint limit of these loan agreements and credit facilities at 31 December 2022 amounted to 42,000 thousand euros, of which 17,000 thousand euros had been drawn down at that date.

## Obligations required in the senior notes contracts maturing in 2026, the syndicated credit line and the syndicated loan with ICO guarantee maturing in 2026

The senior notes maturing in 2026, the syndicated credit line maturing in 2026 and the syndicated loan guaranteed by ICO maturing in 2026 require the fulfilment of a series of obligations and limitations of essentially homogeneous content as regards the assumption of additional borrowing or provision of guarantees in favour of third parties, the granting of real guarantees on assets, the sale of assets, investments that are permitted, restricted payments (including the distribution of dividends to shareholders), transactions between related parties, corporate transactions and disclosure obligations. These obligations are detailed in the issue prospectus for the aforementioned notes, as well as in the credit agreement of the syndicated credit line.

The syndicated credit line and the syndicated loan with the ICO guarantee require compliance with financial ratios (financial covenants); in particular, (i) an interest coverage ratio of > 2.00x, (ii) a net indebtedness ratio of < 5.50x.

Furthermore, the senior notes maturing in 2026 and the syndicated credit line require fulfilment of a Loan to Value ("LTV") ratio that depends on NH's net debt level at any time as shown below:

- Net debt-to-income ratio > 4.00x: LTV ratio = 70%
- Net debt-to-income ratios ≤ 4.00x: LTV ratio = 85%
- Net debt-to-income ratio ≤ 3.50x: LTV ratio = 100%

Until 31 December 2022, the Parent Company had a waiver on compliance with the financial covenants for the syndicated credit line and the syndicated loan with the ICO guarantee.

### Package of guaranteed senior bonds maturing in 2026 and syndicated credit line maturing in 2026

The guaranteed senior notes maturing in 2026 and syndicated credit line maturing in 2026 share the following guarantees: (i) pledge of shares: 100% of the share capital of (A) Diegem, (B) Immo Hotel Brugge NV, (C) Immo Hotel Diegem NV, (D) Immo Hotel Mechelen NV, (E) Immo Hotel Stephanie NV, (F) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V. and (G) NH Italia, S.p.A.; (ii) first-tier mortgage guarantee on the following hotels located in the Netherlands: NH Conference Centre Koningshof owned by Koningshof, B.V.; NH Conference Centre Leeuwenhorst owned by Leeuwenhorst Congres Center, B.V.; NH Zoetermeer owned by Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.; NH Conference Centre SparreNHorst owned by SparreNHorst, B.V.; NH Capelle owed by Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.; and the joint guarantee on first demand of the main operating companies in the group wholly owned by the Parent Company.

The net book value of the assets granted as mortgage security against the syndicated credit line (242,000 thousand euros fully available at 31 December 2022) and guaranteed senior notes in the amount of 400,000 thousand euros, maturing in 2026, can be broken down as follows:

	Thousands of euros
	Net book value
NH Conference Centre Leeuwenhorst	54,139
NH Conference Centre Koningshof	37,278
NH Conference Centre Sparrenhorst	6,116
NH Zoetermeer	7,052
NH Capelle	6,134
<b>Total</b>	<b>110,719</b>
<b>Net value of assets assigned as mortgage collateral</b>	<b>110,719</b>
<b>Value of guaranteed debt</b>	<b>400,000</b>
<b>Fixed interest</b>	<b>400,000</b>
<b>Variable interest</b>	<b>—</b>

### Limitation on the distribution of Dividends

The guaranteed "senior" bonds maturing in 2026, the revolving syndicated credit line maturing in 2026 and the ICO backed syndicated loan and bilateral loan maturing in 2026 described above contain clauses limiting the distribution of dividends.

In the case of the senior bonds maturing in 2026, in general, distribution of dividends is allowed as long as (a) there is no current non-compliance and one is not produced as a result of the distribution; (b) the interest coverage ratio pro forma taking into account the planned distribution would be  $> 2.0x$ ; and (c) the total restricted payments (including, amongst others, certain restricted investments, early repayments of subordinated debt, share buy-backs, payments in cash for subordinated debt to controlling shareholders, or persons associated with them, and other forms of remuneration to shareholders in their position as such) made from the offer date (14 June 2021) must be lower than the total of, amongst other entries, (i) 50% of NH Group's consolidated net income from the first day of the full quarter immediately prior to the offer date up to the date of the full quarter nearest to the distribution date for which the quarterly accounts are available, although when calculating the net income, 100% of the consolidated net losses for that period must be deducted, with the exception of losses prior to 31 March 2022 (this is what is known as the "CNI builder basket"), and (ii) 100% of the net contributions to NH Group's capital since the offer date.

Additionally, as an alternative and without having to be in compliance with the previous condition, NH Group may distribute dividends and make other restricted payments without any limit on the amount as long as the leverage ratio (gross debt/EBITDA) pro forma taking into account the intended restricted payment should not be higher than 4.5x.

Finally, and also alternatively and without having to be concurrent with the previous ones, the notes maturing in 2026 establish a franchise to be able to make restricted payments (including dividends) without needing to comply with any specific requirement, for a total aggregate amount of 25,000 thousand euros from the issue date.

In the case of the syndicated credit line, the distribution of dividends or other forms of remuneration to shareholders were not allowed while the waiver on complying with financial ratios (financial covenants) was in still in force until December 2022. After that date, according to the syndicated credit line, the distribution of a percentage of the NH Group's consolidated net profit from the previous year is allowed, provided that there has been no breach of the relevant financing agreement and the net financial debt (through the dividend payment or other type of distribution)/EBITDA ratio is less than

4.0x. The amount that may be distributed depends on the net financial debt/EBITDA ratio (pro forma taking into account the dividend payment or other type of distribution) in accordance with the following breakdown:

- Net Financial Debt/EBITDA ≤ 4.0x: Percentage of consolidated net profit: 75%
- Net Financial Debt/EBITDA ≤ 3.5x: Percentage of consolidated net profit: 100%
- Net Financial Debt/EBITDA ≤ 3.0x: Percentage of consolidated net profit: unlimited

All these metrics are calculated using consolidated data.

At 31 December 2022, the ratios for the distribution of dividends this year were met.

### Contractual maturity schedule

The details by maturity are as follows:

As of 31/12/2022	Maturity schedule								
	Thousands of euros	Limit / granted	Available	Disposed	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Mortgage loans</b>	<b>22,641</b>	—	<b>22,641</b>	<b>2,300</b>	<b>6,011</b>	<b>1,336</b>	<b>866</b>	<b>885</b>	<b>11,243</b>
Fixed rate	19,415	—	19,415	1,636	5,338	649	650	813	10,329
Variable interest	3,226	—	3,226	664	673	687	216	72	914
<b>Subordinated loans</b>	<b>40,000</b>	—	<b>40,000</b>	—	—	—	—	—	<b>40,000</b>
Variable interest	40,000	—	40,000	—	—	—	—	—	40,000
<b>Guaranteed senior notes mat. in 2026</b>	<b>400,000</b>	—	<b>400,000</b>	—	—	—	<b>400,000</b>	—	—
Fixed rate	400,000	—	400,000	—	—	—	400,000	—	—
<b>Unsecured loans</b>	<b>129,711</b>	—	<b>129,711</b>	<b>58,021</b>	<b>9,674</b>	<b>7,855</b>	<b>54,161</b>	—	—
Fixed rate	7,075	—	7,075	2,172	1,872	1,905	1,126	—	—
Variable interest	122,636	—	122,636	55,849	7,802	5,950	53,035	—	—
<b>Secured credit line</b>	<b>242,000</b>	<b>242,000</b>	—	—	—	—	—	—	—
Variable interest	242,000	242,000	—	—	—	—	—	—	—
<b>Credit lines</b>	<b>42,000</b>	<b>25,000</b>	<b>17,000</b>	<b>11,000</b>	<b>5,000</b>	<b>1,000</b>	—	—	—
Variable interest	42,000	25,000	17,000	11,000	5,000	1,000	—	—	—
<b>Indebtedness at 31/12/2022</b>	<b>876,352</b>	<b>267,000</b>	<b>609,352</b>	<b>71,321</b>	<b>20,685</b>	<b>10,191</b>	<b>455,027</b>	<b>885</b>	<b>51,243</b>
Arrangement expenses	(8,737)	—	(8,737)	(2,356)	(2,455)	(2,556)	(1,073)	(30)	(267)
IFRS 9	806	—	806	258	243	230	75	—	—
Borrowing costs	9,256	—	9,256	9,256	—	—	—	—	—
<b>Adjusted total debt at 31/12/2022</b>	<b>877,677</b>	<b>267,000</b>	<b>610,677</b>	<b>78,479</b>	<b>18,473</b>	<b>7,865</b>	<b>454,029</b>	<b>855</b>	<b>50,976</b>
<b>Adjusted total debt at 31/12/2021</b>	<b>1,080,047</b>	<b>267,000</b>	<b>813,047</b>	<b>28,084</b>	<b>57,713</b>	<b>13,841</b>	<b>9,198</b>	<b>654,074</b>	<b>50,137</b>

At 31 December 2022, the average cost of the gross drawdown amount of the Group was 4.2% (3.5% in 2021).

The detail for maturities of the debt for operating leases without discounting is as follows (in thousands of euros):

	Total liabilities	Maturities						
		2022	2023	2024	2025	2026	2027	Resto
Gross lease payments 31/12/2022	2,698,525	—	258,657	244,428	226,713	210,891	182,315	1,575,521
Gross lease payments 31/12/2021	2,728,004	250,149	236,321	222,303	206,872	191,944	164,584	1,455,830

## Net Debt

The detail of net debt at 31 December 2022 was as follows:

Net Debt	Thousands of euros	
	2022	2021
Cash and cash equivalents	301,763	243,930
Financial debt (Long and short term)	(610,677)	(813,047)
Lease liabilities (Note 8)	(1,895,592)	(1,925,353)
<b>Net Debt</b>	<b>(2,204,506)</b>	<b>(2,494,470)</b>
<b>Cash and liquid investments</b>	<b>301,763</b>	<b>243,930</b>
Gross debt - fixed interest rates	(2,325,085)	(2,355,153)
Gross debt - variable interest rates	(181,184)	(383,247)

## 17.- TAX NOTE

### Tax consolidation scheme

The Group operates in many countries and is therefore subject to the regulations of different tax jurisdictions regarding taxation and corporate income tax.

NH Hotel Group, S.A. and the companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2022 tax period are subject to the tax consolidation scheme governed by Title VII, Chapter VI of Law 27/2014 on Corporate Income Tax.

The companies belonging to the tax group have signed an agreement to share the tax burden. Hence, the Parent Company settles any credits and debts which arise with subsidiary companies due to the negative and positive tax bases these contribute to the tax group.

The companies that make up the tax consolidation group are the following:

NH Hotel Group, S.A.	NH Europa, S.L.
Latinoamericana de Gestión Hotelera, S.L.	NH Atardecer Caribeño, S.A.
NH Central Reservation Office, S.A.	Gestora Hotelera del Siglo XXI, S.A.
NH Hoteles España, S.A.	Nuevos Espacios Hoteleros, S.A.
NH Hotel Ciutat de Reus, S.A.	Coperama Holding, S.L.
Gran Círculo de Madrid, S.A.	Coperama Spain, S.L.
Iberinterbrokers, S.L.	NH Las Palmas, S.A.
Wilan Ander, S.L.	NH Lagasca, S.A.
Palacio de la Merced, S.A.	Wilan Huel S.L.
NH Cash Link, S.L.U.	

Corporation tax is calculated on the financial or accounting profit or loss resulting from the application of generally accepted accounted standards in each country, and does not necessarily coincide with the tax result, this being construed as the tax base.

In 2022, Spanish companies pay taxes at the general tax rate of 25% irrespective of whether they apply the consolidated or separate taxation schemes. The foreign companies are subject to the prevailing tax rate in the countries where they are domiciled. In addition, taxes are recognised in some countries at the estimated minimum profit on a complementary basis to Corporation Tax.

The prevailing corporation tax rates applicable to Group companies in the different jurisdictions where the Group has significant operations are as follows:

Country	Nominal Rate	Country	Nominal Rate
Germany	30%	Italy	24%
Argentina	25%-35%	Luxembourg	24.9%
Austria	25%	Mexico	30%
Belgium	25%	Netherlands	25.8%
Brazil	34%	Poland	19%
Chile	27%	Portugal	21%
Colombia	35%	Romania	16%
Czech Rep	19%	South Africa	28%
Dominican Rep.	27%	Spain	25%
Ecuador	25%	Switzerland	8.5%
France	25%	United Kingdom	19%
Hungary	9%	Uruguay	25%
Ireland	12.5%	USA	21%

### Financial years subject to tax inspection

In accordance with Spanish tax legislation, the years open for review to the Consolidated Tax Group are:

Tax	Tax loss carryforwards
Corporation	2018 a 2021
VAT	2019 a 2022
IRPF (personal income tax)	2019 a 2022
Non-resident Income Tax	2019 a 2022

In Germany, an inspection procedure has been opened which is reviewing the amount of negative tax bases still to be offset by the companies. Furthermore, a verification file, initiated in 2021, is still open for all the taxes in some of the German companies which covers the 2015 to 2018 financial years.

In Switzerland, a verification file, initiated in 2021, is still open for Corporation tax which covers the 2016 to 2020 financial years.

Finally, an inspection procedure has been opened in Colombia focused on the deductions of certain Corporation Tax expenses.

The Group's Directors do not expect any significant contingencies to arise from the conclusions of the inspections.

Regarding the financial years open to inspection in the rest of the group, contingent liabilities not susceptible to objective quantification may exist, which are not significant in the opinion of the Group's Directors. Moreover, the Company considers that there are no significant uncertain tax positions.

## Balances with Public Administrations

The composition of the asset balances with Public Administrations at 31 December is as follows:

	Thousands of euros	
	2022	2021
<b>Deferred tax assets</b>		
Tax credits	132,343	162,789
Tax assets due to asset impairment	46,648	46,205
Tax withholdings of workforce	2,495	2,647
Other prepaid taxes	1,080	1,346
IFRS 16	75,779	81,018
<b>Total</b>	<b>258,345</b>	<b>294,005</b>

	Thousands of euros	
	2022	2021
<b>Short-term taxes receivable</b>		
Current income tax paid	10,974	4,740
Value Added Tax	28,017	27,504
Other tax receivables	5,326	3,528
<b>Total</b>	<b>44,317</b>	<b>35,772</b>

The movements of the "Deferred tax assets" heading in the year were as follows:

	Thousands of euros	
	2022	2021
<b>Opening balance</b>	<b>294,005</b>	<b>273,013</b>
Asset impairment	443	4,350
Generation of assets due to tax losses	—	27,006
Settlements of assets due to tax losses	(30,446)	(1,897)
IFRS 16 (Note 7)	(5,239)	(13,402)
Others	(418)	4,935
<b>Total</b>	<b>258,345</b>	<b>294,005</b>

All these impacts have had an effect on the consolidated statement of profit and loss except for some non-significant impacts that have resulted in changes to the consolidated statement of changes in equity.

The decrease in deferred tax assets is mainly due to the generation of assets due to tax losses and the deferral associated with IFRS 16.

At 31 December 2022, the Group had assets resulting from tax losses and deductions amounting to 132,343 thousand euros (162,789 thousand euros in 2021). Out of the total tax credits, 74,490 thousand euros (77,170 thousand euros in 2021) relate to credits activated in Spain.

In 2022, the movement of tax credit assets that impacted the consolidated statement of profit and loss was 30,446 thousand euros, caused by the cancellation of assets, mainly in Italy (22,052 thousand euros), Holland (3,103 thousand euros), Spain (2,680 thousand euros), Germany (1,032 thousand euros), Latin America (972 thousand euros) and Portugal (598 thousand euros).

At 31 December 2022, the Group had tax loss and non-deductible financial expenses carryforwards worth 205,656 thousand euros (204,723 thousand euros at 31 December 2021) and deductions amounting to 2,577 thousand euros (2,823 thousand euros in 2021) that had not been entered in the accompanying consolidated statement of financial position because the



Directors considered they did not meet accounting standard requirements. These assets are grouped as follows (rate amount):

	Thousands of euros	
	2022	2021
Non-deductible financial expenses in Spain	55,665	58,558
Negative tax bases generated by the Spanish entities before their inclusion in the Spanish consolidation group	25,703	25,703
Spanish consolidation group tax loss carryforwards	33,856	33,845
Negative tax bases generated in Belgium	6,343	6,242
Negative tax bases generated in Luxembourg	3,543	10,664
Negative tax bases generated in Germany	33,288	34,697
Negative tax bases generated in Austria	10,702	10,204
Negative tax bases generated in Switzerland	1,948	1,886
Negative tax bases generated in Latin America	3,896	4,545
Negative tax bases USA	9,363	8,817
Negative tax bases France	4,907	5,058
Other negative tax bases	16,442	4,504
<b>Total credit for negative tax bases and financial expenses</b>	<b>205,656</b>	<b>204,723</b>
Deductions generated in Spain	2,577	2,823
<b>Total deductions</b>	<b>2,577</b>	<b>2,823</b>
<b>Total non-activated tax credits</b>	<b>208,233</b>	<b>207,546</b>

The amount of credit for finance costs, which are not considered deductible in the Spanish corporate income tax when exceeding 30% of the operating revenue of the tax group calculated in accordance with Article 16 of Law 27/2014 of 27 December, on Corporate Income Tax, amounted to 55,665 thousand euros at 31 December 2022 (58,558 thousand euros in 2021). There is no deadline for offsetting non-deductible finance costs.

The composition of the liability balances with Public Administrations at 31 December is as follows::

	Thousands of euros	
	2022	2021
<b>Deferred tax liabilities</b>		
Assets revaluation	192,030	186,359
<b>Total</b>	<b>192,030</b>	<b>186,359</b>

	Thousands of euros	
	2022	2021
<b>Short-term taxes payable</b>		
Current income tax paid	14,580	1,361
Value Added Tax	4,641	1,538
Personal Income Tax	7,797	4,544
Tax on Income from Capital	1,074	1,129
Social Security	9,028	7,783
Others	15,385	15,785
<b>Total</b>	<b>52,505</b>	<b>32,140</b>

The movements in deferred tax liabilities during the year were as follows:

	Thousands of euros	
	2022	2021
<b>Opening balance</b>	<b>186,359</b>	<b>171,519</b>
IAS 29 Hyperinflationary economies	8,622	5,435
Update rate change in Argentina	—	9,915
Others	(2,951)	(510)
<b>Closing balance</b>	<b>192,030</b>	<b>186,359</b>

The increase in deferred tax liabilities is mainly due to the increase in deferred tax associated with the revaluation of assets in Argentina, due to application of IAS29, amounting to 8,622 thousand euros (5,435 thousand euros in 2021).

With respect to deferred tax liabilities, in the United States a deferred tax liability has arisen for 11,086 thousand euros as a result of applying accelerated depreciation to some assets. For its part, the temporary negative adjustment has generated a larger negative tax base that will be applied when the company reverses the temporary adjustment, involving a net effect for the Group.

All these impacts have had an effect on the Consolidated statement of profit and loss except for some non-significant impacts that have resulted in changes to the consolidated statement of changes in equity.

The detail, by country and item, of these deferred taxes is as follows:

	2022			
	Thousands of euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	74,490	27,602	102,092	19,765
Benelux	18,600	24,979	43,579	17,979
Italy	5,285	21,281	26,566	92,204
Germany	21,697	40,829	62,526	1,900
Others	12,271	11,311	23,582	60,182
<b>Total</b>	<b>132,343</b>	<b>126,002</b>	<b>258,345</b>	<b>192,030</b>

	2021			
	Thousands of euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	77,170	32,670	109,840	20,041
Benelux	21,703	27,521	49,224	18,768
Italy	27,337	15,139	42,476	91,855
Germany	22,729	44,027	66,756	3,023
Others	13,850	11,859	25,709	52,672
<b>Total</b>	<b>162,789</b>	<b>131,216</b>	<b>294,005</b>	<b>186,359</b>

## Reconciliation of the accounting result to the tax result

The reconciliation between the accounting profit or loss, the corporation tax base, current and deferred tax for the year, is as follows:

	2022						2021		
	Thousands of euros						Thousands of euros		
	Central Services/ Southern Europe and USA	Italy	Benelux	Central Europe	Latin America	TOTAL	Central Services/ Southern Europe and USA	Other Companies	TOTAL
<b>Consolidated statement of profit and loss before taxes</b>	<b>61,298</b>	<b>80,846</b>	<b>43,300</b>	<b>(25,402)</b>	<b>(4,432)</b>	<b>155,611</b>	<b>(34,586)</b>	<b>(110,671)</b>	<b>(145,257)</b>
Adjustments to consolidated profit and loss:									
Due to permanent differences	(40,737)	(52,142)	(13,757)	36,138	(29,663)	(100,161)	64,374	112,592	176,966
Due to temporary differences	(2,793)	(7,090)	(7,891)	(1,914)	38,161	18,472	(4,070)	4,115	45
<b>Tax base (Taxable profit or loss)</b>	<b>17,768</b>	<b>21,614</b>	<b>21,652</b>	<b>8,822</b>	<b>4,066</b>	<b>73,922</b>	<b>25,718</b>	<b>6,036</b>	<b>31,754</b>
Current taxes to be refunded / (to pay)	6,452	(4,884)	(7,505)	(1,017)	3,348	(3,606)	859	2,520	3,379
Total current tax income / (expense)	(4,425)	(5,187)	(5,552)	(1,715)	(1,281)	(18,160)	(6,376)	(1,395)	(7,771)
Total deferred tax income / (expense)	(6,960)	(25,376)	(4,304)	(3,291)	4,984	(34,947)	6,750	10,509	17,259
Total other income / (expense)	(28)	7	7	2	53	41	(89)	(72)	(161)
<b>Total Gains Tax income / (expense)</b>	<b>(11,413)</b>	<b>(30,556)</b>	<b>(9,849)</b>	<b>(5,004)</b>	<b>3,756</b>	<b>(53,066)</b>	<b>285</b>	<b>9,042</b>	<b>9,327</b>

## Deductions generated by the consolidated tax group of the Parent Company

At 31 December 2022, the Tax Group held the following tax credits carryforwards:

Year of origin	Deduction pending application	Amount in thousands of euros
2007 a 2011	Deduction to encourage certain activities	632
2014 a 2021	IT Deduction	1,945
2013 a 2014	Other	277
		<b>2,854</b>

## Pillar 2 Directive

On 15 December, the Pillar 2 Directive was adopted (Directiva UE2022/2523) according to which large multi-nationals with an overall turnover of more than 750 million euros in at least two of the four previous financial years will be subject to a minimum level of taxation of 15% in all territories they are located in. This comes into force on 1 January 2024.

At this time, the Directive is pending transposition in the Member States. It is expected that the first year affected by this regulation will be the year beginning January 1, 2024. The Group is assessing its potential future impact, although, given that it is awaiting transposition, and at a very incipient stage of the regulation (subject to the interpretation of certain considerations in the calculations) no quantitative information is included in this regard.

## 18. OTHER NON-CURRENT LIABILITIES

The details under the "Other non-current liabilities" heading were as follows:

	Thousands of euros	
	2022	2021
At amortised cost:		
Capital subsidies	1,496	1,689
Investment acquisition liability	3,150	3,150
Other liabilities	18,047	17,025
<b>Total</b>	<b>22,693</b>	<b>21,864</b>

"Other liabilities" includes the deferral of various long-term commitments to public authorities for 12,556 thousand euros (10,915 thousand euros in 2021).

## 19. PROVISIONS

The breakdown of "Provisions" for the financial year, together with the main movements recognised were as follows:

	Thousands of euros				Balance at 31/12/2022
	Balance at 1/1/2022	Additions	Applications/ Reversals	Transfers and other changes	
<b>Non-current liabilities:</b>					
Provision for pensions and similar obligations	28,032	7,209	(11,118)	—	24,123
Other claims	16,029	3,568	(1,861)	144	17,880
	<b>44,061</b>	<b>10,777</b>	<b>(12,979)</b>	<b>144</b>	<b>42,003</b>
<b>Current liabilities:</b>					
Other Provisions	3,475	6,584	(2,576)	(144)	7,339
	<b>3,475</b>	<b>6,584</b>	<b>(2,576)</b>	<b>(144)</b>	<b>7,339</b>
<b>Total</b>	<b>47,536</b>	<b>17,361</b>	<b>(15,555)</b>	<b>—</b>	<b>49,342</b>

	Thousands of euros					Balance at 31/12/2021
	Balance at 01/01/2021	Additions	Applications/ Reversals	Business combination	Transfers and other changes	
<b>Non-current liabilities:</b>						
Provision for pensions and similar obligations	29,224	2,907	(4,327)	—	228	28,032
Other claims	18,031	1,374	(3,376)	—	—	16,029
	<b>47,255</b>	<b>4,281</b>	<b>(7,703)</b>	<b>—</b>	<b>228</b>	<b>44,061</b>
<b>Current liabilities:</b>						
Other Provisions	6,277	3,781	(6,207)	(148)	(228)	3,475
	<b>6,277</b>	<b>3,781</b>	<b>(6,207)</b>	<b>(148)</b>	<b>(228)</b>	<b>3,475</b>
<b>Total</b>	<b>53,532</b>	<b>8,062</b>	<b>(13,910)</b>	<b>(148)</b>	<b>—</b>	<b>47,536</b>

### Provision for pensions and similar obligations

The "Provisions for pensions and similar obligations" account mainly includes the pension fund of a certain number of employees of the Netherlands business unit, and the T.F.R. "Trattamento di fine rapporto" in Italy, an amount paid to all workers in Italy at the moment they leave the company for any reason. This is another remuneration element, whose payment is deferred and annually allocated in proportion to fixed and variable remuneration both in kind and in cash, which is valued on a regular basis. The annual amount to be reserved is equivalent to the remuneration amount divided by 13.5. The annual cumulative fund is reviewed at a fixed interest rate of 1.5% plus 75% of the increase in the consumer price index (CPI).

This section includes various retirement, performance related and/or long-stay awards considered in the Collective Bargaining Agreements that are applicable in Spain.

At the end of 2022, the liabilities entered against this item were of 24,123 thousand euros (28,032 thousand euros at 31 December 2021).

The provision includes the impact of changes in its actuarial calculation of 5,462 thousand euros net of tax, as detailed in the comprehensive consolidated statement (1,632 thousand euros in 2021).

The breakdown of the main assumptions used to calculate actuarial liabilities is as follows:

	2022		2021	
	Netherlands	Italy	Netherlands	Italy
Discount rates	3,75%	2,23% - 1,67%	1,0%	0,0% -0,2471%
Expected annual rate of salary rise	2,75%	1,40% - 2,60%	0,50%	2,0%
Expected return from assets allocated to the plan	0,39%	0,04%	0,18%	1,6%

	2022	2021
	Spain	Spain
Discount rates	3,28%- 3,45%	0,39%- 0,76%
Expected annual rate of salary rise	2,5%	1,2%

In 2022, this section has also begun to record the two new long-term incentive plans aimed at the Group's management and personnel (Note 23). These plans consist of the promise to deliver a cash amount to the beneficiaries calculated as a percentage of the fixed salary in accordance with their level of responsibility.

### Other claims

The "Other claims" item includes provisions for disputes and risks that the Group considers likely to occur. Among the most significant are the provisions created on the basis of the action brought in the proceedings claiming breach of contract in a property development, as well as other claims received in relation to the termination of certain leases where certain amounts are claimed (Note 22).

## 20. COMMERCIAL CREDITORS AND OTHER ACCOUNTS PAYABLE

The breakdown of this item in the consolidated statement of financial position at 31 December is as follows:

	Thousands of euros	
	2022	2021
Trade and other payables	264,546	230,641
Advance payments from customers	42,891	26,036
Accounts payable from related entities (Note 25)	2,027	825
Public administration receivables (Note 17)	37,925	30,779
<b>Total</b>	<b>347,389</b>	<b>288,281</b>

"Commercial Creditors and Other Accounts Payable" covers the accounts payable derived from commercial activity typical of the Group. This heading includes 43.236 thousand euros (37,460 euros at 31 December 2021) relating to creditors from confirming transactions.

The "Advance payments from customers" item mainly includes customer deposits arising from the Group's hotel businesses.

**INFORMATION ON DEFERRED PAYMENTS TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DUTY TO REPORT" OF ACT 11/2013 OF 26 JULY**

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified by the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, and Law 18/2022, of 28 September, on the creation and growth of businesses, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

	2022	2021
	Days	
AVERAGE PERIOD FOR PAYMENT TO SUPPLIERS	79	96
RATIO OF PAID TRANSACTIONS	80	97
RATIO OF TRANSACTIONS PENDING PAYMENT	63	80
	Amount (thousands of euros)	
TOTAL PAYMENTS MADE	315,527	271,179
TOTAL PAYMENTS PENDING	23,404	20,018

The above information on payments to suppliers of Spanish companies refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Commercial Creditors and Other Accounts Payable" item in current liabilities of the consolidated statement of financial position.

During 2022 the monetary volume of the invoices paid in less time than the maximum provided for in the bad debt regulations was 139,876 thousand euros, representing 44% of the total monetary volume of the invoices, the number of invoices paid in less time than the maximum provided for in the bad debt regulations was 66 thousand euros, representing 41% of the total volume of invoices;

The average period for payment to suppliers has been calculated using the weighted average of the two ratios explained below:

- Ratio of paid transactions: average payment period of transactions paid in each year weighted by the amount of each transaction.
- Ratio of transactions pending payment: average period between the invoice date and the end of the year weighted by the amount of each transaction.

Due to the impact of the Covid-19 pandemic on the demand for hotels, the Company has exceeded the maximum period for payment to trade suppliers legally set at 60 days. This situation is considered to be remediable as various measures are being taken to temporarily resizing resources existing until now, and renegotiating lease agreements and other actions of different types aimed at minimising the impact of the Covid-19 pandemic, which, together with progressive recovery in demand and the business, will enable the legally established ratio to be recovered.

**21. OTHER CURRENT LIABILITIES**

At 31 December, this item is broken down as follows:

	Thousands of euros	
	2022	2021
Outstanding remuneration	60,911	28,695
Other creditors	15,241	11,681
Other liabilities	117	61
<b>Total</b>	<b>76,270</b>	<b>40,437</b>

Outstanding remuneration mainly includes the accrual of fixed and variable salaries which are unpaid, as well as provisions for holidays not taken.

## 22. THIRD-PARTY GUARANTEES AND CLAIMS IN PROGRESS

At 31 December 2022, the Group had a total of 39,114 thousand euros in economic or financial bank guarantees issued by various banks (44,715 thousand euros in 2021).

The decrease in the balance for financial guarantees at 31 December 2022, compared to the balance at 31 December 2021, is mainly due to the release of guarantees issued in favour of Social Security for the deferral of payments by several group companies requested at the beginning of 2021, and others linked to debt obtained in other countries during Covid-19 which were obtained in 2020 and are now fully repaid.

Of the 39,114 thousand euros in bank guarantees, 33,677 thousand euros guarantee leasing contract obligations and others related to the Group's usual operations in various countries, and 5,437 thousand euros are guarantees issued to public bodies for administrative and technical matters..

At 31 December 2022, the Group had taken out insurance policies to cover risks arising from damage to material goods, loss of profits and third-party liability. The capital insured sufficiently covers the assets and risks mentioned above.

### Commitments to third parties

- Within the framework of new development projects in the normal course of business, in which NH Group subsidiaries act as lessees or operators, the Group's parent company gives personal guarantees in favour of third parties to secure its contractual obligations, often issue promissory notes in payment of said obligations and agrees penalty clauses in case of breach of contract.
- Likewise, within the framework of the group's financing, personal and real guarantees have been granted to fulfil the obligations guaranteed under the financing agreements (Note 16).

### Claims in process

The Group's main contingent assets and liabilities on the date these consolidated financial statements were drawn up, are set out below:

- A claim has been filed against a Group company in Germany due to the termination of two lease agreements and claiming specific amounts, including damages.
- A claim has been filed against a Group company in Italy due to the early termination of a lease agreement; the ruling was favourable to the company's interests in the appeal, although it is in judicial review currently in progress.
- A Group company in Italy has been sued for damages under a service provision contract, with the claim being dismissed in the first instance. It is currently at the appeal stage.
- A Group company in South Africa was sued for damages as a result of the termination of a lease agreement, and an agreement was reached between the parties to end the claim.
- A claim has been filed against two of the Group's companies seeking payment fees to rights management from 1 January 2008 to 31 May 2013, in addition to an unspecified amount corresponding to the period thereafter until a judgment is issued, plus interest and costs. The proceedings finalised after the cassation appeal lodged by the claimant was no admitted, with the judgment on appeal that set a lower amount than that claimed became final and this is pending settlement.
- A claim has been filed against a Group company claiming payment in relation to the payment of a management entity's fees for the years 2018, 2019, with the claim in the first instance having been wholly dismissed. The proceedings are currently under appeal.
- A claim has been filed against a Group company for damages within the framework of a corporate relationship, which was wholly dismissed on appeal, although the judgment is still pending becoming final.
- Claims for payment, within the framework of the various processes of rent renegotiation that the Company is in, have been lodged where partially favourable judgments have been obtained, out-of-court settlements have been reached or they are still in progress.
- In the context of a legal proceeding in which the Company requested that the termination of a lease contract be declared lawful, the defendant has answered requesting, among other things, the payment of the rents unpaid as a consequence of the aforementioned termination, and the proceeding is currently pending trial.
- On the occasion of the agreements reached in 2014 for the sale of the shares held by NH Hotel Group, S.A in the company Sotogrande, S.A., the Group agreed to subrogate to the position of Sotogrande, S.A. for certain claims assuming all rights and obligations relating thereto, and are summarised as follows:

- Plaintiff in the proceedings against construction agents for construction defects in twenty-five homes and contractual liability, where partially favourable judgments have been obtained.
- Respondent in the process of claiming amounts from a real estate development due to construction defects, where a partially favourable judgment has been obtained.
- A former shareholder of the Group has requested the annulment of certain resolutions adopted by the Board of Directors. The claim was wholly dismissed and the proceedings are currently under appeal.
- As part of the contractual liability assumed by the Group in a hotel purchase contract in Holland, the buyers informed the Group of the requirement to pay the Dutch Transfer Tax. The Group and the purchasers reached an agreement whereby the Group assumed the control and results of the judicial procedure. In this matter, the purchasers submitted an appeal to the Dutch Treasury that was rejected and an appeal was filed with the Courts, with the hearing being held on 22 June 2022. As a result of the hearing, the parties reached an agreement to put an end to the claim which materialised as an act with an agreement in the last quarter of 2022. This was paid on 4 January 2023, amounting to 5,791 thousand euros, which was fully provided for at the close of the financial year (Note 19).

The Directors of the Parent Company consider that the hypothetical loss incurred by the Group as a result of such actions would not significantly affect the equity of the Group.

### 23. LONG-TERM INCENTIVE PLAN

On 29 June 2017, the Company's General Shareholders Meeting approved the second long-term share-based incentive plan ("the plan") aimed at the Group's management and personnel. The Plan was approved retroactively from 1 January 2017, it will have a total duration of five years, divided into three - independent of each other - three-year cycles.

The plan consisted of the grant of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of the fixed salary, according to their level of responsibility. The number of shares to be granted was subject to the degree of fulfilment of the following objectives:

- TSR (total shareholder return) at the end of each of the Plan's cycles, comparing the performance of NH Hotel Group, S.A. shares with the STOXX® Europe 600 Travel & Leisure share index
- Revaluation of the Share
- Recurring Net Profit
- Recurring EBITDA

The beneficiaries must remain in the Group at the end of each cycle, notwithstanding the exceptions deemed appropriate, as well as achieving the minimum thresholds for each of the objectives.

The Plan targeted approximately 100 beneficiaries.

The current cycles at 31 December 2022 are:

	No. of Shares Assigned at the start of each cycle (Thousands)	No. of live shares at 31.12.2022 (Thousands)	Value of the allocation (Euros)
The first cycle began on 1/1/2017 (delivery in 2020 (concluded))	720,87	—	3,80
The second cycle began on 01/01/2018 (delivery in 2021 (concluded))	517,96	—	5,96
The third cycle began on 01/01/2019 (delivered in 2022 (concluded))	879,25	—	3,96

The second cycle (2019-2021) of the third, and final, long-term incentive plan was settled in the first half of 2022 with the delivery of 150,351 net shares at a fair value per unit of 3.62 euros. The settlement of this Plan was made net of taxes.

The maximum amount approved by the General Shareholders' Meeting for the three cycles of the second Plan is 16,200 thousand euros.

At the date this report is published there are no Long-Term share-based Incentives that have not been finalised and settled.

During the first quarter of 2022 two new Long-Term Incentive Plans were launched. A long-term Incentive Plan was approved for a total duration of five years, divided into three - independent of each other - three-year cycles. And a long-term Incentive Plan with a single cycle lasting two years.



Both plans consist of the promise to deliver a cash amount to the beneficiaries calculated as a percentage of the fixed salary in accordance with their level of responsibility. The final amount to be delivered is conditional on the level of Recurring EBITDA achievement in each year of the plan.

Furthermore, for yearly calculation of the achievement of the target EBITDA in both Long-Term schemes, it is an indispensable condition that the Recurring Net Profit for the year is zero or more. Otherwise, the level of achievement of the target EBITDA for the year will be 0.

The beneficiaries must remain in the Group at the end of each cycle, notwithstanding the exceptions deemed appropriate, as well as achieving the minimum thresholds for each of the objectives.

The Plan is aimed at approximately 100 beneficiaries.

The effect of these Plans on the consolidated statement of profit and loss for 2022 was 2,552 thousand euros (958 thousand euros in 2021).

## 24. INCOME AND EXPENSES

### 24.1 Income

The breakdown of these headings in the consolidated income statements is as follows:

	Thousands of euros	
	2022	2021
Hotel occupancy	1,260,486	522,778
Catering	302,450	146,680
Meeting rooms and others	109,566	52,169
Rentals and other services	49,855	24,857
<b>Revenue</b>	<b>1,722,357</b>	<b>746,484</b>
Operating subsidies	33,218	82,690
Other operating income	4,809	4,250
<b>Other income</b>	<b>38,027</b>	<b>86,940</b>
<b>Net gains on disposal of non-current assets</b>	<b>2,771</b>	<b>65,108</b>
<b>TOTAL INCOME</b>	<b>1,763,155</b>	<b>898,532</b>

The increase in net turnover arose from the recovery of the business after the pandemic caused by Covid-19.

Aid received of 33.2 million euros has been recorded under the Operating subsidies line, which mainly relates to subsidies received from the German and Italian governments to offset the drop in sales caused by Covid-19. Out these subsidies, 12 million euros recorded under the "Other non-trade debtors" are currently pending receipt.

"Rentals and Other Services" includes the income from fees invoiced to hotels operated on a management basis and the services provided by the Group to third parties.

The breakdown of net turnover by geographical markets is as follows:

	Thousands of euros	
	2022	2021
Italy	350,930	159,542
Southern Europe and USA	525,798	263,988
Central Europe	354,025	148,584
Benelux	372,333	128,777
Latin America	118,593	45,532
Central Services	678	61
<b>Total</b>	<b>1,722,357</b>	<b>746,484</b>

## 24.2 Operating profit (loss)

### Staff costs

This item in the consolidated statement of profit and loss is broken down as follows:

	Thousands of euros	
	2022	2021
Wages, salaries and similar	336,094	191,794
Social security contributions	79,315	48,802
Severance payments	937	9,941
Contributions to pension plans and similar	11,359	10,188
Other social expenses	13,438	7,889
<b>Total</b>	<b>441,143</b>	<b>268,614</b>

The increase in personnel expenses is explained by the contingency plans the Group made during the 2021 financial year to palliate the drop in sales, such as voluntary reductions in working hours and salary. In addition, less savings were recorded as a result of the subsidies or allowances received from the Governments, which were 12,103 thousand euros on the wages and salaries line and 498 thousand euros on the social security contributions line (42,302 thousand euros on the wages and salaries line and 26,849 thousand euros on the social security contributions line in 2021).

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in the year broken down by professional category was as follows:

	2022	2021
Group's general management	8	8
Managers and heads of department	1,454	1,433
Technical staff	929	880
Sales representatives	699	631
Administrative staff	135	144
Rest of workforce	7,770	6,976
<b>Total</b>	<b>10,995</b>	<b>10,072</b>

In calculating the average number of employees, the Group has not taken into account employees whose contracts have a duration of less than two days. The increase in the average number of employees is explained by the reactivation of the business after Covid-19.

The breakdown of the personnel at 31 December, by gender and professional category, is as follows:

	2022		2021	
	Males	Females	Males	Females
Group's general management	6	2	7	1
Managers and heads of department	864	647	816	619
Technical staff	514	493	464	425
Sales representatives	257	580	175	470
Administrative staff	49	94	48	82
Rest of workforce	4,321	4,624	3,747	3,989
<b>Total</b>	<b>6,011</b>	<b>6,440</b>	<b>5,257</b>	<b>5,586</b>

The average number of people with disabilities equivalent to or greater than 33%, directly employed by the Parent Company and fully consolidated companies in Spain in the year, broken down by professional category, is as follows:

	2022	2021
Managers and heads of department	4	—
Technical staff	12	9
Sales representatives	2	2
Administrative staff	4	10
Rest of workforce	79	64
<b>Total</b>	<b>101</b>	<b>85</b>

The average age of the Group's workforce was approximately 40.6 and average seniority in the Group was 9.3 years (41.1 years and 10.5 years respectively in 2021).

### Other operating expenses

The composition of this consolidated income heading is as follows:

	Thousands of euros	
	2022	2021
Leasing (Note 7)	126,541	(16,692)
Outsourcing of services	124,356	57,063
Commissions and bonuses for customers	103,919	46,013
Supplies	69,999	48,182
Maintenance and cleaning	49,763	32,586
Laundry and related costs	38,647	19,152
Costs associated with information technologies	37,372	32,410
Marketing and merchandising	20,107	11,055
Taxes, insurance and levies	33,854	27,867
Advisory services	17,970	13,779
Other external services	96,677	47,181
<b>Total</b>	<b>719,205</b>	<b>318,596</b>

In 2022, the Group experienced an improvement to the level of activity in its hotel business, which led to an increase in some operational expenses directly related to the level of activity, such as the supplies, maintenance and cleaning and laundry service, among others. Also, the increase recorded in revenue per available room explains the increase in associated agency commission expenses and the cost of leases associated with variable rents. Nevertheless, and in spite of the improvement to

business, the Group has, since the start of the pandemic, a contingency plan in place to reduce fixed and variable costs directly related to the level of activity.

The increase under the leases heading is explained by the rent concessions and renegotiations achieved during 2021 to mitigate the impact of the pandemic significantly. In this sense, as a result of applying the IFRS 16 amendment published on 30 August 2021, the Group recorded savings of 28,625 thousand euros relating to rent concessions achieved.

Likewise, during 2021, as a result of the subsidies or bonuses received by the Governments to offset the losses produced by the fixed income, a saving of 13 million euros was recorded in leases.

During 2022 and 2021, the fees for account auditing and other services provided by the auditor of the Group's consolidated annual accounts and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	Thousands of euros	
	2022	2021
Auditing services	571	548
Other verification services	335	435
<b>Total auditing and related services</b>	<b>906</b>	<b>983</b>
Tax consulting services	—	—
Other services	91	61
<b>Total other services</b>	<b>91</b>	<b>61</b>
<b>Total professional services</b>	<b>997</b>	<b>1,044</b>

Additionally, entities associated with the international network of the consolidated annual accounts auditor have invoiced the Group for the following services:

	Thousands of euros	
	2022	2021
Auditing services	1,044	1,244
Other verification services	240	209
<b>Total auditing and related services</b>	<b>1,284</b>	<b>1,453</b>
Tax consulting services	120	254
Other services	192	312
<b>Total other services</b>	<b>312</b>	<b>566</b>
<b>Total</b>	<b>1,596</b>	<b>2,019</b>

During 2022, other auditing firms apart from the auditor of the consolidated annual accounts or entities associated with this company by control, shared ownership or management, have provided account auditing services to the companies making up the Group, for fees totalling 89 thousand euros (99 thousand euros in 2021). The fees accrued in 2022 by these firms for tax advice services were 324 thousand euros (468 thousand euros in 2021) and for other services, 508 thousand euros (242 thousand euros in 2021).

## 24.3 Financial profit/(loss)

### Financial income

The breakdown of the amount of financial income is as follows:

	Thousands of euros	
	2022	2021
Interest income	2,156	854
Other financial income	4,336	2,557
<b>Total</b>	<b>6,492</b>	<b>3,411</b>

Income corresponds to loans valued at amortised cost and remuneration of short term deposits (Note 14).

### Financial expenses

The breakdown of the amount of financial expenses is as follows:

	Thousands of euros	
	2022	2021
Expenses for interest	35,771	39,530
Amortisation of debt issuance expenses and fair value adjustments	4,012	21,851
<b>Financial expenses on debt</b>	<b>39,783</b>	<b>61,381</b>
<b>Financial expenses on leases (Note 7)</b>	<b>81,073</b>	<b>83,048</b>
Financial expenses for means of payment	19,749	7,928
Financial effect relating to restatement of provisions and other financial liabilities	27	16
<b>Other Financial expenses</b>	<b>19,776</b>	<b>7,944</b>

The decrease in the "Expenses for interest" line is mainly due to the payment, in 2021, of the premium for early repayment of the Bond maturing in 2023 in the context of the refinancing of the instrument in June 2021.

The decrease in the "Amortisation of debt arrangement expenses" line is due to early amortisation of the debt arrangement expenses associated with the financial liabilities cancelled during the 2022 financial year (Note 16), and the impact of recognition at fair value of the extension, for an additional 3 years, of the syndicated loan for 250,000 thousand euros with a partial guarantee from the Official Credit Institution (ICO) and repayment of the guaranteed senior bonds for 356,850 thousand euros maturing in 2023 during 2021.

The expenses for interest correspond to debts valued at amortised cost.

The "Financial expenses for means of payment" heading increased as a result of reactivation of the business and an increase in activity.

### Results from exposure to hyperinflation

This heading includes the net effect recognised in the consolidated statement of profit and loss arising from the application of accounting standards to the financial statements of Argentine subsidiaries from the date of first application since 2018 (Note 2.6.4).

## Other financial profit/loss

	Thousands of euros	
	2022	2021
Change in fair value of financial instruments	831	1,815
Profit/(loss) on financial transactions and others	23,560	(966)
Impairment on financial investments	2,051	(703)
<b>Total</b>	<b>26,442</b>	<b>146</b>

The "Profit/(loss) on financial transactions and others" heading records the net result of the sale of the investment in the company Immo Hotel BCC, owner of the NH Brussels Louise hotel in Belgium, and the result of the sale of the minority shareholding in the company Kensington Hotel Value Added I, Ltd (Note 2.9.5).

## 25. RELATED PARTY TRANSACTIONS

In addition to its subsidiaries, associates and joint ventures, the Group's "related parties" are considered to be the "key management personnel" of the Parent Company (Board Members and Directors, along with their immediate relatives), as well as organisations over which key management personnel may exert significant influence or control.

Transactions carried out by the Group with its related parties during the year are stated below, distinguishing between major shareholders, members of the Board of Directors and Directors of the Parent Company and other parties that were related during the year even though there are no longer a shareholder at year-end. The conditions of the related-party transactions are equivalent to those of transactions carried out under market conditions:

Income and Expenses	Thousands of euros		
	2022		
	Significant shareholders	Associates or companies of the Group	Total
<b>Expenses:</b>			
Reception of services	2,084	—	2,084
Other expenses	1,547	—	1,547
	<b>3,631</b>	<b>—</b>	<b>3,631</b>
<b>Income:</b>			
Financial income	—	372	372
Management or cooperation agreements	5,184	1,679	6,863
Other income	1,204	—	1,204
	<b>6,388</b>	<b>2,051</b>	<b>8,439</b>

Income and Expenses	Thousands of euros		
	2021		
	Significant shareholders	Associates or companies of the Group	Total
<b>Expenses:</b>			
Financial expenses	1,838	—	1,838
Reception of services	1,365	—	1,365
Other expenses	820	—	820
	<b>4,022</b>	<b>—</b>	<b>4,022</b>
<b>Income:</b>			
Financial income	—	351	351
Management or cooperation agreements	1,480	877	2,357
Other income	744	—	744
	<b>2,224</b>	<b>1,228</b>	<b>3,452</b>

The heading "Management or cooperation agreements" referring to major shareholders includes the amounts that have accrued in the form of management fees payable to Grupo NH in the financial year by virtue of the hotel management agreement signed with Grupo Minor.

### Related party balances

	Thousands of euros	
	2022	2021
Accounts receivable from related entities (Note 13)	2,414	1,185
Accounts receivable from associated companies (long term) (Note 12)	—	148
Accounts receivable from associated companies (short term)	1,285	418
Loans to associates	10,969	10,543
Less: impairment	(9,502)	(9,502)
<b>Total Assets</b>	<b>5,166</b>	<b>2,792</b>

	Thousands of euros	
	2022	2021
Accounts payable from related entities (Note 20)	(2,027)	(825)
Accounts payable from associated companies	(152)	(9)
<b>Total</b>	<b>(2,179)</b>	<b>(834)</b>

At 31 December 2022, the Group has a net balance pending receipt of 387 thousand euros with the Minor Group (2,414 thousand euros recorded as an account receivable and 2,027 thousand euros as accounts payable). At 31 December 2021, the Group had a net balance pending receipt of 361 thousand euros with the Minor Group (1,185 thousand euros recorded as an account receivable and 824 thousand euros as accounts payable).

## 26. INFORMATION BY SEGMENTS

The Management Committee is the body responsible for making decisions on the Group's segments. The Management Committee monitors operational results on the basis of three geographical regions in order to make decisions on the accrual

of resources and performance assessments. Each one of the geographical regions is led by its own Managing Director, who reports to the Management Committee.

The way of managing the three geographical regions coming under corporate services, defines the Group's geographical segments:

BUSE (Southern Europe and USA): includes Italy, Spain, Portugal, France, Andorra, Tunisia and the USA. Within the segment, the information used for Management to manage it is presented separating Italy from the other countries.

■ BUNE: within the segment, management information is grouped between Central Europe (which includes: Germany, Austria, Czech Republic, Hungary, Poland, Romania, Slovakia and Switzerland) and Benelux (which includes: Holland, Belgium, Luxembourg, Ireland and the United Kingdom).

■ BUAM (Latin America, which includes: Argentina, Brazil, Chile, Colombia, Cuba, Ecuador, Haiti, Mexico and Uruguay).

The following table shows the breakdown of certain balances on the Group's consolidated income statement.

	Thousands of euros (2022)						TOTAL
	BUSE		BUNE		BUAM	Central Services	
	Italy	Southern Europe and USA	Central Europe	Benelux			
Ordinary income	350,930	525,798	354,025	372,333	118,593	678	1,722,357
Other income	13,431	1,377	17,538	3,446	305	1,930	38,027
Net Profits/(Losses) from asset impairment	6,812	4,330	1,875	6,936	(13,138)	—	6,815
Depreciation	(49,437)	(80,922)	(77,984)	(41,157)	(11,430)	(16,393)	(277,323)
Financial income	36	151	340	1	1,607	4,357	6,492
Financial expenses	(19,107)	(27,756)	(46,779)	(23,810)	(9,046)	(14,134)	(140,632)
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	4,384	—	4,384
Share of profit/(Loss) from entities accounted for the equity method	—	—	—	—	(64)	(385)	(449)
Income tax	(30,556)	(11,595)	(5,004)	(9,849)	3,756	182	(53,066)

	Thousands of euros (2022)						TOTAL
	BUSE		BUNE		BUAM	Central Services	
	Italy	Southern Europe and USA	Central Europe	Benelux			
Ordinary income	159,542	263,988	148,584	128,777	45,532	61	746,484
Other income	532	1,282	79,402	4,069	122	1,533	86,940
Net Profits/(Losses) from asset impairment	23,367	2,070	(11,730)	(7,603)	(3,973)	—	2,131
Depreciation	(48,142)	(79,230)	(79,697)	(44,700)	(10,719)	(17,740)	(280,228)
Financial income	35	62	335	134	308	2,537	3,411
Financial expenses	(19,097)	(27,659)	(39,279)	(23,462)	(6,100)	(36,776)	(152,373)
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	3,151	—	3,151
Share of profit/(Loss) from entities accounted for the equity method	—	—	—	—	(1,025)	(422)	(1,447)
Income tax	(6,135)	9,963	(265)	13,949	1,493	(9,678)	9,327



2022

	Thousands of euros						
	2022						
	TOTAL	BUSE		BUNE		BUAM	Central Services
Italy		Southern Europe and USA	Central Europe	Benelux			
<b>OTHER INFORMATION</b>							
Inclusions of tangible fixed assets and other intangibles	55,368	10,809	9,727	11,436	10,797	6,571	6,028
Depreciation	(277,323)	(49,437)	(80,922)	(77,984)	(41,157)	(11,430)	(16,393)
Profits/(Losses) from asset impairment	6,815	6,812	4,330	1,875	6,936	(13,138)	—

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**ASSETS**

Assets by segments	4,067,364	702,788	828,081	1,069,082	861,060	339,742	266,611
Investments accounted for using the equity method	41,935	—	929	—	—	4,620	36,386
<b>Total consolidated assets</b>	<b>4,109,299</b>	<b>702,788</b>	<b>829,010</b>	<b>1,069,082</b>	<b>861,060</b>	<b>344,362</b>	<b>302,997</b>

**LIABILITIES**

Liabilities and equity by segments	4,109,299	702,788	829,010	1,069,082	861,060	344,362	302,997
<b>Total Consolidated Liabilities and Equity</b>	<b>4,109,299</b>	<b>702,788</b>	<b>829,010</b>	<b>1,069,082</b>	<b>861,060</b>	<b>344,362</b>	<b>302,997</b>

2021

	Thousands of euros						
	2021						
	TOTAL	BUSE		BUNE		BUAM	Central Services
Italy		Southern Europe and USA	Central Europe	Benelux			
<b>OTHER INFORMATION</b>							
Inclusions of tangible fixed assets and other intangibles	42,409	5,806	2,010	8,209	18,132	2,226	6,026
Depreciation	(280,228)	(48,142)	(79,230)	(79,697)	(44,700)	(10,719)	(17,740)
Profits/(Losses) from asset impairment	2,131	23,367	2,070	(11,730)	(7,603)	(3,973)	—

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**ASSETS**

Assets by segments	4,064,390	710,942	793,029	1,038,647	1,002,412	309,521	209,839
Investments accounted for using the equity method	40,922	—	929	—	—	4,212	35,781
<b>Total consolidated assets</b>	<b>4,105,312</b>	<b>710,942</b>	<b>793,958</b>	<b>1,038,647</b>	<b>1,002,412</b>	<b>313,733</b>	<b>245,620</b>

**LIABILITIES**

Liabilities and equity by segments	4,105,312	710,942	793,958	1,038,647	1,002,412	313,733	245,620
<b>Total Consolidated Liabilities and Equity</b>	<b>4,105,312</b>	<b>710,942</b>	<b>793,958</b>	<b>1,038,647</b>	<b>1,002,412</b>	<b>313,733</b>	<b>245,620</b>

## 27. REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Management Bodies of the Parent Company have the following composition at 31 December:

- Board of Directors: 10 members (9 members at 31 December 2022),
- Audit and Control Committee: 3 members (3 members at 31 December 2022),
- Appointments and Remuneration Committee: 3 members (3 members at 31 December 2022).

### 27.1 Remuneration of the Board of Directors

The amount accrued during the year by the members of the Parent Company's Board of Directors in relation to the remuneration of the Executive Directors, bylaw stipulated directors' fees and attendance fees and other items, is as follows:

Remuneration item	Thousands of euros	
	2022	2021
Fixed remuneration	1,288	1,003
Short-term variable remuneration	895	—
Long-term variable remuneration	714	—
Parent Company: allowances	3	3
Parent Company: attendance allowances	377	291
Transactions in shares and other financial instruments	—	190
Indemnifications/other	23	20
Life insurance premiums	12	49
<b>Total</b>	<b>3,312</b>	<b>1,556</b>

The Board of Directors had 10 members at 31 December 2022, one woman and nine men (9 members in 2021, all men).

It is noteworthy that Laia Lahoz, Chief Assets and Development Officer, was appointed Executive director of the Company in the general shareholders' meeting in June 2022. Her remuneration since 30 June 2022 appears as part of the Board of Directors and, prior to that date, as a part of Senior Management.

In relation to the heading, "Transactions on shares and/or other financial instruments", consideration has been given to the objective long-term remuneration accrued. The "Long-term variable remuneration" heading includes the Long-term Incentive Plan recorded in 2022 (Note 23). Remuneration in kind (vehicles and health insurance) is included under "Others".

Additional information in the Annual directors' Remuneration Report.

### 27.2 Remuneration of senior management

The remuneration of members of the Management Committee during the year, excluding those who simultaneously held office as members of the Board of Directors (whose remuneration has been set out above), is detailed below:

	Thousands of euros	
	2022	2021
Pecuniary remuneration	2,375	1,504
Remuneration in kind	110	120
Others	627	230
<b>Total</b>	<b>3,112</b>	<b>1,854</b>

There were 5 members of Senior Management at 31 December 2022 (6 members at 31 December 2021) excluding the CEO, the Chief Operations Officer and the Chief Assets and Development Officer due to their status as executive directors.

The remuneration of Laia Lahoz, Chief Assets and Development Officer, prior to being appointed Executive Director, is shown as Senior Management.

It is worth pointing out that the post of Chief People Officer has been held by Marta Pérez-Leirós since 1 June 2022 and her remuneration is included from her appointment date. Fernando Córdova, ex-Chief People Officer, left the company on 30 June 2022 and his remuneration is included up to his leaving date.

Remuneration in kind includes the vehicle and the cost of insurance.

The heading "Other" takes the long-term objective remuneration accrued in 2022 into consideration.

### 27.3 Information on conflicts of interest on the part of Directors

During 2022, Minor International Public Company Limited ("Minor"), an indirect majority shareholder of the Group (94.132%) and represented on the Board by four proprietary Directors, and the Group signed a series of Related Party Transactions, which are broken down in the Audit and Control Committee's Annual Report, and there were transactions arising from Related Transactions approved in previous years which are broken down in Note 25 of this Report. These Related Party Transactions have always been executed in strict compliance with the rules established in the applicable regulations and the Procedure for Conflicts of Interest and Related Party Transactions with Significant Shareholders, Directors and Senior Management of NH Hotel Group, S.A. approved by the Board of Directors on 11 November 2021. All transactions signed with Minor (and/or its group of companies) have counted on a report from the Audit and Control Committee, have been signed under market conditions and with the participation of external advisors, and in compliance with the provisions in the Framework Agreement signed between the parties on 7 February 2019, which regulates, among others, the scope of action of the respective hotel groups headed by the Group and Minor through the identification of preferred geographic areas or zones, the mechanisms necessary to prevent and deal with possible conflicts of interest, as well as to carry out operations with related parties and develop business opportunities. The aforementioned Framework Agreement was duly communicated to the Market via a Relevant Fact and is published in full on the Company's website.

During all Board Meetings dealing with issues related to Minor, the Proprietary Directors were absent when dealing with said matters and therefore did not participate in the adoption of the corresponding agreement.

## 28. ENVIRONMENTAL, SOCIAL AND GOVERNMENTAL RISKS

The Parent Company's Board of Directors is the body responsible for supervision of the risk management system, and the Audit and Control Committee supports the Board in supervising the effectiveness of the internal control, internal audit and the risk management systems.

The governing bodies receive information about the main risks the Group is exposed to and the capital resources available to face up to them at least every quarter, along with information about compliance with the limits set in the risk appetite.

Therefore, as in previous years, in 2022 the Audit and Control Committee supervised and validated the Risk Map update and the correct implementation of the action plans that fully or partially contribute to mitigating the main risks.

An analysis was carried out on the 80 risks appearing in the Group's risk catalogue for 2022 to identify those relating to ESG (Environmental, Social and Governance) criteria. The result was that 34% of all the risks identified were classified as such.

More information about the Group's risk management model in the Risk Management section of the Consolidated Non-Financial Information Statement 2022.

During 2022, an in-depth analysis was carried out to identify and quantify the climate-related risks and opportunities, following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

*All information on this analysis methodology, as well as the results thereof, is detailed in the section NH Hotel Group's Response to the Risks and Opportunities associated with climate change based on the Task Force on Climate-related Financial Disclosure (TCFD) of the Consolidated Statement of Non-Financial Information 2022.*

### Sustainable Business Strategy

The Group conducts its hotel business with the ambition of leading responsible behaviour, creating economic, social and environmental positive impact wherever it is present, conveying human rights and ethical business principles in the way it works throughout its value chain: shareholders, customers, partners, suppliers and employees, promoting responsible alliances through two main pillars: UP FOR PLANET and UP FOR PEOPLE.

As a significant milestone, in May 2022, the Sustainability Executive Committee was established, whose main function is to support the Board of Directors on its duty to supervise the Group's sustainability strategy. This committee is co-chaired by the Chief Assets & Development Officer and the Chief People & Sustainable Business Officer, and it is made up of members of the Company from different key areas with a direct impact on the NH Hotel Group strategy execution.

Convinced that it is going in the right direction to meet the next challenges set in relation to sustainability, the Company is aligned with the Sustainable Development Goals (SDG) it can contribute to and is therefore committed to continuing to create value in the long term and at global level, in the framework of the 2030 Agenda.

More information about this Model and its performance during 2022 is available in the Sustainable Business Strategy section of the Consolidated Statement of Non-Financial Information 2022.

## 29. EXPOSURE TO RISK

Group financial risk management is centralized in the Corporate Finance Division in accordance with the policies approved by the Board of Directors. This Division has put the necessary measures in place to control exposure to changes in interest and exchange rates on the basis of the Group's structure and financial position, as well as credit, liquidity risks and market prices. If necessary, hedges are made on a case-by-case basis. The main financial risks faced by the Group's policies are described below:

### Credit risk

The Group main financial assets include cash and cash equivalents (Note 14), as well as trade and other accounts receivable (Note 13). In general terms, the Group holds its cash and cash equivalents in entities with a high credit rating and part of its trade and other accounts receivable are guaranteed by deposits, bank guarantees and advance payments by tour operators.

The Group has no significant concentration of third-party credit risk due to the diversification of its financial investments as well as to the distribution of trade risks with short collection periods among a large number of customers.

The Group has formal procedures for detecting objective evidence of impairment in trade receivables for the provision of services. As a result of these, significant delays in payment terms and the methods to be followed in estimating the impairment loss based on individual analyses are identified. Impairment of trade receivables from customers for the provision of services at 31 December 2022 amounted to 4,398 thousand euros (7,319 thousand euros at 31 December 2021) (Note 13) and customer balances not included in this impairment have sufficient credit quality and, therefore, with this impairment, the credit risk of these trade receivable is considered covered.

### Interest rate risk

The Group's financial assets and liabilities are exposed to fluctuations in interest rates, which may have an adverse effect on its results and cash flows. With the aim of mitigating this risk, during 2022 the Group repaid, voluntarily and in advance, variable interest rate debt on the syndicated loan with ICO guarantee (100,000 thousand euros in August 2022 and 100,000 thousand euros in December 2022) and, in this way, reduced its exposure to interest rate fluctuations. It has also set up control policies and the greater part of its debt is at fixed rates with the issue of guaranteed senior debentures. At 31 December 2022, approximately 70% (53% at 31 December 2021) of the gross borrowings drawn down was tied to fixed interest rates (excluding lease liabilities).

In accordance with reporting requirements set forth in IFRS 7, the Group has conducted a sensitivity analysis on possible interest-rate fluctuations in the markets in which it operates, based on these requirements.

Through the sensitivity analysis, taking as a reference the outstanding amount of that financing that has variable interest, we estimated the increase in the interest that would arise in the event of a rise in the reference interest rates.

- In the event that the increase in interest rates were 25 b.p., the financial expense would increase by 0.457 thousand euros plus interest.
- In the event that the increase in interest rates were 50 b.p., the financial expense would increase by 0,914 thousand euros plus interest.
- In the event that the increase in interest rates were 100 b.p., the financial expense would increase by 1,829 thousand euros plus interest.

The results in equity would be similar to those recorded in the income statement but taking into account their tax effect, if any.

Lastly, the long-term financial assets set out in Note 12 of this annual report are also subject to interest-rate risks.

### Exchange rate risk

The Group is exposed to exchange-rate fluctuations that may affect its sales, results, equity and cash flows. These mainly arise from:

- Investments in foreign countries (essentially Mexico, Argentina, Uruguay, Colombia, Chile, Ecuador, the Dominican Republic, Brazil, Panama, the United States, Hungary and the Czech Republic).
- Transactions made by Group companies operating in countries whose currency is other than the euro (essentially Mexico, Argentina, Uruguay, Colombia, Chile, Ecuador, the Dominican Republic, Venezuela, Brazil, the United States, the United Kingdom Hungary and the Czech Republic).

In this respect, the detail of the effect on the currency translation difference of the main currencies in 2022 was as follows:

	Thousands of euros	
	Currency translation difference	Change vs 2021
Uruguayan peso	(4,096)	559
Mexican peso	(16,443)	3,615
Colombian peso	(41,929)	(2,745)
Chilean peso	14,733	666

The changes in the currency translation difference of the above currencies were mainly due to the movements in exchange rates between 31 December 2022 and 31 December 2021:

Year-end euro reference exchange rate	2022	2021	Change
Uruguayan peso	42.44	50.84	16.51 %
Mexican peso	20.86	23.14	9.85 %
Colombian peso	5,263.16	4,545.45	(15.79)%
Chilean peso	909.09	970.87	6.36 %

As can be observed in the table, the movements in the exchange rate of the currencies with respect to the end of the previous year is in line with the changes in equity associated with these currencies.

Below is a detail of the movements in the average exchange rate of the aforementioned currencies:

Average euro reference exchange rate in the year	2022	2021	Change
Uruguayan peso	43.38	51.52	15.80 %
Mexican peso	21.18	23.99	11.71 %
Colombian peso	4,545.45	4,347.83	(4.55)%
Chilean peso	917.43	900.90	(0.91)%

For these currencies an analysis was carried out to determine if it would be better to apply a monthly average or cumulative average exchange rate, and no significant difference resulted from this analysis.

### Liquidity risk

Exposure to adverse situations in debt or capital markets could hinder or prevent the Group from meeting the financial needs required for its operations and for implementing its Strategic Plan.

Furthermore, the continuous concentration in the banking system may make access to financial instruments, bank guarantees and financing working capital more difficult.

Management of this risk is focused on thoroughly monitoring the maturity schedule of the Group's financial debt, as well as on proactive management and maintaining credit lines that allow forecast cash needs to be met.

The Group's liquidity position at 31 December 2022 is based on the following points:

- The group had cash and cash equivalents amounting to 301,763 thousand euros.
- Available undrawn credit facilities of 267,000 thousand euros (Note 16).

The Group also has 45,400 thousand euros in confirming lines that it uses to manage part of its payments to trade creditors. These lines are distributed amongst several banks and cover trade suppliers in various countries in Europe (Spain, Germany, Holland, Italy, Belgium, Austria and Luxembourg)

Lastly, the Group makes cash flow forecasts on a systematic basis for each business unit and geographical area, depending on the capacity to generate positive cash flows from business, in order to assess their needs. This Group liquidity policy ensures payment undertakings are fulfilled without having to request funds at onerous conditions. In this way, the Group's liquidity position is continuously monitored.

### Market prices risk

The Group is exposed to risks related to price fluctuations of goods and services. These risks are managed mainly in the purchasing process.

In an inflation environment, the Group could be impacted in several ways, such as, for example, by increases in supplies of products and services, salary costs, the cost of renting the hotels leased. This inflation risk can be buffered by, amongst others, diversifying supplies providers, renegotiation of existing contracts that include protection clauses, a business strategy focussing on maximising the average price for the sale of hotel rooms and identification of efficiency measures for operational costs.

On the other hand, the disruptions to the supply chain, exacerbated by the geopolitical tensions and new waves of Covid-19, have caused upward pressure in the price of supplies of products and services, particularly energy, which has increased drastically in Europe and is reflected in the cost of these supply and the services with a high energy use, such as laundry services. As mentioned above, these risks are managed, among others, by diversification of supply providers, renegotiation of existing contracts and identification of operational cost efficiency measures.

### 30. SUBSEQUENT EVENTS

In January 2023, the Parent Company requested voluntary, early repayment of the Syndicated ICO backed loan maturing in 2026 amounting to 50,000 thousand euros. With this last voluntary repayment, the loan was fully repaid.

As indicated in Note 22, on 4 January 2023 the Tax act with agreement signed with the Dutch tax authority was paid, in accordance with the indications in that Note.

## APPENDIX I: SUBSIDIARIES

The data on the Parent company's subsidiaries at 31 December 2022 are presented below:

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Agaga, s.r.o.	Czech Republic	Hotel Business	100%	100%
Aguamarina S.A.	Dominican Republic	Corporate services	100%	100%
Airport Hotel Frankfurt-Raunheim, GmbH & Co. KG	Frankfurt	Real Estate	94%	94%
Artos Beteiligungs, GmbH	Munich	Holding company	100%	100%
Astron Immobilien, GmbH	Munich	Holding company	100%	100%
Atlantic Hotel Exploitatie B.V.	The Hague	Hotel Business	100%	100%
Capredo Investments, GmbH	Switzerland	Holding company	100%	100%
Chartwell de México, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Chartwell Inmobiliaria de Coahuila de Zaragoza, S.A. de C.V.	Coahuila de Zaragoza	Hotel Business	100%	100%
City Hotel, S.A.	Buenos Aires	Hotel Business	50%	50%
Columbia Palace Hotel, S.A.	Montevideo	Hotel Business	100%	100%
Coperama Benelux, B.V.	Amsterdam	Procurement network	100%	100%
Coperama Central Europe GmbH (*)	Berlin	Procurement network	100%	100%
Coperama Colombia S.A.S.	Bogotá	Procurement network	100%	100%
Coperama Holding, S.L.	Madrid	Procurement network	100%	100%
Coperama Italia S.R.L.	Milan	Procurement network	100%	100%
Coperama Mexico S.A. de C.V.	Mexico City	Procurement network	100%	100%
Coperama Portugal, Unipessoal Lda	Portugal	Procurement network	100%	100%
Coperama Spain, S.L.	Madrid	Procurement network	100%	100%
Dam 9 B.V.	Amsterdam	Corporate services	100%	100%
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	100%	100%
Desarrollo Inmobiliario Santa Fe, S.A. de C.V.	Mexico City	Hotel Business	50%	50%
Eurotels Chile S.A.	Chile	Holding company	98%	98%
Exploitiemaatschappij Caransa Hotel, B.V.	Amsterdam	Without activity	100%	100%
Exploitiemaatschappij Hotel Best B.V.	Best	Without activity	100%	100%
Exploitiemaatschappij Hotel Doelen, B.V.	Amsterdam	Hotel Business	100%	100%
Exploitiemaatschappij Hotel Naarden, B.V.	Naarden	Hotel Business	100%	100%
Exploitiemaatschappij Hotel Schiller, B.V.	Amsterdam	Hotel Business	100%	100%
Franquicias Lodge, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
GCS Hotel Ltd.	Dublin	Hotel Business	100%	100%

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Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Gestora Hotelera del Siglo XXI, S.A.	Barcelona	Hotel Business	100%	100%
Gran Círculo de Madrid, S.A.	Madrid	Catering	99%	99%
Grupo Hotelero Monterrey, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Grupo Hotelero Querétaro, S.A. de C.V.	Querétaro	Hotel Business	69%	69%
Grupo Operador de hoteles Santa Fe, S.A de C.V	Mexico City	Hotel Business	50%	50%
Heiner Gossen Hotelbetrieb, GmbH (*)	Berlin	Hotel Business	100%	100%
Highmark Geldrop B.V.	Geldrop	Without activity	100%	100%
Highmark Hoofddorp B.V.	Hoofddorp	Hotel Business	100%	100%
Hispana Santa Fe, S.A. de C.V.	Mexico City	Hotel Business	50%	50%
Holding Onroerend Goed d'Vijff Vlieghe B.V.	Amsterdam	Without activity	100%	100%
Hotel de Ville B.V.	Groningen	Hotel Business	100%	100%
Hotel Expl. Mij. Amsterdam Noord B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij. Leijenberghlaan Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij. Capelle a/d IJssel, B.V.	Capelle a/d IJssel	Hotel Business	100%	100%
Hotel Expl. Mij. Stationsstraat Amersfoort B.V.	Amersfoort	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Atlanta Rotterdam B.V.	Rotterdam	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Danny Kayelaan Zoetermeer B.V.	Zoetermeer	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Diegem N.V.	Diegem	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Eindhoven B.V.	Hilversum	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Epen Zuid-Limburg B.V.	The Hague	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Flowermarket Amsterdam B.V.	Amsterdam	Without activity	100%	100%
Hotel Exploitiemaatschappij Forum Maastricht, B.V.	Maastricht	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Jaarbeursplein Utrecht, B.V.	Utrecht	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Janskerkhof Utrecht B.V.	Utrecht	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Onderlangs Arnhem, B.V.	Arnhem	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Spuistraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Stadhouderskade Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Van Alphenstraat Zandvoort, B.V.	Hilversum	Hotel Business	100%	100%
Hotel Leipzig-Messe, GmbH & Co. KG	Munich	Real Estate	94%	94%
Hotelera de Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Hotelera de la Parra, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Hotelera Lancaster, S.A.	Buenos Aires	Hotel Business	50%	50%
Hotelera Norte Sur S.A	Chile	Real Estate	98%	98%
Hoteles Royal del Ecuador S.A. Horodelsa	Quito	Hotel Business	55%	55%
Hoteles Royal, S.A.	Bogota	Holding company	98%	98%

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Hotelexploitiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotels Bingen & Viernheim, GmbH & Co. KG	Munich	Real Estate	94%	94%
HR Quántica SAS	Bogota	Hotel Business	51%	51%
Iberinterbrokers, S.L.	Barcelona	Corporate services	75%	75%
Immo Hotel Belfort N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Brugge N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Diegem N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Gent N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Gp N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Mechelen N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Stephanie N.V.	Diegem	Real Estate	100%	100%
Inmobiliaria Royal S.A	Chile	Real Estate	66%	67%
Inmobiliaria y financiera Chile S.A.	Santiago de Chile	Real Estate	100%	100%
Inversiones Chilenas, S.A.S	Bogotá	Hotel Business	98%	98%
Italian OpCo Roco Hospitality Group, S.R.L.	Italy	Hotel Business	100%	100%
Jan Tabak N.V.	Bussum	Hotel Business	83%	83%
Jolly Hotels Belgio S.A.	Brussels	Real Estate	100%	100%
Jolly Hotels Deutschland GmbH (*)	Berlin	Hotel Business	100%	100%
Jolly Hotels Holland N.V.	Amsterdam	Holding company	100%	100%
Jolly Hotels USA, Inc.	Wilmington	Hotel Business	100%	100%
Koningshof B.V.	Veldhoven	Hotel Business	100%	100%
Krasnapolsky Belgian Shares B.V.	Hoofddorp	Holding company	100%	100%
Krasnapolsky Hotels & Restaurants N.V.	Amsterdam	Holding company	100%	100%
Krasnapolsky Hotels Ltd.	Somerset West	Hotel Business	100%	100%
Krasnapolsky ICT B.V.	Hoofddorp	Without activity	100%	100%
Krasnapolsky International Holding B.V.	Hoofddorp	Holding company	100%	100%
Latina Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Latina de Gestión Hotelera, S.A.	Buenos Aires	Hotel Business	100%	100%
Latina Holding S.A.U.	Buenos Aires	Holding company	100%	100%
Latinoamericana Curitiba Administracao De Hoteis Ltda	Curitiba	Hotel Business	100%	100%
Latinoamericana de Gestión Hotelera, S.L.	Madrid	Holding company	100%	100%
Leeuwenhorst Congres Center B.V.	Noordwijkerhout	Hotel Business	100%	100%
Liberation Exploitatie B.V.	Sprang Capelle	Hotel Business	100%	100%
Marquette Beheer B.V.	Hoofddorp	Holding company	100%	100%
Museum Quarter B.V.	Amsterdam	Hotel Business	100%	100%
Nacional Hispana de Hoteles, S.A.	Mexico City	Hotel Business	100%	100%
New York Palace KFT	Budapest	Hotel Business	100%	100%
NH Atardecer Caribeño, S.A.	Madrid	Corporate services	100%	100%

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Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company
NH Belgium, cvba	Diegem	Holding company	100%	100%
NH Brasil Abrasil Administracao De Hoteis E Participadas Ltda.	Villa Olímpica	Corporate services	100%	100%
NH Caribbean Management B.V.	Hilversum	Management	100%	100%
NH Cash Link, S.L.	Madrid	Financial company	100%	100%
NH Central Europe Management, GmbH (*)	Berlin	Hotel Business	100%	100%
NH Central Europe GmbH & Co. KG (**)	Berlin	Hotel Business	100%	100%
NH Central Reservation Office, S.A.	Madrid	Call Centre	100%	100%
NH Ciutat de Reus, S.A.	Barcelona	Hotel Business	90%	90%
NH Europa, S.A.	Barcelona	Hotel Business	100%	100%
NH Financing Services S.a r.l.	Luxembourg	Financial company	100%	100%
NH Holding Srl	Italy	Holding company	100%	100%
NH Hotel Rallye Portugal, Lda.	Portugal	Hotel Business	100%	100%
NH Hotelbetriebs-u. Dienstleistungs, GmbH (*)	Berlin	Hotel Business	100%	100%
NH Hotelbetriebs-u. Entwicklungs, GmbH (*)	Berlin	Hotel Business	100%	100%
NH Hoteles Austria GmbH	Vienna	Hotel Business	100%	100%
NH Hoteles Deutschland, GmbH (**)	Berlin	Hotel Business	100%	100%
NH Hoteles España, S.A.	Barcelona	Hotel Business	100%	100%
NH Hoteles France S.A.S.	France	Hotel Business	100%	100%
NH Hoteles Switzerland GmbH	Zurich	Hotel Business	100%	100%
NH Hotels Czequia, s.r.o.	Prague	Hotel Business	100%	100%
NH Hotels Polska, Sp. Zo.o.	Poznan	Hotel Business	100%	100%
NH Hotels USA Inc.	Houston	Hotel Business	100%	100%
NH Hungary Hotel Management, Ltd.	Budapest	Hotel Business	100%	100%
NH Italia Real Estate, S.r.l.	Milan	Real Estate	100%	100%
NH Italia, S.p.A.	Milan	Hotel Business	100%	100%
NH Lagasca, S.A.	Madrid	Hotel Business	75%	75%
NH Las Palmas, S.A.	Gran Canaria	Hotel Business	75%	75%
NH Management Black Sea Srl	Bucharest	Hotel Business	100%	100%
NH Marin, S.A.	Barcelona	Hotel Business	50%	50%
NH Private Equity, B.V.	Hoofddorp	Holding company	100%	100%
NH Strandgade APS	Copenhagen	Hotel Business	100%	100%
NH The Netherlands B.V.	Hoofddorp	Holding company	100%	100%
NH Wilhelminakade Holding B.V.	Hoofddorp	Without activity	100%	100%
Nhow Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Nhow London, Ltd.	London	Corporate services	100%	100%
Nhow Rotterdam, B.V.	Rotterdam	Hotel Business	100%	100%
Nuevos Espacios Hoteleros, S.L.	Madrid	Hotel Business	100%	100%
Olofskapel Monumenten B.V.	Amsterdam	Without activity	100%	100%
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.	Capelle a/d IJssel	Real Estate	100%	100%

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Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Ijsselmeerweg Naarden, B.V.	Naarden	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Without activity	100%	100%
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Without activity	100%	100%
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real Estate	100%	100%
Operadora Nacional Hispana, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Palacio de la Merced, S.A.	Burgos	Hotel Business	88%	88%
Palatium Amstelodamum N.V.	Amsterdam	Hotel Business	100%	100%
Restaurant D'Vijff Vlieghe B.V.	Amsterdam	Catering	100%	100%
Royal Hotels Inc.	USA	Without activity	98%	98%
Royal Santiago Hotel S.A.	Chile	Hotel Business	66%	67%
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Servicios Corporativos Chartwell Monterrey, S.A. de C.V.	Monterrey	Hotel Business	100%	100%
Servicios Corporativos Hoteleros, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Sociedad Hotelera Cien Internacional S.A.	Bogota	Hotel Business	63%	63%
Sociedad Hotelera Cotopaxi S.A.	Quito	Hotel Business	55%	55%
Sociedad Operadora Nh Royal Panama S.A.	Ciudad de Panamá	Hotel Business	98%	98%
The Marker Anantara Ltd.	Dublin	Holding company	100%	100%
Toralo, S.A.	Montevideo	Hotel Business	100%	100%
Vela Secunda Omnium Primum VIII B.V.	Groningen	Hotel Business	50%	50%
Wilan Ander, S.L.	Madrid	Real Estate	100%	100%
Wilan Huel, S.L.	Madrid	Real Estate	100%	100%

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**APPENDIX II: ASSOCIATED COMPANIES**

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Borokay Beach, S.L.	Madrid	Hotel Business	50%	50%
Consortio Grupo Hotelero T2, S.A. de C.V.	Mexico City	Hotel Business	10%	10%
Gente con actitud de servicios gecase, S.A. De C.V.	Puebla	Hotel Business	17%	17%
Hotelera del Mar, S.A.	Mar de Plata	Hotel Business	20%	20%
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel Business	17%	17%
Mil Novecientos Doce, S.A. de C.V.	Mexico	Hotel Business	25%	25%
Servicios Corporativos 1912, S.A. DE C.V	Mexico	Hotel Business	25%	25%
Servicios Corporativos T2, S.A. DE C.V	Mexico City	Hotel Business	10%	10%
Sotocaribe, S.L.	Madrid	Holding company	36%	36%

# Consolidated management report for the financial year ended 31 December 2022

## EVOLUTION OF BUSINESS AND GROUP'S SITUATION

NH Hotel Group is an international hotel operator and one of the leading urban hotel companies worldwide in terms of number of rooms. The Group operates 350 hotels and 54,820 rooms in 30 countries, and has a significant presence in Europe.

The centralised business model allows it to offer a consistent level of service to its customers in different hotels in different regions. The corporate headquarters and regional offices offer hotels a wide range of functions such as sales, revenue management, reservations, marketing, human resources, financial management and systems development.

This flexible operational and financial structure has enabled the Group to overcome the huge challenges of previous years due to the low level of demand. In the medium term, the Group will continue to benefit from brand recognition, its excellent locations and strong market positioning in Europe. It should be pointed out that in 2022, according to the Brand Finance Hospitality study, we were recognised as the highest value Spanish brand, the fourth in Europe and 15th worldwide.

The recovery that began in 2021 after the economic crisis caused by the Covid-19 pandemic was consolidated during 2022. Therefore, the world economy grew by +3.4%, compared to +6.2% growth in the previous year (1).

The worldwide fight against inflation, the Russian war in Ukraine and the resurgence of Covid-19 in China slowed down worldwide economic activity in 2022 and the first two factors will continue to do so in 2023.

In spite of these negative factors, GDP growth can be classified as solid which is explained by several factors: higher consumption and private investment than that forecast in a context of a shortage of workforce and higher fiscal support than expected. Households spent more to meet pent-up demand, above all on services, partly resorting to their savings as the economies began to reopen. Business investment increased to meet the demand. On the offer side, pressures on prices gave way as the bottlenecks eased and transport costs decreased. The energy markets have adapted more quickly than forecast to the shock of the Russian invasion of Ukraine.

The four countries that bring the greatest proportion of the Group's sales and profits show rates of growth in 2022: Spain (+5.2% in 2022 vs. +5.5% in 2021), the Netherlands (+4.5% in 2022 vs. +4.9% in 2021), Germany (+1.9% in 2022 vs. +2.6% in 2021), and Italy (+3.9% in 2022 vs. +6.7% in 2021). On the other hand, growth in Latin America is expected to be +3.9% in 2022 vs. +7.0% in 2021.

The central banks' interest rate rises to combat inflation and the Russian war in Ukraine continue to hobble economic activity. The rapid spread of Covid-19 in China slowed growth in 2022, but, with the recent reopening, a faster recovery is expected. It is forecast that worldwide inflation will decrease from 8.8% in 2022 to 6.6% in 2023 and to 4.3% in 2024. These levels are still higher than those seen prior to the pandemic (2017-2019) of around 3.5%.

Therefore, the estimate is for +2.9% growth of world economic activity in 2023 (+3.4% in 2022 vs. +6.2% in 2021). Therefore, in the Euro zone +0.7% growth is estimated in 2023 (+3.5% in 2022 vs. +5.3% in 2021).

According to UNWTO data, more than 900 million tourists travelled internationally in 2022, double the figures for 2021, although this figure is still only 63% of the levels before the pandemic. All the regions in the world recorded notable increases in the figures for international tourists. The Middle East enjoyed the greatest relative increase, with arrivals reaching 83% of the pre-pandemic figures. Europe reached almost 80% of the pre-pandemic levels, with 585 million arrivals in 2022. Africa and the Americas recovered around 65% of the visitors pre-pandemic, while the Asia and Pacific region only recovered 23% as stricter measures were still in place in relation to the pandemic which have only started to be lifted in the last few months.

The increase in income from international tourism recorded in the majority of destinations has been notable and, in several cases, has exceeded the increase in arrivals. The increase in average spending per trip has contributed to this due to longer stays, travellers wishing to spend more at their destinations and the increase in travel costs due to inflation. Nevertheless, the economic situation may mean that tourists adopt a more cautious attitude in 2023, with lower spending, shorter trips and to places that are closer to home.

[1] Data and estimates from the IMF "World Economic Outlook" January 2023.

It is worth noting the Group's solid position with which to deal with the current situation after its operational and financial transformation in previous years. The excellent performance of the group in the years prior to the pandemic is the result of a complete transformation, particularly brand segmentation, portfolio optimisation, significant investment in repositioning and systems, the focus on efficiency and cost control, and the reduction of financial indebtedness.

In the first stage of this transformation, which began in 2014, the strategic plan focussed on brand segmentation, portfolio optimisation, heavy investment in repositioning and systems and an updated pricing policy. This led NH Hotel Group to a second phase, which began in 2017, based on the Company's strengths and boosting the key drivers in creating value in the business.

This Plan prioritised boosting the Company's income, increasing its efficiency and, at the same time, taking advantage of its strengths for new repositioning opportunities and organic expansion as an additional path to growth.

With the entrance of Minor International into the share capital at the end of 2018, a new era of opportunity opened up with the creation of a global hotel platform operating on five continents. In this way, a new stage began where additional opportunities arose, such as:

- The possibility of increasing the current customer base, attracting the growing Asian demand to the European markets.
- Economies of scale with business partners, travel agencies and suppliers.
- The ability to use a larger brand umbrella in new geographical areas, that is to say, take the NH brands into Minor geographical areas and vice versa.
- Access the luxury segment with new opportunities for brand change and opening and signing up new hotels in the segment.
- Boost the segment diversification strategy, integrating the resorts market into our cornerstones for growth.
- Integrate Tivoli operations in Europe under NH management.
- Contact the best teams, driving an exchange of talent.

Continuous improvement to the customer experience was boosted in 2019 with the launch of various initiatives: "Fastpass", a combination of three innovative services - Check-in Online, Choose Your Room and Check-out Online - which gives customers full control over their stay. Also a new service, "City Connection", where you can enjoy the city without limits. Under the slogan "Stay in one hotel, enjoy them all", the NH Hotel Group offered a range of services that allow customers to enjoy them in any hotel in the city they are in, regardless of the hotel they are staying in for the duration of their stay.

The lifting of mobility restrictions since the middle of 2021 was the key factor to the recovery of the hotel sector. The increase in the costs of supplies and operational costs, amongst which staff costs, energy costs and all costs linked to the CPI stand out, is playing an important role in the profitability of hotel businesses which is partly offset by the strategy to maximise prices.

Size continued to be an important factor as the economies of scale enable greater efficiency in operational management. The fragmentation of the hotel sector in Europe continues to be high and, therefore, opportunities will arise so that the concentration of the sector accelerates towards more efficient, sustainable business and management models with greater economies of scale.

Minor Hotels and NH Hotel Group have integrated their brands under a single corporate umbrella present in more than 50 countries around the world. In this way, a portfolio of more than 500 hotels under eight brands is organised: Anantara, Avani, Elewana, Oaks, NH Hotels, NH Collection, nhow y Tivoli, which completes a wide and diverse spectrum of hotel proposals connected to the needs and desires of global travellers. Both groups currently share their knowledge base and experience in the sector in order to materialise short-term opportunities, taking advantage of the complementarity of their hotel portfolios to define a global sales strategy, the implementation of economies of scale with a broader customer base, explore development pathways for all their brands in different geographical areas and access to shared talent.

During 2022, the NH Rewards loyalty programme became known as NH Discovery after the migration to the Global Hotel Alliance programme that Minor International is a part of. This enables us to take part in, and benefit from, a loyalty programme with more than 20 million members and more than 800 multi-brand hotels in more than 100 countries. The NH hotels and members are complementary to GHA's, which entails a huge advantage when it comes to gaining visibility on the main source markets and the various business segments.

In 2021, and in order to adapt to the new trends in business travellers, the Group launched a series of initiatives enabling:

- Extended Stay, with up to 35% discount on stays of more than 7 days for working away from home for an extended period.
- Smart Spaces, a new B2B offer, with exclusive spaces for working and organising small business meetings making the most of all the advantages of our hotels.

- Hybrid Meetings, to boost the value of events reaching a bigger audience from various destinations with a combination of in-person and virtual attendance.
- NH+, a new focus on the corporate segment towards SMEs, which were the first to resume business and have enabled us to extend this segment of corporate customers.

Digitisation has been and will be key to the sector's evolution. The customer experience is improved and efficiency increased using technology and digitisation. The digital component is key in responding to travellers' security needs and experience. Technology is a facilitator that complements our employees' work, freeing them up from administrative tasks so they can give more personal attention to customers.

It is worth highlighting that the NH Hotel Group continues to be at the forefront of innovation. The Group's Digital Transformation has allowed processes and systems to be made more efficient, increasing the capacity to be different from the competition, and continue improving the Company's basic processes. One of the greatest achievements was, therefore, centralising all its properties and functions into a single integrated system. This allows the NH Hotel Group to have a fully-integrated digital platform: NH Digital Core Platform. A pioneering technological solution in the sector that has allowed all the Group's hotel's systems to be integrated which has become the basis for the NH Hotel Group to expand its customer knowledge, maximise its efficiency and innovate on a large scale in all its value areas.

From the start of recovery after the pandemic, hotel businesses are experiencing difficulties finding staff, which suggests that the sector must go back to attracting talent with attractive professional career plans that boost training and job flexibility.

In its use of quality indicators, the NH Hotel Group focuses on measuring quality using new sources of information and surveys with a significant increase in the volume of reviews and number of assessments received. Its average score on TripAdvisor in 2022 was 8.4, the same as in December 2021. Additionally, its average Google Reviews score was 8.7, compared with 8.7 in December 2021. These average scores demonstrate the high levels of quality perceived by customers and the positive growth trend that the NH Hotel Group has had throughout the year.

On the other hand, in 2022, the Group started operating 8 new hotels in Milan, Andorra, Santiago del Estero, Frankfurt, Iquique, Cali and Nice with 1,125 rooms. The Group, therefore, reached a total of 350 hotels with 54,820 rooms at 31 December 2022.

The Group also signed-up 8 new hotels with 1,336 bedrooms in 2022. These sign-ups are under management and rental formulas in Andorra, Vila Viçosa, Berne, Tenerife, Alvor, Coimbra, Porto and Lisbon. The sign-ups are under the NH, NH Collection, Tivoli and Anantara brands.

Revenues in 2022 totalled 1,722.4 million euros, an increase of 131% (+975.9 million euros). The Profit for the year attributable to the Parent Company Shareholders was 100.3 million euros compared with (133.7) million euros in 2021. This increase is explained by the increase in activity after the impact of Covid-19 during 2021.

In this year gross borrowing decreased from 813.0 million euros in December 2021 to 610.7 million euros in December 2022. At 31 December 2022, cash and cash equivalents amounted to 301.8 million euros (243.9 million euros at 31 December 2021). Furthermore, this liquidity is complemented by the syndicated credit line for 242.0 million euros (fully available at the close of the 2022 and 2021 financial years) and some credit lines at the close of the 2022 financial year of 25.0 million euros (fully available at the close of the 2022 and 2021 financial years).

As a result of the business' strong recovery in the first part of the 2022 financial year, and the improvement to the financial position, NH Hotel Group's credit rating has been favourably revised by the Rating Agencies. At 12 May 2022, Fitch improved the corporate rating from "B-" to "B" with a stable outlook. In addition, on 7 July 2022, Moody's change NH Hotel Group's corporate rating outlook from negative to stable, confirming a "B3" rating. It should be noted that both agencies have stated that NH is managing the recovery with satisfactory financial flexibility and deleveraging capacity, with a significant portfolio of owned assets.

As a result of the public offering on 31 October 2018, along with the capital increase in September 2021, Minor currently owns 410,183,997 shares in NH Hotel Group, S.A. representing 94.13% of its share capital.

## 2022: Year of recovery

In 2022, the recovery that began in the second half of 2021 after the mobility restrictions were lifted has consolidated and accelerated. This recovery was partially interrupted by the appearance of the Omicron variant in the first months of the year. After Omicron, business recovery was faster than with the previous variants and this is explained by the reactivation of business customers which was added to strong demand from leisure customers.

The outbreak of the war in Ukraine has not affected our income and intra-European business as we do not have hotel exposure in the region or Russian customers.

The recovery, which has been much faster than expected since March, with excellent performance in business as well as the prices in all geographical areas, has meant that, since the second quarter of the year, NH has exceeded all the financial metrics in the 2019 statement of profit and loss.

The Group made the most of the speedy reactivation of leisure and business travellers, where the weight of domestic demand is a competitive advantage, implementing a solid pricing strategy and maintaining strict control over costs. This partially offset the growing pressure on costs, which are greatest for energy and outsourced services such as the cleaning and laundry services.

## ETHICS

### Compliance System

Since 2014, NH Hotel Group has deployed a Compliance unit whose scope includes the following key areas, amongst others:

- Code of Conduct.
- Criminal Risk Prevention Plan.
- Internal Rules of Conduct.
- Procedure for Conflicts of Interest.

NH Hotel Group currently continues to implement and reinforce measures to promote and place value on the culture of compliance and the importance of consolidating an ethical business culture, promoting awareness amongst all the employees about the relevance, not just of complying with the applicable regulations, but also of acting ethically and in accordance with the Company's principles and values.

### Code of Conduct

The impetus to compliance carried out by NH Hotel Group is based on the principles and values in its Code of Conduct, which is translated into ten languages, seven of which are published on the corporate web site and intranet, and is applied in all the countries where NH Hotel Group does business. Also, since 2017, NH employees can use the "My NH" app to access the Code of Conduct from their mobile devices. The staff at centres operating under NH Hotel Group brands also have a handbook and an FAQs document.

The aim of the Code of Conduct is to determine the principles, values and rules governing the behaviour and actions of every one of the Group's professionals and directors, as well as the members of the management bodies of the companies making it up and the interest groups that interact with NH Hotel Group, such as customers, suppliers, competitors and shareholders, as well as the communities where NH runs its hotels.

In line with its ethical commitment and the best practices of corporate governance, NH Hotel Group has carried out communication, awareness and training campaigns on Compliance since 2015. The Group's Board of Directors is responsible for approving the Code of Conduct.

The Code of Conduct summarises the professional behaviour expected of employees, senior management and Board Members of the NH Hotel Group and its group of companies, who commit to acting with integrity, honesty, respect and professionalism in the performance of their work.

The NH Group is committed to compliance with the laws and regulations of the countries and jurisdictions where it operates. This includes, amongst other things, laws and regulations on health and safety, discrimination, taxation, data privacy, human rights, competition, prevention of corruption and money laundering, and commitment to the environment.

The Code of Conduct is periodically reviewed by the Compliance Office in order to adapt and update its content in the event this is necessary. The Company's Board of Directors approved an update to the Code of Conduct at their meeting on 8 November 2022, in order to adapt the Code to the recent legislative developments, observe the new legal requirements and follow the standards and best practices referring to compliance, with the anonymisation of the Whistleblower Channel being a highlight. The head of Internal Audit manages the Confidential Channel for Complaints. The procedure for managing complaints received via the complaints channel are specified in detail in the Code of Conduct. This procedure guarantees confidentiality and respect in every phase, and protects against retaliation.

In 2022 there were 40 reports of alleged breaches of the Code of Conduct received, all of which were investigated, with appropriate disciplinary measures being taken in the 38 cases received.

### Compliance Committee

NH Hotel Group set up the Compliance Committee in 2014, and it is made up of certain members of the Management Committee who have appropriate knowledge about NH Hotel Group's activities and, at the same time, have the authority, autonomy and independence needed to ensure the credibility and binding nature of the decisions made. This body is empowered to supervise compliance in key areas of the Compliance System: the Group's Internal Rules of Conduct, Procedure for Conflicts of Interest, Code of Conduct and Criminal Risk Prevention Plan, among others.



The Compliance Committee supervises the work done by the Compliance Office and monitors all the internal processes and policies in place at the Company, their observance and compliance. It also has the power to impose disciplinary measures on employees in matters within its scope.

The Company has decided to roll out its crime prevention model to other countries (Germany, Holland, Belgium, United Kingdom, Colombia, Mexico and Argentina), having constituted local Compliance Committees in the business units covering the aforementioned countries. Furthermore, in 2022 NH Hotel Group has begun to implement its own compliance programme in Portugal.

In the course of 2022, there were three meetings of the Compliance Committee (in April, July and October).

### **Compliance Office**

The Compliance Office, led by the Compliance manager, reports directly to the Chief Legal & Compliance Officer at NH Hotel Group and to the Compliance Committee. It is in charge of disseminating and supervising compliance with the Code of Conduct, regular monitoring and supervising of the Criminal Risk Prevention Plan, creating and updating corporate policies and monitoring compliance with them, and managing queries about the Code of Conduct, amongst other duties.

### **Anti-Corruption and Fraud Policy**

NH Hotel Group has an anti-corruption and fraud policy which was initially approved by the Board of Directors in January 2018 and amended in May 2019. The general principles of the Anti-Corruption and Fraud Policy are:

- Zero tolerance of bribery and corruption in the private and public sectors
- Behaviour must be appropriate and legal
- Transparency, integrity and accuracy in financial information
- Regular internal control
- Local legislation shall take precedence if stricter

### **Anti-money laundering policy**

NH's Code of Conduct reflects a commitment to respect the applicable regulations on anti-money laundering policy, with special attention to diligence and care in the processes of evaluating and selecting suppliers, and in payments and collections in cash. Therefore, the Compliance Committee meeting of 19 December 2018 approved a policy that reinforces NH Hotel Group's commitment to anti-money laundering and combating the financing of terrorism, with the aim of detecting and preventing NH Hotel Group, S.A. and its Group companies from being used in money laundering or terrorist financing operations. The Policy was approved by the Board on 13 May 2019 and was updated during 2022 in order to adjust the new limit thresholds for payments in cash and the including of a business identification form.

The aforementioned Policies have been duly communicated to all Group employees and the corresponding online training has been made available to ensure their disclosure and understanding.

## **RISK MANAGEMENT**

### **Risk management governance**

The Company's Board of Directors is responsible for overseeing the risk management system, in line with the provisions of Article 5 of the Regulation of the Board of Directors. As regulated by Section 3 of article 25 b) of the Regulation of the Company's Board of Directors, the Audit and Control Committee supports the Board of Directors in supervising the effectiveness of the internal control, internal audit and the risk management systems, including tax risks. In this sense, during 2022, a control and monitoring process of the Company's main risks has been carried out.

On the other hand, amongst other functions, the Company's Management Committee manages and controls risks based on risk tolerance, assigns ownership of the main risks, periodically monitors their evolution, identifies mitigation actions as well as defining response plans. For these purposes, the Executive Risk Committee, made up from members of the Management Committee and Senior Executives, supports the Management Committee in such oversight, as well as promoting a culture of risks in the Company. For this, the Company has an internal risk management manual that details the principles, processes and controls in place.

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives. To ensure that there are no conflicts of independence and that the NH risk management and control system works as set out in the Corporate Risk Management Policy, an independent third party periodically reviews its operation. Due to the exceptional situation caused by

Covid-19, the review has not been carried out since 2019, but it is planned to resume the external review at the end of 2023, or at the beginning of 2024.

As an additional guarantee of independence, Risk Management is independent of the business units and, as with Internal Audit, it maintains a functional reporting line to the Audit and Control Committee.

In line with the above, NH follows the Three Lines model published in July 2020 by the Global IIA:

- First line: carried out by each function (business and corporate units) that owns the risk and its management (Operations, Commercial, Marketing, etc.).
- Second line: performed by the functions responsible for risk supervision (Risk Management, Compliance, Data Protection, Internal Control, etc.)
- Third line: carried out by Internal Audit that affords independent assurance.

The NH Hotel Group's Corporate Risk Management Policy (approved by the Board of Directors in 2015), as well as the internal manual that implements it, aim to define the basic principles and the general framework of action to identify and control all types of risks that may affect the companies over which the NH Hotel Group has effective control, as well as ensuring alignment with the Company's strategy.

### Risk management model

NH Hotel Group's risk management system, rolled out at Group level, aims to identify events that may negatively affect achievement of the objectives of the Company's Strategic Plan, providing the maximum level of assurance to shareholders and stakeholders and protecting the Group's revenue and reputation.

The risk management model is based on the integrated COSO IV ERM (Enterprise Risk Management) framework, and includes a set of methodologies, procedures and support tools that allow the NH Hotel Group:

1. To adopt adequate governance in relation to the Company's risk management, as well as promoting an appropriate risk management culture.
2. To ensure that the Company's defined objectives are aligned with its strategy and risk profile.
3. To identify, evaluate and prioritise the most significant risks that could affect achievement of strategic objectives  
To identify measures to mitigate these risks, as well as establish action plans based on the Company's tolerance to risk.
4. To follow-up on the action plans established for the main risks, within a continuous improvement model framework.

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. In 2022, the Company updated its risk catalogue (80 risks) and its Risk Map, which was approved by the Board of Directors at their meeting on 26 July 2022.

Each of the main risks on the Company's Risk Map is assigned a Risk Owner who, in turn, is a member of the Management Committee. Each risk owner is responsible for mitigation measures, either existing or in progress, for their risks and the implementation status of action plans. The Risk Owners periodically submit the status of the main risks they are responsible for and the mitigating controls and actions plans for the future to the Audit and Control Committee (for example, Cyberrisk was submitted on 8 November 2022).

Each year, coinciding with the update of the Risk Map, Risk Management is responsible for reassessing the risk catalogue, both financial and non-financial. The final catalogue is validated with the Senior Executives who take part in the process, as well as with the bodies involved in its validation (Management Committee, Executive Risk Committee and Audit and Control Committee) and approval (Board of Directors). Additionally, Risk Owners can report/suggest a new risk to the Risk Office during the year.

In general, the risks to which the Group is exposed can be classified into the following categories.

- a. Financial Risks: events that affect financial variables (interest rates, exchange rates, inflation, liquidity, debt, credit, etc.).
- b. Compliance Risks: arising from possible regulatory changes as well as non-compliance with internal and external regulations.
- c. Business Risks: generated by inadequate management of procedures and resources, whether human, material or technological.
- d. Risks from External Factors: arising from natural disasters, pandemics, political instability or terrorist attacks.

- e. Systems Risks: events that could affect the integrity, availability or reliability of operational and financial information (including cyber).
- f. Strategic Risks: produced by difficulty accessing markets and difficulties in asset disinvestment.

Apart from this classification, the Company has identified emerging risks and ESG risks that it particularly monitors (described in the annual non-financial information report). At the start of 2022, NH Hotel Group strengthened its analysis of risks associated with Human Rights, the Environment and Fraud by the Sustainable Business and Risks Departments.

## SUSTAINABLE BUSINESS STRATEGY

NH Hotel Group runs its hotel business with the ambition of leading responsible behaviour, generating a positive social and environmental impact where it is present, conveying its human rights, ethical and corporate commitments in its way of working along its entire value chain: shareholders, customers, partners, suppliers and employees, while promoting responsible alliances with two pillars: UP FOR PLANET and UP FOR PEOPLE.

A noteworthy milestone was setting up the Sustainability Executive Committee in May 2022, whose main function is to support the Board of Directors in its work providing monitoring of NH Hotel Group's sustainability strategy. The committee is co-chaired by the Chief Assets & Development Officer and the Chief People and Sustainable Business Officer and all functions with a direct impact on implementing the strategy are represented.

Convinced it is moving in the right direction to achieve the next sustainability challenges, the Company is aligned with the Sustainable Development Goals (SDGs) to which it can contribute and undertakes to continue creating long-term and global value within the framework of the 2030 Agenda.

Information relating to performance of the Sustainable Business Strategy is published in the 2022 Non-Financial Information Statement, which is presented as a separate report and forms a part of this Consolidated Management Report.

## UP FOR PLANET

"A pillar supporting us to minimise environmental impact, from the design, construction, operations and refurbishment of our hotels. Focussing on reducing, reusing and recycling natural resources, such as water and energy, greenhouse gases, waste and replacing existing materials with alternatives that are more environmentally friendly, sustainable and innovative".

The Company is aware of the effects of its activity on the environment and works to prevent and anticipate possible environmental contingencies, as well as to integrate sustainability into all its processes. It is constantly working on reducing their impact.

The Company's environmental strategy is channelled through UP FOR Planet, where a route map is defined to comply with the commitments acquired for fighting climate change and advancing towards decarbonisation

- **SUSTAINABLE PRODUCTS AND ASSETS**

At NH Hotel Group, the fight against climate change is a fundamental strategic value and this is why the NH Hotel Group continues working on its commitment to reduce its carbon emissions by 20% throughout its value chain by 2030, a target which is validated by the SBTi initiative. Setting this target marks NH Hotel Group's route map towards significant reduction of its activity's carbon footprint in the next few years, with the commitment to achieving status as a decarbonised company in 2050.

NH Hotel Group hotels operates with the ISO 14001 environmental management system and the ISO 50001 energy efficiency system, certified for accommodation, catering, meetings and events services. In 2022 NH Hotel Group had individual certification for 50% of the hotels in the portfolio. In addition, 336 of the Company's hotels have gained the Booking environmental award, 308 have the HRS Greenstay and 50 have the GHS Green Collection. It is worth pointing out that the whole portfolio has gained Bioscore classification, which is an independent assessment of a hotel for its level of sustainability via a classification based on ESG (environmental, social and corporate governance criteria), aligning the more relevant parameters of the internationally recognised eco-labelling principles to offer a global, standardised view of the efforts made by the hotels with regard to sustainability.

The reduction in emissions during the year was 20% of the emissions ratio per occupancy compared to 2021.

- **OPERATIONAL PROCESSES AND STANDARDS**

A strategic pillar focussing on efficient management and responsible consumption of resources, prioritising the "4R" rule. Reduce, Reuse, Recycle and Replace while offsetting waste emissions and encouraging the evolution towards the circular economy and development of more sustainable products, but also the involvement of employees, suppliers, partners and customers as key players to achieve them.

It is worth highlighting that during the year the ratio of energy consumption per occupancy and the ratio of water use per occupancy decreased by 35% and 25%, respectively, when compared to the previous year.

## • SUSTAINABLE PURCHASING

With this pillar, NH Hotel Group strengthens its sustainable value chain, prioritising key alliances, increasing consumption from local producers and responsible organisations. NH Hotel Group's relationship with its suppliers is based on communication and transparency to promote the development of innovative, sustainable solutions.

During 2022 a total of 88 suppliers worldwide adhered to NH Hotel Group's and Coperama's Code of Conduct. Therefore, in 2022, the number of active suppliers who have signed up to the code reached a total of 1,760.

These lines of action and commitments allow the NH Hotel Group to position itself as a sustainable and environmentally friendly Company, thereby increasing the value of its brands.

## UP FOR PEOPLE

"With initiatives and projects promoting our employees' professional development, while at the same time creating a positive impact on the communities we are present in, to offer our customers the best experience, involving them in our commitments to sustainability"

## • EMPLOYEES

The Company considers its employees to be its main asset and understands that, to build a leading corporate culture, it is essential to manage attracting and developing talent, and sustain their motivation and pride in belonging to the NH Hotel Group.

The key projects were consolidated this year, completing implementation of the People pillar Strategic Plan and laying the foundations to launch the strategic initiatives which are grouped into 4 main pillars:

- In-house commitment.
- Talent management.
- Recruitment strategy.
- Employer brand.

It is noteworthy that, in 2022, the Company resumed highly important processes within the People strategy, such as the climate survey, talent calibrations, recognition, training and in-house development programmes, amongst others. These are all adapted to the Company's new reality. With all this, NH Hotel Group has continued to look after its teams and has given them tools to manage the uncertainty of past years, focussing on identifying, developing and retaining talent.

The number of FTEs employed by the Parent Company and consolidated companies during 2022 was 10,995 employees, located in 29 countries, where 51% are women and 49% are men.

NH Hotel Group's commitment to stable employment is shown by the high percentage of employees with permanent contracts. So, in 2022, an average of 84% of the women's contracts are permanent and an average of 83% of employees between 25 and 40 years old have permanent contracts. Furthermore, 6,491 new staff were recruited, of which 63% are employees under 35 years old and 53% are women.

NH Hotel Group uses its Code of Conduct to formalise its commitment to promoting non-discrimination due to the race, colour, nationality, social origin, age, gender, civil status, sexual orientation, ideology, political opinions, religion or any other personal, physical or social condition of its professionals, along with equal opportunities for all of them. The policies and actions for recruiting, employing, training and internal promotion of employees are based on criteria of ability, skills and professional merit.

In addition, the Company will continue to strengthen its commitment to its employees, creating optimal working environments to maximise its employees' contribution.

## • CUSTOMERS

In its commitment to sustainability, NH Hotel Group seeks to integrate customers and make them participants in its sustainable initiatives, whether by creating opportunities for social contribution or promoting responsible environmental behaviour.

The Company works on initiatives that improve quality and customers' experiences, while at the same time minimising the environmental impact of our hotels, such as, for example:

- FASTPASS, incorporating new technologies that enable services like biometrics and facial recognition.

- Tablets in reception, offering the best services to customers, enabling check in and check out using a tablet connected to a PMS.
- Chromecast: enables the customer to send content from their mobile, tablet or PC to the room's television.
- Mobile Guest Service: digitises information services and functions of the stay at the hotel.
- Sustainable product: alternative sustainable ideas for all the elements defined in our hotels' standards.

## • COMMUNITIES

NH Hotel Group seeks to create positive social and environmental impact in the communities we have a presence in via responsible alliances:

- Hotels with a Heart: free-of-charge accommodation programme for needy families with sick children.
- Together with Love: the Company's corporate volunteering worldwide.
- Youth employability, for young people at risk of exclusion.

With these projects, NH Hotel Group has benefited more than 60,700 people.

### Sustainability recognitions

For the third time, NH Hotel Group has been included in the "Sustainability Yearbook 2022" published by S&P Global. For the fourth time, the Company voluntarily took part in the Corporate Sustainability Assessment (CAS) carried out by the sustainable investment agency S&P Global as was recognised as TOP10%.

A demonstration of its commitment to gender equality, NH Hotel Group, for the fourth year running, was included on the Bloomberg GEI 2022 index, being the only Spanish hotelier in the 484 companies listed in the index. This reference index measures gender equality using five pillars: leadership and talent development, equality and parity of remuneration, inclusive culture, policies against sexual harassment and the brand image.

The NH Hotel Group has also reported its commitment to and strategy against climate change to CDP Climate Change since 2010 and received a B in its annual ranking. With this rating, the NH Hotel Group once again recognises its vision of placing sustainability as a strategic value of the corporation, which has acted as a lever of transversal value for the Group for over a decade.

Since 2013, the NH Hotel Group has been listed on the FTSE4GOOD index and renews its presence year after year thanks to the responsible management of the business and the improvements implemented.

## SHARES AND SHAREHOLDERS

NH Hotel Group, S.A. share capital at the end of 2022 comprised 435,745,670 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2022 and 2021 were as follows:

	2022	2021
Minor International Public Company Limited ("MINT")	94,13%	94,13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd., shares representing 94.13% of the share capital of NH Hotel Group, S.A.

The average share price of NH Hotel Group, S.A. in 2022 was 3.25 euros per share (3.61 euros in 2021). The lowest share price of 2.27 euros per share (2.82 euros in December 2021) was recorded in October and the highest share price of 4.03 euros per share in June (4.35 euros in February 2021). The market capitalisation of the Group at the close of 2022 stood at 1,294.16 million euros.

At 31 December 2022, the Group had 92,915 own shares (all referring to the liquidity contract), compared to 96,246 own shares at 31 December 2021. The reduction in treasury shares in the period is wholly explained by the liquidity contract operation.

### Liquidity contract for treasury shares management

On 10 April 2019, the NH Board of Directors entered into a liquidity contract to manage its treasury shares with Banco Santander, S.A. The Contract became effective on 11 April 2019.

This contract is in accordance with the liquidity contract model in Circular 1/2017 of 26 April from the National Securities Market Commission on liquidity contracts for the purpose of its acceptance as a market practice.

The total number of shares allocated to the securities account associated with the Liquidity Contract at 31 December 2022 is 92,915 shares and the amount allocated to the cash account is 329,492 euros.

The Liquidity Contract was agreed upon by the Board of Directors at the proposal of the Proprietary Directors on behalf of the shareholder Minor as a measure to encourage and favour the liquidity of the Company's shares taking the current market conditions into account.

### Average period for payment

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified by the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, and Law 18/2022, of 28 September, on the creation and growth of businesses, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

	2022	2021
	Days	
Average period for payment to suppliers	79	96
Ratio of paid transactions	80	97
Ratio of transactions pending payment	63	80
	Amount (thousands of euros)	
Total payments made	315,527	271,179
Total payments pending	23,404	20,018

The above information on payments to suppliers of Spanish companies refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Commercial Creditors and Other Accounts Payable" item in current liabilities of the consolidated statement of financial position.

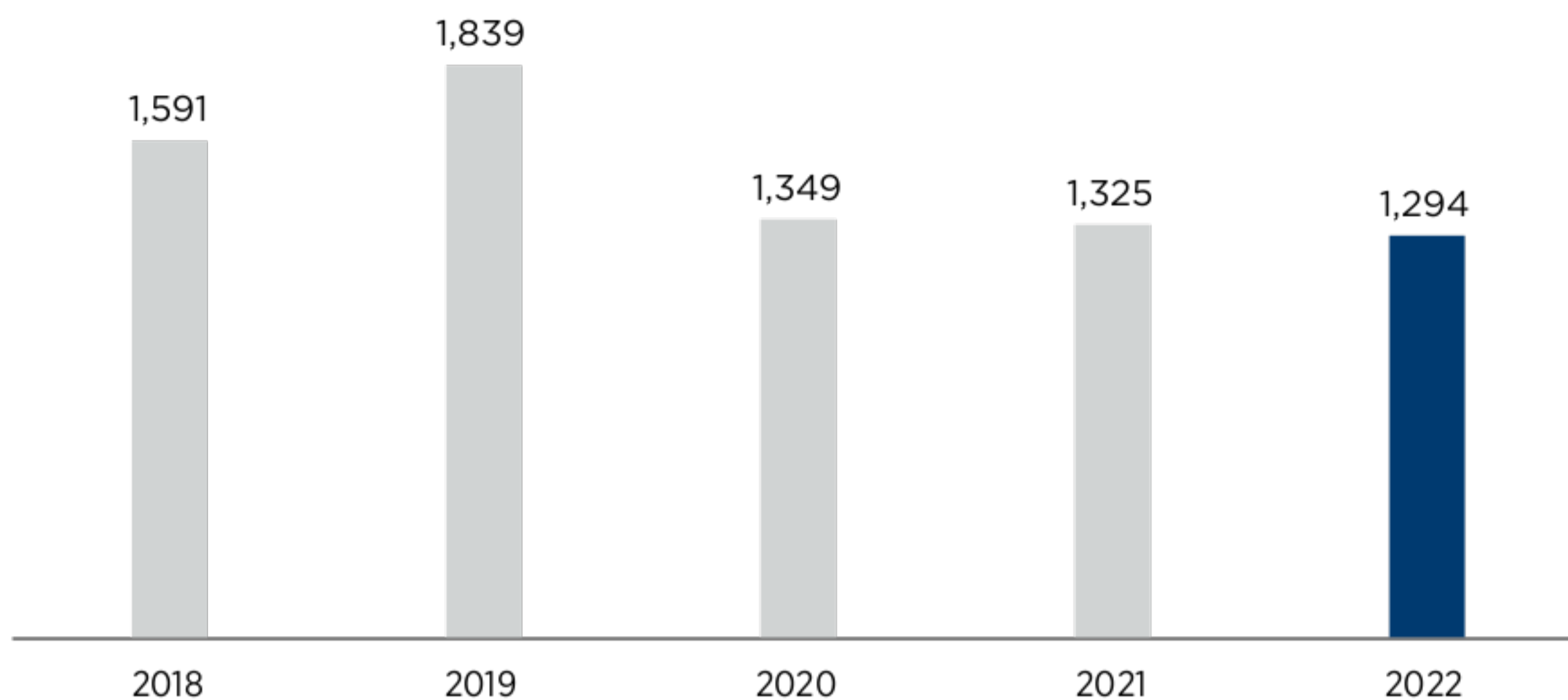
During 2022 the monetary volume of the invoices paid in less time than the maximum provided for in the bad debt regulations was 139,876 thousand euros, representing 44% of the total monetary volume of the invoices, the number of invoices paid in less time than the maximum provided for in the bad debt regulations was 66 thousand euros, representing 41% of the total volume of invoices;

The average period for payment to suppliers has been calculated using the weighted average of the two ratios explained below:

- Ratio of paid transactions: average payment period of transactions paid in each year weighted by the amount of each transaction.
- Ratio of transactions pending payment: average period between the invoice date and the end of the year weighted by the amount of each transaction.

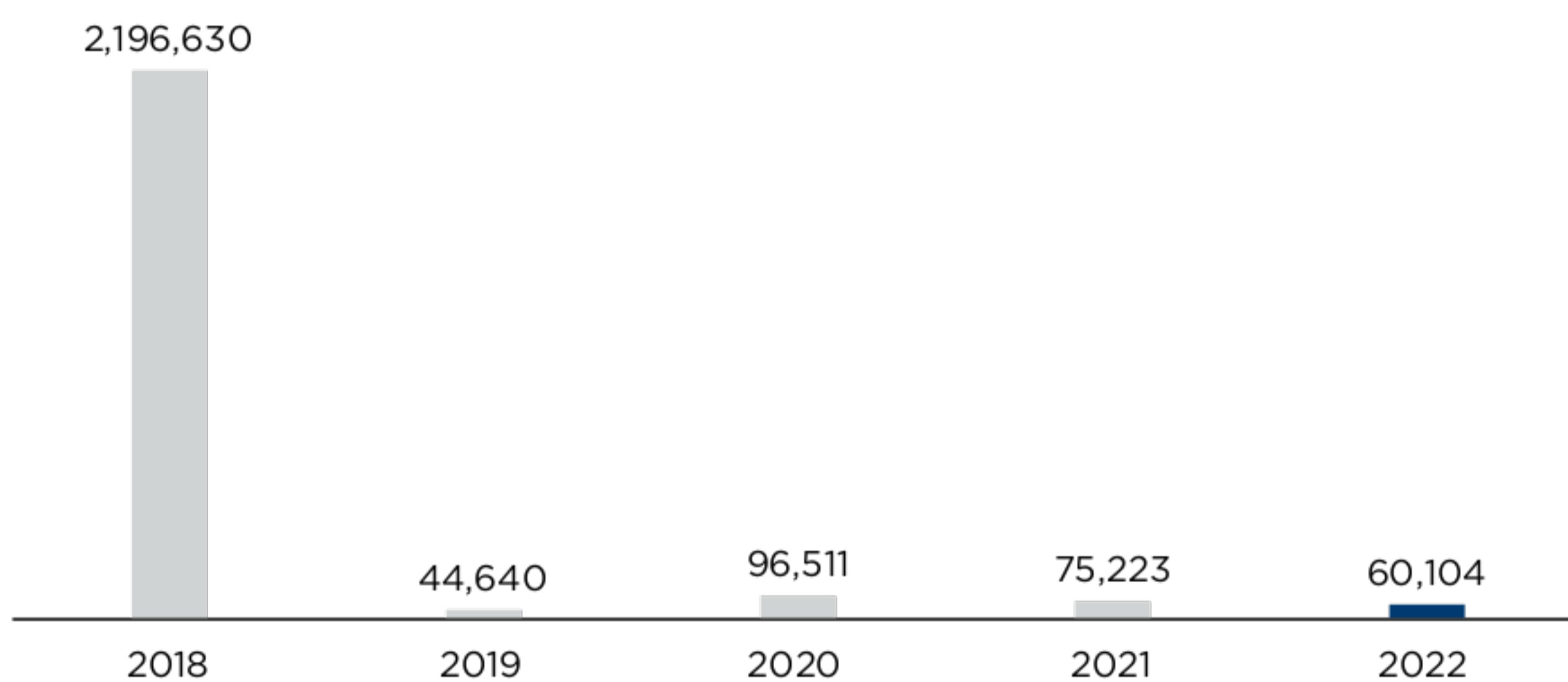
Due to the impact of the Covid-19 pandemic on the demand for hotels, the Company has exceeded the maximum period for payment to trade suppliers legally set at 60 days. This situation is considered to be remediable as various measures are being taken to temporarily resizing resources existing until now, and renegotiating lease agreements and other actions of different types aimed at minimising the impact of the Covid-19 pandemic, which, together with progressive recovery in demand and the business, will enable the legally established ratio to be recovered.

**Capitalization (at the end of each year in millions of euros)**



During 2022, 15,446,871 shares in NH Hotel Group, S.A. were traded on the Continuous Market (19,257,219 shares in 2021) with average daily share trading on the Continuous Market of 60,104 shares (75,223 shares in 2021).

**Average daily trading (in titles)**



## EVOLUTION NH HOTEL GROUP vs. IBEX 35

1 JANUARY 2017-31 DECEMBER 2022



## FUTURE OUTLOOK

There are indications that the tightening of monetary policy is starting to cool off demand and inflation, but the full impact will probably not materialise before 2024.

It is anticipated that world growth, which was estimated at 3.4% in 2022, will fall to 2.9% in 2023 and later bounce back to 3.1% in 2024. It is not forecast that world GDP or world GDP per capita will have negative growth, which is something that usually happens when a world recession occurs. Nevertheless, for 2023 and 2024, it is anticipated that world growth will be lower than the historic annual average (2000-2019) of 3.8%.

The prognosis for low growth in 2023 is due to the central banks' interest rate rises to combat inflation - particularly in advanced economies - and the war in Ukraine. The lower growth in 2023 when compared to 2022 is in line with the advanced economies. In emerging and developing market economies it is estimated the growth hit rock bottom in 2022. It is forecast that growth will reactivate in China due to it fully reopening in 2023. The forecast bounce back of both economic groups in 2024 reflects the gradual recovery from the effects of the war in Ukraine and inflation being restrained.

According to the UNWTO's prognosis for 2023, international tourist arrivals this year may be between 80% and 95% of pre-pandemic levels, depending on the extent to which economic slowdown occurs, how travel to Asia and the Pacific recovers and how the Russian offensive in Ukraine evolves, amongst others.

The UNWTO forecasts that recover will continue during 2023, although the sector is facing economic, health and geopolitical challenges. The recent lifting of travel restrictions caused by Covid-19 in China, the largest source market in the world in 2019, is a significant step for recovery of the tourist sector in Asia and the Pacific and worldwide. In the short term, resumption of travel from China could benefit the Asiatic destinations in particular. Nevertheless, the situation will change depending on the availability and cost of travel, regulations on visas and Covid-19 restrictions at destinations. By the middle of January, a total of 32 countries had imposed specific travel restrictions on travellers coming from China, particularly in Asia and Europe.

At the same time, strong demand from the USA, supported by the strong dollar, will continue to benefit destinations within it and other regions. Europe will continue to maintain abundant flows of travellers coming from the USA, mainly due to the weak euro against the dollar.

The last UNWTO confidence index shows a cautious optimism for January-April that is higher than for the same period in 2022. The optimism is backed up by Asia opening and the strong 2022 figures for expenditure in the traditional and emerging source markets, with good results being seen in France, Germany and Italy, as well as Qatar, India and Saudi Arabia.

## Non-financial Information Statement

The 2022 consolidated Non-Financial Information Statement, issued by the Board of Directors on 22 February 2023, contains all the non-financial information required by Law 11/2018 of 28 December 2018. This document is presented as a separate report, is part of this Consolidated Management Report and is available on the corporate website of the NH Group (<https://>



[www.nh-hoteles.com/corporate/](https://www.nh-hoteles.com/corporate/)), within the section on Annual reports included in financial information in the shareholders and investors section and as an annex to this document.

### **Annual Corporate governance report**

The Annual Corporate Governance report, which is a part of this consolidated management report, was prepared according to the provisions of article 49.4 of the Commercial Code. In addition, the report will be available from publication of these accounts on NH Group's corporate web site (<https://www.nh-hoteles.com/corporate/>) and on the CNMV web site ([www.cnmv.es](http://www.cnmv.es)).

### **Annual directors' remuneration report**

The annual directors' remuneration report for 2022, prepared by the Board of Directors on 22 February 2023, is presented as a separate report, forms a part of this Consolidated Management Report and is available as an annex to this document, as provided for in article 538 of Royal Legislative Decree 1/2010, of 2 July..

## **EVENTS AFTER THE REPORTING PERIOD**

In January 2023, the Parent Company requested voluntary, early repayment of the Syndicated ICO backed loan maturing in 2026 amounting to 50,000 thousand euros. With this last voluntary repayment, the loan was fully repaid.

As indicated in Note 22, on 4 January 2023 the Tax act with agreement signed with the Dutch tax authority was paid, in accordance with the indications in that Note.

NH HOTEL GROUP, S.A. and subsidiaries

**DIRECTORS' DECLARATION OF RESPONSIBILITY FOR THE PURPOSES OF THE PROVISIONS OF ARTICLE 118.2 of Legislative Royal Decree 4/2015 of 23 October, which approves the consolidated text of the Securities Market Law.**

The Directors of NH HOTEL GROUP, S.A., declare that, to the best of their knowledge, the consolidated Annual Accounts, the consolidated Management Report that includes the Annual Corporate Governance Report, the Annual Report on Directors' Remuneration and the Non-Financial Information Statement (presented in a separate document for reference) drafted at the meeting of the Board of Directors held on 22 February 2023, prepared in accordance with the applicable accounting principles, offer a true and fair view of the assets, financial situation and results of NH HOTEL GROUP, S.A., and of the companies included in the consolidation taken as a whole and that the Management Report includes a faithful analysis of the required information.

In compliance with the provisions of Article 253 of the Consolidated Text of the Capital Companies Act, the Directors of NH HOTEL GROUP, S.A., sign the Annual Accounts and Management Report of NH HOTEL GROUP, S.A. and Subsidiaries corresponding to year ended 31 December 2022.

.....  
D. ALFREDO FERNÁNDEZ AGRAS

.....  
D. RAMÓN ARAGONÉS MARÍN

.....  
D. JOSE MARÍA CANTERO DE MONTES-JOVELLAR

.....  
D. KOSIN KENNETH CHANTIKUL

.....  
D. STEPHEN ANDREW CHOJNACKI

.....  
D. WILLIAM ELLWOOD HEINECKE

.....  
D. FERNANDO LACADENA AZPEITIA

.....  
D<sup>a</sup>. LAIA LAHOZ MALPARTIDA

.....  
D. RUFINO PÉREZ FERNÁNDEZ

.....  
D. EMMANUEL JUDE DILLIPRAJ RAJAKARIER

DILIGENCE issued by the Secretary of the Board of Directors, to record that the previous Declaration of Responsibility has been signed by all the members of the Board of Directors in accordance with the Annual Accounts corresponding to the 2022 financial year of NH HOTEL GROUP, S.A. and Dependent Companies, which have been formulated at the Board of Directors meeting held on February 22, 2023, including the stamping of the signature together with the respective name and surname of the signing Director. It is hereby stated that Mr. Ramón Aragonés Marín affixes his signature in the name and on behalf of the Directors Mr. William Ellwood Heinecke, Mr. Emmanuel Jude Dillipraj Rajakarier, Mr. Stephen Andrew Chojnacki and Mr. Kosin Chantikul.

Mr. William Ellwood Heinecke delegated his representation and vote in the aforementioned Board of Directors to Mr. Stephen Andrew Chojnacki by virtue of express delegation. Mr. Emmanuel Jude Dillipraj Rajakarier, Mr. Stephen Andrew Chojnacki and Mr. Kosin Chantikul attended personally by videoconference, expressly authorizing Mr. Ramón Aragonés Marín during the Board of Directors session to sign as many documents as necessary in the framework of the preparation of the Annual Accounts.

Of all this, I attest.

Madrid, 22 February 2023.

Carlos Ulecia Palacios  
Secretary to the Board of Directors