NH Hotel Group, S.A.

Audit Report, Financial Statements and Management Report at 31 December 2023

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

Independent auditor's report on the annual accounts

To the shareholders of NH Hotel Group, S.A.

Report on the annual accounts

Opinion

We have audited the annual accounts of NH Hotel Group, S.A. (the Company), which comprise the statement of financial position as at 31 December 2023, and statement of profit and loss, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2023, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

R. M. Madrid, hoja M-63.988, folio 75, tomo 9.267, libro 8.054, sección 3ª
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Key audit matters	How the matters were addressed in the audit
Recoverability of equity investments in group companies and associates As outlined in note 8 to the accompanying annual accounts, the Company recognises in the "Non-current investments in Group companies and associates" the amount of EUR 2,051 million relating to investments in equity instruments, representing 67% of total assets. The Company analyses these assets each year for impairment and, where there is objective evidence of impairment, determines the recoverable amount of the assets' carrying amount using the present value of the future cash flows to be generated by the assets according to management's business plans (note 4.f). The recoverable amounts and any value adjustments that may be applicable therefore require the application of significant judgements and estimates when determining future cash flows and related assumptions, such as the application of discount rates and expected growth rates, among others (note 2.e). The above-mentioned aspects lead us to consider the recoverability of equity investments in Group companies and associates a key audit matter	Our audit procedures included the following: Understanding of the methodology employed and evaluation of the controls in place in the Company's equity investment recovery analysis processes. Obtaining from management the cash flow projections used to measure the investments, with respect to which we carried out the following procedures: • Verifying the reasonableness of the procedures and methods used to perform impairment testing. • Assessing the reasonableness of the key assumptions and estimates included in the model in relation to both future cash flow forecasts and the key elements considered in their calculation, such as the methodology applied to calculate the discount rates and the resulting value within an acceptable range. • Arithmetic verification of the calculations taken into consideration in the impairment test and assessment of the sensitivity analyses performed by management, including the ranges within which the key model assumptions should fluctuate in order to trigger impairment of investments or the reversal of existing provisions. • Evaluation of the sufficiency of the related information disclosed in the annual accounts. The results of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Other information: Management report

Other information comprises only the management report for the 2023 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the statement of non-financial information, certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, have been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2023 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and control committee for the annual accounts

The directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Company'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 liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice 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 these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit and control committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the entity's audit and control committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of NH Hotel Group, S.A. for the 2023 financial year that comprises an XHTML file of the annual accounts for the financial year, which 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 2023 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the management report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been effected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit and control committee

The opinion expressed in this report is consistent with the content of our additional report to the audit and control committee of the Company dated 8 February 2024.

Appointment period

The General Ordinary Shareholders' Meeting held on 30 June 2022 appointed us as auditors for a period of three years, as from the year ended 31 December 2022.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended 31 December 2019.

Services provided

Services provided to the audited entity and its subsidiaries for services other than the audit of the accounts are disclosed in note 17.d to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Mariano Cortés Redín (21829)

8 February 2024

NH Hotel Group, S.A.

Financial Statements and Management Report for Financial Year 2023

NH Hotel Group, S.A.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023

(Thousands of euros)

	Note	2023	2022
NON-CURRENT ASSETS:			
Intangible assets	Note 5	23,826	21,953
Property, plant and equipment	Note 6	56,264	59,905
Investment in property		2,057	2,318
Non-current investments in Group companies and associates		2,791,534	2,394,712
Equity instruments	Note 8.2	2,050,642	1,948,029
Loans to companies	Note 16.1	740,892	446,683
Non-current financial assets	Note 8.1	1,448	1,444
Deferred tax assets	Note 13	29,830	31,955
Total non-current assets		**2,904,959**	**2,512,287**
CURRENT ASSETS:			
Inventories		201	171
Trade and other receivables		17,405	9,633
Trade accounts receivable for sales and services	Note 8	1,681	1,495
Sundry debtors	Note 8	1,188	29
Current tax assets	Note 13	13,438	6,650
Other tax receivables	Note 13	1,098	1,459
Current investments in group companies and associates	Note 16.1	133,401	390,947
Current financial investments		26	26
Current accruals		4,030	2,691
Cash and cash equivalents	Note 9	1,186	103,524
Total current assets		**156,249**	**506,992**
TOTAL ASSETS		**3,061,208**	**3,019,279**
EQUITY			
Capital		871,491	871,491
Share premium		848,394	848,394
Reserves		531,776	529,477
Legal and statutory reserves		109,791	107,555
Other reserves		421,985	421,922
Prior years' losses		(54,783)	(74,907)
Treasury shares		(356)	(273)
Profit/Loss for the year		39,776	22,360
Total Equity	Note 10	**2,236,298**	**2,196,542**
NON-CURRENT LIABILITIES:			
Non-current provisions	Note 11	5,244	5,215
Non-current debts		444,301	502,961
Debt instruments and other marketable securities	Note 12.1	397,767	396,363
Bank borrowings	Note 12.1	43,146	103,160
Other financial liabilities	Note 12.2	3,388	3,438
Non-current debts with group and associate companies	Note 16.1	243,161	137,138
Deferred tax liabilities	Note 13	4,394	4,565
Total non-current liabilities		**697,100**	**649,879**
CURRENT LIABILITIES:			
Current provisions	Note 11	3,948	53
Current debts		11,232	22,053
Debt instruments and other marketable securities	Note 12.1	6,507	6,567
Bank borrowings	Note 12.1	4,725	15,486
Current debts with group and associate companies	Note 16.1	64,581	113,696
Trade creditors and other accounts payable		48,049	37,056
Suppliers	Note 14.1	29,755	23,819
Sundry creditors	Note 14.1	10,779	6,644
Personnel	Note 8	6,138	5,452
Other taxes payable	Note 13	1,377	1,141
Total current liabilities		**127,810**	**172,858**
Total Liabilities		**824,910**	**822,737**
TOTAL EQUITY AND LIABILITIES		**3,061,208**	**3,019,279**

The accompanying Notes 1 to 20 are an integral part of the balance sheet at 31 December 2023.
The balance sheet at 31 December 2022 is presented for comparison purposes only.

NH Hotel Group, S.A.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AT 31 DECEMBER 2023

(Thousands of euros)

	Note	2023	2022
Net turnover	Note 17.a	**154,693**	**126,731**
Sales		46,648	38,422
Provision of services and other		108,045	88,309
Procurements		**(189)**	**(102)**
Work carried out by the company for its assets		**2,678**	**1,931**
Staff costs	Note 17.b	**(43,213)**	**(34,323)**
Wages, salaries and similar		(35,788)	(28,234)
Social security contributions		(7,425)	(6,089)
Other operating expenses		**(59,247)**	**(53,043)**
External services	Note 17.c	(31,713)	(27,840)
Taxes		(2,751)	(3,452)
Losses on, impairment of and changes in allowances for trade receivables		8	(63)
Other current operating expenses	Note 17.d	(24,791)	(21,688)
Depreciation and amortisation expenses	Notes 5 and 6	**(16,078)**	**(17,133)**
Impairment and profits/losses on disposals of non-current assets		**141**	**356**
Impairments and other losses	Notes 5 and 6	—	49
Income from disposals and other	Notes 6 and 17.e	141	307
PROFIT/LOSS FROM OPERATIONS		**38,785**	**24,417**
Financial income		**74,718**	**21,673**
From securities held for trading and other financial instruments			
Group companies and associates	Note 16.2	73,986	21,498
Third parties		732	175
Financial expenses		**(37,287)**	**(35,384)**
On debts to Group companies and associates	Note 16.2	(11,744)	(2,044)
On debts to third parties	Note 17.f	(25,543)	(33,340)
Change in fair value of financial instruments		**(846)**	**—**
Exchange rate differences		**(1,102)**	**558**
Impairment and gains/losses on derecognition and disposal of financial instruments	Note 8.2	**(35,985)**	**10,903**
FINANCIAL PROFIT/LOSS		**(502)**	**(2,250)**
PROFIT/LOSS BEFORE TAX		**38,283**	**22,167**
Income tax	Note 13	1,493	193
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**39,776**	**22,360**
PROFIT/LOSS FOR THE YEAR		**39,776**	**22,360**

The accompanying Notes 1 to 20 are an integral part of the statement of profit and loss 2023.
The statement of profit and loss for 2022 is presented for comparison purposes only.

NH Hotel Group, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED AT 31 DECEMBER 2023
A) STATEMENT OF COMPREHENSIVE INCOME

	Thousands of euros	
	2023	2022
PROFIT/LOSS AS PER STATEMENT OF PROFIT AND LOSS (I)	**39,776**	**22,360**
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)	**(40)**	**—**
TOTAL TRANSFERS TO PROFIT OR LOSS (III)	**—**	**—**
TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)	**39,736**	**22,360**

The accompanying Notes 1 to 20 are an integral part of the statement of recognised income and expense for 2023.

The statement of recognised income and expense for the year ended at 31 December 2022 is presented for comparison purposes only.

NH HOTEL GROUP, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED AT 31 DECEMBER 2023

B) STATEMENT OF CHANGES IN EQUITY

(Thousands of euros)

	Share Capital (Note 10)	Share Premium (Note 10)	Reserves (Note 10)	Treasury Shares (Note 10)	Prior Year's Losses (Note 10)	Profit / (Loss) for the Year (Note 10)	TOTAL EQUITY (Note 10)
Opening balance at 1 January 2022	**871,491**	**848,394**	**514,799**	**(308)**	**(226,164)**	**168,063**	**2,176,275**
I. Total recognised income / (expense)	**—**	**—**	**—**	**—**	**—**	**22,360**	**22,360**
III. Other changes in equity	**—**	**—**	**14,678**	**35**	**151,257**	**(168,063)**	**(2,093)**
1. Transfers between equity items	—	—	16,806	—	151,257	(168,063)	—
2. Remuneration scheme in shares	—	—	(2,090)	506	—	—	(1,584)
3. Other movements	—	—	(38)	(471)	—	—	(509)
Balances at 31 December 2022	**871,491**	**848,394**	**529,477**	**(273)**	**(74,907)**	**22,360**	**2,196,542**
Opening balance at 1 January 2023	**871,491**	**848,394**	**529,477**	**(273)**	**(74,907)**	**22,360**	**2,196,542**
I. Total recognised income / (expense)	**—**	**—**	**(40)**	**—**	**—**	**39,776**	**39,736**
III. Other changes in equity	**—**	**—**	**2,339**	**(83)**	**20,124**	**(22,360)**	**20**
1. Transfers between equity items	—	—	2,236	—	20,124	(22,360)	—
3. Other movements	—	—	103	(83)	—	—	20
Balances at 31 December 2023	**871,491**	**848,394**	**531,776**	**(356)**	**(54,783)**	**39,776**	**2,236,298**

The accompanying Notes 1 to 20 are an integral part of the statement of changes in total equity for the year 2023.

The statement of changes in equity for 2022 is presented for comparison only.

NH Hotel Group, S.A.

CASH FLOW STATEMENT FOR THE YEAR ENDED AT 31 DECEMBER 2023

(Thousands of euros)

	Notes	2023	2022
A) CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit (Loss) for the year before tax		**38,283**	**22,167**
2. Adjustments for:		**17,045**	**21,270**
a) Depreciation and amortisation expenses (+)	Notes 5 and 6	16,078	17,133
b) Impairment losses (+/-)		—	(49)
c) Changes in provisions (+/-)		1,963	2,243
d) Profits/Losses on derecognition and disposal of non-current assets (+/-)	Note 17.e	(141)	(307)
e) Gains/Losses on derecognition and disposal of financial instruments (+/-)	Note 8.2	35,985	(10,903)
f) Finance income (-)		(74,718)	(21,673)
g) Finance costs (+)		37,287	35,384
h) Exchange rate differences (+/-)		1,102	(558)
i) Other income and expenses (+/-)		(511)	(829)
3. Changes in working capital		**7,663**	**1,715**
a) Inventories (+/-)		(30)	(24)
b) Trade and other receivables (+/-)		(1,345)	1,730
c) Other current assets (+/-)		(1,339)	(513)
d) Trade and other payables (+/-)		10,993	1,259
e) Provisions for contingencies and charges (+/-)		(562)	(61)
f) Other non-current assets and liabilities (+/-)		(54)	(676)
4. Other cash flows from operating activities:		**(3,346)**	**(38,484)**
a) Interest paid (-)		3,649	(30,262)
b) Interest received (+)		732	175
c) Income tax refunded (paid) (+/-)		(7,727)	(8,397)
5. Cash flows from investment activities (+/-1+/- 2+/-3+/-4)		**59,645**	**6,668**
B) CASH FLOWS FROM INVESTMENT ACTIVITIES			
6. Payments due to investment		**(144,003)**	**(6,552)**
a) Group companies and associates		(133,208)	—
b) Tangible and intangible fixed assets		(10,795)	(6,552)
7. Proceeds from disposal (+):		**55,593**	**291,560**
a) Group companies and associates		55,044	283,833
b) Tangible fixed assets		188	—
c) Other financial assets		—	7,437
c) Investment in property		361	290
8. Cash flows from investment activities (7-6)		**(88,410)**	**285,008**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Equity instruments receivables and (payables):		**20**	**(508)**
a) Purchase of treasury shares (-)		20	(508)
10. Proceeds and payments relating to financial liability instruments:	Note 12	**(72,491)**	**(202,423)**
a) Redemption and amortisation of:			
1. Deudas con entidades de crédito (-)		(72,491)	(202,423)
11. Dividend and remuneration payments on other equity instruments			
12. Cash flows from financing activities (+/-9+/-10+/-11)		**(72,471)**	**(202,931)**
D) EFFECT OF EXCHANGE RATE VARIATIONS		**(1,102)**	**(1,146)**
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		**(102,338)**	**87,599**
Cash and cash equivalents at the start of the financial year		103,524	16,756
Cash and cash equivalents at end of year		1,186	103,524

The accompanying Notes 1 to 20 are an integral part of cash flow statement for the year 2023.

The cash flow statement for 2022 is presented for comparison only.

Report on the Financial Statements of NH Hotel Group S.A. for the year ended at 31 December 2023

1. NATURE, COMPANY PURPOSE AND COMPOSITION OF THE GROUP

NH HOTEL GROUP, S.A. (hereinafter the "Company" or "NH Hotel Group") 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 Company, which focused on the management of its shareholding portfolio.

During the 1998 financial year, (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 Company is the head of a group of subsidiaries engaging in the same activities and that constitute, together with NH Hotel Group, S.A., the NH Hotel Group (hereinafter, the "Group"). The Company also operates three hotels in Spain, and provides services to the Group's subsidiary companies via its corporate central office.

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.

On 8 May 2023, MINT announced its decision to begin a purchase process in the market for shares in NH Hotel Group over a period of 30 days. Consequently, between 10 May and 8 June 2023, MINT increased its position in NH Hotel Group to 95.87% of the share capital of NH Hotel Group.

At year-end, the Group is present in 30 countries with 350 hotels and 55,626 rooms, including a significant presence in Europe.

NH Hotel Group, S.A. has its registered address at Calle Santa Engracia, 120 - 7th floor, Madrid, Spain.

The consolidated financial statements for 2023 were prepared by the Directors of the NH Hotel Group, S.A. in the Board meeting held on 08 February 2024 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 (CE) 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 2023, and the consolidated comprehensive income, consolidated cash flows and consolidated changes in equity for the financial year ended on that date.

Based on the contents of said consolidated financial statements, the total volume of equity, result for the year attributable to the shareholders of the Parent Company, assets and ordinary income amounted to 1,009,722, 128,124, 4,202,626 y 2,158,995 million euros, respectively.

2. BASIS OF PRESENTATION

a) Legislative reference framework

The financial statements have been prepared using the Company's accounting books and are presented in accordance with current company legislation and the regulations provided for in the General Accounting Plan, approved by Royal Decree 1514/2007, and the amendments made to it by Royal Decree 1159/2010, Royal Decree 602/2016 and Royal Decree 1/2021 for the purpose of showing a true and fair presentation of equity, the financial situation and the Company's results, as well as the veracity of the cash flows included in the statement of cash flow.

b) True and fair presentation

The financial statements have been drawn up using the Company's accounting books and have been prepared in accordance with applicable regulatory framework for financial information to give a true and fair view of the assets and financial situation 31 December 2023 and the results of its operations, the changes in equity and of the cash flows corresponding to the year ended on that date.

The Company's Directors consider that the consolidated financial statements for 2023, which were drawn up on 08 February 2024, will be approved by the General Shareholders' Meeting without amendment.

c) Non-obligatory accounting principles

No non-obligatory accounting principles were applied. Furthermore, the Company's directors formally prepared these financial statements by taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

d) Comparative information

In addition to the figures for 2023 and for comparative purposes, the financial statements are presented with the statement of financial position, statement of profit and loss, statement of changes in equity, statement of cash flow and the report corresponding to the previous year, which were part of the financial statements for 2022 approved by the General Shareholders' Meeting on 29 June 2023.

e) Critical valuation and estimation aspects of relevant uncertainties and judgements in the application of accounting policies.

In the preparation of these financial statements, estimates were made by the Company's directors in order to quantify certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets.
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce.
- The useful life of the tangible and intangible assets.
- The market value of specific assets.
- The calculation of provisions.
- The calculation of corporation tax.
- Recoverability of tax assets.

The Company's strategy takes into account the targets set in relation to climate change (Note 19), for which reason they are also taken into account when preparing these annual statements. Therefore, in the context of preparing consolidated annual statements, the effect of the commitments taken on by the Company was taken into account when calculating the service life of assets, closing costs and analysing impairment to non-financial assets.

Likewise, despite the fact that the estimates made by the Company's Directors have been calculated based on the best information available at 31 December 2023, it is possible that events that may take place in the future require their modification in upcoming years. The effect on the financial statements of the modifications that, where appropriate, derive from the adjustments to be made in upcoming years would be recorded prospectively.

f) Functional currency and presentation currency

The financial statements are presented in thousands of euros, which is the Company's functional and presentation currency, rounded to the nearest thousand.

g) Grouping of items

Certain items in the statement of financial position, statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flow are grouped together to make them easier to understand. However, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

h) Going concern

At 31 December 2023, the company has positive working capital of 28,439 thousand euros (334,134 thousand euros in 2022). In addition, the Company made a profit of 39,776 thousand euros (22,360 thousand euros profit in 2022) and has equity of 2,236,298 thousand euros (2,196,542 thousand euros in 2022).

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

3. PROPOSED DISTRIBUTION OF PROFITS

The proposed distribution of profits for the year prepared by the Company's Directors and that will be submitted for approval by the Shareholders at the General Shareholders' Meeting is as follows:

Thousands of euros	Year 2023
To legal reserves	3,978
To prior years' losses	35,798
Total	**39,776**

4. ACCOUNTING POLICIES

a) Business combinations

In business combinations, except for mergers, spin-offs and non-monetary contributions of a business between group companies, the Company applies the acquisition method.

Mergers, spin-offs and non-monetary contributions of a business between Group companies are recorded in accordance with the provisions for transactions between related parties.

In the case of business combinations arising from the acquisition of shares or shareholdings in a company's capital, the Company recognises the investment in accordance with that established for investments in the equity of group companies, multi-group and associates (Note 4-f).

The acquisition date is the date on which the Company obtains control of the acquired business.

b) Intangible assets

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

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less the related accumulated amortisation and any impairment losses.

Any intangible assets deemed to contribute indefinitely to the generation of profits are considered to have an indefinite useful life. The remaining intangible assets are considered to have a “finite useful life”. All the Company’s intangible assets are considered to have a “finite useful life”.

Intangible assets with a finite useful life are amortised according to the straight-line method, applying annual amortisation percentages calculated according to the estimated years of useful life of the asset in question, applying the amortisable amount. For these purposes, the amortisable amount is understood to be the acquisition cost less its residual value, if applicable. The Company considers the residual value of the assets to be zero.

The Company reviews the residual value, the useful life and the amortisation method of intangible assets at the end of each year. Amendments to the initially established criteria are recognised as a change in estimate.

"Intangible Assets" in the accompanying statement of financial position includes, essentially, the following:

i. “Usufruct Rights”: this item reflects the operating right of Hotel NH Plaza de Armas in Seville, acquired in 1994, whose amortisation is recognised in the statement of profit and loss over the 30-year term of the agreement at a rate that increases by 4% each year.

ii. The "Computer software" acquired and produced by the company itself, including website development expenses are recognised to the extent that they meet the conditions set forth for development expenses. Outlays made for website development for promotional reasons or to advertise the Company's products or services are recognised as expenses at the time they are incurred. Computer software maintenance costs are accounted for at the time they are incurred. The amortisation of software applications is performed using the straight-line method at a rate of 20-25% per year.

iii. "Concessions, patents and trademarks" includes amounts paid by the company for the registration or development of the Company's trademarks and licences.

c) Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost and are subsequently reduced by the related accumulated depreciation and the valuation adjustments for accumulated impairment, if any, as indicated in Note 4-d.

Property, plant and equipment upkeep and maintenance expenses are recognised on the statement of profit and loss for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

For non-current assets that necessarily take a period of more than twelve months to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other funds borrowed specifically or generally directly attributable to the acquisition or production of the assets.

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.

Depreciation of property, plant and equipment is carried out by distributing its depreciable amount systematically over its useful life. For these purposes, the depreciable amount is understood to be the acquisition cost less its residual value. The Company determines the depreciation expense independently for each component that has a significant cost in relation to the total cost of the item and a different useful life from the rest of the item.

The depreciation of property, plant and equipment is determined by applying the following criteria:

	Estimated years of useful life
Buildings	50
Technical installation	10 - 12
Other installations, fittings and furniture	5 - 10
Other tangible 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 Company reviews the residual value, the useful life and the depreciation method of property, plant and equipment at the end of each year. Amendments to the initially established criteria are recognised as a change in estimate.

The profit or loss resulting from the disposal or retirement of an asset is calculated as the difference between the profit on the sale and the book value of the asset, and is recognised in the statement of profit and loss

d) Impairment of non-financial assets subject to amortisation or depreciation

Each year the Company assesses the possible existence of losses in value requiring it to reduce the book value of its property, plant and equipment 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.

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 Company has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

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 Company 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 addition, on each closing date the Company assesses whether there are any indications that impairment losses recognised in previous years no longer exist, or may have decreased. Impairment losses 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.

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.

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. In this respect, the projections assumed are based on the Management's budget exercise for 2024. For this, the increase in inflation in 2023 was taken into account, in addition to 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 being the most significant as they have drastically increased in Europe due to the geopolitical situation in Eastern Europe.

On the other hand, the increase in inflation in 2023 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.

A series of factors are considered by the Company's directors when drafting their projections:

- 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 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.

- Tax costs are calculated based on the tax rates.

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:

$$WACC=Ke*E/(E+D) + Kd*(1-T)*D/(E+D)$$

Where:
Ke: Cost EquityKd
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 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 3% has been considered as the long-term yield on German government bonds on the valuation date.

  - For non-European countries, the yield on long-term US government bonds of 4.7% at the valuation date has been considered. For these countries, the inflation differential with the US is also applied.

- Market risks premium: defined at 5.5% for rates in EUR and USD, based on a wide range of financial information, multiple methodologies and economic and financial market conditions at December 2023.

- 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. To calculate the WACC of leased hotels, a sample of traditional hotel companies is considered as comparables. In addition to this group, for the calculation of the WACC of owned hotels, a sample of real estate investment trusts (REITs) is included as comparables to reflect the real estate 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 56% for Own Funds and 44% for Debt for the group of owned hotel comparables, and 84% for Equity and 16% for Debt for the group of leased hotel comparables.

- In addition, the local rate for corporation tax on the valuation date in each country was considered.

- To calculate the Cost of Debt, a debt spread of 1.6% is applied for the comparable group of owned hotels and 1.4% for the comparable group of leased hotels, calculated as the average spread of the bond issues of the comparable group.

The discount rate after tax applied by the Company for this purpose is 7.25%-8% (7%-8% in 2022). 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.

The average discount rate before tax applied by the Company for this purpose is 13.76%-14.51% (10.29%-11.29% in 2022)

Using a post-tax discount rate and post-tax cash flows is consistent with the standards, as the 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 the same result with respect to the impairment test if a pre-tax rate were used and, therefore, the impairment and reversion accounting records would be the same.

Information on impairment losses detected in the financial year appears in Notes 5 and 6 of this Annual Report.

e) Lease

Leases are classified as financial leases whenever the terms of the lease substantially transfer all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases

The Company generally classifies all leases as operating leases. Whether a lease is financial or operating depends on the economic background and nature of the transaction, rather than the mere form of the lease agreement.

The arguments used to classify the leases as operative are as follows:

- The ownership of the asset is transferred to the lessor at the end of the lease;
- There is no option to acquire the asset at the end of the lease;
- The term of the lease does not exceed the economic life of the asset;
- The present value of the minimum lease payments does not substantially cover the market value of the underlying asset;
- The duration of leases is always much shorter than the economic useful life of the underlying asset;
- In the event that it is decided to extend the duration of the lease, the terms of the new lease should be renegotiated;
- The increases or decreases in the residual value of the underlying asset are not borne by the Company, but by the lessor.

Expenses resulting from operating leases are charged to income in the year in which they are incurred.

When the Company acts as the lessor, it recognises the income from operating leases using the straight-line method according to the terms of the agreements signed. These assets are recorded at the acquisition cost of the leased assets under "Property, plant and equipment" and are depreciated in accordance with the policies adopted for similar own-use tangible assets. When the Company is the lessee, the cost of leasing is charged to the statement of profit and loss on a straight-line basis, with the resulting asset or liability recorded in the corresponding sections of the statement of financial position

f)Financial instruments

1) Financial assets

The financial assets held by the Company are classified into the following categories:

a) Financial Assets at Amortised Cost

This category includes financial assets, including those admitted for trading on an organised market, that the Company has invested in for the purpose of receiving cash flows arising from performance of the contract, and the contractual conditions for the financial asset give rise, on specific dates, to cash flows that are solely receipts of principal and interest on the outstanding amount of principal.

Contractual cash flows that are solely receipts of principal and interest on the outstanding amount of principal are inherent to an agreement that is an ordinary or common loan by nature, without prejudice to the fact that the transaction is agreed at zero, or below market rate, interest

This category includes credits on commercial transactions and credits on non-commercial transactions.

- Credits on commercial transactions: are financial assets arising from the sale of goods and the provision of services for the normal course of business with deferred collection.
- Credits on non-commercial transactions: are financial assets that, not being equity instruments or derivatives, do not have a commercial origin and their collections are for a determined or determinable amount, arising from loan or credit transactions granted by the company.

Initial measurement–

The financial assets classified in this category are initially valued at their fair value which, unless there is evidence otherwise, will be the price for the transaction, which will be the equivalent of the fair value of the consideration given, plus any transaction costs that are directly attributable to them.

Nevertheless, credits on commercial transactions maturing in no more than one year, and which do not have an explicit contractual interest rate, and loans to personnel, dividends receivable and repayments required on equity instruments where it is expected to receive their amount in the short term, are valued at their nominal value in as far as it can be considered that the effect of not updating cash flows is insignificant.

Subsequent measurement –

Financial assets included in this category are valued at their amortised cost. The accrued interest is accounted for on the statement of profit and loss, using the effective interest rate method.

Nevertheless, credits maturing in no more than one year, in accordance with the provisions of the previous paragraph, are initially valued at their nominal value, and continue to the valued for that amount unless they have become impaired.

When contractual cash flows for a financial asset change due to the issuer being in financial difficulties, the company analyses whether it is appropriate to record and impairment loss.

Impairment –

The necessary valuation corrections are made, at the least at the close of the year and whenever there is objective evidence that the value of a financial asset, or a group of financial assets with similar risk characteristics that are valued collectively, has become impaired as a result of one or more events that occurred after its original recognition and which cause a reduction or delay in the estimated future cash flows, which may be based on the insolvency of the debtor.

In general, impairment loss on these financial assets is the difference between their book value and the actual value of future cash flows including, if appropriate, those arising from calling on real and personal guarantees, that it is estimated they will generate, discounted at the effective interest rate calculated at the time they were initially recognised. For financial assets at a variable interest rate, the effective interest rate corresponding to the financial statements closing date in accordance with the contractual conditions is used. To calculate impairment loss for a group of financial assets, models based on statistical formulas or methods are used.

Corrections to impairment, as well as its reversal where the amount of the loss decreases on the grounds of a subsequent event, are recognised as an expense or income, respectively, on the statement of profit and loss. Reversal of the impairment is limited to the book value of the asset that would be recognised at the reversal date if the impairment had not been recorded.

The valuation correction for impairment on commercial debtors implies a high level of judgment by Management and the review of individual balances based on the credit quality of customers, current market trends and historical analyses of bad debts at an aggregate level. In relation to the valuation correction derived from the aggregate analysis of the historical experience of bad debts, a reduction in the volume of balances implies a reduction of the valuation corrections and vice versa.

b) Financial assets at cost

At any event, this valuation category includes:

- Equity investments in group, jointly controlled and associate companies.
- The remaining investments in equity instruments whose fair value cannot be determined by reference to a traded price on an active market for an identical instrument, or cannot be reliably estimated, and the derivatives that underlie these investments.
- Hybrid financial assets whose fair value cannot be reliably estimated, unless they comply with the requirements to record them at amortised cost.
- Provisions made as a result of a joint venture agreement, or similar.
- Participating loans where the interest is contingent by nature, either because a fixed or variable interest rate is agreed conditional on the borrower company reaching a milestone (for example, making profit), or because they are exclusively calculated by reference to the evolution of that company's business.
- Any other financial asset that is initially classified in the portfolio at fair value with changes in the statement of profit and loss where it is not possible to obtain a reliable estimate of its fair value.

Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other partners.

Initial measurement

The investments included in this category are initially valued at cost, which is the equivalent of the fair value of the consideration given, plus the costs that are directly attributable to the transaction, with the latter not being included in the cost of the group's investments in companies.

Nevertheless, in cases where an investment exists prior to its classification as a group, jointly controlled or associate company, the book value that it should have had immediately before the company came under that classification is considered to be the cost of the investment.

The amount for preferential subscription rights, and similar, that, as appropriate may have been acquired forms a part of the initial valuation.

Subsequent measurement

Equity instruments included in this category are measured at cost, less any accumulated impairment losses, where appropriate.

Where a value must be given to these assets due to de-recognition on the statement of financial position, or any other reason, the weighted average cost by homogeneous groups method is used, with these being understood to be securities with equal rights.

In the event of the sale of preferential subscription rights, or similar, or separation of them to exercise them, the amount of the cost for the rights decreases the book value of the respective assets.

Provisions made as a result of a joint venture agreement, or similar, are valued at cost, increased or decreased by the profit or loss, respectively, that correspond to the company as a non-managing participant, and less, if appropriate, the accumulated amount for valuation corrections due to impairment.

This same criteria is applied to participating loans where the interest is contingent by nature, either because a fixed or variable interest rate is agreed conditional on the borrower company reaching a milestone (for example, making profit), or because they are exclusively calculated by reference to the evolution of that company's business. If, in addition to contingent interest, an irrevocable fixed interest rate is agreed, this will be accounted for as financial income as it becomes due. The transaction costs are allotted to the statement of profit and loss on a straight line basis throughout the life of the participatory loan.

Impairment

At least at the close of the financial year, the valuation corrections needed are made, as long as there is objective evidence that the book value of an investment is not recoverable. The amount of the valuation correction is the difference between its book value and the sum recoverable, with this being understood to be the higher value between its fair value less costs of sale and the current value of future cash flows arising from the investment. In the case of equity instruments, this is either calculated by estimating what is expected to be received as a result of the distribution of dividends by the investee company and the disposal or derecognition on accounts of the investment in it, or by estimating the participation in cash flows that are expected to be generated by the investee company, either from its ordinary business or its disposal or derecognition on accounts.

Unless there is better evidence of the amount recoverable from investments in equity instruments, the estimate of impairment loss on this type of assets is calculated based on the investee company's equity and the unrealised gains existing at the valuation date, less the tax burden. When determining this value, and as long as the investee company has, in turn, invested in another, the equity included in the consolidated financial statements, drawn up in application of the Commercial Code and its implementing regulations, is taken into account.

Nevertheless, in the event that an investment is made in the company, once it is classified as a group, jointly controlled or associate company, and valuation adjustments directly allotted to equity arising from the investment were made prior to this classification, such adjustments are maintained after the classification until the investment is disposed of or derecognised, at which time they are recorded on the statement of profit and loss, or until the following circumstances occur:

- In the case of prior valuation adjustments due to increases in value, the impairment corrections are recorded against the equity heading that includes the valuation adjustments made previously until their amount, and the excess, if any, is recorded on the statement of profit and loss. The valuation correction for impairment directly allotted to equity is not reversed.

- In the case of prior valuation adjustments due to reductions in value, where, subsequently, the recoverable amount exceeds the book value of the investments, the latter is increased, up to the limit of the reduction in value indicated, against the entry that included the prior valuation adjustments and from then on the new amount arising is considered to be an investment cost. However, where there is objective evidence of impairment to the investment, the losses accumulated directly in equity are recognised on the statement of profit and loss.

2) Financial liabilities

Financial liabilities are financial liabilities at amortised cost that the Company has, that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

a) Financial liabilities at amortised cost

In general, this category includes debits on commercial transactions and debits on non-commercial transactions:

a. Debits on commercial transactions: are financial liabilities arising from the purchase of goods and services for the normal course of business with deferred payment.

b. Debits on non-commercial transactions: are financial liabilities that, not being derivative instruments, do not have a commercial origin but arise from loan or credit transactions received by the company.

Participating loans that have the characteristics of an ordinary or common loan are also included in this category, without prejudice to the interest rate agreed (zero or under market rate).

Initial measurement

The financial liabilities included in this category are initially valued at their fair value which, unless there is evidence otherwise, will be the price for the transaction, which will be the equivalent of the fair value of the consideration received, adjusted by any transaction costs that are directly attributable to them.

Nevertheless, debits on commercial transactions maturing in no more than one year, and which do not have a contractual interest rate, and repayments required by third parties on participations, where it is expected to pay their amount in the short term, are valued at their nominal value where the effect of not updating cash flows is insignificant.

Subsequent measurement

Financial liabilities included in this category are valued at their amortised cost. The accrued interest is accounted for on the statement of profit and loss, using the effective interest rate method.

Nevertheless, debits maturing in no more than one year are initially valued at their nominal value, and continue to the valued for that amount.

The Company has contracted confirming operations with various financial entities to manage the payment to suppliers. Trade liabilities whose payment is managed by financial entities are shown in the trade creditors and other accounts payable entry, in as far as the Company has only assignment payment management to the financial entities, and remains primarily liable for payment of the debts to trade creditors.

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.

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 transaction costs and financial expenses are recognised on an accrual basis in the statement of profit and loss using the effective interest rate method, and their amount is added to liabilities in the measure that they are not settled in the period they were produced.

In the event existing debts are renegotiated, it is considered that there are no substantial changes to financial liabilities where the lender for the new loan is the same as the one who granted the initial loan, and the current value of cash flows, including net fees, does not differ from the current value of cash flows pending payment of the original liability calculated using the same method by more than 10%.

Participating loans that have the characteristics of an ordinary or common loan are also included in this category, without prejudice to the interest rate agreed (zero or under market rate).

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 Company 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).

g) Equity instruments

An equity instrument represents a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity as the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year 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 profit or loss.

h) Inventories

Inventories for restoration are valued at the lowest value of their acquisition or production cost.

The acquisition cost includes the amount invoiced by the seller after deducting any discount, reduction or the like, as well as the interest included into the nominal amount of the debts, plus the additional expenses that occur until the goods are placed for sale.

The production cost of inventories comprises the acquisition price of raw materials and other consumable materials and the costs directly related to the units produced and a systematically calculated part of the indirect, variable or fixed costs incurred during the process to transform them

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand bank deposits with credit institutions. Other highly liquid short-term investments are also included as long as they are easily convertible into specified amounts of cash and are subject to insignificant risks of changes in value. For these purposes, investments maturing in less than three months from acquisition date are included.

j) Foreign currency transactions

Foreign currency transactions have been converted into euros using the spot rate on the dates on which the conversions are made.

Monetary assets and liabilities denominated in foreign currency have been converted to euros by applying the current rate at the end of the year, while non-monetary assets, valued at historical cost, have been converted by applying the exchange rate on the date on which the transactions took place.

In the presentation of the statement of cash flows, the flows from transactions in foreign currencies have been converted into euros by applying the spot exchange rate to the amount of foreign currency on the dates they occur.

The effect of exchange rate on cash and cash equivalents in foreign currency is presented separately in the statement of cash flow as "Effect of exchange rate differences".

The positive and negative differences that appear in the settlement of foreign currency transactions and in the conversion of monetary assets and liabilities denominated in foreign currency to euros, are recognised in results.

k) Obligations to employees

The Company has not established any supplementary pension plan to the social security system

Collective agreements in the hotel industry, applicable to the Company in Spain, require 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 Company has outsourced its obligations concerning its employees' pension plans.

l) Severance payments

Under current legislation and certain employment contracts, the Company is required to make severance payments to employees terminated under certain conditions. Therefore, severance payments that can be reasonably quantified are recognised when the Company has an implicit obligation due to the existence of a detailed plan and the generation of valid expectations among those affected that the process will be carried out, either due to the plan having begun or its main characteristics having been announced.

m) Provisions

Provisions are recognised when the Company has a present obligation, whether legal, contractual, implicit or tacit, as a result of a past event; it is probable that there will be an outflow of resources that require future economic benefits to cancel the obligation; and a reliable estimate of the amount of the obligation can be made.

The financial statements include all the provisions with respect to which it is considered likely that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

n) Onerous contracts

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

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

o) Income and expenses

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales and services rendered is also recognised by reference to the stage of completion of the transaction at the reporting date, provided the outcome of the transaction can be reliably estimated.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. In any case, interest from financial assets accrued after the date of acquisition is recognised as income in the statement of profit and loss.

Management fee income

The Company has also created, developed and current runs hotel businesses in Spain and other countries under a single, distinctive system that it owns, known as the "NH System". The Company, as creator and sole owner of the "NH System", assigns the use and operation of the "NH System", including its commercial brands, to its subsidiaries running hotel establishments. Furthermore, the Company provides hotel services relating to booking management, marketing and publicity services and an IT systems access service. The company charges a management fee for all these actions.

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 Company 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 Company, when it makes the offer, sets the price for each one of the obligations assumed, for which reason at the time the service is 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 Company 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.

p) Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and interim payments, and tax loss carried forwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured as the amount expected to be payable or recoverable on differences between the carrying values of assets and liabilities and their tax bases, and tax loss and tax credit carried forwards. 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.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Regarding deferred tax assets, identified with temporary differences, are recognised only if it is deemed probable that the entity 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. The remaining deferred tax assets (negative tax bases and tax credit carryforwards) recognised are those for which it is considered probable that the company will have sufficient taxable profits in the future against which they can be utilised, based on information available at the date of preparation of these financial statements.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made, according to the extent of doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become likely that they will be recovered through future taxable profits..

q) Environment

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Because of their nature, the Company's business activities do not have a significant environmental impact.

r) Transactions among group companies

Transactions between group companies, except those related to mergers, spin-offs and non-monetary contributions of businesses, including investments in group companies, are recognised at the fair value of the consideration given or received. The difference between said value and the agreed amount is recorded according to the underlying economic substance, either as a contribution or a distribution of dividends. However, the part that does not occur on terms proportional to the shareholding in the group company is recognised as an income or expense by donation.

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

s) Current/Non-current items

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year; other assets which are expected to mature, be disposed of or be realised within twelve months from the end of the reporting period; financial assets held for trading, except for financial derivatives that will be settled in a period exceeding one year; and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle, financial liabilities held for trading, except for financial derivatives that will be settled in a period exceeding one year; and, in general, all obligations that will mature or be extinguished in the short term. All other liabilities are classified as non-current liabilities.

t) Statement of cash flow

The following terms with their corresponding explanation are used in the 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.

- Operating activities: the principal revenue-producing activities of the Company, and other activities that are not investing or financing activities. The Company presents trade payables confirming activities as an operating activity.

- Investing activities: the acquisition and disposal of non-current 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. INTANGIBLE ASSETS

The detail of the different items included under this heading and of the changes therein during the year are as follows:

	Thousands of euros				
	Balance at 01.01.23	Additions	Derecognitions	Transfers (Note 6)	Balance at 31.12.23
COST					
Rights of use	32,478	—	—	—	32,478
Concessions, patents and trademarks	1,604	158	—	—	1,762
Software applications	109,648	12,215	—	92	121,955
	143,730	**12,373**	**—**	**92**	**156,195**
ACCUMULATED AMORTISATION					
Rights of use	(30,122)	(1,506)	—	—	(31,628)
Concessions, patents and trademarks	(1,046)	(179)	—	3	(1,222)
Software applications	(90,609)	(8,907)	—	(3)	(99,519)
	(121,777)	**(10,592)**	**—**	**—**	**(132,369)**
Impairment	**—**	**—**	**—**	**—**	**—**
NET BOOK VALUE	**21,953**				**23,826**

	Thousands of euros				
	Balance at 01.01.22	Additions	Derecognitions	Transfers (Note 6)	Balance at 31.12.22
COST					
Rights of use	32,478	—	—	—	32,478
Concessions, patents and trademarks	1,464	140	—	—	1,604
Software applications	103,192	6,456	—	—	109,648
	137,134	**6,596**	**—**	**—**	**143,730**
ACCUMULATED AMORTISATION					
Rights of use	(28,614)	(1,508)	—	—	(30,122)
Concessions, patents and trademarks	(841)	(205)	—	—	(1,046)
Software applications	(80,678)	(9,931)	—	—	(90,609)
	(110,133)	**(11,644)**	**—**	**—**	**(121,777)**
Impairment	**—**	**—**	**—**	**—**	**—**
NET BOOK VALUE	**27,001**				**21,953**

The most significant additions in 2023 were those arising from investments made to develop the Company's computer applications.

The section “Usufruct Rights” recognises the total amount agreed by way of payment for the usufruct rights over the Hotel NH Plaza de Armas.

At the end of 2023 and 2022, the Company had fully amortised intangible assets still in use, itemised as follows (in thousands of euros):

	Thousands of euros	
	2023	2022
Usage rights, concessions, patents and brands	2,856	2,614
Software applications	75,432	63,848
Total	**78,288**	**66,462**

6. PROPERTY, PLANT AND EQUIPMENT

The detail of the different items included under this heading and of the changes therein during the year was as follows:

	Thousands of euros				
	Balance at 01.01.23	Additions	Derecognitions	Transfers	Balance at 31.12.23
COST					
Land and buildings	58,936	—	—	—	58,936
Technical installation	50,459	1,262	(55)	20	51,686
Other installations, fittings and furniture	9,810	344	(56)	5	10,103
Other fixed assets and assets under construction	142	486	(120)	(117)	391
	119,347	**2,092**	**(231)**	**(92)**	**121,116**
ACCUMULATED AMORTISATION					
Buildings	(15,484)	(1,412)	—	—	(16,896)
Technical installation	(36,263)	(2,956)	32	—	(39,187)
Other installations, fittings and furniture	(7,695)	(1,085)	11	—	(8,769)
	(59,442)	**(5,453)**	**43**	**—**	**(64,852)**
Impairment	**—**	**—**	**—**	**—**	**—**
NET BOOK VALUE	**59,905**				**56,264**

The heading relating to Land and Buildings is broken down in net book value terms into Land at 31,322 thousand euros (31,322 thousand euros in 2022) and Buildings at 10,718 thousand euros (12,130 thousand euros in 2022).

	Thousands of euros				
	Balance at 01.01.22	Additions	Derecognitions	Transfers	Balance at 31.12.22
COST					
Land and buildings	58,936	—	—	—	58,936
Technical installation	50,306	157	(22)	18	50,459
Other installations, fittings and furniture	9,599	199	—	12	9,810
Other fixed assets and assets under construction	55	117	—	(30)	142
	118,896	**473**	**(22)**	**—**	**119,347**
ACCUMULATED AMORTISATION					
Buildings	(14,071)	(1,413)	—	—	(15,484)
Technical installation	(33,341)	(2,941)	19	—	(36,263)
Other installations, fittings and furniture	(6,654)	(1,041)	—	—	(7,695)
	(54,066)	**(5,395)**	**19**	**—**	**(59,442)**
Impairment	**—**	**—**	**—**	**—**	**—**
NET BOOK VALUE	**64,830**				**59,905**

At year-end, the Company had fully depreciated items of property, plant and equipment still in use, itemised as follows:

	Thousands of euros	
	2023	2022
Technical installation	17,140	15,160
Other installations, fittings and furniture	3,557	3,075
Total	**20,697**	**18,235**

The Company 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 2023 and 2022, there were no commitments for the purchase of fixed assets.

7. OPERATING LEASES

At 31 December, the Company had contracted with lessors for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment reviews:

Thousands of euros	Nominal value	
	2023	2022
Less than one year	3,876	8,407
Between two and five years	11,304	13,995
More than five years	21,638	3,663
Total	**36,818**	**26,065**

The operating lease payments recognised as an expense in the year came to 11,798 thousand euros (9,859 thousand euros in 2022), almost entirely consisting of the hotel lease payments (Note 17-c).

The term of the operating leases arranged by the Company ranges from 2 to 15 years. Also, the rental income from said leases consists of a fixed amount tied to the CPI index which is reviewed annually.

The amount of the operating lease instalments recognised as income and expenses is as follows

	Thousands of euros	
	2023	2022
Minimum lease payments	11,798	9,859
Income from leases and subleases	7,818	5,836

8. FINANCIAL ASSETS AND LIABILITIES

8.1. Analysis by category

The book value for each one of the categories of financial instruments established in the rules for recording and valuing “financial instruments”, except for cash and cash equivalents (Note 9) was as follows:

	Thousands of euros					
	Financial assets at amortised cost		Financial assets at cost		Total	
	2023	2022	2023	2022	2023	2022
Equity instruments (Note 8.2)	—	—	**2,050,642**	**1,948,029**	**2,050,642**	**1,948,029**
Loans to companies (Note 16.1)	**740,892**	**446,683**	**—**	**—**	**740,892**	**446,683**
Non-current financial assets	**1,448**	**1,444**	**—**	**—**	**1,448**	**1,444**
Guarantees	1,417	1,413	—	—	1,417	1,413
Others	31	31	—	—	31	31
Trade accounts receivable for sales and services	**1,681**	**1,495**	**—**	**—**	**1,681**	**1,495**
Sundry debtors	**1,188**	**29**	**—**	**—**	**1,188**	**29**
Current investments in group companies and associates (Note 16.1)	**133,401**	**390,947**	**—**	**—**	**133,401**	**390,947**
Current financial investments	**26**	**26**	**—**	**—**	**26**	**26**
Total	**878,636**	**840,624**	**2,050,642**	**1,948,029**	**2,929,278**	**2,788,653**

	Thousands of euros	
	Financial liabilities at amortised cost	
	2023	2022
Debenture issuance and non-current bank borrowings (Note 12.1)	**440,913**	**499,523**
Non-current debts with group and associate companies (Note 16.1)	**243,161**	**137,138**
Other financial liabilities (Note 12.2)	**3,388**	**3,438**
Debenture issuance and current bank borrowings (Note 12.1)	**11,232**	**22,053**
Current debts with group and associate companies (Note 16.1)	**64,581**	**113,696**
Suppliers (Note 14.1)	**29,755**	**23,819**
Sundry creditors (Note 14.1)	**10,779**	**6,644**
Personnel	**6,138**	**5,452**
Total	**809,947**	**811,763**

8.2. Equity instruments

The most significant information in relation to equity instruments in Group, jointly controlled and associate companies is as follows:

		2023 - Thousands of euros					
Company/ Registered address /Activity	Direct shareholding	Capital	Profit (Loss)	Other equity items	Total Equity	Cost	Provision
Group Companies:							
NH Italia, S.p.A./Valdagno/Hotelera	51%	233,847	72,413	111,070	417,330	300,137	—
NH Europa, S.A./Madrid/Holding	100%	100,743	(62,313)	465,834	504,264	973,359	—
Latinoamericana De Gestion Hotelera, S.A./ Madrid/Holding	100%	104,036	(37,266)	2,646	69,416	179,217	(35,104)
Minor Continental Holding S.à r.l./ Luxembourg/ Holding	100%	13	—	54,887	54,900	135,912	—
NH Hoteles España, S.A./Madrid/Hotelera	100%	177,059	38,791	(69,090)	146,760	351,844	—
NH Central Reservation Office, S.L/Madrid/Call Center	100%	7,700	(1,079)	(980)	5,641	31,666	(29,339)
NH Cash Link, S.L.U./Madrid/Financiera	100%	3	3,220	76,224	79,447	82,121	(2,678)
Capredo Investments GmbH/Suiza/Holding	100%	37	(72)	14,446	14,411	9,066	—
Roco Hospitality Group S.R.L./Venecia/ Hotelera	51%	10	(1,522)	(2,194)	(3,706)	28,584	(13,376)
Otros						2,125	(11)
Associates:							
Sotocaribe S.L/Madrid/Holding	36%	61,082	120	145,103	206,305	50,907	(13,788)
Total						**2,144,938**	**(94,296)**

		2022 - Thousands of euros					
Company/ Registered address /Activity	Direct shareholding	Capital	Profit (Loss)	Other equity items	Total Equity	Cost	Provision
Group Companies:							
NH Italia, S.p.A./Valdagno/Hotelera	51%	233,847	63,426	112,627	409,900	300,137	—
NH Europa, S.A./Madrid/Holding	100%	100,743	1,557	464,277	566,577	973,359	—
Latinoamericana De Gestion Hotelera, S.A./ Madrid/Holding	100%	104,036	27,556	(24,911)	106,681	179,217	—
NH Hoteles España, S.A./Madrid/Hotelera	100%	177,059	28,025	(60,807)	144,277	351,844	—
NH Central Reservation Office, S.L/Madrid/Call Center	100%	7,700	(1,533)	563	6,730	31,666	(28,250)
NH Cash Link, S.L.U./Madrid/Financiera	100%	3	(5,898)	82,121	76,226	82,121	(5,898)
Capredo Investments GmbH/Suiza/Holding	100%	37	(25)	13,692	13,704	9,066	—
Roco Hospitality Group S.R.L./Venecia/ Hotelera	51%	10	(5,952)	9,519	3,577	27,574	(11,302)
Otros						2,122	(13)
Associates:							
Sotocaribe S.L/Madrid/Holding	36%	61,082	(494)	114,381	174,969	49,234	(12,848)
Total						**2,006,340**	**(58,311)**

The changes in "Investments in Group Companies" in 2023 and 2022 are as follows (in thousands of euros):

	Cost					Provision					Net
Sociedad/ Domicilio /Actividad	Balance at 01/01/2023	Additions	Derecognitions	Transfers	Balance at 31/12/2023	01/01/2023	Additions	Derecognitions	Transfers	Balance at 31/12/2023	Balance at 31/12/2023
Group Companies:											
NH Italia, S.p.A./Valdagno/Hotelera	300,137	—	—	—	300,137	—	—	—	—	—	300,137
NH Europa, S.A./Madrid/Holding	973,359	—	—	—	973,359	—	—	—	—	—	973,359
Latinoamericana De Gestion Hotelera, S.A./Madrid/ Holding	179,217	—	—	—	179,217	—	(35,104)	—	—	(35,104)	144,113
Minor Continental Holding S.à r.l./ (Luxembourg)/ Holding	—	135,912	—	—	135,912	—	—	—	—	—	135,912
NH Hoteles España, S.A./Madrid/Hotelera	351,844	—	—	—	351,844	—	—	—	—	—	351,844
NH Central Reservation Office, S.L/Madrid/Call Center	31,666	—	—	—	31,666	(28,250)	(1,089)		—	(29,339)	2,327
NH Cash Link, S.L.U./Madrid/Financiera	82,121	—	—	—	82,121	(5,898)	—	3,220	—	(2,678)	79,443
Capredo Investments GmbH/Suiza/Holding	9,066	—	—	—	9,066	—	—	—	—	—	9,066
Roco Hospitality Group S.R.L./Venecia/Hotelera	27,574	1,010	—	—	28,584	(11,302)	(2,074)		—	(13,376)	15,208
Otros	2,122	3	—	—	2,125	(13)	—	2	—	(11)	2,114
Associates:											
Sotocaribe S.L/Madrid/Holding	49,234		(26)	1,699	50,907	(12,848)	(940)	—	—	(13,788)	37,119
Total	**2,006,340**	**136,925**	**(26)**	**1,699**	**2,144,938**	**(58,311)**	**(39,207)**	**3,222**	**—**	**(94,296)**	**2,050,642**

	Cost					Provision					Net
Company/ Registered address /Activity	Balance at 01/01/2022	Additions	Derecognitions	Transfers	Balance at 31/12/2022	01/01/2022	Additions	Derecognitions	Transfers	Balance at 31/12/2022	Balance at 31/12/2022
Group Companies:											
NH Italia, S.p.A./Valdagno/Hotelera	300,159	—	(22)	—	300,137	—	—	—	—	—	300,137
NH Europa, S.A./Madrid/Holding	973,359	—	—	—	973,359	—	—	—	—	—	973,359
Latinoamericana De Gestion Hotelera, S.A./Madrid/ Holding	179,217	—	—	—	179,217	(33,780)	—	33,780	—	—	179,217
NH Hoteles España, S.A./Madrid/Hotelera	351,930	—	(86)	—	351,844	—	—	—	—	—	351,844
NH Central Reservation Office, S.L/Madrid/Call Center	31,671	—	(5)	—	31,666	(26,365)	(1,885)	—	—	(28,250)	3,416
NH Cash Link, S.L.U./Madrid/Financiera	82,121	—	—	—	82,121	—	(5,898)	—	—	(5,898)	76,223
Capredo Investments GmbH/Suiza/Holding	9,066	—	—	—	9,066	—	—	—	—	—	9,066
Roco Hospitality Group S.R.L./Venecia/Hotelera	27,574	—	—	—	27,574	—	(11,302)	—	—	(11,302)	16,272
Otros	2,295	—	(173)	—	2,122	—	(13)	—	—	(13)	2,109
Associates:											
Sotocaribe S.L/Madrid/Holding	49,234	—	—	—	49,234	(9,069)	(3,779)	—	—	(12,848)	36,386
Total	**2,006,626**	**—**	**(286)**	**—**	**2,006,340**	**(69,214)**	**(22,877)**	**33,780**	**—**	**(58,311)**	**1,948,029**

The main additions are:

In 2023, the Company acquired 100% of the share capital of Minor Continental Holding (Luxembourg) S.à r.l., which in turn directly or indirectly have the shareholdings of Hotelagos, S.A., Minor Hotels Portugal, S.A. and Minor Luxury Hotels Vilamoura, S.A. These companies hold the ownership, administrative concession or lease of the following hotel assets: Anantara Vilamoura Algarve Resort, Tivoli Lagos Algarve Resort, NH Marina Portimão Resort, NH Sintra Centro and Tivoli The Residences at Victoria Golf Club. The investment in this Company amounts to 135.9 million euros, the disbursement being 133.2 million euros (Note 16). The price paid was based on the financial statements at the end of November and the investment at the end of the year was determined with the set of assets and liabilities of the companies subject to the transaction as of the date of the transaction and whose final calculation will be determined during 2024.

During 2023, the Company contributed 1 million euros to Roco Hospitality Group, S.R.L. as an injection of equity.

The main movement in the provisions heading is due to the deterioration suffered in the investment in Latinoamericana de Gestión Hotelera, S.A. mainly due to the devaluation of the Argentine peso much higher than the inflation that occurred during 2023.

Additionally, the Company has carried out a sensitivity analysis for the result of the deterioration analysis, with different scenarios: a negative scenario where the discount rate is sensitized 100 bp above the rate used in the test, and a lower growth rate by a 100bp, that is, with minimal growth; and a positive scenario where the discount rate is sensitized 100 bp below the rate used in the test, and a growth rate 100 bp higher. The impacts obtained as a result of said sensitivity analysis were not significant.

9. CASH AND CASH EQUIVALENTS

"Cash and Cash Equivalents" largely includes the Company's cash position and bank deposits maturing in three months or less. These assets are recognised at their fair value. There are no restrictions on how cash may be used. The breakdown of this heading is as follows:

	Thousands of euros	
	2023	2022
Cash and banks	1,186	11,336
Current deposits maturing in under three months	—	92,188
Total	**1,186**	**103,524**

The Company's liquidity position at 31 December 2023 is based on the following points:

- The Company has cash and cash equivalents amounting to 1,186 thousand euros (103,524 thousand euros in 2022).
- Available undrawn credit facilities of 303.987 miles euros (259.000 miles de euros en 2022) (Note 12).

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 financial statements, from which sufficient data can be extracted in relation to the aforementioned accounts

10. EQUITY AND OWN FUNDS

a) Registered share capital

At 31 December 2023, the share capital of NH Hotel Group, S.A. was represented by 435,745,670 fully subscribed and paid up bearer shares each with a par value of €2 (435,745,670 shares at 31 December 2022). All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the most recent notifications received by the 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:

	31/12/2023	31/12/2022
Minor International Public Company Limited (“MINT”)	95,87%	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.

In addition, on 8 May 2023, MINT announced its decision to begin a purchase process in the market for shares in NH Hotel Group over a period of 30 days. As a result, between 10 May and 8 June 2023, MINT purchased 7,544,225 shares and increased its position in NH Hotel Group to 417,728,222 representative shares or 95.87% of the share capital of NH Hotel Group.

b) Dividends

The Company did not distribute dividends in 2022 or 2023.

c) Share premium

The balance of the "Share Premium" account arose as a result of the capital increases carried out by the Company.

This reserve is freely distributable.

d) Legal reserve

The legal reserve is allotted 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 2023 and 2022, the Parent Company had not accrued the minimum limit in this reserve as mandated by the Consolidated Text of the Capital Companies Act.

e) Other Reserves

This includes reserves totalling 356 thousand euros at 31 December 2023 (273 thousand euros at 31 December 2022), which cannot be distributed as they correspond to own shares.

f) Treasury Shares

At 31 December 2023, the Company had 87,989 own shares, compared to 92,915 own shares at 31 December 2022. The evolution 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 2023 is 87,989 shares, and the amount allocated to the cash account is 346,009 euros. At 31 December 2022, the number of shares allocated to the liquidity contract was 92,915 shares. The effect recorded in reserves for operations carried out in 2023 was minus 83 thousand euros.

11. PROVISIONS

The detail of the Provisions is as follows::

	Thousands of euros	
	2023	2022
Non-current provisions:		
Provision for long-term incentives for staff	2,836	2,353
Provision for pensions and similar obligations	440	383
Provision for liabilities	1,968	2,479
	5,244	**5,215**
Current provisions:		
Provision for short-term incentives for staff	3,895	—
Provision for other liabilities	53	53
	3,948	**53**

The main movement in the Company's provisions was due to staff incentive plans.

Staff Incentive Plan

The Company introduced its Long-Term Incentive Plan 2022-2025 ("Performance Cash Plan") in 2022, under which a cash amount is to be paid out when certain established targets are met.

The Plan has a duration of five years and is divided into three cycles, with each cycle lasting as follows:

- First cycle 2022-2024, payment of which will occur in 2025 (current).
- Second cycle 2023-2025, payment of which will occur in 2026 (current).
- Third cycle 2024-2026, payment of which will occur in 2027 (pending launch in 2024).

The third cycle of the plan was proposed to, and approved by, the Board on 22 February 2023.

These schemes consist of a promise to deliver a cash amount to the beneficiaries. The final amount to deliver is conditional on the degree of compliance with Recurring EBITDA/Net Profit in each year of the plan.

The degree to which the EBITDA/Net Profit targets are achieved for each cycle is calculated as follows:

- If the degree to which the EBITDA/Recurring Net Profit targets for the Group are achieved falls below 90%, no long-term incentive amount will be paid.
- If the degree to which the EBITDA/Recurring Net Profit targets for the Group are achieved is between 90% and 100%, 100% of the long-term incentive amount will be paid.
- If the degree of achievement of the Group's EBITDA/Recurring Net Profit target is higher than 100% and lower than 120%, the final degree for that year will be made by linear interpolation.
- If the degree to which the EBITDA/Recurring Net Profit targets for the Group are achieved is 120% or higher, a maximum of 120% of the long-term incentive amount will be paid.

In addition, in 2022, the Company launched a two-year, single-cycle "Performance Cash Plan" Long-Term Incentive. This incentive began accruing on 1 January 2022 and ended on 31 December 2023, and consists 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 deliver is conditional on the degree of compliance with Recurring EBITDA in each year of the plan (2022 and 2023).

To calculate the achievement of the EBITDA target in each year, 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 final achievement of this incentive was: 115.99%. Furthermore, in view of the extraordinary performance of the management team, beyond the achievement of EBITDA, the Board of Directors has decided to increase the incentive to be paid within the overall limit set by the remuneration policy in force in 2023 with respect to the multi-year variable remuneration.

Both the Plan and the biennial incentive are aimed at approximately 100 beneficiaries. 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.

Provision for pensions and similar obligations

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

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

	2023	2022
Discount rates	3,7%	3,32%
Expected annual rate of salary rise	2.5%	2,5%

Provision for liabilities

In 2023, the non-current "Provision for liabilities" account includes provisions for litigation and risks which the Company considers probable and derecognising during the year those that have been resolved in the year. No decision on these claims is expected in the short term (Note 15).

12. FINANCIAL DEBT - CURRENT AND NON-CURRENT

12.1. Debt instruments and debts with credit institutions

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

	Miles de euros			
	2023		2022	
	Non.current	Current	Non.current	Current
Guaranteed senior notes	400,000	—	400,000	—
Borrowing costs	—	7,911	—	7,911
Arrangement expenses	(2,233)	(1,404)	(3,637)	(1,344)
Debt instruments and other marketable securities	**397,767**	**6,507**	**396,363**	**6,567**
Unsecured loans	4,699	5,205	59,904	5,172
Subordinated loans	40,000	—	40,000	—
Credit lines	—	13	6,000	11,000
Arrangement expenses	(1,553)	(951)	(2,744)	(1,011)
Borrowing costs	—	458	—	325
Bank borrowings	**43,146**	**4,725**	**103,160**	**15,486**
Total	**440,913**	**11,232**	**499,523**	**22,053**

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.

The outstanding nominal amount at 31 December 2023 was 400,000 thousand euros.

Secured syndicated 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, extendible 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 2023, 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 provided 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. Last, in January 2023 the Parent Company requested the repayment of the remaining 50,000 thousand euros, and this loan was repaid in full at that date. All the repayments were made using cash available to the Company.

- 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 thus 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 2023, the outstanding nominal amount of this financing was 5,000 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 thus receiving the ICO guarantee. In April 2021, arising from 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 2023, the outstanding nominal amount of this financing was 4,904 thousand euros.

Subordinated loan

One loan amounting to 40,000 thousand euros, fully drawn at 31 December 2023 and with a single maturity and repayment date at the end of its term, in 2037, is included in this item. The interest rate on this loan is the 3-month Euribor plus a spread.

Bilateral credit lines

At 31 December 2023, 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 2023 amounted to 62,000 thousand euros, of which 13 thousand euros had been drawn down at that date (17,000 thousand euros at 31 December 2022).

Obligations required in the senior notes contracts maturing in 2026, and the syndicated credit line maturing in 2026

The senior notes maturing in 2026, the syndicated and the syndicated credit line 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.

Additionally, the syndicated credit line requires 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%

At 31 December 2023, and based on the reported figures for that year, the ratios described above (financial covenants and LTV) are met.

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.; and 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 2023) and secured senior bonds amounting to 400,000 thousand euros, maturing in 2026, can be broken down as follows:

Mortgaged asset	Net Book value mortgaged asset (Thousands of Euros)
NH Conference Centre Leeuwenhorst	52,280
NH Conference Centre Koningshof	35,308
NH Conference Centre Sparrenhorst	7,998
NH Zoetermeer	6,940
NH Capelle	6,138
Total	**108,664**
Net book value of assets assigned as mortgage collateral	**108,664**
Value of guaranteed debt	**400,000**
Fixed interest	**400,000**
Variable interest	**–**

Limitation on the distribution of Dividends

The obligations of the guaranteed "senior" bonds maturing in 2026 and the revolving syndicated credit line 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 2023, the requirements for the distribution of dividends this year were met.

Detail of current and non-current payables

The detail, by maturity, of the items included under “Non-Current and Current Payables” is as follows (in thousands of euros):

At 31/12/2023				Maturity schedule					
Figures in thousands of euros	Limit	Available	Disposed	Year 1	Year 2	Year 3	Year 4	Year 5	Remainder
Subordinated loans	**40,000**	**—**	**40,000**	**—**	**—**	**—**	**—**	**—**	**40,000**
Variable interest	40,000	—	40,000	—	—	—	—	—	40,000
Guaranteed senior notes mat. in 2026	**400,000**	**—**	**400,000**	**—**	**—**	**400,000**	**—**	**—**	**—**
Fixed rate	400,000	—	400,000	—	—	400,000	—	—	—
Unsecured loans	**9,904**	**—**	**9,904**	**5,205**	**3,572**	**1,127**	**—**	**—**	**—**
Fixed rate	4,904	—	4,904	1,872	1,905	1,127	—	—	—
Variable interest	5,000	—	5,000	3,333	1,667	—	—	—	—
Secured syndicated credit line	**242,000**	**242,000**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Variable interest	242,000	242,000	—	—	—	—	—	—	—
Credit lines	**62,000**	**61,987**	**13**	**13**	**—**	**—**	**—**	**—**	**—**
Variable interest	62,000	61,987	13	13	—	—	—	—	—
Borrowing at 31/12/2023	**753,904**	**303,987**	**449,917**	**5,218**	**3,572**	**401,127**	**—**	**—**	**40,000**
Arrangement expenses	(6,140)	—	(6,141)	(2,355)	(2,451)	(1,037)	(30)	(30)	(238)
Borrowing costs	8,369	—	8,369	8,369	—	—	—	—	—
Adjusted total debt at 31/12/2023	**756,133**	**303,987**	**452,145**	**11,232**	**1,121**	**400,090**	**(30)**	**(30)**	**39,762**
Adjusted total debt at 31/12/2022	**780,577**	**259,000**	**521,577**	**22,053**	**7,751**	**2,016**	**450,054**	**(30)**	**39,733**

At 31 December 2023, the average cost of the gross drawdown amount of the Company was 4.1% (3.9% in 2022).

12.2. Other non-current financial liabilities

The balance this account at year-end is as follows:

Thousands of euros	2023	2022
Debt for investments in group companies (Note 8.2)	3,150	3,150
Others	238	288
Total	**3,388**	**3,438**

12.3. Information on the nature of financial instruments and their level of 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 and market price risks. 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 Company’s main financial assets include cash and cash equivalents (Note 9) and trade and other accounts receivables (Note 8.1). In general, the Company holds its cash and cash equivalents in institutions with a high level of creditworthiness and part of its trade and other receivables are endorsed by guarantees, guarantors and advance payments by tour operators.

The Company does not have a significant concentration of credit risk exposure to third parties, both due to the diversification of its financial investments and to the distribution of trade risks with short collection periods among a large number of customers.

The Company 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.

Interest rate risk

The company's financial assets and liabilities are exposed to fluctuations in interest rates, and this may have an adverse effect on its results and cash flow. In order to mitigate this risk, the Company has established policies and has part of its debt at fixed interest rates through the issuance of guaranteed senior bonds. At 31 December 2023, approximately 90% of the Parent Company's gross borrowings was tied to fixed interest rates (80% in 2022).

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 carrying out its activities.

The management of this risk focuses on monitoring the maturity schedule of the Company's financial debt in detail, as well as on proactive management and maintaining credit lines that allow any forecast cash needs to be met.

The Company's liquidity position in 2023 is based on the following points:

- At 31 December 2023, the Company had cash and cash equivalents amounting to 1,186 thousand euros (103.524 thousand euros en 2022) (Note 9).

- Available undrawn credit facilities at 31 December 2023 of 303,987 thousand euros (259,000 thousand euros in 2022) (Note 12).

The Company also has 10,728 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 Company makes cash position forecasts on a systematic basis in order to assess their needs. This liquidity policy followed by the Company ensures that payment undertakings are fulfilled without having to request funds under onerous conditions and allows its liquidity position to be monitored on a continuous basis. It should be noted that the Company manages cash as part of the overall management of NH Group, of which it is the parent company, and therefore cash forecasts are made taking into account the Company's position in the Group.

Exchange rate risk

The Company is exposed to exchange rate fluctuations that may affect its sales, results, equity and cash flows, arising largely from:

- Investments in foreign countries (mainly Mexico, Argentina, Colombia, Chile, Ecuador, the United States, Switzerland, Hungary and the Czech Republic).

- Transactions made by Group companies operating in countries whose currency is other than the euro (mainly Mexico, Argentina, Colombia, Chile, Ecuador, the United States, Switzerland, Hungary and the Czech Republic).

The NH Group endeavours to align its borrowings with the cash flows in the different currencies.

The most significant balances in foreign currency in 2023, valued at the year-end exchange rate, is broken down as follows:

	Currency	Thousands of euros
Short-term investments in Group companies and associates	ARS	7,188
Short-term investments in Group companies and associates	BRL	164
Short-term investments in Group companies and associates	CLP	1,874
Short-term investments in Group companies and associates	COP	1,796
Short-term investments in Group companies and associates	CZK	64
Short-term investments in Group companies and associates	CHF	2,591
Short-term investments in Group companies and associates	DKK	—
Short-term investments in Group companies and associates	DOP	227
Short-term investments in Group companies and associates	HUF	16
Short-term investments in Group companies and associates	MXN	14,343
Short-term investments in Group companies and associates	PLN	9
Short-term investments in Group companies and associates	RON	5
Short-term investments in Group companies and associates	USD	25
Short-term investments in Group companies and associates	UYU	277
Short-term investments in Group companies and associates	THB	449
Short-term investments in Group companies and associates	SGD	159
Short-term debts with group and associate companies	ARS	(59)
Short-term debts with group and associate companies	CLP	(3)
Short-term debts with group and associate companies	COP	(180)
Short-term debts with group and associate companies	DOP	(616)
Short-term debts with group and associate companies	GBP	(55)
Short-term debts with group and associate companies	MXN	(432)
Short-term debts with group and associate companies	THB	(43)
Short-term debts with group and associate companies	SGD	(851)
Short-term debts with group and associate companies	USD	(49)
Cash and cash equivalents	USD	283

The most significant balances in foreign currency in 2022, valued at the year-end exchange rate, is broken down as follows:

	Currency	Thousands of euros
Current investments in group companies and associates	ARS	6,022
Current investments in group companies and associates	BRL	146
Current investments in group companies and associates	CLP	1,608
Current investments in group companies and associates	COP	1,412
Current investments in group companies and associates	CZK	201
Current investments in group companies and associates	CHF	14
Current investments in group companies and associates	DOP	227
Current investments in group companies and associates	HUF	13
Current investments in group companies and associates	MXN	9,675
Current investments in group companies and associates	PLN	5
Current investments in group companies and associates	RON	3
Current investments in group companies and associates	USD	177
Current investments in group companies and associates	UYU	52
Current investments in group companies and associates	THB	403
Current investments in group companies and associates	SGD	9
Current debts with group and associate companies	ARS	(55)
Current debts with group and associate companies	COP	(134)
Current debts with group and associate companies	DOP	(626)
Current debts with group and associate companies	GBP	(38)
Current debts with group and associate companies	MXN	(280)
Current debts with group and associate companies	THB	(121)
Current debts with group and associate companies	AED	(1)
Cash and cash equivalents	USD	1,193

Market price risk

The Group is exposed to risks related to fluctuations of prices of goods and services. These risks are essentially managed 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 the identification of efficiency measures for operational costs.

However, the disruptions to the supply chain, exacerbated by geopolitical tensions, 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 its supplies and 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.

13. TAX NOTE

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 2023 tax period pay subject to the tax consolidation scheme governed by Title VII, Chapter VI of Law 27/2014 of 27 November on Corporation Tax ("Corporation Tax Law").

The NH Hotel Group, S.A. tax group (hereinafter, "Tax Group") comprised the following companies in 2023:

NH Hotel Group, S.A.	NH Europa, S.L.
Latinoamericana de Gestión Hotelera, S.A.	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.	

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.

In previous years, the Tax Group carried out restructuring operations in which it opted for the special scheme for business reorganisation provided in the Corporation Tax Law. The legally established items are included in the annual report of the corresponding year.

Balances with Public Authorities

The detail of "Balances with Public Authorities" is as follows:

Tax receivables

	Thousands of euros	
	2023	2022
Non-current receivables		
Deferred tax assets	29,830	31,955
Total	**29,830**	**31,955**
Current receivables		
Value Added Tax	1,098	1,459
Current tax assets	13,438	6,650
Others	—	—
Total	**14,536**	**8,109**

Tax payables

	Thousands of euros	
	2023	2022
Non-current payables		
Deferred tax liabilities	4,394	4,565
Total	**4,394**	**4,565**
Current payables		
Retentions	682	590
Social Security	658	462
Others	37	89
Total	**1,377**	**1,141**

Reconciliation of the accounting profit to the taxable income

Corporation Tax is calculated on the basis of accounting profit or loss determined by application of the generally accepted accounting principles, and applying the relevant adjustments in accordance with the rules set out in the Corporation Tax Law. Therefore, the accounting profit may not necessarily coincide with the taxable income for Corporation Tax purposes.

The reconciliation of the accounting profit and the Corporation Tax to pay or refund for the year corresponding to the tax group is as follows (in thousands of euros):

	Thousands of euros	
	2023	2022
Accounting profit before tax	38,283	22,167
Adjustments to accounting profit (loss):		
Due to permanent differences	(40,800)	(20,377)
Due to temporary differences	2,851	(662)
Individual taxable base	**334**	**1,129**
Bases provided by the tax consolidated companies	36,559	20,281
Previous tax base of the Tax Group	**36,893**	**21,410**
Carryforwards for consolidated negative tax bases of the Tax Group	(25,825)	(5,352)
Tax base of the Tax Group	**11,068**	**16,058**
Settled rate (25%)	(2,767)	(4,014)
Non-activated deductions used in the year	20	14
Withholdings and payment by instalments	16,185	10,650
Current taxes to be refunded / (to pay)	**13,438**	**6,650**
Previous years' taxes to be refunded	—	—
Total taxes to be refunded/(paid)	**13,438**	**6,650**

In relation to the calculation of the Spanish income tax expense, the Group has made its best estimate by offsetting tax loss carryforwards from previous years with the limitation of 70% of the positive result for 2023, taking into account the recent ruling of the Constitutional Court of 18 January 2024 (unconstitutionality issue 2577/2023).

The permanent differences relate mainly to the removal of provisions in the accounting portfolio and non-deductible financial expenses calculated in accordance with article 16 of the Corporate Income Tax Act.

The temporary differences relate mainly to provisions for accounting purposes and impairment losses not considered a tax expense and with the recovery of 30% of the amortisation that was not deductible in 2013 and 2014 calculated in accordance with Article 7 of Law 16/2014, introducing various tax and administrative measures aimed at consolidating public finances and driving economic activity.

Reconciliation of accounting profit and Corporate Income Tax (expense)/income

The reconciliation of accounting profit and Corporate Income Tax (expense)/income is as follows:

	2023	2022
Accounting profit before tax	38,283	22,167
Permanent differences	(40,800)	(20,377)
Temporary differences	(7,686)	(2,845)
Adjusted tax base	**(10,203)**	**(1,055)**
Current tax attributable to the company	2,551	264
Deferred tax	(1,922)	(711)
Regularisation of tax from the previous year	964	729
Taxes paid overseas	(100)	(92)
Others	—	3
Total tax (expense)/income recognised in the statement of profit and loss	**1,493**	**193**

Deferred tax assets

The changes in this account are as follows:

Deferred tax assets	Thousands of euros	
	2023	2022
Opening balance	**31,955**	**33,111**
Tax credit offsets	(2,667)	(770)
Temporary differences	542	(386)
Balance at end of year	**29,830**	**31,955**

The detail of the balance of deferred tax assets at year-end is:

	Thousands of euros	
	2023	2022
Negative tax bases	19,949	22,616
Deductions	554	554
Others	9,327	8,785
Balance at end of year	**29,830**	**31,955**

The balance of deferred tax assets relates mainly to tax credit carryforwards on losses in previous years, temporary differences generated by the amortisation deductible limit and various provisions.

At 31 December 2023, the Company had assets resulting from tax losses and deductions amounting to 20,503 thousand euros (23,170 thousand euros in 2022). At 31 December 2023, the tax credit recovery plan that supports the recognition of these tax credits had been updated. Given that the results of the tax credit recovery plan are satisfactory, the Company's Directors have decided to maintain the tax credits recognised in the statement of financial position.

Tax credits generated by the consolidated tax group

At 31 December 2023, the Tax Group had the following credits for negative tax bases pending offset:

Year	Amount
2009	5,053
2010	4,578
2011	6,477
2012	32,893
2013	3,191
2014	20,031
2015	3,726
2019	3,637
2020	21,801
Total	**101,387**

Of the previous total, 33,856 thousand euros corresponds to non-activated tax losses.

At 31 December 2023, the Tax Group has uncapitalised tax credits of 101,962 thousand euros (117,802 thousand euros at 31 December 2022) under the following concepts:

	Thousands of euros	
	2023	2022
Finance costs and negative tax bases		
Non-deductible finance costs by the Tax Group	40,356	55,666
Negative tax bases generated by the Tax Group	33,856	33,856
Negative tax bases generated by the Spanish entities before inclusion in the Tax Group	25,703	25,703
Total rate	**99,915**	**115,225**
Tax Group deductions	2,047	2,577
Total non-activated tax credits	**101,962**	**117,802**

Financial expenses that are not deductible for Spanish Corporation Tax purposes because they exceed 30% of the operating result of the Tax Group calculated, in accordance with article 16 of Law 27/2014 of 27 November on Corporation Tax.

Deferred tax liabilities

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

Deferred tax liabilities	Thousands of euros	
	2023	2022
Opening balance	**4,565**	**4,735**
Deferral on reinvestment	(171)	(171)
Others	—	1
Balance at end of year:	**4,394**	**4,565**

Years open for review and tax audits

The years open for review for the Tax Group are as follows:

Tax	Pending periods
Corporation	2017 a 2022
VAT	2020 a 2023
IRPF (personal income tax)	2020 a 2023
Non-resident Income Tax	2020 a 2023

In relation to the years open to audit by the Tax Agency, contingent liabilities not susceptible to objective quantification may exist but, in the opinion of the Directors, they are not material.

Financial year 2017, which is open to inspection since the Group requested the rectification of the Spanish consolidation group's corporation tax returns for 2017, 2018, 2021 and 2022, given that it considers the measures introduced by Royal Decree-Law 3/2016 of 2 December to be unconstitutional. The recent ruling of the Constitutional Court of 18 January 2024 (unconstitutionality issue 2577/2023) declared certain corporation tax measures introduced by this Royal Decree-Law as unconstitutional. Based on the information available at the date of preparing the accounts, the Group estimates that it will obtain a refund of the overpaid amount of between 8 and 12 million euros, but classifies this asset as contingent as it does not consider it virtually certain that it will be obtained.

Deductions applicable by the Tax Group

At 31 December 2023, the Tax Group held the following tax credits carryforward (thousand euros):

Year of Origin	Deduction pending application	Amount
2008 a 2022	Deduction to encourage certain activities	78
2015 a 2022	Deduction for technological innovation	1,969
2013 a 2014	Other	185
		2,232

Similarly, the Tax Group availed itself in prior years of the “Deferral for reinvestment of extraordinary profit.” The essential characteristics of this reinvestment are as follows (in thousands of euros):

		Amount offset			
Year origin	Profit subject to deferral	Prior years	Year 2023	Amount pending	Last year of deferral
1999	75.145	56.895	682	17.568	2049

This income was reinvested in the acquisition of buildings.

14. TRADE AND OTHER PAYABLES

14.1 Trade payables

The breakdown of this heading at 31 December is as follows:

	Thousands of euros	
	2023	2022
Suppliers	28,473	22,534
Advance payments from customers	1,282	1,285
Sundry creditors	10,779	6,644
	40,534	**30,463**

"Commercial Creditors and Other Accounts Payable" covers the accounts payable derived from commercial activity typical of the Group. This heading includes 10,728 thousand euros (5,977 thousand euros at 31 December 2022) relating to creditors from confirming operations.

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

14.2 Information on average period for payment to suppliers

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.

	2023	2022
	Days	
Average period for payment to suppliers	62	69
Ratio of paid transactions	61	69
Ratio of transactions pending payment	67	73
	Thousands of euros	
Total payments made	122,868	95,361
Total payments pending	8,832	7,902

Suppliers, for the exclusive purpose of giving the information prior to this Resolution, are considered as trade creditors for debts with suppliers of goods or services, included in the items "Suppliers" and "Sundry Creditors" in current liabilities on the attached financial statement of financial position at 31 December 2023.

During 2023, the monetary volume of the invoices paid within the maximum limit provided for in the bad debt regulations was 63,889 thousand euros (49,788 thousand euros in 2022), representing 52% (52% in 2022) of the total monetary volume of the invoices. The number of invoices paid within the maximum limit provided for in the bad debt regulations was 10 thousand euros (6 thousand euros in 2022), representing 57% (38% in 2022) 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 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.

The Company has significantly reduced the maximum payment period to trade suppliers compared to previous years. This is a result of various measures focused on resizing existing resources, as well as renegotiating contracts, implementing technological improvements in invoice processing and other actions in different areas aimed at recovering the legal ratio (set at 60 days), which are showing results compared to the previous year.

15. THIRD-PARTY GUARANTEES AND CLAIMS IN PROCESS

At 31 December 2023, the Company had a total of 28,820 thousand euros (26,747 thousand euros in 2022) in economic or financial bank guarantees issued by various banks to guarantee leasing contract obligations and others relating to the usual operations of the Group in various countries. Therefore, their execution would be linked to a failure to comply with those contractual obligations.

At 31 December 2023, the Company 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 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 12).

Claims in process

The Company's main contingent assets and liabilities at the date of drafting these consolidated financial statements were as follows:

- A claim has been filed against the company for payment in relation to 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.

- 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 Company agreed to subrogate itself in the position of Sotogrande, S.A. for certain claims, assuming all rights and obligations relating thereto, which are summarised as follows:

- Plaintiff in the proceedings against construction agents for construction defects in twenty-five homes and contractual liability, where partially favourable judgements 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 Company 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.

The Company's directors consider that the hypothetical loss of the Company incurred as a result of such actions would not have a material effect on its equity.

16. OPERATIONS AND BALANCES BETWEEN GROUP COMPANIES

16.1. Balances with related parties

The detail of balances with related parties during the year is as follows:

Year 2023

Thousands of euros	Parent company	Other Group companies
Non-current investments:	**—**	**740,892**
Loans to companies	—	740,892
Current investments:	**—**	**133,401**
Loans to companies	—	133,401
Provision for impairment	—	—
Non-current debts	**—**	**(243,161)**
Current debts	**(119)**	**(64,462)**
Other current liabilities	**—**	**—**

Year 2022

Thousands of euros	Parent company	Other Group companies	Other related parties
Non-current investments:	**—**	**446,683**	**—**
Loans to companies	—	446,683	—
Current investments:	**—**	**389,480**	**1,467**
Loans to companies	—	389,480	10,969
Provision for impairment	—	—	(9,502)
Non-current debts	**—**	**(137,138)**	**—**
Current debts	**(119)**	**(113,577)**	**—**
Other current liabilities	**—**	**—**	**—**

Non-current investments

“Loans to Companies” includes the following loans granted to the following Group companies:

	Thousands of euros	
	2023	2022
Loans		
NH Europa, S.L.	176,287	244,401
Latinoamericana de Gestión Hotelera, S.L.	139,654	106,695
NH Hoteles España, S.A.	358,920	59,626
NH Hungary Szallodauzemelteto KFT	22,452	20,976
Central Reservation Office, S.A.	31,274	3,314
NH Hoteles Czechia, S.R.O.	9,722	8,874
Others	2,583	2,797
Total	**740,892**	**446,683**

The loans balance in 2023 mainly corresponds to the inter-company financing agreement that matures in 2025. The remuneration of said loan is a variable quarterly interest rate linked to the Euribor plus a spread. As part of the intercompany financing process, short-term balances have been analysed and balances that could not be settled during the year have been transferred to long-term.

Current investments

“Current investments in group companies and associates” includes the following balances with Group companies:

	Thousands of euros	
	2023	2022
NH Hoteles España, S.A.	73,158	282,446
NH Central Reservation Office S.L	674	25,904
Latinoamericana de Gestión Hotelera, S.L.	6	23,777
NH Italia, SPA	6,258	11,013
NH Hoteles Deutschland GMBH	7,313	13,096
Operadora Nacional Hispana, S.A. de C.V.	14,233	9,592
NH Hotel Rallye Portugal, Lda	7,396	5,601
Latina de Gestion Hotelera S.A.	7,137	5,850
Other current payables to Group companies	17,226	13,668
Total	**133,401**	**390,947**

The balances that comprise the current accounts receivables to Group companies are made up mainly of the balances relating to the financing structure of the Group of which the Company is the Parent. The accounts receivable or accounts payable accrue interest at a floating rate pegged to the 3-month Euribor plus a spread. In this way, NH Hotel Group, S.A. centralises the Group's cash through a bank and in a single account. . As part of the intercompany financing process, short-term balances have been analysed and balances that could not be settled during the year have been transferred to long-term.

Non-current debts

	Thousands of euros	
	2023	2022
NH Cash Link, S.L.U.	216,203	127,887
NH Atardecer Caribeño, S.A.	23,111	9,211
Other related parties	3,847	40
Total	**243,161**	**137,138**

Under the "Non-current debts with group and associate companies" heading, there are mainly loans with the Group company NH Cash Link, S.L.U., maturing in 2024. The remuneration of said loan is a variable quarterly interest rate linked to the Euribor plus a spread. As part of the intercompany financing process, short-term balances have been analysed and balances that could not be settled during the year have been transferred to long-term

Current debts

"Current debts" includes the following loans with Group companies:

	Thousands of euros	
	2023	2022
NH Europa, S.L.	60,800	79,705
Atardecer Caribeño	—	12,675
Coperama Holding	1,454	13,363
Other current creditor accounts with Group companies	2,208	7,834
Current creditor accounts with the parent company	119	119
Total	**64,581**	**113,696**

The balances that comprise the current accounts payable to Group companies are made up mainly of the balances relating to the financing structure of the Group of which the Company is the Parent. The accounts receivable or accounts payable accrue interest at a floating rate pegged to the 3-month Euribor plus a spread. In this way, NH Hotel Group, S.A. centralises the Group's cash through a bank and in a single account. As part of the intercompany financing process, short-term balances have been analysed and balances that could not be settled during the year have been transferred to long-term.

16.2. Transactions with related parties

The transactions with related parties during the year were as follows:

Income

	Thousands of euros	
	2023	2022
Income from leases and subleases	**7,561**	**5,447**
Group (Note 17.a)	7,561	5,447
Interests	**73,986**	**21,498**
Group holding activity	49,975	21,126
Dividends	24,011	—
Associates	—	372
Fees	**108,045**	**88,309**
Group (Note 17.a)	108,045	88,309

Fees is based on the services that the Company provides to its network of subsidiaries and hotels that are part of its portfolio.

The financial interest income is based on the loans granted by the Company to the Group companies and whose remuneration consists of a variable periodic interest rate linked to Euribor plus a differential.

Expenses

	Thousands of euros	
	2023	2022
Interests	**11,744**	**2,044**
Group	11,744	2,044

The financial interest expenses are based on the loans received by the Company from the group companies and whose remuneration consists of a variable periodic interest rate linked to Euribor plus a differential.

17. INCOME AND EXPENSES

a) Net turnover

The revenue itemised by activity is as follows (in thousands of euros):

	Thousands of euros	
	2023	2022
Hotel activity:		
Accommodation in rooms	28,302	23,439
Leases group companies (Notes 16.2 and 7)	7,561	5,447
Other leasing (Note 7)	257	389
Catering	7,423	6,374
Rooms	1,605	1,480
Others	1,500	1,293
Provision of services:		
Fees (Note 16)	108,045	88,309
Net turnover	**154,693**	**126,731**

In both 2022 and 2023, income from the Company's various activities generated in the ordinary course of business, in the measure that it is obtained on a regular and periodic basis and derives from the business cycle of production, marketing or provision of the Company's own services, is recognised as net turnover.

Similarly, net turnover corresponding to the year distributed by geographic market was as follows:

	Thousands of euros	
	2023	2022
National market	154,693	126,731
	154,693	**126,731**

b) Staff costs

The breakdown of this heading on the statement of profit and loss for the year was as follows:

	Thousands of euros	
	2023	2022
Wages, salaries and similar	35,715	28,011
Social security contributions	7,425	6,089
Severance payments	73	223
	43,213	**34,323**

The average number of employees at the Company in the year, by professional category, was as follows:

	2023	2022
Group's general management	9	8
Managers and heads of department	106	103
Technical staff	125	116
Sales representatives	14	12
Administrative staff	17	20
Rest of workforce	179	161
Average number of employees	**450**	**420**

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 workforce at 31 December, by professional category and sex, was as follows:

	31/12/2023		31/12/2022	
	Males	Females	Males	Females
Group's general management	7	2	6	2
Managers and heads of department	58	53	58	46
Technical staff	59	75	57	66
Sales representatives	3	11	3	11
Administrative staff	8	12	7	14
Rest of workforce	91	102	84	88
Average number of employees	**226**	**255**	**215**	**227**

At 31 December 2023 and 2022 there were no employees at the company with a disability of 33% or more.

The average age of the workforce was approximately 42.4 and average seniority was 11.5 years (43 years and 11.9 years respectively in 2022).

External services

Shown below is a breakdown of the items included in "External services":

	Thousands of euros	
	2023	2022
Leasing (Note 7)	11,798	9,859
Outsourcing of services	1,814	1,613
Supplies	687	1,129
Maintenance and cleaning	1,351	1,092
Laundry and related costs	749	631
Costs associated with information technologies	14,889	13,136
Marketing and merchandising	71	95
Other external services	354	285
	31,713	**27,840**

d) Other current operating expenses

Shown below is a breakdown of the items included in "Other current operating expenses":

	Thousands of euros	
	2023	2022
Commissions	2,485	1,197
Central bookings fee	6,180	6,019
Advisory services	4,394	3,283
Marketing and media	8,011	7,359
Travel expenses	1,583	958
Institutional relations	206	192
Others	1,932	2,680
	24,791	**21,688**

This year, the fees for account auditing and other services provided by the auditor of the Group's consolidated financial statements and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	Thousands of euros	
	2023	2022
Auditing services	704	571
Other verification services	251	335
Total auditing and related services	**955**	**906**
Tax consulting services	—	—
Other services	392	91
Total other services	**392**	**91**
Total professional services	**1,347**	**997**

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

	Thousands of euros	
	2023	2022
Auditing services	992	1,044
Other verification services	260	240
Total auditing and related services	**1,252**	**1,284**
Tax consulting services	37	120
Other services	134	192
Total other services	**171**	**312**
Total	**1,423**	**1,596**

During 2023, other auditing firms apart from the auditor of the consolidated financial statements 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 171 thousand euros (89 thousand euros in 2022). The fees accrued in 2023 by these firms for tax advice services were 578 thousand euros (324 thousand euros in 2022) and for other services, 535 thousand euros (508 thousand euros in 2022).

e) Profits or losses on disposals of fixed assets

Disposals of tangible and intangible assets took place during the year, resulting in a net gain of 141 thousand euros (307 thousand euros in 2022).

f) Financial expenses

The breakdown of this chapter in the consolidated comprehensive statement of profit and loss is as follows:

	Thousands of euros	
	2023	2022
Expenses for interest	22,642	29,117
Financial expenses	309	230
Amortisation of debt arrangement expenses	2,592	3,993
Financial expenses	**25,543**	**33,340**

The decrease in the "Expenses for interest" is mainly due to the decrease in gross financial debt during 2022 and 2023 (full and voluntary repayment of the syndicated loan with ICO guarantee amounting to 250,000 thousand euros) (Note 12).

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 2023 financial year (Note 12).

Interest expenses correspond to debts valued at amortized cost.

18. 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 in 2023 (10 members at 31 December 2022),
- Audit and Control Committee: 3 members in 2023 (3 members at 31 December 2022),
- Appointments and Remuneration Committee: 3 members in 2023 (3 members at 31 December 2022).

18.1 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:

	Thousands of euros	
Remuneration item	2023	2022
Fixed remuneration	1,536	1,288
Short-term variable remuneration	1,013	895
Long-term variable remuneration	1,637	714
Parent Company: allowances	6	3
Parent Company: attendance allowances	305	377
Life insurance premiums	30	23
Others	14	12
Total	**4,541**	**3,312**

The Board of Directors had 10 members at 31 December 2023, three women and seven men (10 members in 2022, one woman).

The composition of the Board of Directors was amended at the General Shareholders' Meeting held in June 2023, with the resignation of the Directors José María Cantero, Fernando Lacadena and Alfredo Fernandez Agra. For their part, María Segimón de Manzanos, Miriam González-Amezqueta López and Tomás López Fernebrand joined the Board as Independent Directors. This includes the remuneration of outgoing directors until they leave office and of incoming directors from the date of their appointment.

In relation to the heading, "Transactions on shares and/or other financial instruments", consideration has been given to the objective long-term remuneration accrued. Remuneration in kind (vehicles and health insurance) is included under "Others".

Additional information in the Annual directors' Remuneration Report.

18.2 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	
	2023	2022
Pecuniary remuneration	2,476	2,375
Remuneration in kind	126	110
Others	1,306	627
Total	**3,908**	**3,112**

There were six members of Senior Management at 31 December 2023 (five members at 31 December 2022), excluding the CEO, the Chief Operations Officer and the Chief Assets and Development Officer due to their status as executive directors.

The item "Cash remuneration" includes fixed and short-term variable remuneration accrued in full until 31 December 2023. Remuneration in kind includes the vehicle and the cost of insurance.

The heading "Other" takes the long-term objective remuneration accrued in 2023 into consideration.

18.3 Information on conflicts of interest on the part of Directors

During 2023, Minor International Public Company Limited ("Minor"), an indirect majority shareholder of the Group (95.87%) 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 24 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 meetings of both the Audit and Control Committee and the Board of Directors that dealt with any matter related to Minor, proprietary directors were absent from the meetings, and consequently did not take part in the debate or in the adoption of the corresponding resolution.

In addition, and when the related-party operation so requires, the Company informs the market of the details of the transaction, as was done in the communication sent to the CNMV on 18 December 2023, describing in detail the operation entered into with Minor in relation to the operation in Portugal, whose review, study and approval has scrupulously complied with the rules of good governance.

19. ENVIRONMENTAL INFORMATION

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 2023 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 78 risks appearing in the Group's risk catalogue for 2023 to identify those relating to ESG (Environmental, Social and Governance) criteria. The result was that 47% of all the risks identified were classified as such.

As it is integrated within the Company's Risk Management Model, the ESG Risk Map follows the same process phases, including risk response, monitoring and control and mitigation measures adopted.

In addition, all risks and opportunities arising from climate change have been identified and quantified following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

For more information on the Group's risk management model, see section 9. Risk Management of the 2023 Consolidated Non-Financial Information Statement.

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. 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 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.

More information on this Model and its performance during 2023 is available in section 10. Sustainable Business Strategy of the 2023 Consolidated Non-Financial Information Statement.

20. EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred since 31 December 2023.

Management report for the year ended 31 December 2023

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 55,626 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 2023, according to the Brand Finance Hospitality study, we were recognised as the highest-value Spanish brand, the sixth in Europe and among the top 25 worldwide.

The recovery that began in 2021 after the economic crisis caused by the Covid-19 pandemic was consolidated during 2023. To this effect, the world economy grew 3.1%, compared to 3.5% growth in the previous year. More specifically, the eurozone had growth of 0.5% in 2023 (3.4% in 2022).[1].

The global economic recovery is proving surprisingly resilient in the wake of the COVID-19 pandemic, the Russian invasion of Ukraine and the cost of living crisis. Inflation is falling faster than expected after peaking in 2022 and is having less of an impact on employment and economic activity than expected thanks to favourable supply-side developments and policy tightening by central banks, which has kept inflation expectations anchored. However, high interest rates aimed at fighting inflation, coupled with the withdrawal of fiscal support in a context of high debt, are expected to dampen growth in 2024.

The four countries that bring the greatest proportion of the Group's sales and profits reduced their rates of growth in 2023: Spain (+2.4% in 2023 vs +5.8% in 2022), the Netherlands (+0.6% in 2023 vs +4.3% in 2022), Germany (-0.3% in 2023 vs +1.8% in 2022), and Italy (+0.7% in 2023 vs +3.7% in 2022). Meanwhile, growth in Latin America was +2.5% in 2023 vs +4.2% in 2022.

Inflation is falling faster than expected in most regions as supply-side problems dissipate and monetary policy tightens. Even though global inflation has fallen, this is mainly due to a fall in energy and food prices. Underlying inflation, however, which excludes such volatile components as energy and food, remains high in many countries. It is forecast that worldwide inflation will decrease from 9.2% in 2022 to 6.8% in 2023 and to 5.8% in 2024, levels which are far higher than the target and still higher than those seen prior to the pandemic (2017-2019) of around 3.5%.

According to UNWTO data, by 2023 international tourism will reach 88% of pre-pandemic levels, with an estimated 1.3 billion international arrivals. The release of remaining pent-up demand, increased air connectivity and further recovery of Asian markets and destinations are expected to support a full recovery by the end of 2024. Europe, the world's most visited region, reached 94% of the levels achieved in 2019, supported by intra-regional demand and travel from the United States. Africa recovered to 96% of pre-pandemic visitors, and the Americas to 90%. Asia and the Pacific reached 65% of pre-pandemic levels, following the reopening of several markets and destinations.

The latest UNWTO data also highlights the economic impact of the recovery. In 2023, according to preliminary estimates, international tourism receipts will reach USD 1.4 trillion, approximately 93% of the USD 1.5 trillion receipts from destinations in 2019. Preliminary estimates of tourism's economic contribution, measured in terms of direct tourism gross domestic product (GDP), point to USD 3.3 trillion in 2023, or 3% of global GDP. This indicates a recovery of the direct tourism GDP achieved before the pandemic, driven by strong growth in domestic and international tourism.pandemia, impulsado por el fuerte crecimiento del turismo nacional e internacional.

[1] Data and estimates from the IMF "World Economic Outlook" January 2024.

The rapid recovery in the Group's results should be noted. This can be explained by the operational and financial transformation undertaken in the years prior to the pandemic, as well as the measures adopted during the pandemic.

The excellent performance of the group in the years prior to the pandemic was the result of a complete transformation, particularly brand segmentation and increased positioning in the premium segment, portfolio optimisation, significant investment in repositioning and information systems for pricing strategy, the focus on efficiency and cost control, and the reduction of financial indebtedness.

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.
- Integration of Tivoli operations in Europe under the NH umbrella.
- 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.

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

- 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.

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.

Furthermore, NH Hotel Group proactively implemented a series of initiatives in 2021 to boost the Group's capital structure. These included a share capital increase, the refinancing and extension of interest-bearing debt maturity and the divestment of an important asset via a sale & leaseback operation. These milestones have enabled a recovery by the sector to be approached from the best possible financial position and have led to a rapid reduction in the financial borrowing that began in 2021 and continued until 2023.

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 25 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.

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.

When recovery after the pandemic started, hotel businesses experienced difficulties finding staff, which is why the sector must go back to attracting talent with attractive professional career plans that promote training and job flexibility.

Regarding its use of quality indicators, the NH Hotel Group focuses on measuring quality using sources of information and surveys with a high volume of reviews and number of assessments received. In this regard, its average score on TripAdvisor in 2023 was 8.5, compared to 8.4 in December 2022. Additionally, in 2023 the average Google Reviews score was 8.9, compared with 8.7 in December 2022. These average scores demonstrate the high levels of quality of NH Hotel Group perceived by customers, and the continued commitment to quality.

Furthermore, the Group began operating six new hotels in 2023; in Bern, Coimbra, Alvor, Frankfurt, Trieste and Tenerife, adding 1,521 more rooms. The Group, therefore, reached a total of 350 hotels with 55,626 rooms at 31 December 2023.

The Group also signed-up 8 new hotels with 1,143 bedrooms in 2023. These signings have been under management and rental formulas in Trieste, Helsinki, Paris, Guadalajara, Porto and Vienna. The sign-ups are under the NH, NH Collection, Tivoli and Anantara brands

The Company's income in 2023, totalled 154.7 million euros, which was an increase of 22% (+28.0 million euros).A profit of 39.8 million euros was achieved in the financial year compared to 22.4 million euros in 2022. This increase is explained by the increase in downstream activity and the consolidation of the recovery during 2023.

The Company's gross indebtedness decreased this year from 521.6 million euros in December 2022 to 452.1 million euros in December 2023.At 31 December 2023, consolidated cash and cash equivalents amounted to 1.2 million euros (103.5 million euros at 31 December 2022). Furthermore, this liquidity is complemented by the syndicated credit line for 242.0 million euros (fully available at the close of 2023 and 2022), and some of the Group's credit lines at the close of 2023 for 62.0 million euros.

As a result of the business's strong recovery since the first part of financial year 2022, and the improvement to the financial position, NH Hotel Group's credit rating was favourably revised by the rating agencies in this year. On 27 April 2023, Fitch improved its stable outlook to positive, revising the individual rating of NH from "B" to "B+". Additionally, on 20 December 2023, Moody's improved the credit rating from "B2" to "B1", improving the outlook from stable to positive. 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 and the 30-day share purchase process in the market that concluded on 8 June 2023, Minor currently owns 417,728,222 shares in NH Hotel Group, S.A. representing 95.87% of its share capital. Since 2018, the two companies have begun to explore joint value creation opportunities for the coming years.

On 18 December 2023, NH Hotel Group announced the acquisition of five hotels in Portugal from Minor for 133 million euros. The operation complies with the provisions of the Framework Agreement entered into between the Company and Minor on 7 February 2019 with respect to the geographic areas of preference of each party. Through the operation, NH strengthens its presence in the Portuguese resort market by acquiring ownership of a portfolio of hotels that it has been operating since June 2019 under a management agreement with Minor, allowing it to leverage operational and commercial synergies through the NH platform in Southern Europe and to reinforce its current growth strategy in the resort segment. In addition, the NH Operation consolidates a portfolio of hotels representing an expected incremental contribution of approximately 11 million euros of EBITDA in 2024. It should be noted that the operation has been carried out at arm's length and with the validation of external advisors, with the result that the entire Minor business in Portugal now belongs to NH Hotel Group.

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 seven languages and 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 periodically carries out communication, awareness and training campaigns on Compliance. 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 for the law 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. At the end of 2022, the Company's Board of Directors approved an update to the Code of Conduct to adapt the Code to recent legislative developments, comply with the new legal requirements and follow the standards and best practices referring to compliance, with the anonymisation of the Whistleblower Channel standing out. The head of Internal Audit manages the Confidential Whistleblower Channel. The procedure for managing complaints received via the Whistleblower Channel is detailed in the Code of Conduct and published on the website as a separate document. This procedure guarantees confidentiality and respect in every phase, and protects against retaliation.

In 2023 there were 65 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 propose disciplinary measures on employees in matters within its scope.

The Company has decided to roll out its crime prevention model to other countries, having consequently set up local Compliance Committees in the most representative business units. Furthermore, NH Hotel Group began to implement its own compliance programme in Portugal.

In 2023, there were three meetings of the Compliance Committee (in April, July and December).

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 in January 2018 by the Board of Directors, amended in May 2019 and most recently updated in 2023 with regard to references to the Whistleblowing Channel. 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. To this effect, 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, amended in 2022 and is subject to periodic review for updates as appropriate, to adjust the new threshold limits for cash payments, and the addition 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 that regard, during 2023, 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.

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 2023, the Company updated its risk catalogue (78 risks) and its Risk Map, which was approved by the Board of Directors at their meeting on 18 December 2023.

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 13 December 2023).

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).

SUSTAINABLE BUSINESS STRATEGY

The Company is aware of the effects of its activity on the environment, and works to prevent and anticipate possible environmental contingencies, and to integrate sustainability into all its processes, striving to reduce its negative impacts and maximise its positive impacts.

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. 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 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 2023 Non-Financial Information Statement, which is presented as a separate report and forms a part of this Consolidated Management Report.

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.

UP FOR PLANET

Through this pillar, the Company minimises the environmental impact by means of the design, construction, operations and refurbishment of its hotels. Efforts are focussed on reducing, reusing and recycling natural resources such as water and energy, greenhouse gases and waste, and replacing existing materials with alternatives that are more environmentally friendly, sustainable and innovative"

The Company's environmental strategy is channelled through UP FOR PLANET, in which a roadmap is defined to comply with the commitments made to fight climate change and advance towards decarbonisation, efficient management and responsible consumption, and to circulate resources and develop more sustainable products.

- ### PRODUCTOS Y ACTIVOS SOSTENIBLES

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 operate with the ISO 14001 environmental management system and the ISO 50001 energy efficiency system, certified for accommodation, catering, meetings and events services. By the end of 2023, 65.48% of the hotels in Germany, Spain and Italy are ISO 14001 certified – a total of 96 hoteles- and/or ISO 50001 -33 hotels.

In addition to the ISO certifications, some of the Group's hotels also have other environmental certifications and qualifications, such as: BREEAM, LEED, Green Key, Green+Hotels, Biosphere and DGNB. The aim is to have an increasingly significant volume of hotels with globally recognised environmental certifications, specific to the tourism sector, and approved by the Global Sustainable Tourism Council, the largest benchmarking body. In 2023, 26 hotels achieved a sustainability label for the first time, bringing the total number of certified hotels to 184 out of 350 hotels in the portfolio.

Aware of the importance of operating in a decarbonised world, the Company has identified a line of work in its Sustainable Business strategy to adapt its real estate assets to the sector's best practices in terms of environmental sustainability. More information can be found in the Sustainable Hotels section of the 2023 Consolidated Non-Financial Information Statement.

- ### 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 residual emissions and encouraging the evolution towards circular economy and the development of more sustainable products, but also the involvement of team members, suppliers, partners and customers as key players to achieve them.

To carry out an exhaustive and rigorous control of energy consumption, carbon footprint and water consumption measures, NH Hotel Group monitors energy and water consumption and cost indicators on a monthly basis through an online system to which almost all of the Company's hotels have access, and which allows for the reporting, control, follow-up and traceability of the indicators.

To carry out an exhaustive and rigorous control of energy consumption, carbon footprint and water consumption measures, NH Hotel Group monitors energy and water consumption and cost indicators on a monthly basis through an online system to which almost all of the Company's hotels have access, and which allows for the reporting, control, follow-up and traceability of the indicators.

In addition, NH Hotel Group assumes a responsible commitment to the management of water as a resource. Aware that its provision and enjoyment must be carried out in a responsible manner, it has developed a series of measures and plans aimed at reducing the impact of its operations on the destinations in which it operates.

- **SUSTAINABLE PURCHASING**

With this pillar, NH Hotel Group strengthens is 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.

NH Hotel Group seeks to guarantee a fair, transparent and ethical value chain, involving its suppliers from the first contact with the Group, always with a proactive attitude towards their needs and supporting them in the development of new capabilities. To this effect, in July 2023, the Sustainable Business Executive Committee approved a "Sustainable Procurement Commitment" applicable to the entire Group. This Commitment has been developed within the framework of the Company's Procurement Policy and is an annex to it. .

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

Under the UP FOR PEOPLE pillar, the company promotes the professional development of its team members, while creating a positive impact in the places and communities where it is present so it can offer its customers the best experience, making them participants in sustainable commitments. Under this pillar, the commitments of three of its stakeholders are managed:

- **TEAM MEMBERS**

Within NH Hotel Group's business strategy, corporate culture is key. The Company considers its team members to be its main asset and understands that to build a solid corporate culture it is essential to manage attracting and developing talent, and sustain their motivation and pride in belonging to the NH Hotel Group. To this end, the Company's People strategy focuses on the values developed in its Sustainable Business model such as leadership, equal opportunities, communication and innovation, with the aim of creating a homogeneous culture. This culture encourages responsible behaviour in all team members who are part of the NH Group.

During the financial year 2023, key projects in the People strategy were consolidated and the groundwork laid for the launch of strategic initiatives grouped into three main lines of action:

- Organisational commitment
- Talent attraction and management.
- Value proposition to team members.

In 2023, the redefined talent attraction and retention strategy was consolidated to meet the new market reality and the needs of NH Hotel Group. With this, the Company is making progress in promoting the internal mobility of team members and in promoting actions to attract external talent by strengthening the relationship with the network of academic institutions with which it has been collaborating for some time, and by incorporating new entities, all with the aim of supporting and promoting the hotel vocation of young people.

The number of FTEs employed by the Parent Company and consolidated companies during 2023 was 12,436 team members, located in 24 countries, where 51% are women and 49% are men.

NH Hotel Group's commitment to stable employment is shown by the high percentage of team members with permanent contracts, totalling 11,665. The policies and actions for recruiting, employing, training and internal promotion of team members are based on criteria of ability, skills and professional merit.

In this line, in 2023, 7,691 new staff were recruited, of which 50% are team members under 30 years old and 51% are women. By 2023 it had met the target of at least 51% women in the workforce, and 45% in management positions. Although the target has been achieved, recruitment and churn rate are monitored to ensure that parity is balanced.

Every year, the NH Hotel Group monitors the associated metrics in this area, enabling the correct management and measurement of diversity and equality. This is evidenced by the 150 different nationalities identified among the 12,436 team members of the Group in 2023. Of these, 24% work in countries other than their country of origin. In addition, 51% of the total workforce are women, who occupy 45% of all management positions.

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, sex, 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 team members by creating optimal working environments to maximise their contribution.

The average number of employees at the Company in the year, by professional category, was as follows:

	2023	2022
Group's general management	9	8
Managers and heads of department	106	103
Technical staff	125	116
Sales representatives	14	12
Administrative staff	17	20
Rest of workforce	179	161
Average number of employees	**450**	**420**

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 workforce at 31 December, by professional category and sex, was as follows:

	31/12/2023		31/12/2022	
	Males	Females	Males	Females
Group's general management	7	2	6	2
Managers and heads of department	58	53	58	46
Technical staff	59	75	57	66
Sales representatives	3	11	3	11
Administrative staff	8	12	7	14
Rest of workforce	91	102	84	88
Average number of employees	**226**	**255**	**215**	**227**

• 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 by promoting responsible environmental behaviour

Based on the Customer Centric philosophy, the commercial strategy is based on the experience, specialisation and closeness that has been generated with customers over the years, in order to offer a service of the highest quality. This improves the ability to assess the real opportunity cost at any given moment, impacting the Company's global strategy and accelerating its growth.

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 a positive social and environmental impact in the communities we have a presence in via responsible alliances. NH Hotel Group drives different projects through which it impacts the communities in which it operates and contributes to reducing social inequalities. Consistent with the Company's values and with the approach of direct impact on the destinations in which it operates, NH Hotel Group works on social actions through three programmes that have a direct impact on hotel activity:

- Hotels with a Heart (HWH): free-of-charge accommodation programme for needy families with sick children, in collaboration with foundations and NGOs.
- Together with Love (TWL): the Company's worldwide corporate volunteering programme.
- Youth employability: employability programme for young people at risk of exclusion.

Thanks to these projects, NH Hotel Group has benefited more than 19,680 people and has indirectly contributed €406,701 in monetary terms.

Sustainability recognitions

NH Hotel Group has been included in the "Sustainability Yearbook 2024" 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.

A demonstration of its commitment to gender equality, NH Hotel Group, for the fourth year running, was included on the Bloomberg GEI 2023 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 2023 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 31st of December 2023 and 2022 were as follows:

	2023	2022
Minor International Public Company Limited ("MINT")	95.87 %	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.

In addition, on 8 May 2023, MINT announced its decision to begin a purchase process in the market for shares in NH Hotel Group over a period of 30 days. As a result, between 10 May and 8 June 2023, MINT purchased 7,544,225 shares and increased its position in NH Hotel Group to 417,728,222 representative shares or 95.87% of the share capital of NH Hotel Group.

The average share price of NH Hotel Group, S.A. in 2023 was 4.16 euros per share (3.25 euros in 2022). The lowest share price of 2.96 euros per share was recorded in January (2.27 euros in October 2022) and the highest share price of 4.84 euros per share in June (4.03 euros in June 2022). The market capitalisation of the Group at the close of 2023 stood at 1,825.77 million euros.

At 31st of December 2023, the Group had 87,989 treasury shares (all referring to the liquidity contract), compared to 92,915 treasury shares at 31st of December 2022. 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 2023 is 87,989 shares, and the amount allocated to the cash account is 346,009 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.

	2023	2022
	Days	
Average period for payment to suppliers	62	69
Ratio of paid transactions	61	69
Ratio of transactions pending payment	67	73
	Amount (Thousands of euros)	
Total payments made	122,868	95,361
Total payments pending	8,832	7,902

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.

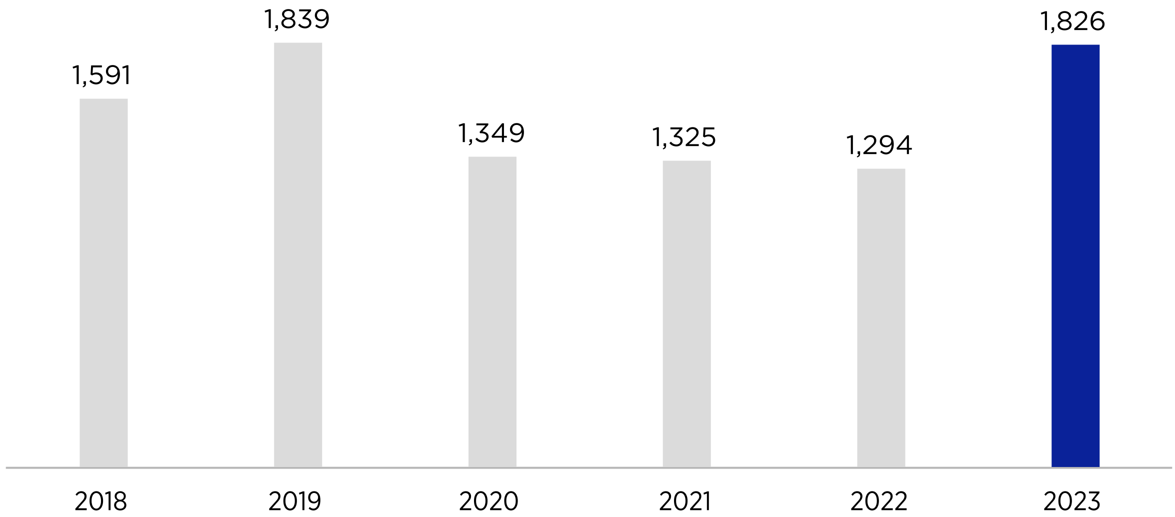
During 2023, the monetary volume of the invoices paid within the maximum limit provided for in the bad debt regulations was 63,889 thousand euros (49,788 thousand euros in 2022), representing 52% (52% in 2022) of the total monetary volume of the invoices. The number of invoices paid within the maximum limit provided for in the bad debt regulations was 10 thousand euros (6 thousand euros in 2022), representing 57% (38% in 2022) 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.

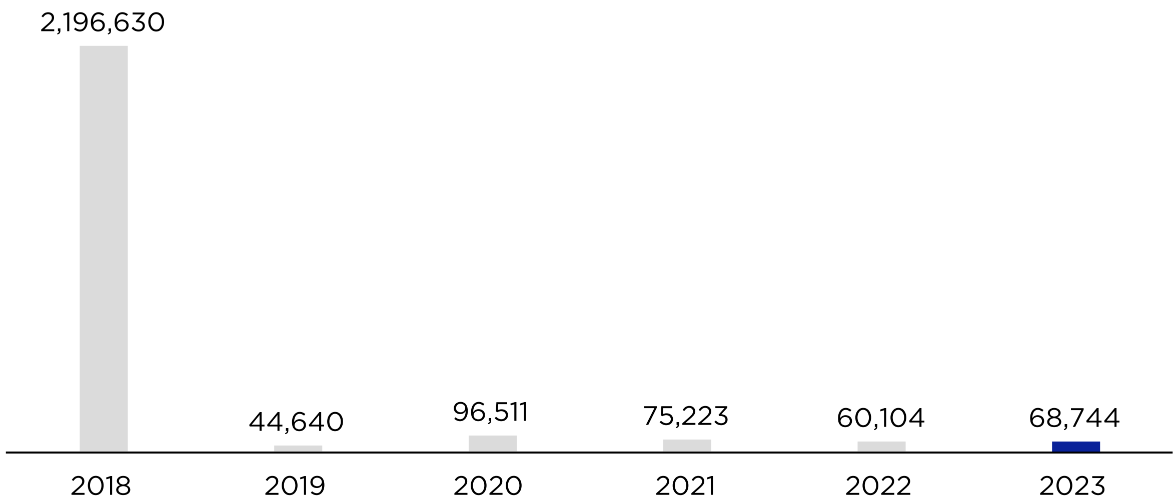
The Company has significantly reduced the maximum payment period to trade suppliers compared to previous years. This situation is being corrected by means of various measures focused on resizing existing resources, as well as renegotiating contracts, implementing technological improvements in invoice processing and other actions in different areas aimed at recovering the legal ratio (set at 60 days), which are showing results compared to the previous year.

Capitalization (at the end of each year in million euros)



During 2023, 17,461,171 shares in NH Hotel Group, S.A. were traded on the Continuous Market (15,446,871 shares in 2022) with average daily share trading on the Continuous Market of 68,744 shares (60,104 shares in 2022).

Average daily trading (in titles)



EVOLUTION NH HOTEL GROUP vs. IBEX 35

1 JANUARY 2019 - 31 DECEMBER 2023

FUTURE OUTLOOK

It is anticipated that world growth, which was estimated at 3.1% in 2023, will remain at 3.1% in 2024 and increase slightly to 3.2% in 2025.

The forecast for 2024 is around 0.2 percentage points higher than previously projected, reflecting upwards revisions in China, the United States and major emerging market economies. However, the projection for global growth in 2024 and 2025 is below the historical annual average (2000-19) of 3.8%, due to tight monetary policies and the withdrawal of fiscal support, as well as low underlying productivity growth. In advanced economies, growth is projected to decline slightly in 2024 before picking up in 2025, in light of the recovery in the eurozone after slow growth in 2023 and slowing growth in the United States. In emerging market and developing economies, growth is expected to be stable in 2024 and 2025, albeit with regional differences.

These forecasts are based on the assumptions that fuel and other commodity prices will fall in 2024 and 2025, and that interest rates will decline in major economies. In 2024, annual average oil prices are projected to decrease by about 2.3%, while non-fuel feedstock prices projected to decrease by 0.9%. IMF staff projections indicate that policy rates at the US Federal Reserve, the European Central Bank and the Bank of England will remain at current levels until the second half of 2024, and then gradually decline as inflation approaches the target level. The Bank of Japan is expected to maintain a broadly accommodative monetary policy stance.

According to UNWTO forecasts, international tourism is expected to fully recover to pre-pandemic levels by 2024, with initial estimates pointing to a 2% growth from 2019 levels. These central UNWTO forecasts remain subject to the pace of recovery in Asia, and to the evolution of the current economic and geopolitical downturn.

The positive outlook is reflected in the latest UNWTO Tourism Confidence Index survey, according to which 67% of tourism professionals indicate a better or much better outlook for 2024 compared to 2023. About 28% expect similar results, while only 6% believe that tourism performance will be worse in 2024 than last year. The main considerations are:

- There is still plenty of scope for recovery across Asia. The reopening of several source markets and destinations will boost recovery in the region and globally.
- Outbound and inbound tourism is expected to accelerate in 2024, due to visa facilitation and improved air capacity. China is implementing a visa-free travel policy for citizens of Germany, Spain, France, Italy, Malaysia and the Netherlands for one year until 30 November 2024.
- All indications are that Europe will improve its performance again in 2024. In March, Romania and Bulgaria will join the Schengen free movement zone, and Paris will host the Summer Olympics in July and August.
- Growth in tourism from the United States, supported by a strong US dollar, will continue to benefit destinations in the Americas and beyond. As in 2023, strong source markets in Europe, the Americas and the Middle East will continue to drive tourism flows and tourism spending worldwide.

- The unfavourable economic and geopolitical situation will continue to pose considerable challenges to the sustained recovery of international tourism and confidence levels. Persistent inflation, high interest rates, volatile oil prices and disruptions to trade flows may continue to impact on transport and accommodation costs in 2024.

- In this context, it is expected that tourists will try to get the most for their money and travel to destinations closer to home. Sustainable practices and adaptability will also play an increasing role in consumer choices.

- Developments in the Hamas-Israel conflict may disrupt travel in the Middle East and have an impact on traveller confidence. Uncertainty in relation to the Russia-Ukraine situation, as well as other growing geopolitical tensions, continue to have an impact on confidence.

Non-financial Information Statement

The 2023 Consolidated Non-Financial Information Statement, issued by the Board of Directors on 08 February 2024, 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/), 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).

Annual directors' remuneration report

The annual directors' remuneration report for 2023, prepared by the Board of Directors on 8 February 2024, is presented as a separate report, forms a part of the 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.

HECHOS POSTERIORES

No significant events have occurred since 31 December 2023.

NH HOTEL GROUP, S.A.

DECLARATION OF LIABILITY OF THE DIRECTORS FOR THE PURPOSES OF THE PROVISIONS OF ARTICLE 118.2 OF ROYAL LEGISLATIVE DECREE 4/2015, OCTOBER 23, WHICH APPROVES THE CONSOLIDATED TEXT OF THE SECURITIES MARKET LAW.

The Directors of NH HOTEL GROUP, SA, declare that, to the best of their knowledge, the Annual Accounts and the Management Report, which includes the Annual Corporate Governance Report and the Annual Report on the Remuneration of Directors presented by reference separately, formulated at the meeting of the Board of Directors held on February 8, 2024, prepared in accordance with the applicable accounting principles, offer a true image of the assets, financial situation and results of NH HOTEL GROUP , SA, and includes a faithful analysis of the required information.

In compliance with the provisions of article 253 of the Consolidated Text of the Capital Companies Law, the Directors of NH HOTEL GROUP, SA, proceed to sign the Annual Accounts and Management Report, corresponding to the year ended December 31 of 2023 of NH HOTEL GROUP, S.A.

D. EMMANUEL JUDE DILLIPRAJ RAJAKARIER

D. RAMÓN ARAGONÉS MARÍN

D. KOSIN KENNETH CHANTIKUL

D. WILLIAM ELLWOOD HEINECKE

D. STEPHEN ANDREW CHOJNACKI

Dª. LAIA LAHOZ MALPARTIDA

D. RUFINO PÉREZ FERNÁNDEZ

Dª MIRIAM GONZÁLEZ-AMÉZQUETA LÓPEZ

D. TOMÁS LÓPEZ FERNEBRAND

Dª MARIA SEGIMON DE MANZANOS

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 and Management Report corresponding to the year ended on 31 December 2023 of NH Hotel Group, SA, which was formulated at the Board of Directors meeting held on February 8, 2024, including the stamp 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, as well as Mr. Rufino Pérez and Laia Lahoz.

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.

Ms Laia Lahoz and Mr. Rufino Pérez Fernández delegate their representation in the aforementioned Board of Directors to Mr. Ramón Aragonés by virtue of express delegation.

Mr. Tomás López Fernebrand delegated his representation and vote in the aforementioned Board of Directors to Ms Maria Segimon de Manzanos 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.

I trust all of this.

Madrid, February 8, 2024.

Carlos Ulecia Palacios
Secretary of the Board of Directors