NH Hotel Group, S.A.

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

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

Audit Report on the annual accounts issued by an independent auditor

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), consisting of the balance sheet at 31 December 2022, the income statement, the statement of changes in equity, the cash flow statement and the report for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the Company's equity and financial position as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with applicable financial reporting regulations (itemised in note 2 to the annual accounts) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

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

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

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

Key audit matters

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

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 1,948 million relating to investments in equity instruments, representing 64.5% 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.

Key audit matters	How the matters were addressed in the audit
Recoverability of deferred tax assets As recognised in the accompanying balance sheet, at 31 December 2022 deferred tax assets amount to EUR 32 million, of which EUR 23 million relates to available tax losses, according to note 13 to the accompanying annual accounts. As indicated in notes 4.p and 13, when assessing whether the amount recognised in the annual accounts in respect of these assets is recoverable, the Company takes into account the forecast future tax profits, using the method defined to analyse the recovery of its assets, based on the assessment of the estimates of the results of its tax group in accordance with the strategic direction taken into account therein. In view of the significance of the judgements made by the Company and the significant estimates made to perform these calculations, and having regard to the quantitative relevance of such assets, we consider assessing the recoverability of deferred tax assets to be a key audit matter (note 2.e).	Our audit procedures included, among others: Understanding the methodology employed and evaluation of the controls in place in the Company's deferred tax asset recovery analysis processes. Obtaining the deferred tax asset recovery plans, with respect to which we applied the following procedures: • Analysing, with the support of our tax experts, the recoverability plans for such assets and obtaining evidence of the reasonableness of the projections and tax profits for future years budgeted and included in the recoverability plans. • Evaluating 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 refers exclusively to the 2022 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the annual accounts.

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

a) Solely verifying that the non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Director Compensation Report, referred to in the Audit Act, have been provided as established in applicable legislation and, if not, disclosing this fact.

b) Assessing and reporting on the consistency of the other information included in the management report with the annual accounts, based on our knowledge of the Company obtained during the audit of the accounts, as well as evaluating and reporting on whether the content and presentation of this part of the management report are consistent with applicable legislation. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

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

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

The directors of the Company are responsible for the preparation of the accompanying annual accounts such that they present fairly the Company's equity, financial position and performance in accordance with the financial reporting framework applicable to the entity in Spain, and the internal control considered necessary to permit the preparation of annual accounts free from material misstatement, 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 wind up the Company or to cease trading, or have no realistic alternative but to do so.

The Audit and Control Committee is responsible for overseeing the preparation and presentation of the annual accounts.

Responsibilities of the auditor in relation to 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 auditors' 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 prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual accounts.

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

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

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- We assess whether the accounting policies applied are appropriate and the reasonableness of the accounting estimates and the related disclosures by the company's directors.

- We 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 audit 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 audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and assess whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file in the European Single Electronic Format (ESEF) of NH Hotel Group, S.A. for 2022, consisting of an XHTML file, with the annual accounts for the year that will form part of the annual financial report.

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

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

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

Additional report for the audit and control committee

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

Term of engagement

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

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

Services provided

Non-audit services provided to the audited entity and its subsidiaries are detailed in note 17.d to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Mariano Cortés Redín (21829)

22 February 2023

NH Hotel Group, S.A.

Annual Accounts and Management Report at 31 December 2022

Translation of Consolidated Financial Statements and Consolidated Management Report originally issued in Spanish and prepared in accordance with the International Financial Reporting Standards adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

NH Hotel Group, S.A.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

(Thousands of euros)

	Note	2022	2021
NON-CURRENT ASSETS:			
Intangible assets	5	21,953	27,001
Property, plant and equipment	6	59,905	64,830
Investment property		2,318	2,905
Non-current investments in Group companies and associates		2,394,712	2,633,233
Equity instruments	8.2	1,948,029	1,937,412
Loans to companies	16.1	446,683	695,821
Non-current financial assets	8.1	1,444	1,370
Deferred tax assets	13	31,955	33,111
Total non-current assets		**2,512,287**	**2,762,450**
CURRENT ASSETS:			
Inventories		171	147
Trade and other receivables		9,633	5,049
Trade accounts receivable for sales and services	8	1,495	948
Sundry debtors	8	29	2,284
Current tax assets	13	6,650	657
Other tax receivables	13	1,459	1,160
Current investments in group companies and associates	16.1	390,947	319,276
Current financial investments		26	7,553
Current accruals		2,691	2,178
Cash and cash equivalents	9	103,524	16,756
Total current assets		**506,992**	**350,959**
TOTAL ASSETS		**3,019,279**	**3,113,409**
EQUITY			
Capital		871,491	871,491
Share premium		848,394	848,394
Reserves		529,477	514,799
Legal and statutory reserves		107,555	90,749
Other reserves		421,922	424,050
Prior years' losses		(74,907)	(226,164)
Treasury shares		(273)	(308)
Profit (Loss) for the year		22,360	168,063
Total Equity	10	**2,196,542**	**2,176,275**
NON-CURRENT LIABILITIES			
Non-current provisions	11	5,215	3,094
Non-current debts		502,961	704,028
Debt instruments and other marketable securities	12.1	396,363	395,020
Bank borrowings	12.1	103,160	304,968
Other financial liabilities	12.2	3,438	4,040
Non-current debts with group and associate companies	16.1	137,138	8,430
Deferred tax liabilities	13	4,565	4,735
Total non-current liabilities		**649,879**	**720,287**
CURRENT LIABILITIES:			
Current provisions	11	53	53
Current debts		22,053	20,784
Debt instruments and other marketable securities	12.1	6,567	6,803
Bank borrowings	12.1	15,486	13,981
Current debts with group and associate companies	16.1	113,696	160,668
Trade creditors and other accounts payable		37,056	35,342
Suppliers	14.1	23,819	24,800
Other creditors	14.1	6,644	8,294
Personnel	8	5,452	611
Other taxes payable	13	1,141	1,637
Total current liabilities		**172,858**	**216,847**
Total Liabilities		**822,737**	**937,134**
TOTAL EQUITY AND LIABILITIES		**3,019,279**	**3,113,409**

The accompanying Notes 1 to 20 are an integral part of the statement of financial position at 31 December 2022.
The statement of financial position at 31 December 2021 is presented for comparison purposes only.

NH Hotel Group, S.A.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED AT 31 DECEMBER 2022

(Thousands of Euros)

	Note	2022	2021
Revenues	17.a	**38,422**	**20,914**
Sales		38,422	20,914
Procurements		**(102)**	**308**
Work carried out by the company for its assets		**1,931**	**1,533**
Other operating income	16.2	**88,309**	**38,574**
Non-core and other current operating income		88,309	38,574
Staff costs	17.b	**(34,323)**	**(26,516)**
Wages, salaries and similar		(28,234)	(21,466)
Social security contributions		(6,089)	(5,050)
Other operating expenses		**(53,043)**	**(39,253)**
External services	17.c	(27,840)	(22,807)
Taxes		(3,452)	(2,875)
Losses on, impairment of and changes in allowances for trade receivables		(63)	(83)
Other current operating expenses	17.d	(21,688)	(13,488)
Depreciation and amortisation expenses	5 y 6	**(17,133)**	**(18,606)**
Impairment and gains or losses on disposals of non-current assets		**356**	**87,295**
Impairments and other losses	5 y 6	49	52
Income from disposals and other	6 y 17.e	307	87,243
PROFIT/LOSS FROM OPERATIONS		**24,417**	**64,249**
Financial income		**21,673**	**24,835**
From securities held for trading and other financial instruments			
Group companies and associates	16.2	21,498	23,335
Third parties		175	1,500
Financial expenses		**(35,384)**	**(48,530)**
On debts to Group companies and associates	16.2	(2,044)	(2,846)
On debts to third parties	17.f	(33,340)	(45,684)
Exchange rate differences		**558**	**(616)**
Impairment and gains or losses on disposals of financial instruments	8.2	**10,903**	**143,622**
FINANCIAL PROFIT/LOSS		**(2,250)**	**119,311**
PROFIT/LOSS BEFORE TAX		**22,167**	**183,560**
Income tax	13	193	(15,497)
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**22,360**	**168,063**
PROFIT (LOSS) FOR THE YEAR		**22,360**	**168,063**

The accompanying Notes 1 to 20 are an integral part of the income statement for 2022.
The income statement for 2021 is presented for comparison purposes only.

NH Hotel Group, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022
A) STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euros)

	Thousands of Euros	
	2022	2021
PROFIT/LOSS AS PER INCOME STATEMENT (I)	**22,360**	**168,063**
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)	–	–
TOTAL TRANSFERS TO PROFIT OR LOSS (III)	–	–
TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)	**22,360**	**168,063**

The accompanying Notes 1 to 20 are an integral part of the statement of recognised income and expense for 2022.
The statement of recognised income and expense for the year ended 31 December 2021 is presented for comparison purposes only.

NH HOTEL GROUP, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

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)	EQUITY (Note 10)
Opening balance at 01 January 2021	**784,361**	**828,932**	**516,936**	**(367)**	**—**	**(226,164)**	**1,903,698**
I. Total recognised income / (expense)	**—**	**—**	**—**	**—**	**—**	**168,063**	**168,063**
II. Transactions with shareholders or owners	**87,130**	**19,462**	**(153)**	**—**	**—**	**—**	**106,439**
1. Transactions with treasury shares (net)	87,130	19,462	(153)	—	—	—	106,439
III. Other changes in equity	**—**	**—**	**(1,984)**	**59**	**(226,164)**	**226,164**	**(1,925)**
1. Transfers between equity items	—	—	—	—	(226,164)	226,164	—
2. Remuneration scheme in shares	—	—	(1,942)	759	—	—	(1,183)
3. Other movements	—	—	(42)	(700)	—	—	(742)
Balances at 31 December 2021	**871,491**	**848,394**	**514,799**	**(308)**	**(226,164)**	**168,063**	**2,176,275**
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**
II. Transactions with shareholders or owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1. Transactions with treasury shares (net)	—	—	—	—	—	—	—
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**

The accompanying Notes 1 to 20 are an integral part of the statement of changes in total equity for the year 2022.

The statement of changes in equity for the year 2021 is presented for comparison only.

NH Hotel Group, S.A.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2022

(Thousands of Euros)

	Notes	2022	2021
A) CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit (Loss) for the year before tax		**22,167**	**183,560**
2. Adjustments for:		**20,439**	**(188,402)**
a) Depreciation and amortisation charge (+)	5 y 6	17,133	18,606
b) Impairment losses (+/-)		(49)	(52)
c) Changes in provisions (+/-)		2,243	998
d) Gains/Losses on derecognition and disposal of non-current assets (+/-)	17.e	(307)	(87,243)
e) Gains/Losses on derecognition and disposal of financial instruments (+/-)	8.2	(10,903)	(143,622)
f) Finance income (-)		(21,673)	(24,835)
g) Finance costs (+)		35,384	48,530
h) Exchange rate differences (+/-)		(558)	616
i) Other income and expenses (-/+)		(831)	(1,400)
3. Changes in working capital		**1,715**	**21,298**
a) Inventories (+/-)		(24)	(13)
b) Trade and other receivables(+/-)		1,730	9,137
c) Other current assets (+/-)		(513)	350
d) Trade and other payables (+/-)		1,259	11,299
f) Provisions for contingencies and charges (+/-)		(61)	(24)
g) Other non-current assets and liabilities (+/-)		(676)	549
4. Other cash flows from operating activities:		**(38,484)**	**(38,142)**
a) Interest paid (-)		(30,262)	(40,844)
b) Interest received (+)		175	—
c) Income tax refunded (paid) (+/-)		(8,397)	2,702
5. Cash flows from investment activities (+/-1+/- 2+/-3+/-4)		**5,837**	**(21,686)**
B) CASH FLOWS FROM INVESTMENT ACTIVITIES			
6. Payments due to investment		**(6,552)**	**(38,610)**
a) Group companies and associates		—	(17,928)
b) Tangible and intangible fixed assets		(6,552)	(13,155)
c) Other financial assets		—	(7,527)
7. Proceeds from disposal (+):		**291,560**	**154,069**
a) Group companies and associates		283,833	27,285
b) Tangible fixed assets		—	126,784
c) Other financial assets		7,437	—
c) Investment property		290	—
8. Cash flows from investment activities (7-6)		**285,008**	**115,459**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Equity instruments receivables and (payables):		**(508)**	**5,548**
a) Issue of treasury shares (-)		—	6,318
b) Purchase of treasury shares (-)		(508)	(770)
10. Proceeds and payments relating to financial liability instruments:	12	**(202,423)**	**(92,850)**
a) Issue of			
1. Debt instruments and other marketable securities (+)		—	400,000
2. Borrowings from parent company (+)		—	100,000
b) Redemption of			
1. Debt instruments and other marketable securities (-)		—	(356,850)
2. Bank borrowings (-)		(202,423)	(236,000)
12. Cash flows from financing activities (+/-9+/-10+/-11)		**(202,931)**	**(87,302)**
D) EFFECT OF EXCHANGE RATE VARIATIONS		**(1,146)**	**(616)**
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		**86,768**	**5,855**
Cash and cash equivalents at the start of the financial year		16,756	10,901
Cash and cash equivalents at end of year		103,524	16,756

The accompanying Notes 1 to 20 are an integral part of the statement of cash flow for the year 2022.

The statement of cash flow for 2021 is presented for comparison only.

Report on the Annual Accounts of NH Hotel Group S.A. for the year ended 31 December 2022

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 is also dedicated to operating 3 hotels in Spain (3 in 2021), as well as providing services to the Group's subsidiary companies via its corporate central office.

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

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

The consolidated annual accounts for 2022 were prepared by the Directors of the NH Hotel Group, S.A. in the Board meeting held on 22 February 2023 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 2022, and the consolidated financial performance, consolidated cash flows and consolidated changes in equity for the financial year ended on that date.

Based on the contents of said consolidated annual accounts, the total volume of equity, result for the year attributable to the shareholders of the Parent Company, assets and ordinary income amounted to 900,726, 100,308, 4,109,299 y 1,722,357 million euros, respectively.

2. BASIS OF PRESENTATION

a) Legislative reference framework

The annual accounts 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 annual accounts 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 2022 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 annual accounts for 2022, which were drawn up on 22 February 2023, 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 2022 and for comparative purposes, the annual accounts 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 annual accounts for 2021 approved by the General Shareholders' Meeting on 30 June 2022.

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 2022, it is possible that events that may take place in the future require their modification in upcoming years. The effect on the annual accounts 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 annual accounts 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, income statement, 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 2022, the company has positive working capital of 334,134 thousand euros (134,112 thousand euros in 2021). In addition, the Company obtained profits of 22,360 thousand euros (168,063 profit in 2021) and has equity of 2,196,542 thousand euros (2,176,275 thousand euros in 2021).

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	2022
To legal reseves	2,236
To prior years' losses	20,124
Total	**22,360**

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:

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

- 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.

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 income statement 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 installations and machinery	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 income statement.

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.

Moreover, and regardless of the existence of any indication of impairment, the Company, at least once a year, checks potential impairment.

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 the current context, the Company has decided to analyse the recoverability of all CGUs.

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. Therefore, the projections assumed are based on performance of the budget prepared by Management for 2023, which assume an increase in income compared to 2022, mostly explained by the impact of the Omicron variant during the first quarter of 2022.

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

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

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 of Equity
Kd: Cost of Debt
E: EquityAmount
D: Debt Amount
T: Tax Rate

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

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

- Risk-free rate: the WACC calculation is based on an increased risk-free rate. The risk-free rate is standardised to show the average sustainable performance of the long-term bonds issued by governments and considered to be "safe" (usually those classified as AAA by the main ratings agencies). For European countries, a rate of 2% was taken into account as the performance of German government bonds at 15 years, on the valuation date, and a 3% standardisation was extended.

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

The discount rate after tax applied by the Company for this purpose is 7%-8% (5.75%-7.5% in 2021). 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 10.29%-11.29% (7.61%-9.86% in 2021).

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) Leases

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 income statement on a straight-line basis , with the resulting asset or liability recorded in the corresponding sections of the statement of financial position.

In February 2021, the Accounting and Auditing Institute published a query whereby if rent concessions had been negotiated within the framework of renegotiations due to COVID-19, it would not be necessary for them to be linearised as with any other incentive and that they can be recorded as a lower rent expense in the period they were obtained. As a result of this, the Company recorded the savings obtained from the renegotiations derived from COVID-19, as a lower rent expense.

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 annual accounts 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 annual accounts, 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.

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

- 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 income statement using the effective interest rate method, and their amount is added to liabilities to the extent to which they are not settled in the period they were produced.

In the 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 income statement.

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.

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 carryforwards 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 carryforwards. 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).

Deferred tax assets are recognised to the extent that it is considered likely that the Group will have taxable profits in the future against which the deferred tax assets can be utilised.

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) Share-based remuneration schemes

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

The allocation of the aforementioned valuation to profit or loss is carried out under personnel expenses on a straight line basis over the period of time the employee is employed as a requirement for its exercise, and a balancing entry on the statement of financial position under reserves.

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

s) Transactions between 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.

t) Current/Non-current classification

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.

u) 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 01.01.22	Additions	Retirements	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**

	Thousands of Euros				
	Balance at 01.01.21	Additions	Retirements	Transfers (Note 6)	Balance at 31.12.21
COST					
Rights of use	32,478	—	—	—	32,478
Concessions, patents and trademarks	1,425	155	(116)	—	1,464
Software applications	98,821	4,357	—	14	103,192
	132,724	**4,512**	**(116)**	**14**	**137,134**
ACCUMULATED AMORTISATION					
Rights of use	(27,113)	(1,511)	10	—	(28,614)
Concessions, patents and trademarks	(631)	(210)	—	—	(841)
Software applications	(69,425)	(11,253)	—	—	(80,678)
	(97,169)	**(12,974)**	**10**	**—**	**(110,133)**
Impairment	**—**	**—**	**—**	**—**	**—**
NET BOOK VALUE	**35,555**				**27,001**

The most significant additions in 2022 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 2022 and 2021, the Company had fully amortised intangible assets still in use, itemised as follows (in thousands of euros):

	Thousands of Euros	
	2022	2021
Usage rights, concessions, patents and brands	2,614	2,419
Software applications	63,848	54,082
Total	**66,462**	**56,501**

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 01.01.22	Additions	Retirements	Transfers	Balance at 31.12.22
COST					
Land and buildings	58,936	—	—	—	58,936
Plant and machinery	50,306	157	(22)	18	50,459
Other plant, fixtures 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)
Plant and machinery	(33,341)	(2,941)	19	—	(36,263)
Other plant, fixtures and furniture	(6,654)	(1,041)	—	—	(7,695)
	(54,066)	**(5,395)**	**19**	**—**	**(59,442)**
Impairment	**—**	**—**	**—**	**—**	**—**
NET BOOK VALUE	**64,830**				**59,905**

The heading related to Land and Buildings is broken down into Land at 31,322 thousand euros (31,322 thousand euros in 2021) and Buildings at 12,130 thousand euros (13,543 thousand euros in 2021).

	Thousands of Euros				
	Balance at 01.01.21	Additions	Retirements	Transfers	Balance at 31.12.21
COST					
Land and buildings	90,954	—	(32,018)	—	58,936
Technical installations and machinery	64,651	1,258	(15,679)	76	50,306
Other installations, fittings and furniture	9,654	193	(280)	32	9,599
Other fixed assets and assets under construction	122	55	—	(122)	55
	165,381	**1,506**	**(47,977)**	**(14)**	**118,896**
ACCUMULATED AMORTISATION					
Buildings	(17,553)	(1,612)	5,094	—	(14,071)
Technical installations and machinery	(37,688)	(3,105)	7,452	—	(33,341)
Other installations, fittings and furniture	(6,029)	(815)	190	—	(6,654)
	(61,270)	**(5,532)**	**12,736**	**—**	**(54,066)**
Impairment	**—**	**—**	**—**	**—**	**—**
NET BOOK VALUE	**104,111**				**64,830**

The main derecognition in 2021 relates to the sale of the NH Collection Barcelona Gran Hotel Calderón with a sale and leaseback transaction. The hotel was sold for 125.5 million euros with a linked 20 year lease agreement, with NH having the option of additional extensions, and a net capital gain of 87,143 thousand euros before tax was recorded (Note 17-e).

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

	Thousands of Euros	
	2022	2021
Technical installation	15,160	14,455
Other installations, fittings and furniture	3,075	2,915
Total	**18,235**	**17,370**

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 2022 and 2021, 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	
	2022	2021
Less than one year	8,407	7,656
Between two and five years	13,995	16,218
More than five years	3,663	5,966
Total	**26,065**	**29,840**

The operating lease payments recognised as an expense in the year came to 9,859 thousand euros (8,282 thousand euros in 2021), 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	
	2022	2021
Minimum lease payments	9,859	8,282
Income from leases and subleases	5,836	3,728

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	
	2022	2021	2022	2021	2022	2021
Equity instruments (Note 8.2)	—	—	**1,948,029**	**1,937,412**	**1,948,029**	**1,937,412**
Loans to companies (Note 16.1)	**446,683**	**695,821**	**—**	**—**	**446,683**	**695,821**
Non-current financial assets	**1,444**	**1,370**	**—**	**—**	**1,444**	**1,370**
Guarantees	1,413	1,339	—	—	1,413	1,339
Others	31	31	—	—	31	31
Trade accounts receivable for sales and services	**1,495**	**948**	**—**	**—**	**1,495**	**948**
Sundry debtors	**29**	**2,284**	**—**	**—**	**29**	**2,284**
Current investments in group companies and associates (Note 16.1)	**390,947**	**319,276**	**—**	**—**	**390,947**	**319,276**
Current financial investments	**26**	**7,553**	**—**	**—**	**26**	**7,553**
Total	**840,624**	**1,027,252**	**1,948,029**	**1,937,412**	**2,788,653**	**2,964,664**

	Thousands of Euros	
	Financial liabilities at amortised cost	
	2022	2021
Debenture issuance and non-current bank borrowings (Note 12.1)	**499,523**	**699,988**
Non-current debts with group and associate companies (Note 16.1)	**137,138**	**8,430**
Other financial liabilities (Note 12.2)	**3,438**	**4,040**
Debenture issuance and current bank borrowings (Note 12.1)	**22,053**	**20,784**
Current debts with group and associate companies (Note 16.1)	**113,696**	**160,668**
Suppliers (Note 14.1)	**23,819**	**24,800**
Sundry creditors (Note 14.1)	**6,644**	**8,294**
Personnel	**5,452**	**611**
Total	**811,763**	**927,615**

8.2. Equity instruments

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

		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/Hotel	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/Hotel	100%	177,059	28,025	(60,807)	144,277	351,844	—
NH Central Reservation Office, S.L/Madrid/Call Centre	100%	7,700	(1,533)	563	6,730	31,666	(28,250)
NH Cash Link, S.L.U./Madrid/Financial	100%	3	(5,898)	82,121	76,226	82,121	(5,898)
Capredo Investments GmbH/Switzerland/ Holding	100%	37	(25)	13,692	13,704	9,066	—
Roco Hospitality Group S.R.L./Venice/Hotel	51%	10	(5,952)	9,519	3,577	27,574	(11,302)
Others		—	—	—	—	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)**

		2021 - 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/Hotel	51%	233,847	(7,408)	103,184	329,623	300,159	—
NH Europa, S.A./Madrid/Holding	100%	100,743	(2,401)	462,202	560,544	973,359	—
Latinoamericana De Gestion Hotelera, S.A./ Madrid/Holding	100%	104,036	(2,128)	(15,424)	86,484	179,217	(33,780)
NH Hoteles España, S.A./Madrid/Hotel	100%	177,059	(10,001)	(51,445)	115,613	351,930	—
NH Central Reservation Office, S.L/Madrid/Call Centre	100%	7,700	(1,095)	1,642	8,247	31,671	(26,365)
NH Cash Link, S.L.U./Madrid/Financial	100%	3	—	82,121	82,124	82,121	—
Capredo Investments GmbH/Switzerland/ Holding	100%	37	(58)	13,107	13,086	9,066	—
Roco Hospitality Group S.R.L./Venice/Hotel	51%	10	(13,190)	18,896	5,716	27,574	—
Others		—	—	—		2,295	—
Associates:							
Sotocaribe S.L/Madrid/Holding	36%	61,082	(371)	114,752	175,463	49,234	(9,069)
Total						**2,006,626**	**(69,214)**

The changes in "Investments in Group Companies" in 2022 and 2021 are as follows (in thousands of euros):

	Cost					Provision					Net
Company/ Registered address /Activity	Balance at 01/01/2022	Additions	Retirements	Transfers	Balance at 31/12/2022	01/01/2022	Additions	Retirements	Transfers	Balance at 31/12/2022	Balance at 31/12/2022
Group Companies:											
NH Italia, S.p.A./Valdagno/Hotel	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/Hotel	351,930	—	(86)	—	351,844	—	—	—	—	—	351,844
NH Central Reservation Office, S.L/Madrid/Call Centre	31,671	—	(5)	—	31,666	(26,365)	(1,885)	—	—	(28,250)	3,416
NH Cash Link, S.L.U./Madrid/Financial	82,121	—	—	—	82,121	—	(5,898)	—	—	(5,898)	76,223
Capredo Investments GmbH/Switzerland/Holding	9,066	—	—	—	9,066	—	—	—	—	—	9,066
Roco Hospitality Group S.R.L./Venice/Hotel	27,574	—	—	—	27,574	—	(11,302)	—	—	(11,302)	16,272
Others	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**

	Cost					Provision					Net
Company/ Registered address /Activity	Balance at 01/01/2021	Additions	Retirements	Transfers	Balance at 31/12/2021	01/01/2021	Additions	Retirements	Transfers	Balance at 31/12/2021	Balance at 31/12/2021
Group Companies:											
NH Italia, S.p.A./Valdagno/Hotel	300,139	20	—	—	300,159	(31,930)	—	31,930	—	—	300,159
NH Europa, S.A./Madrid/Holding	973,359	—	—	—	973,359	—	—	—	—	—	973,359
Latinoamericana De Gestion Hotelera, S.A./Madrid/ Holding	179,217	—	—	—	179,217	(71,136)	—	37,356	—	(33,780)	145,437
NH Hoteles España, S.A./Madrid/Hotel	351,839	103	(12)	—	351,930	(75,426)	—	75,426	—	—	351,930
NH Central Reservation Office, S.L/Madrid/Call Centre	31,665	6	—	—	31,671	(25,275)	(1,090)	—	—	(26,365)	5,306
NH Cash Link, S.L.U./Madrid/Financial	82,121	—	—	—	82,121	—	—	—	—	—	82,121
Capredo Investments GmbH/Switzerland/Holding	9,066	—	—	—	9,066	—	—	—	—	—	9,066
Roco Hospitality Group S.R.L./Venice/Hotel	9,280	18,294	—	—	27,574	—	—	—	—	—	27,574
Others	2,288	7	—	—	2,295	—	—	—	—	—	2,295
Associates:											
Sotocaribe S.L/Madrid/Holding	49,476	—	(242)	—	49,234	(9,069)	—	—	—	(9,069)	40,165
Total	**1,988,450**	**18,430**	**(254)**	**—**	**2,006,626**	**(212,836)**	**(1,090)**	**144,712**	**—**	**(69,214)**	**1,937,412**

The main additions are:

During 2021 the Company contributed 18.3 million euros to the company Roco Hospitality Group, S.R.L. as a capital injection.

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	
	2022	2021
Cash and banks	11,336	16,756
Current deposits maturing in under three months	92,188	—
Total	**103,524**	**16,756**

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

- The Company has cash and cash equivalents amounting to 103,524 thousand euros (16,756 thousand euros in 2021).
- Available undrawn credit facilities of 259,000 thousand euros (259,000 thousand euros in 2021) (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 annual accounts, 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 2022, 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 2021). All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

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

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

	31/12/2022	31/12/2021
Minor International Public Company Limited ("MINT")	94,13%	94,13%

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

b) Dividends

The company did not distribute dividends in 2022 or 2021.

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

e) Other Reserves

Includes reserves totalling 273 thousand euros at 31 December 2022 (308 thousand euros at 31 December 2021), which cannot be distributed as they correspond to own shares.

f) Treasury Shares

At 31 December 2022, the Company had 92,915 own shares, compared to 96,246 own shares at 31 December 2021. 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 2022 is 92,915 shares and the amount allocated to the cash account is 329,492 euros. At 31 December 2021, the number of shares assigned to the liquidity contract was 96,246 shares. The negative effect recorded in reserves for operations carried out in 2022 was 471 thousand euros.

- In 2022, the third, and final, cycle (2019-2021) of the Second Long-Term Incentive Plan 2019-2021 for certain executives and personnel was settled (Note 17b), which was settled in the first quarter of 2022 with handover of the shares. A purchase of 150,351 treasury shares was made to settle the second cycle, with this amount matching the total number of shares handed over. The total recorded positive impact of these movements on equity was 506 thousand euros.

11. PROVISIONS

The detail of the Provisions is as follows:

	Thousands of Euros	
	2022	2021
Non-current liabilities:		
Provision for pensions and similar obligations	2,736	1,226
Provision for liabilities	2,479	1,868
	5,215	**3,094**
Current liabilities:		
Provision for other liabilities	53	53
	53	**53**

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.

In 2022, this section has also begun to record the two new long-term incentive plans aimed at NH Hotel Group S.A.'s management and personnel (Note 17-b). These plans consist of the promise to deliver a cash amount to the beneficiaries calculated as a percentage of the fixed salary in accordance with their level of responsibility.

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

	2022	2021
Discount rates	3,32%	0,70%
Expected annual rate of salary rise	2,5%	1,2%

Provision for liabilities

In 2022, 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:

	Thousands of Euros			
	2022		2021	
	Non.current	Current	Non.current	Current
Guaranteed senior notes	400,000	—	400,000	—
Borrowing costs	—	7,911	—	8,089
Arrangement expenses	(3,637)	(1,344)	(4,980)	(1,286)
Debt instruments and other marketable securities	**396,363**	**6,567**	**395,020**	**6,803**
Unsecured loans	59,904	5,172	265,076	2,424
Subordinated loans	40,000	—	40,000	—
Credit lines	6,000	11,000	5,000	12,000
Arrangement expenses	(2,744)	(1,011)	(5,108)	(1,350)
Borrowing costs	—	325	—	907
Bank borrowings	**103,160**	**15,486**	**304,968**	**13,981**
Total	**499,523**	**22,053**	**699,988**	**20,784**

Secured senior bonds maturing in 2026

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

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

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

Secured 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, extendable to five years at the time of the refinancing of the guaranteed senior notes maturing in 2019. As a consequence of the refinancing of the guaranteed senior notes maturing in 2019, which took place in 2017, the maturity date of said financing was extended to 29 September 2021.

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

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

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

Unsecured loans

- Syndicated ICO backed loan maturing in 2026

On 29 April 2020, the Group entered into a loan for 250,000 thousand euros over 3 years, with no repayments until maturity. The contract, within the legal framework established by the Spanish government to mitigate the economic impact of Covid-19, received a guarantee granted by the Spanish state. On 29 April 2021, on the basis of Royal Decree Law 34/2020 approved in November 2020, the Parent Company agreed the extension of this financing with the loan institutions until 2026, with no partial repayments until maturity.

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

At 31 December 2022, the outstanding nominal amount of this financing was 50,000 thousand euros.

- Other non-guaranteed loans

  - In May 2020, the parent company signed a bilateral loan for 10,000 thousand euros over 2 years, within the legal framework provided by the Spanish state to mitigate the economic impact of Covid-19 and, in this way, receiving the ICO guarantee. In May 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of May 2025. At 31 December 2022, the outstanding nominal amount of this financing was 8,333 thousand euros.

  - In July 2020, the parent company signed a bilateral loan for 7,500 thousand euros over 3 years, within the legal framework provided by the Spanish state to mitigate the economic impact of Covid-19 and, in this way, receiving the ICO guarantee. In April 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of July 2026.At 31 December 2022, the outstanding nominal amount of this financing was 6,743 thousand euros.

Subordinated loan

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

Bilateral credit lines

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

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

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

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

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

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

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

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

The guaranteed senior notes maturing in 2026 and syndicated credit line maturing in 2026 share the following guarantees: (i) pledge of shares: 100% of the share capital of (A) Diegem, (B) Immo Hotel Brugge NV, (C) Immo Hotel Diegem NV, (D) Immo Hotel Mechelen NV, (E) Immo Hotel Stephanie NV,(F) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V. and (G) NH Italia, S.p.A.; (ii) first-tier mortgage guarantee on the following hotels located in the Netherlands: NH Conference Centre Koningshof owned by Koningshof, B.V.; NH Conference Centre Leeuwenhorst owned by Leeuwenhorst Congres Center, B.V.; NH Zoetermeer owned by Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.; NH Conference Centre SparreNHorst owned by SparreNHorst, B.V.; 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 2022) and guaranteed senior notes in the amount of 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	54,139
NH Conference Centre Koningshof	37,278
NH Conference Centre Sparrenhorst	6,116
NH Zoetermeer	7,052
NH Capelle	6,134
Total	**110,719**
Net value of assets assigned as mortgage collateral	**110,719**
Value of guaranteed debt	**400,000**
Fixed interest	**400,000**
Variable interest	**—**

Limitation on the distribution of Dividends

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

In the case of the senior bonds maturing in 2026, in general, distribution of dividends is allowed as long as (a) there is no current non-compliance and one is not produced as a result of the distribution; (b) the interest coverage ratio pro forma taking into account the planned distribution would be > 2,0x; and (c) the total restricted payments (including, amongst others, certain restricted investments, early repayments of subordinated debt, share buy-backs, payments in cash for subordinated debt to controlling shareholders, or persons associated with them, and other forms of remuneration to shareholders in their position as such) made from the offer date (14 June 2021) must be lower than the total of, amongst other entries, (i) 50% of NH Group's consolidated net income from the first day of the full quarter immediately prior to the offer date up to the date of the full quarter nearest to the distribution date for which the quarterly accounts are available, although when calculating the net income, 100% of the consolidated net losses for that period must be deducted, with the exception of losses prior to 31 March 2022 (this is what is known as the “CNI builder basket”), and (ii) 100% of the net contributions to NH Group's capital since the offer date.

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

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

In the case of the syndicated credit line, the distribution of dividends or other forms of remuneration to shareholders were not allowed while the waiver on complying with financial ratios (financial covenants) was in still in force until December 2022. After that date, according to the syndicated credit line, the distribution of a percentage of the NH Group’s consolidated net profit from the previous year is allowed, provided that there has been no breach of the relevant financing agreement and the net financial debt (through the dividend payment or other type of distribution)/EBITDA ratio is less than 4.0x. The amount that may be distributed depends on the net financial debt/EBITDA ratio (pro forma taking into account the dividend payment or other type of distribution) in accordance with the following breakdown:

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

All these metrics are calculated using consolidated data.

At 31 December 2022 the 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 31/12/2022				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	**65,076**	**—**	**65,076**	**5,172**	**5,206**	**3,572**	**51,126**	**—**	**—**
Fixed rate	6,743	—	6,743	1,839	1,873	1,905	1,126	—	—
Variable interest	58,333	—	58,333	3,333	3,333	1,667	50,000	—	—
Secured syndicated credit line	**242,000**	**242,000**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Variable interest	242,000	242,000	—	—	—	—	—	—	—
Credit lines	**34,000**	**17,000**	**17,000**	**11,000**	**5,000**	**1,000**	**—**	**—**	**—**
Variable interest	34,000	17,000	17,000	11,000	5,000	1,000	—	—	—
Borrowing at 31/12/2021	**781,076**	**259,000**	**522,076**	**16,172**	**10,206**	**4,572**	**451,126**	**—**	**40,000**
Arrangement expenses	(8,736)	—	(8,736)	(2,355)	(2,455)	(2,556)	(1,073)	(30)	(267)
Borrowing costs	8,236	—	8,236	8,236	—	—	—	—	—
Adjusted total debt at 31/12/2022	**780,576**	**259,000**	**521,576**	**22,053**	**7,751**	**2,016**	**450,053**	**(30)**	**39,733**
Adjusted total debt at 31/12/2021	**979,772**	**259,000**	**720,772**	**20,784**	**5,428**	**2,344**	**2,598**	**649,915**	**39,703**

At 31 December 2022, the average cost of the gross drawdown amount of the Company was 3.9% (3.5% in 2021).

12.2. Other non-current financial liabilities

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

Thousands of euros	2022	2021
Debt for investments in group companies (Note 8.2)	3,150	3,150
Others	288	890
Total	**3,438**	**4,040**

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 2022, approximately 80% of the Parent Company's gross borrowings was tied to fixed interest rates (56% in 2021).

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 2022 is based on the following points:

- The Company had cash and cash equivalents amounting to 103,524 thousand euros at 31 December 2022 (16,756 thousand euros in 2021) (Note 9).

- Available in undrawn credit facilities at 31 December 2022 of 259,000 thousand euros (259,000 thousand euros in 2021) (Note 12).

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

Lastly, the 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.

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 2022, valued at the year-end exchange rate, is broken down as follows

	Currency	Thousand 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

The most significant balances in foreign currency in 2021, valued at the year-end exchange rate, is broken down as follows:

	Currency	Thousand euros
Current investments in group companies and associates	ARS	3,322
Current investments in group companies and associates	BRL	151
Current investments in group companies and associates	CLP	1,214
Current investments in group companies and associates	COP	1,567
Current investments in group companies and associates	CZK	174
Current investments in group companies and associates	CHF	38
Current investments in group companies and associates	DOP	227
Current investments in group companies and associates	HUF	2
Current investments in group companies and associates	MXN	7,341
Current investments in group companies and associates	PLN	11
Current investments in group companies and associates	RON	11
Current investments in group companies and associates	USD	185
Current investments in group companies and associates	UYU	740
Current investments in group companies and associates	THB	378
Current investments in group companies and associates	SGD	8
Current debts with group and associate companies	ARS	(34)
Current debts with group and associate companies	COP	(116)
Current debts with group and associate companies	DOP	(609)
Current debts with group and associate companies	GBP	(29)
Current debts with group and associate companies	MXN	(221)
Current debts with group and associate companies	USD	(219)
Current debts with group and associate companies	ZAR	(6)
Current debts with group and associate companies	THB	(119)
Cash and cash equivalents	USD	165

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.

On the other hand, the disruptions to the supply chain, exacerbated by the geopolitical tensions and new waves of Covid-19, have caused upward pressure in the price of supplies of products and services, particularly energy, which has increased drastically in Europe and is reflected in the cost of these supply and the services with a high energy use, such as laundry services.

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 2022 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 2022:

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	
	2022	2021
Non-current receivables		
Deferred tax assets	31,955	33,111
Total	**31,955**	**33,111**
Current receivables		
Value Added Tax	1,459	1,136
Current tax assets	6,650	657
Others	—	24
Total	**8,109**	**1,817**

Tax payables

	Thousand euros	
	2022	2021
Non-current payables		
Deferred tax liabilities	4,565	4,735
Total	**4,565**	**4,735**
Current payables		
Retentions	590	524
Social Security	462	620
Others	89	493
Total	**1,141**	**1,637**

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	
	2022	2021
Accounting profit before tax	22,167	183,560
Adjustments to accounting profit (loss):		
Due to permanent differences	(20,377)	(121,900)
Due to temporary differences	(662)	(785)
Individual taxable base	**1,129**	**60,875**
Bases provided by the tax consolidated companies	20,281	(29,457)
Previous tax base of the Tax Group	**21,410**	**31,418**
Carryforwards for negative tax bases before consolidation	—	—
Carryforwards for consolidated negative tax bases of the Tax Group	(5,352)	(7,854)
Tax base of the Tax Group	**16,058**	**23,564**
Settled rate (25%)	(4,014)	(5,891)
Double taxation relief	—	—
Non-activated deductions used in the year	14	1,474
Withholdings and payment by instalments	10,650	5,074
Current taxes to be refunded / (to pay)	**6,650**	**657**
Previous years' taxes to be refunded	—	—
Total taxes to be refunded/(paid)	**6,650**	**657**

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:

	2022	2021
Accounting profit before tax	22,167	183,560
Permanent differences	(20,377)	(121,900)
Temporary differences	(2,845)	(785)
Adjusted tax base	**(1,055)**	**60,875**
Current tax attributable to the company	264	(15,219)
Deferred tax	(711)	(196)
Regularisation of tax from the previous year	729	2
Taxes paid overseas	(92)	(84)
Others	3	—
Total tax (expense)/income recognised in the income statement	**193**	**(15,497)**

Deferred tax assets

The changes in this account are as follows:

Deferred tax assets	Thousand of Euros	
	2022	2021
Balance at beginning of year	**33,111**	**34,279**
Tax credit offsets	(770)	(801)
Temporary differences	(386)	(367)
Balance at end of year	**31,955**	**33,111**

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

	Thousand of Euros	
	2022	2021
Negative tax bases	22,616	23,386
Deductions	554	554
Others	8,785	9,171
Balance at end of year	**31,955**	**33,111**

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 2022, the Company had assets resulting from tax losses and deductions amounting to 23,170 thousand euros (23,940 thousand euros in 2021). At 31 December 2022, 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 2022, the Tax Group had the following negative tax bases pending offsetting:

Year	Amount
2009	45,975
2010	18,313
2011	25,909
2012	131,570
2013	12,763
2014	80,125
2015	14,905
2019	14,549
2020	87,202
Total	**431,311**

Of the previous total, 135,425 thousand euros corresponds to tax losses not recorded.

At 31 December 2022, the Tax Group has uncapitalised tax credits of 117,802 thousand euros (120,929 thousand euros at 31 December 2021) under the following concepts:

	Thousand of Euros	
	2022	2021
Finance costs and negative tax bases		
Non-deductible finance costs by the Tax Group	222,660	234,234
Negative tax bases generated by the Tax Group	135,425	135,378
Negative tax bases generated by the Spanish entities before inclusion in the Tax Group	102,813	102,813
Total base	**460,898**	**472,425**
Total rate	**115,225**	**118,106**
Tax Group deductions	2,577	2,823
Total non-activated tax credits	**117,802**	**120,929**

The non-deductible finance costs for Spanish corporation tax purposes have not been capitalised because they exceed 30% of the profit from the Tax Group's operations calculated in accordance with Article 16 of Law 27/2014 of 27 November on Corporation Tax, due to not having the required degree of certainty that sufficient profit will be generated from operations over the next ten years to offset said result pursuant to the aforementioned article. There is no deadline for offsetting non-deductible finance costs.

Deferred tax liabilities

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

Deferred tax liabilities	Thousand of Euros	
	2022	2021
Balance at beginning of year:	**4,735**	**4,906**
Deferral on reinvestment	(171)	(171)
Others	1	—
Balance at end of year:	**4,565**	**4,735**

Years open for review and tax audits

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

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

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.

Deductions applicable by the Tax Group

At 31 December 2022, the Tax Group held the following tax credits carryforward (thousand euros):

Year of Origin	Deduction pending application	Amount
2007 to 2011	Deduction to encourage certain activities	632
2014 - 2021	Deduction for technological innovation	1,945
2013 to 2014	Other	277
		2,854

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 of origin	Profit subject to deferral	Prior years	Year 2022	Amount pending	Last year of deferral
1999	75.145	56.213	682	18.250	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	
	2022	2021
Suppliers	22,534	24,132
Advance payments from customers	1,285	668
Other creditors	6,644	8,294
	30,463	**33,094**

"Commercial Creditors and Other Accounts Payable" covers the accounts payable derived from commercial activity typical of the Group. This heading includes 5,977 thousand euros (16,354 thousand euros at 31 December 2021) relating to creditors from confirming transactions.

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

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..

	2022	2021
	Days	
Average period for payment to suppliers	69	84
Ratio of paid transactions	69	83
Ratio of transactions pending payment	73	92
	Thousand euros	
Total payments made	95,361	70,631
Total payments pending	7,902	7,733

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 2022.

In 2022, the monetary volume of the invoices paid in less time than the maximum provided for in the bad debt regulations was 49,788 thousand euros, representing 52% of the total monetary volume of the invoices, the number of invoices paid in less time than the maximum provided for in the bad debt regulations was 6 thousand euros, representing 38% 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.

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

15. THIRD-PARTY GUARANTEES AND CLAIMS IN PROCESS

At 31 December 2022, the Company had a total of 26,747 thousand euros (30,566 thousand euros in 2021) in economic or financial bank guarantees issued by various banks to guarantee leasing contract obligations and others related 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 2022, 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 a Group company claiming payment in relation to the payment of a management entity's fees for the years 2018, 2019, with the claim in the first instance having been wholly dismissed. The proceedings are currently under appeal.
- 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, and are summarised as follows:
  - Plaintiff in the proceedings against construction agents for construction defects in twenty-five homes and contractual liability, where partially favourable judgments have been obtained.
  - Respondent in the process of claiming amounts from a real estate development due to construction defects, where a partially favourable judgment has been obtained.
- A former shareholder of the Group has requested the annulment of certain resolutions adopted by the Board of Directors. The claim was wholly dismissed and the proceedings are currently under appeal.

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:

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	**—**	**—**	**—**

2021

Thousands of euros	Parent company	Other Group companies	Other related parties
Non-current investments:	**—**	**695,821**	**—**
Loans to companies	—	695,821	—
Current investments:	**—**	**318,235**	**1,041**
Loans to companies	—	318,235	10,543
Provision for impairment	—	—	(9,502)
Non-current debts	**—**	**(8,430)**	**—**
Current debts	**(119)**	**(160,549)**	**—**
Other current liabilities	**—**	**—**	**—**

Non-current investments

"Loans to Companies" includes the following loans granted to the following Group companies:

	Thousands of Euros	
	2022	2021
Loans		
NH Finance S.A.	—	263,934
NH Europa, S.L.	244,401	236,429
Latinoamericana de Gestión Hotelera, S.L.	106,695	103,215
NH Hoteles España, S.A.	59,626	57,681
NH Hungary Szallodauzemelteto KFT	20,976	20,167
Others	14,985	14,395
Total	**446,683**	**695,821**

The loans balance in 2022 mainly corresponds to the inter-company financing agreement that matures in 2024. The remuneration of said loan is a variable quarterly interest rate linked to the Euribor plus a spread.

Current investments

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

	Thousands of Euros	
	2022	2021
NH Hoteles España, S.A.	282,446	233,525
NH Central Reservation Office S.L	25,904	24,854
Latinoamericana de Gestión Hotelera, S.L.	23,777	23,760
NH Italia, SPA	11,013	4,166
NH Hoteles Deutschland GMBH	13,096	4,157
Other current payables to Group companies	34,711	28,814
Total	**390,947**	**319,276**

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.

Non-current debts

	Thousands of Euros	
	2022	2021
NH CASH LINK Loan	127,887	—
Other related parties	9,251	8,430
Total	**137,138**	**8,430**

The "Non-current debts with group and associate companies" heading mainly consists of the loan with the Group company NH Cash Link, S.A., maturing in 2024. The remuneration of said loan is a variable quarterly interest rate linked to the Euribor plus a spread.

Current debts

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

	Thousands of Euros	
	2022	2021
NH Finance S.A.	—	83,537
NH Europa, S.L.	79,705	42,857
Atardecer Caribeño	12,675	12,668
Coperama Holding	13,363	11,296
Other current creditor accounts with Group companies	7,834	10,221
Current creditor accounts with the parent company	119	119
Total	**113,696**	**160,698**

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..

16.2. Transactions with related parties

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

Income

	Thousands of Euros	
	2022	2021
Lease income	**5,447**	**3,426**
Group (Note 17.a)	5,447	3,426
Non-controlling	**21,498**	**23,336**
Group holding activity	21,126	22,985
Associates	372	351
Fees (Other operating income)	**88,309**	**38,574**
Group	88,309	38,574

Expenses

	Thousands of Euros	
	2022	2021
Interests	**2,044**	**2,846**
Group	2,044	2,846

17. INCOME AND EXPENSES

a) Net turnover

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

	Thousands of Euros	
	2022	2021
Hotel activity:		
Accommodation in rooms	23,439	12,564
Leases group companies (Notes 16.2 and 7)	5,447	3,426
Other leasing (Note 7)	389	302
Catering	6,374	3,560
Rooms	1,480	624
Others	1,293	438
Revenues	**38,422**	**20,914**

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

	Thousands of Euros	
	2022	2021
National market	38,422	20,914
	38,422	**20,914**

b) Staff costs

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

	Thousands of Euros	
	2022	2021
Wages, salaries and similar	28,011	17,929
Social security contributions	6,089	5,050
Severance payments	223	3,537
	34,323	**26,516**

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

	2022	2021
Group's general management	8	7
Managers and heads of department	103	91
Technical staff	116	91
Sales representatives	12	9
Administrative staff	20	16
Rest of workforce	161	82
Average number of employees	**420**	**296**

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:

	31/12/2022		31/12/2021	
	Males	Females	Males	Females
Group's general management	6	2	7	1
Managers and heads of department	58	46	57	48
Technical staff	57	66	53	60
Sales representatives	3	11	2	11
Administrative staff	7	14	5	13
Rest of workforce	84	88	73	86
Average number of employees	**215**	**227**	**197**	**219**

The increase in the average number of employees is explained by the reactivation of the business after Covid-19.

At 31 December 2022 there were no employees at the company with a disability of 33% or more during the year (1 employee in 2021).

The average age of the workforce was approximately 43 and average seniority was 11.9 years (42.3 years and 11.7 years respectively in 2021).

Long-term Share-based Incentive Plan

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

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

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

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

The Plan targeted approximately 100 beneficiaries.

The current cycles at 31 December 2022 are:

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

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

The maximum amount approved by the General Shareholders' Meeting for the three cycles of the second Plan is 16,200,000 euros.

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

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

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

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

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

The Plan is aimed at approximately 100 beneficiaries.

The effect of these Plans on the income statement for 2022 was 1,550 thousand euros (803 thousand euros in 2021).

c) External services

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

	Thousand of Euros	
	2022	2021
Leasing (Note 7)	9,859	8,282
Outsourcing of services	1,613	1,007
Supplies	1,129	571
Maintenance and cleaning	1,092	782
Laundry and related costs	631	400
Costs associated with information technologies	13,136	11,445
Marketing and merchandising	95	96
Other external services	285	224
	27,840	**22,807**

d) Other current operating expenses

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

	Thousand of Euros	
	2022	2021
Commissions	1,197	1,333
Central bookings fee	6,019	3,789
Advisory services	3,283	2,849
Marketing and media	7,359	3,609
Travel expenses	958	378
Institutional relations	192	202
Others	2,680	1,328
	21,688	**13,488**

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

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

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

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

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

e) Gains or losses on disposals of fixed assets

The sale of the NH Collection Barcelona Gran Hotel Calderón in Spain took place in 2021 with a sale and leaseback transaction. The hotel was sold for 125.5 million euros with a linked 20 year lease agreement, with NH having the option of additional extensions (Note 6), and a net capital gain of 87,143 thousand euros before tax was recorded.

f) Financial expenses

The breakdown of this chapter in the consolidated comprehensive income statement is as follows:

	Thousands of Euros	
	2022	2021
Expenses for interest	29,117	33,420
Financial expenses for means of payment	230	131
Amortisation of debt arrangement expenses	3,993	12,133
Financial expenses	**33,340**	**45,684**

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

The decrease in the "Amortisation of debt arrangement expenses" line is due to early amortisation of the debt arrangement expenses associated with the financial liabilities cancelled during the 2021 financial year (Note 12).

The expenses for interest correspond to debts valued at amortised 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 (9 members at 31 December 2021),
- Audit and Control Committee: 3 members (3 members at 31 December 2021),
- Appointments and Remuneration Committee: 3 members (3 members at 31 December 2021).

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	2022	2021
Fixed remuneration	1,288	1,003
Short-term variable remuneration	895	—
Long-term variable remuneration	714	—
Parent Company: allowances	3	3
Parent Company: attendance allowances	377	291
Transactions in shares and other financial instruments	—	190
Life insurance premiums	23	49
Others	12	20
Total	**3,312**	**1,556**

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

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

In relation to the heading, "Transactions on shares and/or other financial instruments", consideration has been given to the objective long-term remuneration accrued. The "Long-term variable remuneration" heading includes the Long-term Incentive Plan recorded in 2022 (Note 17b). 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	
	2022	2021
Pecuniary remuneration	2,375	1,504
Remuneration in kind	110	120
Others	627	230
Total	**3,112**	**1,854**

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

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

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

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

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

18.3 Information on conflicts of interest on the part of Directors

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

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

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

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

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

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

All information on this analysis methodology, as well as the results thereof, is detailed in the section NH Hotel Group's Response to the Risks and Opportunities associated with climate change based on the Task Force on Climate-related Financial Disclosure (TCFD) of the Consolidated Statement of Non-Financial Information 20.

Sustainable Business Strategy

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

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

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

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

All information regarding NH Hotel Group's environmental management and performance is available in the UP for Planet section of Consolidated Statement of Non-Financial Information 2022..

20. SUBSEQUENT EVENTS

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

Management report for the year ended 31 December 2021

EVOLUTION OF BUSINESS AND GROUP'S SITUATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Extended Stay, with up to 35% discount on stays of more than 7 days for working away from home for an extended period.
- Smart Spaces, a new B2B offer, with exclusive spaces for working and organising small business meetings making the most of all the advantages of our hotels.
- Hybrid Meetings, to boost the value of events reaching a bigger audience from various destinations with a combination of in-person and virtual attendance.
- NH+, a new focus on the corporate segment towards SMEs, which were the first to resume business and have enabled us to extend this segment of corporate customers.

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

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

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

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

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

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

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

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

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

As a result of the public offering on 31 October 2018, along with the capital increase in September 2021, Minor currently owns 410,183,997 shares in NH Hotel Group, S.A. representing 94.13% of its share capital. Since 2018, both companies have begun to explore joint value creation opportunities for the coming years.

2022: Year of recovery

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

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

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

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

ETHICS

Compliance System

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

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

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

Code of Conduct

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

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

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

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

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

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

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

Compliance Committee

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

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

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

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

Compliance Office

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

Anti-Corruption and Fraud Policy

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

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

Anti-money laundering policy

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

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

RISK MANAGEMENT

Risk management governance

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

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

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives. To ensure that there are no conflicts of independence and that the NH risk management and control system works as set out in the Corporate Risk Management Policy, an independent third party periodically reviews its operation. Due to the exceptional situation caused by Covid-19, the review has not been carried out since 2019, but it is planned to resume the external review at the end of 2023, or at the beginning of 2024.

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

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

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

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

Risk management model

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

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

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

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

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

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

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

a. Financial Risks: events that affect financial variables (interest rates, exchange rates, inflation, liquidity, debt, credit, etc.).

b. Compliance Risks: arising from possible regulatory changes as well as non-compliance with internal and external regulations.

c. Business Risks: generated by inadequate management of procedures and resources, whether human, material or technological.

d. Risks from External Factors: arising from natural disasters, pandemics, political instability or terrorist attacks.

e. Systems Risks: events that could affect the integrity, availability or reliability of operational and financial information (including cyber).

f. Strategic Risks: produced by difficulty accessing markets and difficulties in asset disinvestment.

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

SUSTAINABLE BUSINESS STRATEGY

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

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

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

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

UP FOR PLANET

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

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

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

- **SUSTAINABLE PRODUCTS AND ASSETS**

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

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

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

- **OPERATIONAL PROCESSES AND STANDARDS**

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

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

- **SUSTAINABLE PURCHASING**

  With this pillar, NH Hotel Group strengthens 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.

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

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

UP FOR PEOPLE

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

- ### EMPLOYEES

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

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

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

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

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

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

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

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

- ### CUSTOMERS

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

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

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

- **COMMUNITIES**

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

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

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

Sustainability recognitions

For the third time, NH Hotel Group has been included in the "Sustainability Yearbook 2022" published by S&P Global. For the fourth time, the Company voluntarily took part in the Corporate Sustainability Assessment (CAS) carried out by the sustainable investment agency S&P Global as was recognised as TOP10%.

A demonstration of its commitment to gender equality, NH Hotel Group, for the fourth year running, was included on the Bloomberg GEI 2022 index, being the only Spanish hotelier in the 484 companies listed in the index. This reference index measures gender equality using five pillars: leadership and talent development, equality and parity of remuneration, inclusive culture, policies against sexual harassment and the brand image.

The NH Hotel Group has also reported its commitment to and strategy against climate change to CDP Climate Change since 2010 and received a B in its annual ranking. With this rating, the NH Hotel Group once again recognises its vision of placing sustainability as a strategic value of the corporation, which has acted as a lever of transversal value for the Group for over a decade.

Since 2013, the NH Hotel Group has been listed on the FTSE4GOOD index and renews its presence year after year thanks to the responsible management of the business and the improvements implemented.

SHARES AND SHAREHOLDERS

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

According to the latest notifications received by the Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2022 and 2021 were as follows:

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

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

The average share price of NH Hotel Group, S.A. in 2022 was 3.25 euros per share (3.61 euros in 2021). The lowest share price of 2.27 euros per share (2.82 euros in December 2021) was recorded in October and the highest share price of 4.03 euros per share in June (4.35 euros in February 2021). The market capitalisation of the Group at the close of 2022 stood at 1,294.16 million euros.

At 31 December 2022, the Group had 92,915 own shares (all referring to the liquidity contract), compared to 96,246 own shares at 31 December 2021. The reduction in treasury shares in the period is wholly explained by the liquidity contract operation.

Liquidity contract for treasury shares management

On 10 April 2019, the NH Board of Directors entered into a liquidity contract to manage its treasury shares with Banco Santander, S.A. The Contract became effective on 11 April 2019.

This contract is in accordance with the liquidity contract model in Circular 1/2017 of 26 April from the National Securities Market Commission on liquidity contracts for the purpose of its acceptance as a market practice.

The total number of shares allocated to the securities account associated with the Liquidity Contract at 31 December 2022 is 92,915 shares and the amount allocated to the cash account is 329,492 euros.

The Liquidity Contract was agreed upon by the Board of Directors at the proposal of the Proprietary Directors on behalf of the shareholder Minor as a measure to encourage and favour the liquidity of the Company's shares taking the current market conditions into account.

Average period for payment

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

	2022	2021
	Days	
Average period for payment to suppliers	69	84
Ratio of paid transactions	69	83
Ratio of transactions pending payment	73	92
	Amount (Thousands of Euros)	
Total payments made	95,361	70,631
Total payments pending	7,902	7,733

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 2022.

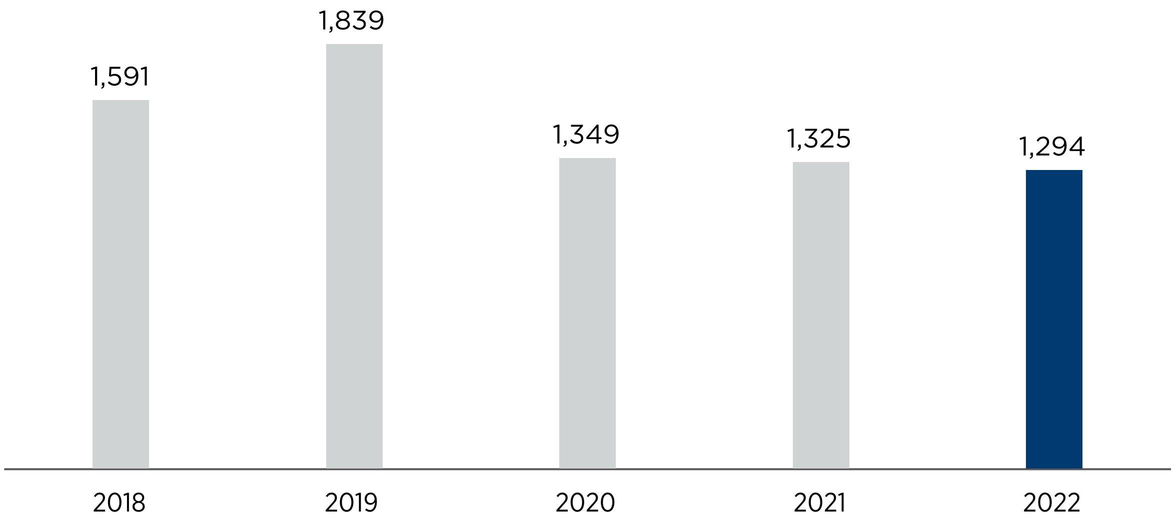
In 2022, the monetary volume of the invoices paid in less time than the maximum provided for in the bad debt regulations was 49,788 thousand euros, representing 52% of the total monetary volume of the invoices, the number of invoices paid in less time than the maximum provided for in the bad debt regulations was 6 thousand euros, representing 38% of the total volume of invoices;

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

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

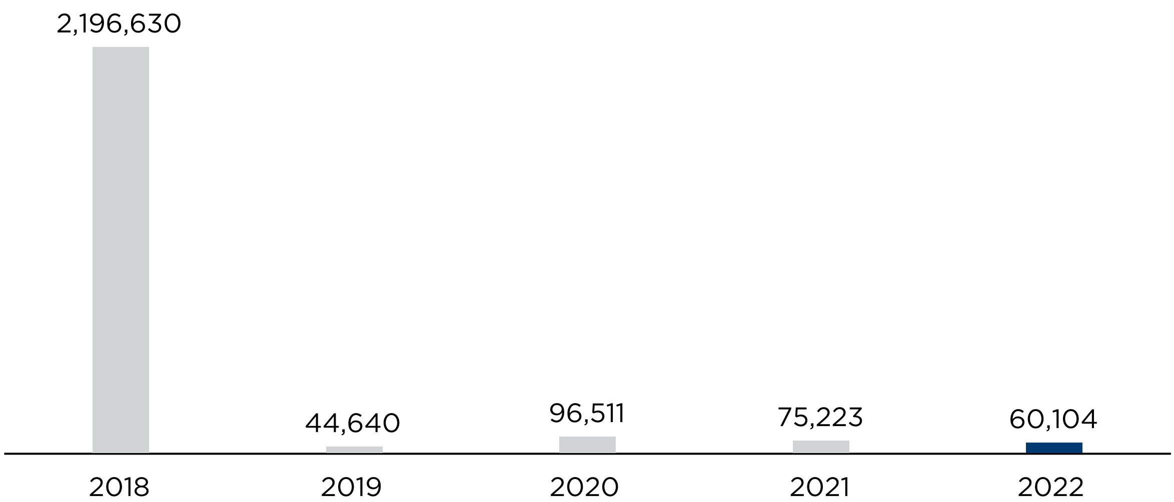
Due to the impact of the Covid-19 pandemic on the demand for hotels, the Company has exceeded the maximum period for payment to trade suppliers legally set at 60 days. This situation is considered to be remediable as various measures are being taken to temporarily resizing resources existing until now,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

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



During 2022, 15,446,871 shares in NH Hotel Group, S.A. were traded on the Continuous Market (19,257,219 shares in 2021) with average daily share trading on the Continuous Market of 60,104 shares (75,223 shares in 2021).

Average daily trading (in titles)



EVOLUTION NH HOTEL GROUP vs. IBEX 35

1 JANUARY 2017-31 DECEMBER 2022

FUTURE OUTLOOK

There are indications that the tightening of monetary policy is starting to cool off demand and inflation, but the full impact will probably not materialise before 2024.
It is anticipated that world growth, which was estimated at 3.4% in 2022, will fall to 2.9% in 2023 and later bounce back to 3.1% in 2024. It is not forecast that world GDP or world GDP per capital will have negative growth, which is something that usually happens when a world recession occurs. Nevertheless, for 2023 and 2024, it is anticipated that world growth will be lower than the historic annual average (2000-2019) of 3.8%.

The prognosis for low growth in 2023 is due to the central banks' interest rate rises to combat inflation - particularly in advanced economies - and the war in Ukraine. The lower growth in 2023 when compared to 2022 is in line with the advanced economies. In emerging and developing market economies it is estimated the growth hit rock bottom in 2022. It is forecast that growth will reactivate in China due to it fully reopening in 2023. The forecast bounce back of both economic groups in 2024 reflects the gradual recovery from the effects of the war in Ukraine and inflation being restrained.

According to the UNWTO's prognosis for 2023, international tourist arrivals this year may be between 80% and 95% of pre-pandemic levels, depending on the extent to which economic slowdown occurs, how travel to Asia and the Pacific recovers and how the Russian offensive in Ukraine evolves, amongst others.

The UNWTO forecasts that recover will continue during 2023, although the sector is facing economic, health and geopolitical challenges. The recent lifting of travel restrictions caused by Covid-19 in China, the largest source market in the world in 2019, is a significant step for recovery of the tourist sector in Asia and the Pacific and worldwide. In the short term, resumption of travel from China could benefit the Asiatic destinations in particular. Nevertheless, the situation will change depending on the availability and cost of travel, regulations on visas and Covid-19 restrictions at destinations. By the middle of January, a total of 32 countries had imposed specific travel restrictions on travellers coming from China, particularly in Asia and Europe.

At the same time, strong demand from the USA, supported by the strong dollar, will continue to benefit destinations within it and other regions. Europe will continue to maintain abundant flows of travellers coming from the USA, mainly due to the weak euro against the dollar.

The last UNWTO confidence index shows a cautious optimism for January-April that is higher than for the same period in 2022. The optimism is backed up by Asia opening and the strong 2022 figures for expenditure in the traditional and emerging source markets, with good results being seen in France, Germany and Italy, as well as Qatar, India and Saudi Arabia.

Non-financial Information Statement

The 2022 consolidated Non-Financial Information Statement, issued by the Board of Directors on 22 February 2022, 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 2022, prepared by the Board of Directors on 22 February 2022, is presented as a separate report, forms a part of this Consolidated Management Report and is available as an annex to this document, as provided for in article 538 of Royal Legislative Decree 1/2010, of 2 July.

EVENTS AFTER THE REPORTING PERIOD

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

NH HOTEL GROUP, S.A.

DIRECTORS' DECLARATION OF RESPONSIBILITY FOR THE PURPOSES OF THE PROVISIONS OF ARTICLE 118.2 of Legislative Royal Decree 4/2015 of 23 October, which approves the consolidated text of the Securities Market Law.

The Directors of NH HOTEL GROUP, S.A., declare that, to the best of their knowledge, the Annual Accounts, the Management Report that includes the Annual Corporate Governance Report and Annual Directors' Remuneration Report, which are presented separately for reference, drafted at the meeting of the Board of Directors held on 22 February 2023, prepared in accordance with the applicable accounting principles, offer a true and fair view of the assets, financial situation and results of NH HOTEL GROUP, S.A. and includes a faithful analysis of the required information.

In compliance with the provisions of Article 253 of the Consolidated Text of the Capital Companies Act, the Directors of NH HOTEL GROUP, S.A., sign the Annual Accounts and Management Report of NH HOTEL GROUP, S.A. for the year ended 31 December 2022.

D. ALFREDO FERNÁNDEZ AGRAS

D. RAMÓN ARAGONÉS MARÍN

D. JOSE MARIA CANTERO DE MONTES-JOVELLAR

D. KOSIN KENNETH CHANTIKUL

D. STEPHEN ANDREW CHOJNACKI

D. WILLIAM ELLWOOD HEINECKE

D. FERNANDO LACADENA AZPEITIA

Dª. LAIA LAHOZ MALPARTIDA

D. RUFINO PÉREZ FERNÁNDEZ

D. EMMANUEL JUDE DILLIPRAJ RAJAKARIER

DILIGENCE issued by the Secretary of the Board of Directors, to record that the previous Declaration of Responsibility has been signed by all the members of the Board of Directors in accordance with the Annual Accounts and Management Report corresponding to the year ended on 31 December 2022 of NH Hotel Group, SA, which was formulated at the Board of Directors meeting held on February 22, 2023, 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.

Mr. William Ellwood Heinecke delegated his representation and vote in the aforementioned Board of Directors to Mr. Stephen Andrew Chojnacki by virtue of express delegation. Mr. Emmanuel Jude Dillipraj Rajakarier, Mr. Stephen Andrew Chojnacki and Mr. Kosin Chantikul attended personally by videoconference, expressly authorizing Mr. Ramón Aragonés Marín during the Board of Directors session to sign as many documents as necessary in the framework of the preparation of the Annual Accounts.

Of all this, I attest.

Madrid, 22 February 2023

Carlos Ulecia Palacios
Secretary to the Board of Directors