NH Hotel Group, S.A.

Audit Report,
Annual accounts and Management Report
at 31 December 2020

pwc

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 2020, the income statement, the statement of changes in equity, the cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the Company's equity and financial position as at 31 December 2020 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 under *Auditors' responsibilities 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 judgment, 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.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª.
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matters	How the matters were addressed in the audit

Recoverability of equity investments in group companies and associates

As indicated in note 8.1 to the accompanying annual accounts, the Company records in the item Non-current investments in Group companies and associates the amount of EUR 1,776 million relating to investments in equity instruments, representing 59.2%% of total assets.

The Company analyses these assets each year for impairment and, where there are signs 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 the business plans approved by management (note 4.g).

The recoverable amounts and any value adjustments that may be applicable as well as the existing Covid-19 health crisis and its impacts 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 (notes 1 and 2.e).

The above-mentioned aspects lead us to regard the recoverability of equity investments in Group companies and associates as 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.

Obtainment from management of the cash flow projections used to value the investments, on which we have carried out the following procedures, assisted by our internal experts:

- Verification of the reasonableness of the procedures and methods used to perform the impairment tests.
- Assessment of the reasonableness of the key assumptions and estimates included in the model in relation both to future cash flow forecasts and the key aspects included in the calculation of the cash flows, such as the method applied by management to calculate the discount rates and the resulting value within a range we deem to be acceptable.
- 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 give rise to the impairment of investments or the reversal of existing provisions.
- Evaluation of the sufficiency of the related information disclosed in the annual accounts.

The findings 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 assets associated with the hotel business The Company is engaged mainly in operating the hotels establishments that it owns. All the assets associated with the hotel activity include property, plant and equipment and intangible assets whose carrying amounts at 31 December 2020 total to EUR 104 million (note 6) and EUR 36 million (note 5),respectively, representing 4.6% of total assets. The Company assesses its assets for signs of a decline in value each year in order to determine whether there are any impairment losses entailing the write-down of the carrying amounts of the assets (note 4.e). As a general rule, management estimates the recoverable amount of each cash-generating unit (CGU) on the basis of value in use, calculated using cash flows estimated by applying discount rates and expected growth rates, in accordance with the business plans approved by management. In view of the significance of the judgements made by the Company and the significant estimates made to perform the said calculations, and considering the quantitative relevance of such assets and the existing Covid-19 health crisis and its impacts, we consider the assessment of the recoverability of the assets associated with the hotel business to be a key audit matter (notes 1 and 2.e).	Our audit procedures included, among others: Understanding of the methodology employed and evaluation of the controls in place in the Company's asset recovery analysis processes. Obtainment from management of the impairment tests carried out, to which we applied the following substantive procedures, assisted by our internal experts: • Verification of the reasonableness of the procedures and methods used to perform the impairment tests. • Assessment of the reasonableness of the key assumptions and estimates included in the model in relation both to future cash flow forecasts and the key aspects included in the estimation of the cash flows, such as the method applied by management to estimate the discount rates within an acceptable range. • Arithmetic verification of the calculations taken into consideration in the impairment test and assessment of the sensitivity analyses, including the ranges within which the key model assumptions should fluctuate in order to give rise to the impairment of assets or the reversal of existing provisions. • Evaluation of the sufficiency of the related information disclosed in the annual accounts. The findings 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 2020 deferred tax assets amount to EUR 34 million, of which, EUR 24 million relates to available tax credits, according to note 14 to the accompanying annual accounts. As indicated in notes 4.p and 14, 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 considered for said group. In view of the significance of the judgements made by the Company and the significant estimates made to perform the said calculations, considering the quantitative relevance of such assets and taking into account the existing Covid-19 health crisis and its impacts, we consider the assessment of the recoverability of deferred tax assets to be a key audit matter (notes 1 and 2.e).	Our audit procedures included, among others: Understanding of the methodology employed and evaluation of the controls in place in the Company's deferred tax asset recovery analysis processes. Obtainment of the deferred tax asset recovery plans, to which we applied the following substantive procedures: • Analysis of the plans for the recovery of such assets, and obtainment of evidence of the reasonableness of results and projections for future years budgeted and included in recoverability plans. • Involvement of our internal experts in the analysis of the reasonableness of the application of tax assumptions based on applicable legislation. • Evaluation of the sufficiency of the related information disclosed in the annual accounts. The findings 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 2020 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, referred to in the Audit Act, have been provided in the manner 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 2020 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 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 that are free from material misstatement, due to fraud or error.

In the preparation of the annual accounts, the directors are responsible for assessing the Company's capacity to continue as a going concern, disclosing, as appropriate, any going concern-related issues and applying the going-concern accounting principle, unless the directors intend to wind up the Company or discontinue its operations, or unless no other realistic alternative exists.

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

Auditors' responsibilities 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 auditing standards prevailing in Spain will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in conformity with auditing regulations in Spain, we exercise our professional judgement and maintain 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 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 2020, 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 2020 in accordance with the format 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 has 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 is 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 24 February 2021.

Term of engagement

We were appointed as the Group's auditors by the Annual General Meeting held on 13 May 2019 for a three-year period commencing as from the year ended 31 December 2019.

Services provided

Non-audit services provided to the audited entity and its subsidiaries are detailed in note 18d to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Mariano Cortés Redín (21829)

24 February 2021

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NH HOTEL GROUP, S.A.

Annual accounts and Management Report 2020

Translation of Financial Statements and Management Report originally issued in Spanish in the event of a discrepancy, the Spanish-language version prevails.

NH Hotel Group, S.A.

BALANCE SHEET AT 31 DECEMBER 2020

Thousand euros

ASSETS	Note	2020	2019	LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2020	2019
NON-CURRENT ASSETS:				**EQUITY:**			
Intangible assets	**Note 5**	35,555	40.139	***SHAREHOLDERS' EQUITY***			
Property, plant and equipment	**Note 6**	104,111	111.968	Capital		784,361	784.361
Investment property		2,950	2.963	Share premium		828,932	828.932
Non-current investments in Group companies and associates		2,520,537	2.283.579	Reserves		516,936	360.906
Equity instruments	**Note 8.1**	*1,775,614*	*1.896.561*	*Legal and statutory reserves*		*90,749*	*74.855*
Loans to companies	**Note 17.1**	*744,923*	*387.018*	*Other reserves*		*426,187*	*286.051*
Non-current financial assets	**Note 8.2**	1,360	1.296	Treasury shares		(367)	(1.647)
Deferred tax assets	**Note 14**	34,279	35.284	Profit (Loss) for the year		(226,164)	158.940
Total non-current assets		**2,698,792**	**2,475,229**	**Total Equity**	**Note 11**	**1,903,698**	**2,131,492**
				NON-CURRENT LIABILITIES			
				Long-term provisions	**Note 12**	2,281	4.472
				Long-term debts		894,849	392.580
				Debt instruments and other marketable securities	**Note 13.1**	*351,991*	*350.238*
				Bank borrowings	**Note 13.1**	*539,377*	*38.950*
				Other financial liabilities	**Note 13.2**	*3,481*	*3.392*
				Long-term debts with group and associate companies	**Note 17.1**	7,289	284.900
				Deferred tax liabilities	**Note 14**	4,906	5.077
				Total non-current liabilities		**909,325**	**687,029**
CURRENT ASSETS:							
Non-current assets classified as held for sale	**Note 9**	—	49.122	**CURRENT LIABILITIES:**			
Inventories		134	214	Short-term provisions	**Note 12**	—	4.180
Trade and other receivables		21,103	12.715	Short-term debts		21,686	453
Trade accounts receivable for sales and services		*797*	*1.318*	*Debt instruments and other marketable securities*	**Note 13.1**	*1,555*	*1.142*
Sundry debtors		*6,900*	*663*	*Bank borrowings*	**Note 13.1**	*20,131*	*(689)*
Current tax assets	**Note 14**	*7,810*	*8.141*	Short-term debts with group and associate companies	**Note 17.1**	145,163	104.945
Other tax receivables	**Note 14**	*5,596*	*2.593*	Trade creditors and other accounts payable		23,196	58.690
Short-term investments in group companies and associates	**Note 17.1**	269,584	442.604	*Suppliers*		*15,561*	*31.634*
Short-term financial investments		26	26	*Other creditors*		*5,939*	*19.611*
Short-term accruals		2,528	2.159	*Personnel*		*294*	*6.166*
Cash and cash equivalents	**Note 10**	10,901	4.720	*Other taxes payable*	**Note 14**	*1,402*	*1.279*
Total current assets		**304,276**	**511,560**	**Total current liabilities**		**190,045**	**168,268**
TOTAL ASSETS		**3,003,068**	**2.986.789**	**TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES**		**3,003,068**	**2.986.789**

The accompanying Notes 1 to 22 are an integral part of the balance sheet at 31 December 2020.
The balance sheet at 31 December 2019 is presented for comparison purposes only.

NH Hotel Group, S.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

(Thousands of euros)

	Note	2020	2019
Revenues	**Note 18**	**34,136**	**218.792**
Sales		15,381	46.526
Other Income	**Note 17.2**	18,755	172.266
Procurements		**455**	**216**
Work carried out by the company for its assets		**1,825**	**2.916**
Other operating income	**Note 17.2**	**27,502**	**87.645**
Non-core and other current operating income		27,502	87.645
Staff costs	**Note 18.b**	**(24,800)**	**(41.832)**
Wages, salaries and similar		(18,494)	(33.977)
Social security contributions		(6,306)	(7.855)
Other operating expenses		**(35,064)**	**(56.092)**
External services	**Note 18.c**	(22,751)	(28.816)
Taxes		(2,311)	(2.249)
Losses on, impairment of and changes in allowances for trade receivables		52	(2)
Other current operating expenses		(10,054)	(25.025)
Depreciation and amortisation charge	**Notes 5 & 6**	**(21,181)**	**(21.897)**
Impairment and gains or losses on disposals of non-current assets		**208**	**3.847**
Impairments and other losses	**Notes 5 & 6**	91	139
Income from disposals and other	**18.e**	117	3.708
PROFIT/LOSS FROM OPERATIONS		**(16,919)**	**193.595**
Financial income		**893**	**876**
From securities held for trading and other financial instruments			
- Third parties		893	876
Financial expenses		**(30,511)**	**(25.955)**
On debts to Group companies and associates	**Note 17.2**	(1,282)	(6.504)
On debts to third parties		(29,229)	(19.451)
Exchange rate differences		**370**	**(212)**
Impairment and gains or losses on disposals of financial instruments	**Note 8.1.9 and 17.1**	**(179,757)**	**(17.664)**
FINANCIAL PROFIT/LOSS		**(209,005)**	**(42.955)**
PROFIT/LOSS BEFORE TAX		**(225,924)**	**150.640**
Income tax	**Note 14**	(240)	8.300
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(226,164)**	**158.940**
PROFIT (LOSS) FOR THE YEAR		**(226,164)**	**158,940**

The accompanying Notes 1 to 22 are an integral part of the income statement for 2020.
The income statement for 2019 is presented for comparison purposes only.

NH Hotel Group, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE

	Thousands of euros	
	2020	2019
PROFIT/LOSS AS PER INCOME STATEMENT (I)	**(226,164)**	**158,940**
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)	—	—
TOTAL TRANSFERS TO PROFIT OR LOSS (III)	—	—
TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)	**(226,164)**	**158,940**

The accompanying Notes 1 to 22 are an integral part of the statement of recognised income and expense for 2020.
The statement of recognised income and expense for the year ended 31 December 2019 is presented for comparison purposes only.

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NH HOTEL GROUP, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

B) STATEMENTS OF CHANGES IN TOTAL EQUITY

	Equity							
	Share capital	**Share premium**	**Reserves**	**Treasury Shares and Shareholdings**	**Prior years' profits (losses)**	**Profit (Loss) for the Year**	**Valuation adjustments**	**Total Shareholders' Equity**
Balances at 31 December 2018	**784,361**	**828,932**	**515,727**	**(2,530)**	**(255,869)**	**160,192**	**—**	**2,030,813**
Other movements	—	—	(1,041)	—	—	—	—	(1,041)
Balance at 1 January 2019	**784,361**	**828,932**	**514,686**	**(2,530)**	**(255,869)**	**160,192**	**—**	**2,029,772**
I. Total recognised income / (expense)	—	—	—	—	—	**158,940**	—	**158,940**
II. Transactions with shareholders or owners	**—**	**—**	**(58,771)**	**—**	**—**	**—**	—	**(58,771)**
1. Distribution of dividends	—	—	(58,771)	—	—	—	—	(58,771)
III. Other changes in equity	**—**	**—**	**(95,009)**	**883**	**255,869**	**(160,192)**	**—**	**1,551**
1. Transfers between equity items	—	—	(95,677)	—	255,869	(160,192)	—	—
2. Remuneration scheme in shares	—	—	(998)	970	—	—	—	(28)
3. Other movements		—	1,666	(87)	—	—	—	1,579
Balances at 31 December 2019	**784,361**	**828,932**	**360,906**	**(1,647)**	**—**	**158,940**	**—**	**2,131,492**
Other movements	—	—	—	—	—	—	—	—
Balance at 01 January 2020	**784,361**	**828,932**	**360,906**	**(1,647)**	**—**	**158,940**	**—**	**2,131,492**
I. Total recognised income / (expense)	—	—	—	—	—	**(226,164)**	—	**(226,164)**
II. Transactions with shareholders or owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
1. Distribution of dividends	—	—	—	—	—	—	—	—
III. Other changes in equity	**—**	**—**	**156,030**	**1,280**	**—**	**(158,940)**	**—**	**(1,630)**
1. Transfers between equity items	—	—	158,940	—	—	(158,940)	—	—
2. Remuneration scheme in shares	—	—	(2,724)	1,525	—	—	—	(1,199)
3. Other movements	—	—	(186)	(245)	—	—	—	(431)
Balances at 31 December 2020	**784,361**	**828,932**	**516,936**	**(367)**	**—**	**(226,164)**	**—**	**1,903,698**

The accompanying Notes 1 to 22 are an integral part of the statement of changes in total equity for the year 2020.
The statement of changes in equity for the year 2019 is presented for comparison only.

NH Hotel Group, S.A.

CASH FLOW STATEMENT FOR THE YEAR ENDED
31 DECEMBER 2020

(Thousand euros)

	Notes	2020	2019
A) CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit (Loss) for the year before tax		**(225,924)**	**150.640**
2. Adjustments for:		**212,443**	**(107.314)**
Income from holding activity (-)	**Note 18.a**	(18,755)	(172.266)
b) Depreciation and amortisation charge (+)	**Notes 5 & 6**	21,181	21.715
c) Impairment losses (+/-)	**Notes 5 & 6**	(91)	(139)
d) Changes in provisions (+/-)		(268)	(1.516)
e) Gains/Losses on derecognition and disposal of non-current assets (+/-)	**Note 18.e**	(117)	(3.708)
f) Gains/Losses on derecognition and disposal of financial instruments (+/-)	**Notes 8.1, 9 y 17**	179,757	17.664
g) Finance income (-)		(893)	(876)
h) Finance costs (+)		30,511	25.955
i) Exchange rate differences (+/-)		(370)	212
j) Other income and expenses (-/+)		1,488	5.645
3. Changes in working capital		**(27,812)**	**(11.602)**
a) Inventories (+/-)		80	(103)
b) Trade and other receivables(+/-)		(1,768)	3.459
c) Other current assets (+/-)		(369)	(109)
d) Trade and other payables (+/-)		(20,512)	(2.720)
e) Other current liabilities (+/-)		(2)	—
Provisions for contingencies and charges (+/-)		(5,279)	(12.186)
f) Other non-current assets and liabilities (+/-)		38	57
4. Other cash flows from operating activities:		**(23,378)**	**(22.777)**
a) Interest paid (-)		(23,667)	(15.919)
b) Interest received (+)		547	552
c) Income tax refunded (paid) (+/-)		(258)	(7.410)
5. Cash flows from investment activities (+/-1+/- 2+/-3+/-4)		**(64,671)**	**8.947**
B) CASH FLOWS FROM INVESTMENT ACTIVITIES			
6. Payments due to investment		**(449,864)**	**(19.114)**
a) Group companies and associates		(430,872)	(1.296)
b) Tangible and intangible fixed assets		(18,980)	(17.818)
c) Other financial assets		**(12)**	—
7. Proceeds from disposal (+):		**2,895**	**74.225**
a) Group companies and associates		—	58.488
b) Tangible fixed assets		2,895	15.737
8. Cash flows from investment activities (7-6)		**(446,969)**	**55.111**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Equity instruments receivables and (payables):		**(298)**	—
a) Purchase of treasury shares (-)		(298)	—
10. Proceeds and payments relating to financial liability instruments:	Note 13.1	**517,851**	**(582)**
a) Issue of			
1. Bank borrowings (+)	Note 13.1	792,000	—
b) Redemption of			
1. Bank borrowings (-)		(274,149)	(582)
11. Dividends payable and remuneration on other equity instruments			**(58.771)**
a) Dividends (-)		—	(58.771)
12. Cash flows from financing activities (+/-9+/-10+/-11)		**517,553**	**(59.353)**
D) EFFECT OF EXCHANGE RATE VARIATIONS		**268**	**(107)**
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		**6,181**	**4.598**
Cash and cash equivalents at the start of the financial year		4,720	122
Cash and cash equivalents at end of year		10,901	4.720

The accompanying Notes 1 to 22 are an integral part of the cash flow statement for the year 2020.

The cash flow statement for 2019 is presented for comparison only.

REPORT OF THE ANNUAL ACCOUNTS FOR NH HOTEL GROUP, S.A. FOR THE YEAR ENDED 31 DECEMBER 2020

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1.- NATURE, COMPANY PURPOSE AND COMPOSITION OF THE GROUP

NH HOTEL GROUP, S.A. (hereinafter the Company) was incorporated as a public limited company in Spain on 23 December 1981 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.

At the end of 2020, the Group was operating hotels in 29 countries, with 361 hotels and 57,371 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 2020 were prepared by the Directors of the NH Hotel Group, S.A. in the Board meeting held on 24 February 2021 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 2020, 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 period, assets and consolidated sales amounted to 799 million euros, 440.4 million euros, 4,330 million euros and 536 million euros, respectively.

Main changes in 2020 (COVID-19)

On March 11, 2020, the World Health Organization raised to the status of global pandemic the public health emergency caused by SARS-CoV-2 virus (commonly known as coronavirus, while COVID-19 denotes the disease caused by the virus). The rapid spread of COVID-19, on an international scale, has triggered an unprecedented healthcare, social and economic crisis that continues to evolve

Since the beginning of the COVID-19 pandemic during March in Europe and Latin America, the hotel demand has drastically decreased due to lockdowns, travel restriction and social distance, which severely affected mobility.

During blockade, isolation and intense lockdown months, from march to ending of May, circa 95% of our hotels were closed and those which stayed open was for charitable purposes. As a result, second quarter was the most affected with an extremely low demand level. The gradual opening of hotels was initiated ending of May and it was done progressively based on demand recovery and focusing on optimise value for money. During June circa 60% of the portfolio was open, a 70% in July and circa 80% during ending of August and September.

The smooth reopening of the hotels since June, after the portfolio was closed in March due to the intense lockdown, enabled the attraction of national customers during the third quarter. The reopening, in spite of the low level of demand due to mobility restrictions, was possible because of the flexible cost structure.

In 2020 NH Hotel Group put "Feel Safe at NH" into place in all its hotels. This is a new plan, with measures approved by experts, to face up to the health crisis caused by the SARS-CoV-2 coronavirus. The Company has reviewed all its procedures and made nearly 700 adaptations to its operating standards to preserve the health and safety of travellers and employees worldwide. Grouped into 10 main lines of action and backed by specialists in different fields, the measures implemented cover the digitisation of hotel services, adapting sanitation processes, including social distancing regulations in operations and the application of personal protective equipment, among others. We also reached a collaboration agreement with SGS, the world leader in inspection, analysis and certification, which allows us to follow up on the measurement and diagnostics protocol established to verify that the Group's hotels are clean and safe environments.

As a result of the impact of the second wave of infections in Europe at end of the third quarter, apart from delaying additional reopenings that had been planned for the last months of 2020, hotels were closed once again and, at the end of December 2020, around 60% of the portfolio was open. The impact of the second wave and the stricter restrictions on mobility during the last months of the year resulted in a lower level of business when compared to the third quarter.

In spite of the low level of demand, its flexible operational and financial structure has enabled the Group to overcome the major challenges in 2020. Although the challenges will continue in the first months of 2021, the Group will benefit in the first stage of recovery from brand recognition, excellent locations and strong market positioning, once recovery is spearheaded in Europe.

Contingency Plan

As a result of the exceptional circumstances occurred after the beginning of the pandemic (Covid-19), the Group implemented a relevant contingency plan to adapt operations and guarantee business sustainability with the aim at minimizing costs during the closure of the portfolio, preserving Group's liquidity to attend to operational necessities and ensuring that the gradual reactivation of the hotel activity is carried out efficiently and under the premise of maximum guarantees in terms of health and safety.

Due to lack of visibility on the business recovery speed following measures on cost control were implemented and will continue being implemented to ensure operational cost minimizing and liquidity preservation:

- Personnel (Note 18.b): The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons.

- Other operational expenses (Note 18.c): negotiation with suppliers to reduce costs, search for alternative supplies and achieve improvements on payment terms. Additionally, actions were undertaken as: personnel travel suspension, significant reduction of marketing and advertisement expenses despite the necessity of income incentives.

- Leases (Nota 7): temporary reduction of fixed rents through renegotiation with landlords.

- Investments: Main part of the investments were cancelled or postponed except for those in a very advanced stage.

- Liquidity reinforcement:

  – Withdraw of the dividend proposal against 2019 results of 0,15 euros per share which could have resulted an estimated payment of 59 million euros (Note 3).

  – 253 million euros on credit lines drawn on March (Note 13).

  – The Group entered into a syndicated loan for 250 million euros over 3 years, with no repayments until maturity, endorsed by the "Instituto de Crédito Oficial" (ICO), in Spain (Note 18).

  – In October 2020, the Group agreed the extension of the maturity of the syndicated credit facility to March 2023, which original maturity was September 2021, with a limit of 236 million euros (Note 13).

  – Moreover, and additional to the waiver obtained in June 2020 for compliance with the financial covenants included in the syndicated credit line for the months of June and December 2020, unanimous approval from the loan institutions was obtained to extend the waiver until June 2021. This waiver until June 2021 also extends to the syndicated loan (Note 13).

For more information about contingency plan see "Covid-19 impact and the measures implemented ” section of the consolidated management report ended on 31 December, 2020.

The consolidated annual accounts include the impacts derived from the situation described above with special relevance in the impairment analysis carried out by the group in the year and the resulting losses recorded (Note 8.1), the activation of tax credits based on the recovery of the themselves (Note 19), and the description and analysis carried out by the administrators and their conclusion regarding the continuity of the business and the corresponding formulation of the accounts as a going concern (Note 2.h).

The consolidated annual accounts must be read considering said evaluation and breakdown.

2) PRESENTATION BASIS

a) Regulatory reference framework

These financial statements were prepared from the general ledger of the Company and are presented according to current commercial legislation, with the rules established in the General Accounting Plan endorsed by Royal Decree 1514/2007 and modifications added to it by RD 1159/2010 and RD 602/2016, to give a true and fair view of the assets, financial situation and the results of its operations, the changes in equity and of the cash flows corresponding to the year ended on that date.

b) True and fair presentation

These financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable thereto and, in particular, with the accounting principles and rules contained therein and, accordingly, provide a true and fair presentation of the Company’s equity, financial position, results of operations and cash flows for 2020.

The Company's Directors consider that the consolidated annual accounts for 2020, which were drawn up on 24 February 2021, 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 herein. All obligatory accounting principles were applied.

d) Comparative information

In addition to the figures for 2020 and for comparative purposes, the annual accounts are presented with the balance sheet, profit and loss accounts, statement of changes in equity, cash flow statement and the report corresponding to the previous year, which were part of the annual accounts for 2019 approved by the General Shareholders' Meeting on 16 July 2020.

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.
- Recoverability of tax assets.

Given the uncertainty in the economic environment caused by Covid-19, the Group has analysed the estimates made to date where there was an indication of impairment and modified those it deemed relevant.

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 2020, 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 balance sheet, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement 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

As a consequence of the situation caused by Covid-19, government measures taken worldwide to mitigate the spread of the pandemic have had a significant impact on the Group. These measures resulted in the Group temporarily closing establishments in the majority of its locations for a period of time, as well as significant falls in the business's operations and the uncertainties associated with how the situation evolves. These annual accounts have been prepared in accordance with the going concern principle as the Group has implemented crisis management organisational measures to ensure business continuity, both individually (management of contagion or isolation situations), and collectively.

These measures include actions focused on the temporary downsizing of existing resources as well as renegotiating lease contracts and other actions focused on minimising the impacts of the situation.

Likewise, to strengthen the Group's liquidity, various medium- and long-term financing operations have been signed. Amongst these, a syndicated loan of 250,000 thousand euros in April 2020 over 3 years with a partial guarantee from the Official Credit Institution (ICO) and the renegotiation of the syndicated credit line for 236,000 thousand euros in October 2020, whose maturity was extended until March 2023, stand out. Refinances of the finance lines were also signed, which were previously short-term, extending their maturities to terms between 3 and 5 years, also within the framework of ICO guarantees. Various bilateral loans were also formalised. Moreover, negotiations were carried out with the loan institutions for the syndicated credit line of 236,000 thousand euros and the syndicated loan of 250,000 thousand euros for the temporary waiver of measuring financial ratios (covenants), ensuring, in this way, the availability of both instruments (Note 13).

Therefore, assuming a gradual reactivation of the business and scientific progress in relation to Covid-19 that facilitates a gradual return to normality during 2021 and subsequent years, the Group considers it has sufficient resources to meet future obligations in the next 12 months.

3.- PROPOSED DISTRIBUTION OF PROFITS

The Company's directors will propose to the General Shareholders' Meeting that the losses for the year ended 31 December 2020 be recognised under "Losses from Previous Years" to be offset in future years.

Furthermore, on 25 February 2020, the Board of Directors agreed the following proposal for application of the profit/loss (in thousands of Euros) for the financial year ended on 31 December 2019:

	2019
To legal reserve	15,894
To voluntary reserves	84,275
To dividends distribution	58,771
Total	**158,940**

On 28 April 2020, in light of the Covid-19 situation, the Company's Board of Directors agreed to withdraw the proposal that considered the distribution of a gross dividend of 0.15 euros per share. The Board Meeting also decided that, on the call of the Shareholders' Meeting, it would prepare an alternative proposal adjusted to the new situation, making the statement of the auditor to which Article 40 6 bis of Royal Decree-Law 8/2020 refers available to shareholders. This was duly communicated as Privileged Information to the National Securities Market Commission on 28 April 2020 and registration number 194.

In light of the foregoing, the General Shareholders' Meeting on 16 July 2020 approved, among other items, the new proposal detailed below:

	2019
To legal reserve	15,894
To voluntary reserves	143,046
Total	**158,940**

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 8.1).

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 balance sheet includes, essentially, the following:

i) 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.

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

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-e.

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.

The capitalisation of the production cost occurs through the heading "Work carried out by the company for its assets" in the profit and loss account. Ancillary income obtained during the testing and implementation period is recognised as a reduction in the costs incurred.

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
Plant and machinery	10 - 12
Other plant, fixtures and furniture	4 - 10
Other Fixed assets	4 - 5

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

The 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) Non-current assets classified as held for sale

Under this heading, the Company recognises non-current assets or disposable groups of items, whereby the book value will be recovered mainly through a sales transaction, rather than through continued use. To classify non-current assets or disposable groups of items as held for sale, they must be available, in their current conditions, for immediate disposal, subject exclusively to the usual and customary terms of sales transactions, and it is also necessary that the asset derecognition is considered highly probable.

Non-current assets classified as held for sale are valued at their historical cost, which in all cases is less than their fair value less selling expenses. For the measurement of fair value, the investment book value plus the amount of the existing unrealised gains of the assets owned by these companies, supported by valuations carried out by independent experts, have been taken into account.

Gains from increases in fair value less costs to sell are recognised in profit or loss, up to the limit of accumulated impairment losses previously recognised, either by measuring at fair value less costs to sell or by impairment losses recognised prior to classification.

The Company values non-current assets that are no longer classified as held for sale or that are no longer part of a disposable group of items, at the lower of their book value prior to their classification, less any amortisation or depreciation that would have been recognised had they not have classified as such, and the recoverable value on the date they are reclassified. Evaluation adjustments derived from said reclassification are recognised in gains or losses from continuing operations.

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

The Company follows the criterion of annually evaluating the existence of signs that could reveal the potential impairment of non-financial assets subject to amortisation or depreciation, so as to verify whether the book value of the aforementioned assets exceeds their recoverable value, understood as the greater of its fair value, less costs to sell, and its value in use.

Impairment losses are recognised in the income statement.

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

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. The Company considers a CGU to show signs of impairment if it meets the following conditions, among others: it has negative operating results and its business is stable (i.e., this does not apply to recently opened hotels until, usually, 3 years after they open).

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.

As an exception, given the current economic situation as a result of the pandemic caused by Covid-19, analyses have been carried out to determine if there is any impairment to the CGUs as a whole.

The value in use of each CGU is determined discounting its future cash flows. These are estimated based on the result for the year and the records of at least five previous years. Given the uncertainty stemming from the current economic environment, macroeconomic information from external information sources has been analysed and with Group Management's business knowledge, different evolution and forecast possibilities have been made on the most likely basis, taking the effect of the pandemic into account.

The evolution of the key assumptions in the analysed hotels has taking the business knowledge of the Company's Management into account as well as the expected recovery of the sector after the Covid-19 pandemic. In this regard, the assumed projections are based on the Management's budget for 2021, which assumes a dramatic fall in revenues compared to 2019 due to the negative effect that the Covid-19 pandemic has had on tourism, one of the most affected sectors. It is estimated that the loss of business in 2020 will be recovered in the next three years, beginning in the second half of 2021 once mobility restrictions are eased as vaccination progresses and therefore consumer confidence recovers.

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.
- Estimate of GDP (Gross Domestic Product) growth issued by the International Monetary Fund (IMF) in its report published in October of each year for the next five years.

- 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.
- Staff costs are calculated based on the average staff costs with a growth in the inflation index (CPI).
- Direct expenses are directly associated with each of the revenues and are projected on the basis of an average ratio, while undistributed expenses are projected based on the average ratio between these and direct expenses.
- Tax costs are calculated based on the applicable tax rates.

For the calculation of the discount rate the Weighted Average Cost of Capital (WACC) methodology has been applied: 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 Financial Debt
E: Own Funds
D: Financial Debt
T: Tax Rate

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

The main variables used to calculate the discount rate are as follows:

- Risk-free rate: is obtained from the standard average profitability of state bonds in each country including an adjustment for country risk and an inflation differential where appropriate.
- Market risk premium: defined as 6.5% (6.8% in 2019), based on market reports.
- Beta or systematic risk: Using a sample of listed companies whose businesses are comparable to our business, the sector's risk differential is estimated in relation to the average risk on the global market. In addition, the adjusted average financial structure of the aforementioned sample of companies was considered (63% Own Funds, 37% Debt) to calculate the re-leveraged beta coefficient, as well as the relevant tax rate in each country.
- Cost of debt, estimated as an average spread over the Euribor from 12 months to 10 years.

The discount rate after tax applied by the Company for this purpose is 8.14% (6.88% in 2019). 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 10.6% (9.3% in 2019).

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.

If the recoverable value of an asset is estimated to be less than its book value, the asset's book value is reduced to its recoverable amount, and the related write-down is recognised in the income statement.

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

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

f) 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 balance sheet.

In February 2021, the Accounting and Auditing Institute published a query whereby if rent concessions have been negotiated within the framework of renegotiations due to Covid-19, it is not necessary that they 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 records the savings obtained from the renegotiations derived from Covid-19, as a lower rent expense (See note 7).

g) Financial instruments

1) Financial assets

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

- Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in a two-way market.
- Guarantees offered as a result of the lease contracts are basically valued following the criteria set out in financial assets. The difference between the amount delivered and the fair value is recognised as an advance payment that is charged to the income statement during the lease period. Advances whose application will take place in the long term are subject to financial updating at the end of each year based on the market interest rate at the time of their initial recognition.
- Investments in the equity of the Company's group companies, associates and jointly controlled entities: 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.
- Financial assets held for sale These include debt securities and equity instruments of other companies that are not classified in any of the previous categories.
- Financial assets held for trading: those acquired with a view to disposing of them in the short term or those that are part of a portfolio where evidence exists of recent actions with this goal. This category also includes financial derivatives that are not finance guarantees (e.g. sureties) or those designated as hedging instruments.

Initial measurement –

Financial assets are initially recognised at the fair value of the consideration given, plus any directly eligible transaction costs.

Subsequent measurement –

Loans and receivables are measured at amortised cost.

Investments in companies of the Company, associates and multi-group are initially recognised at cost, which is equivalent to the fair value of the consideration given, including the transaction costs incurred for investments in associates and multi-group and are subsequently valued at cost, less the cumulative value adjustments for impairment.

Assets held for sale are valued at its fair value, registering in net equity the result of any variation on said fair value, until the asset is sold or has suffered a definitive impairment, moment in which, said cumulated results are deemed to be registered in the income statement.

Financial assets held for trading are valued at their fair value, registering the result of changes in fair value in the income statement.

The Company deregisters financial assets when they mature, or when the rights to the financial asset's cash flows have been transferred, along with the inherent risks and benefits of ownership.

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

Impairment of financial assets –

A financial asset or group of financial assets is impaired and an impairment loss has occurred if there is objective evidence of impairment as a result of one or more events that occurred after the asset was initially recognised and the event or events causing the loss have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company follows the criteria of recording the appropriate valuation corrections due to impairment of loans and receivables, and debt instruments when there has been a reduction or delay in the estimated future cash flows due to insolvency of the debtor.

The impairment loss on financial assets valued at amortised cost is the difference between the book value of the financial asset and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the asset's original effective interest rate. For financial assets at a variable interest rate, the effective interest rate corresponding to the valuation date based on the contractual conditions is used. For debt instruments classified as held-to-maturity investments, the Company uses their market value, provided that it is sufficiently reliable to be considered representative of the value that it could recover.

The impairment loss is recognised with a charge to profit and loss and is reversible in subsequent years if the decrease can be objectively related to an event after its recognition. However, the reversal of the loss is limited to the amortised cost that the assets would have had, had the impairment loss 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.

For Investments in group companies, associates and multi-group as well as equity instruments valued at cost, the impairment calculation is determined by comparing the book value of the investment with its recoverable value, understood as the greater between its value in use and it fair value less costs to sell.

In this sense, the value in use is calculated based on the Company's shareholding in the present value of the estimated cash flows from ordinary activities and the final disposal or the estimated flows expected to be received from the distribution of dividends and the final disposal of the investment.

However, and in certain cases, unless there is better evidence of the recoverable amount of the investment, the equity of the investee company is taken into consideration when estimating the impairment on this class of asset, adjusted, where appropriate, to the Spanish generally accepted accounting principles that are applicable, corrected for the net tacit capital gains that exist on the valuation date. If the investee company forms a subgroup of companies, the equity that arises from the consolidated annual accounts is taken into account insofar as they are prepared and, if not, the equity of the individual annual accounts.

For these purposes, the book value of the investment includes any monetary item receivable or payable, the settlement of which is not contemplated nor likely to occur in the foreseeable future, excluding items of a commercial nature.

In subsequent years, impairment reversals are recognised to the extent that there is an increase in the recoverable value, up to the limit of the book value that the investment would have had, had the impairment had not been recognised.

The valuation correction for impairment on the investment is limited to its value, except where the Company has assumed contractual, legal or implicit obligations, or has made payments on behalf of the companies. In the latter case, a provision is recognised in accordance with the criteria set forth in section f (provisions).

Impairment losses on equity instruments measured at cost are not reversible and are therefore recorded directly against the value of the asset.

2) 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.

3) Financial liabilities

Financial liabilities include accounts payable by the Company 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.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

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.

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

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.

The company has contracted confirming operations with various financial entities to manage the payment to suppliers. Commercial liabilities whose settlement is managed by financial entities are shown under the heading "trade creditors and other accounts payable" on the balance sheet until the moment they are settled, cancelled or expire.

<u>Valuation techniques and assumptions applying to the measurement of fair value</u>

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).

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 cash flow statements, 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 cash flow statement 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.

At 31 December 2020 the Company recognised 176 thousand euros for this item (391 thousand euros for the previous year) (see Note 18-b).

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.

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 services 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 Balance Sheet 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) Cash flow statement

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

– Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

– Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

5.- INTANGIBLE ASSETS

The detail of the different items included under this heading and of the changes therein during the year are as follows (in thousands of euros):

	Balance at 01/01/2020	Inclusions	Retirements	Assignments (Note 6)	Balance at 31/12/2020
COST					
Rights of use	32,478	—	—	—	32,478
Concessions, patents and trademarks	1,353	108	—	(36)	1,425
Software applications	88,899	9,930	(8)	—	98,821
	122,730	**10,038**	**(8)**	**(36)**	**132,724**
ACCUMULATED AMORTISATION					
Rights of use	(25,553)	(1,558)	—	(2)	(27,113)
Concessions, patents and trademarks	(433)	(204)	—	6	(631)
Software applications	(56,605)	(12,828)	8	—	(69,425)
	(82,591)	**(14,590)**	**8**	**4**	**(97,169)**
Impairment	—	—	—	—	—
NET VALUE VALUE	**40,139**				**35,555**

	Balance at 01/01/2019	Inclusions	Retirements	Assignments (Note 6)	Balance at 31/12/2019
COST					
Rights of use	32,376	102	—	—	32,478
Concessions, patents and trademarks	1,012	341	—	—	1,353
Software applications	75,586	13,387	—	(74)	88,899
	108,974	**13,830**	**—**	**(74)**	**122,730**
ACCUMULATED AMORTISATION					
Rights of use	(23,930)	(1,617)	—	(6)	(25,553)
Concessions, patents and trademarks	(265)	(174)	—	6	(433)
Software applications	(42,813)	(13,798)	—	6	(56,605)
	(67,008)	**(15,589)**	**—**	**6**	**(82,591)**
Impairment	—	—	—	—	—
NET VALUE VALUE	**41,966**				**40,139**

The most significant additions in 2020 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 2020 and 2019, the Company had fully amortised intangible assets still in use, itemised as follows (in thousands of euros):

	Thousand euros	
	2020	2019
Usage rights, concessions, patents and brands	2,206	2,061
Software applications	38,437	22,198
Total	**40,643**	**24,259**

6.- TANGIBLE FIXED ASSETS

The detail of the different items of under this heading and the changes therein during the year are as follows (in thousands of euros):

	Balance at 01.01.20	Additions	Retirements	Transfers (Note 5)	Balance at 31.12.20
COST					
Land and buildings	**90,950**	—	—	4	**90,954**
Plant, machinery and equipment	**68,000**	601	(3,923)	(27)	**64,651**
Other plant, fixtures and furniture	**11,412**	489	(2,407)	160	**9,654**
Other fixed assets and assets under construction	**122**	185	(84)	(101)	**122**
	170,484	**1,275**	**(6,414)**	**36**	**165,381**
ACCUMULATED AMORTISATION					
Buildings	**(15,742)**	(1,811)	—	—	**(17,553)**
Plant and machinery	**(36,128)**	(3,621)	2,057	4	**(37,688)**
Other fixtures, tools Furniture and other fixed assets	**(6,646)**	(1,059)	1,684	(8)	**(6,029)**
	(58,516)	**(6,491)**	**3,741**	**(4)**	**(61,270)**
Impairment	—	(71)	110	(39)	—
NET VALUE VALUE	**111,968**				**104,111**

	Balance at 01.01.19	Additions	Retirements	Transfers (Note 5)	Balance at 31.12.19
COST					
Land and buildings	**90,950**	—	—	—	**90,950**
Plant, machinery and equipment	**63,570**	4,591	(490)	329	**68,000**
Other plant, fixtures and furniture	**10,327**	1,685	(703)	103	**11,412**
Other fixed assets and assets under construction	**353**	323	(200)	(354)	**122**
	165,200	**6,599**	**(1,393)**	**78**	**170,484**
ACCUMULATED AMORTISATION					
Buildings	**(13,931)**	(1,811)	—	—	**(15,742)**
Plant and machinery	**(33,126)**	(3,441)	439	—	**(36,128)**
Other fixtures, tools Furniture and other fixed assets	**(6,338)**	(981)	683	(10)	**(6,646)**
	(53,395)	**(6,233)**	**1,122**	**(10)**	**(58,516)**
Impairment	**(139)**	—	**139**	—	—
NET VALUE VALUE	**111,666**				**111,968**

The year's most significant additions relate to the renovation of certain Hotels, notably the NH Plaza de Armas.

The most significant derecognitions in the year correspond to the closure of NH Ciudad de Almería in December 2020 and the FF&E sale of NH Málaga.

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

	Thousand euros	
	2020	2019
Plant and machinery	18,358	17,307
Other fixtures, tools, furniture and others	2,808	3,225
Total	**21,166**	**20,532**

The heading related to Land and Buildings is broken down into Land at 50,659 thousand euros and Buildings at 40,295 thousand euros.

The Company has taken out insurance policies to cover the possible risks to which the different elements of its property, plant and equipment are subject and the claims that may be filed against it for conducting its business activities. It is understood that such policies sufficiently cover the risks to which the Company is exposed.

At 31 December 2020, there are 2.3 thousand euros in firm commitments to purchase fixed assets (841 thousand euros in 2019).

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:

Thousand euros	Discounted value	
	2020	**2019**
Less than a year	5,249	6.435
between two and five years	13,499	15.895
More than five years	3,857	6.091
Total	**22,605**	**28.421**

The current value of the rental payments has been calculated by applying a discount rate in keeping with the Company's weighted average cost of capital and includes the commitments which the Company estimates will have to be met in the future to guarantee a minimum return from hotels operated under a management agreement.

The operating lease payments recognised as an expense in the year came to 7,714 thousand euros (9,205 thousand euros in 2019), almost entirely consisting of the hotel lease payments (see Note 18-c). The rental expenses amount includes the impact of the savings achieved by the Company in the framework of renegotiations due to Covid-19 and amounting to 1,775 thousand euros, according to the query published by the Institute of Accounting and Auditors in February 2021.

The term of the operating leases arranged by the Company ranges from 5 to 17 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:

	Thousand euros	
	2020	**2019**
Minimum lease payments	7,693	8,868
Contingent expenses	21	337
Income from leases and subleases	3,412	11,761

8.- LONG TERM INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES AND FINANCIAL INVESTMENTS

8.1- Group companies, jointly-controlled entities and associates

The most significant information in relation to Group companies, jointly controlled entities and associates is as follows:

		2020 - Thousand euros					
Company/ Registered address /Activity	Direct shareholding	Capital	Profit (Loss)	Other equity items	Shareholders' Equity	Cost	Provision
Group Companies:							
NH Italia, S.p.A./Valdagno/Hotel	51%	233,847	(46,520)	183,224	370,551	300,139	(31,930)
NH Europa, S.A./Madrid/Holding	100%	100,743	(209,767)	671,969	562,945	973,359	—
Latinoamericana De Gestion Hotelera, S.A./Madrid/Holding	100%	104,036	(76,223)	82,053	109,866	179,217	(71,136)
NH Hoteles España, S.A./Madrid/Hotel	100%	177,059	(60,372)	14,665	131,352	351,839	(75,426)
NH Central Reservation Office, S.L/Madrid/Call Centre	100%	7,700	(1,197)	2,831	9,334	31,665	(25,275)
NH Cash Link, S.L.U./Madrid/Financial	100%	3	—	82,121	82,121	82,121	—
Capredo Investments GmbH/Switzerland/Holding	100%	37	—	12,536	12,573	9,066	—
Roco Hospitality Group S.R.L./Venice/Hotel	51%	10	(10,583)	(5,436)	(16,010)	9,280	—
Others						2,288	—
Associates:							
Sotocaribe S.L/Madrid/Holding	36%	61,082	(1,549)	116,024	175,558	49,476	(9,069)
Total						1,988,450	(212,836)

		2019 - Thousand euros					
Company/ Registered address /Activity	Direct shareholding	Capital	Profit (Loss)	Other equity items	Shareholders' Equity	Cost	Provision
Group Companies:							
NH Italia, S.p.A./Valdagno/Hotel	51%	233.847	33.535	147.677	415.059	300.245	—
NH Europa, S.A./Madrid/Holding	100%	100.743	84.916	587.061	772.720	973.359	—
Latinoamericana De Gestion Hotelera, S.A./Madrid/Holding	100%	104.036	(13.203)	95.256	186.089	179.217	—
NH Hoteles España, S.A./Madrid/Hotel	100%	177.059	26.936	(81.034)	122.961	351.759	—
NH Central Reservation Office, S.L/Madrid/Call Centre	100%	7.700	894	2.005	10.599	31.665	(24.010)
NH Cash Link, S.L.U./Madrid/Financial	100%	3	—	82.121	85.124	82.121	—
Others						2.205	—
Total						1.920.571	(24.010)

The changes in "Investments in Group Companies" in 2020 are as follows (in thousands of euros):

Company/ Registered address /Activity	Cost					Provision					Net
	Net 01/01/2020	Additions	Retirements	Transfers	Net 31/12/2020	Net 01/01/2020	Additions	Retirements	Transfers	Net 31/12/2020	Net 31/12/2020
Group Companies:											
NH Italia, S.p.A./Valdagno/Hotel	300,245	—	(106)	—	300,139	—	(31,930)	—	—	(31,930)	268,209
NH Cash Link, S.L.U./Madrid/Financial	82,121	—	—	—	82,121	—	—	—	—	—	82,121
NH Europa, S.L./Madrid/Holding	973,359	—	—	—	973,359	—	—	—	—	—	973,359
Latinoamericana De Gestion Hotelera, S.A./Madrid/Holding	179,217	—	—	—	179,217	—	(71,136)	—	—	(71,136)	108,081
NH Hoteles España, S.L/Madrid/Hotelera	351,759	80	—	—	351,839	—	(75,426)	—	—	(75,426)	276,413
NH Central Reservation Office, S.L/Madrid/Call Centre	31,665	—	—	—	31,665	(24,010)	(1,265)	—	—	(25,275)	6,390
Capredo Investments GmbH/Switzerland/Holding	—	—	—	9,066	9,066	—	—	—	—	—	9,066
Roco Hospitality Group S.R.L./Venice/Hotel	—	9,280	—	—	9,280	—	—	—	—	—	9,280
Others	2,205	83	—	—	2,288	—	—	—	—	—	2,288
Associates:											
Sotocaribe S.L/Madrid/Holding	—	5,939	—	43,537	49,476	—	—	—	(9,069)	(9,069)	40,407
Total	**1,920,571**	**15,382**	**(106)**	**52,603**	**1,988,450**	**(24,010)**	**(179,757)**	**—**	**(9,069)**	**(212,836)**	**1,775,614**

The changes in "Investments in Group Companies" in 2019 are as follows (in thousands of euros):

Company/ Registered address /Activity	Cost				Provision				Net
	Net 01/01/2019	Additions	Retirements	Net 31/12/2019	Net 01/01/2019	Additions	Reversals	Net 31/12/2019	Net 31/12/2019
Group Companies:									
NH Italia, S.p.A./Valdagno/Hotel	300,250	—	(5)	300,245	—	—	—	—	300,245
NH Finance, S.A./Luxembourg/Financial	80,508	31	(80,539)	—	—	—	—	—	—
NH Cash Link, S.L.U./Madrid/Financial	—	82,121	—	82,121	—	—	—	—	82,121
NH Europa, S.L./Madrid/Holding	973,359	—	—	973,359	—	—	—	—	973,359
Latinoamericana De Gestion Hotelera, S.A./Madrid/Holding	179,217	—	—	179,217	—	—	—	—	179,217
NH Hoteles España, S.L/Madrid/Hotelera	351,382	377	—	351,759	—	—	—	—	351,759
NH Central Reservation Office, S.L/Madrid/Call Centre	31,663	2	—	31,665	(24,918)	—	908	(24,010)	7,655
Beijing NH Grand China Hotel Management Co, Ltd/China/Hotel	4,421	—	(4,421)	—	(2,518)	—	2,518	—	—
Others	1,528	677	—	2,205	—	—	—	—	2,205
Total	**1,922,328**	**83,208**	**(84,965)**	**1,920,571**	**(27,436)**	**—**	**3,426**	**(24,010)**	**1,896,561**

The main additions are:

At year-end 2020, the Company stopped recording the companies Sotocaribe, S.L. and Capredo Investments, GmbH as non-current assets classified as held for sale. Given the uncertainty associated with these sales processes, the Group has decided to reclassify these investments to Long-term investments in group companies and associates.

On 7 September 2020, the Company acquired 50.5% of the shares of Roco Hospitality Group, S.R.L., which is part of the "Boscolo Hotels" Group.

In 2019, 100% of the shareholding in "NH Finance, S.A." was ceded to "NH Cash Link, S.LU" for 82,121 thousand euros.

8.2- Long-term financial investments

The breakdown of this item at 31 December for the year is as follows:

	Thousand euros	
	2020	**2019**
Guarantees	1,329	1.278
Others	31	18
Total	**1,360**	**1.296**

9.- NON-CURRENT ASSETS HELD FOR SALE, LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In accordance with recognition and measurement standard nº 7 of the Spanish GAAP, "Non-current assets classified as held for sale and discontinued operations" (see Note 4.d), the Company has classified non-strategic assets under this heading which, pursuant to the Strategic Plan, are undergoing divestment with committed sales plans.

The assets classified as held for sale, after deducting their liabilities, were measured at the lower of their carrying amount and the expected sales price minus costs.

Specifically, at year-end 2019, the Company had the shareholdings in Sotocaribe, S.L and Capredo Investments GmbH classified as discontinued operations; these companies represented the entirety of the Group's property activity. Given the uncertainty associated with these sales processes, the Group has decided to reclassify these investments to Long-term investments in group companies and associates (Note 8.1).

The significant data in relation to these assets at 31 December 2019 is as follows:

Company	Direct shareholding	Thousand euros					
		Capital	Profit (Loss)	Other equity items	Shareholders' Equity	Cost	Provision
Sotocaribe, S.L.	35.5%	61,082	74	96,465	157,621	43,537	(3,481)
Capredo Investments GmbH	100%	40	35	16,874	16,949	9,066	—
Total						**52,603**	**(3,481)**

As a result of the fair value analysis of the investment in Sotocaribe, S.L., an impairment of 3,481 thousand euros was recorded in 2019 under "Impairment and gains or losses on disposals of financial instruments" in the income statement.

For the same reason, the existing account receivable with this Company at the end of 2019 was impaired (See Note 17).

10.- 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 Company's liquidity position at 31 December 2020 is based on the following points:

- The Company has cash and cash equivalents amounting to 10.901 thousand euros.
- Available undrawn credit lines of 17,000 thousand euros (See Note 13).

As at 31 December 2020, there were no restrictions on the receipt of dividends distributed by the companies in which the Parent Company holds a direct or indirect minority shareholding other than the legally established regulations on the distribution of dividends.

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.

11.- EQUITY AND OWN FUNDS

a) Subscribed capital

NH Hotel Group, S.A. share capital at 31 December 2019 and 2020 comprised 392,180,243 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 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:

	31/12/2020	31/12/2019
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 2020.

On the other hand, the General Shareholders' Meeting on 13 May 2019 approved, among other items, the proposed distribution of dividends. It therefore decided to draw from the profits of the year ended 31 December 2018 and distribute a dividend of 15 euro cents gross per share in the Company with the right to receive it, outstanding on the date of the payment; all according to the following schedule:

i. Last date of trading with dividend: 11 June 2019
ii. Ex-dividend date: 12/06/2019
iii. Registration date: 13/06/2019
iv. Payment date: 14 June 2019 for 53 million euros and 3 July for 5.2 million euros.

This dividend was distributed through the companies with shares in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR), with powers granted for this purpose to the Board of Directors, with express powers of substitution, so that after checking for compliance with obligations under the finance contracts of the Company, the Board will designate an entity to act as paying agent and will perform the other necessary or advisable actions for a satisfactory distribution. The total amount distributed as dividends was 58,771 thousand euros.

c) Share premium

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

The Consolidated Text of the Spanish Corporations Law expressly allows the balance of this reserve to be used to increase the capital and imposes no restrictions on the availability of said balance.

d) Legal reserve

In accordance with the Consolidated Text of the Spanish Corporations Law, 10% of the net profit for each year must be allocated to the legal reserve until it reaches at least 20% of share capital. The legal reserve may be used to increase capital provided the remaining balance does not fall below 10% of the increased capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At 31 December 2020 and 2019, the Company's legal reserve was not fully constituted.

e) Restricted reserves

Reserves totalling 367 thousand euros at 31 December 2020 (1,647 thousand euros at 31 December 2019) could not be distributed, as this figure corresponds to own shares.

f) Treasury shares

At 31 December 2020, the Company had 103,947 own shares, compared to 374,464 own shares at 31 December 2019. The evolution in treasury shares over the period can be explained by the following movement:

- In the 2020 financial year, the first cycle of the second long-term incentive plan was settled (Note 25). For the settlement of this second cycle a purchase of 110,350 treasury shares was made. The total amount of shares delivered has been 401,638 shares, valued at 1,525 thousand euros.

- On 10 April 2019, the Company 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 is 103,947 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2019, the number of shares assigned to the liquidity contract was 83,176 shares. The negative effect recorded in reserves for operations carried out in 2020 was 245 thousand euros.

12.- PROVISION FOR RISKS AND EXPENSES

The detail of "Provisions for Risks and Expenses" is as follows:

	Thousand euros	
	2020	2019
Provisions for risks and non-current expenses:		
Provision for pensions and similar obligations	519	427
Provision for liabilities	1,762	4.045
	2,281	**4.472**
Provisions for risks and current expenses:		
Provision for other liabilities	—	4.180
	—	**4.180**

Provision for liabilities

In 2020, the long-term "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 (see Note 16).

13.- FINANCIAL DEBT - LONG AND SHORT TERM

13.1 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:

	Thousand euros			
	2020		2019	
	Long-term	Short-term	Long-term	Short-term
Guaranteed senior bonds maturing in 2023	356,850	—	356,850	—
Borrowing costs	—	3,308	—	3,308
Arrangement expenses	(4,859)	(1,753)	(6,612)	(2,166)
Debt instruments and other marketable securities	**351,991**	**1,555**	**350,238**	**1,142**
Secured credit line	236,000	—	—	—
Unsecured loans	260,959	6,541	—	—
Subordinated loans	40,000	—	40,000	—
Credit lines	5,000	12,000	—	—
Arrangement expenses	(2,582)	(1,675)	(1,050)	(785)
Borrowing costs	—	3,265	—	96
Bank borrowings	**539,377**	**20,131**	**38,950**	**(689)**
Total	**891,368**	**21,686**	**389,188**	**453**

Secured senior bonds maturing in 2023

On 23 September 2016 the Parent Company placed guaranteed senior bonds, which mature in 2023, at the nominal value of 285,000 thousand euros. The nominal yearly interest rate for said issuance of notes is 3.75%. On 4 April 2017, the parent company issued an extension of guaranteed senior bonds maturing in 2023 for a nominal amount of 115,000 thousand euros with an implicit cost until maturity of 3.17%. The outstanding nominal amount at 31 December 2020 is 356,850 thousand euros (see the heading "Depreciation and Amortisation 2018").

Depreciation and Amortisation 2018

As a result of the change of control and as established in the voluntary repurchase and early redemption offer of its senior secured bond issue maturing in 2023 (the "Bonds") due to the change of control, requests were received for the repurchase and redemption of bonds for a nominal amount of 3,150 thousand euros.

The bond repurchase offer was settled on 12 November 2018, the date on which the Company paid an aggregate amount of 3,195 thousand euros to the bondholders, who accepted the offer as a whole:

- Nominal paid in advance: 3,150 thousand euros
- Unpaid accrued interest: 13,5 thousand euros
- Amount of the repurchase premium: 31.5 thousand euros

On 14 December 2018, the Company carried out the partial voluntary early redemption, for a nominal amount of 40,000 thousand euros (representing 10% of its original total amount), of the senior secured bond issue maturing in 2023 (the "Bonds"), by means of a linear pro rata reduction of the nominal value of all the bonds in circulation. The Bonds were redeemed early through the payment of approximately 103.760% of the nominal value of the Bonds being redeemed, including:

- Nominal paid in advance: 40,000 thousand euros
- Unpaid accrued interest: 304,2 thousand euros
- Amount of the repurchase premium: 1,200 thousand euros

The Company paid the partial redemptions from available cash.

Secured credit line

On 22 September 2016, the Parent Company and NH Finance, S.A. entered into a revolving business credit with credit institutions amounting to 250,000 thousand euros ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior notes maturing in 2019. As a consequence of the refinancing and early payments 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.

At 31 December 2020, this financing was fully drawn down.

Unsecured loans

- **Syndicated ICO backed loan maturing in 2023**

On 29 April 2020, the Parent Company formalised a syndicated loan for 250,000 thousand euros with a three-year term and 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.

At 31 December 2020, this financing was available in full.

– **Other non-guaranteed loans**

Throughout 2020, and as a consequence of the crisis caused by Covid19, the parent company has taken advantage of government aid in different countries to formalise two additional loans:

- In May 2020, the Parent Company signed a bilateral loan for 10,000 thousand euros over two years, within the legal framework established by the Spanish state to mitigate the economic impact of Covid19 and thus receiving the ICO guarantee.

- In July 2020, the Parent Company signed a bilateral loan for 7,500 thousand euros over three years, within the legal framework established by the Spanish state to mitigate the economic impact of Covid19 and thus receiving the ICO guarantee.

Subordinated loan

A loan amounting to 40,000 thousand euros fully drawn at 31 December 2020 and with a single maturity and repayment in 2037, are included in this item. The interest rate of these loans is the 3-month Euribor plus a spread.

Credit lines

At 31 December 2020, 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 2020 amounted to 34,000 thousand euros, of which 17,000 thousand euros had been drawn down at that date.

Obligations required in the senior notes contracts maturing in 2023, the syndicated credit line and the syndicated loan with ICO guarantee maturing in 2023.

The senior notes maturing in 2023 and the syndicated credit line require the fulfilment of a series of obligations and limitations of essentially homogeneous content as regards the assumption of additional borrowing or provision of guarantees in favour of third parties, the granting of real guarantees on assets, the sale of assets, investments that are permitted, restricted payments (including the distribution of dividends to shareholders), transactions between related parties, corporate transactions and disclosure obligations. These obligations are detailed in the issue prospectus for the aforementioned notes, as well as in the credit agreement of the syndicated credit line.

Additionally, the syndicated credit line requires compliance with financial ratios; in particular (i) an interest coverage ratio of > 2.00x, (ii) a net indebtedness ratio of < 5.50x, and (iii) a Loan to Value ("LTV") ratio which, as a result of the redemption of the 2019 senior secured obligations due in 2017, depends on the level of NH's indebtedness at any given time as indicated below:

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

The maximum permitted LTV at 31 December 2020 is 70%.

Moreover, the syndicated loan with the ICO guarantee maturing in 2023 requires compliance with financial ratios; in particular, (i) an interest coverage ratio of $\geq$ 2.00x, (ii) a net indebtedness ratio of $\leq$ 5.50x

In addition to the waiver obtained in June 2020 for compliance with the financial covenants included in the syndicated credit line for June and December 2020, unanimous approval was obtained from the financial lenders for said waiver to be extended until June 2021. This waiver until June 2021 has also been extended to the syndicated ICO backed loan maturing in 2023.

Package of guaranteed senior bonds maturing in 2023 and syndicated credit line

The guaranteed "senior" bonds maturing in 2023 and syndicated credit line (drawn down in full at 31 December 2020) 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 propiedad de Koningshof, B.V.; NH Conference Centre Leeuwenhorst propiedad de Leeuwenhorst Congres Center, B.V.; NH Zoetermeer propiedad de Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.; NH Conference Centre Sparrenhorst propiedad de Sparrenhorst, B.V.; NH Capelle propiedad de Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.; y NH Naarden propiedad de Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, 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 of 236,000 thousand euros (drawn down at 31 December 2020) and guaranteed senior notes in the amount of 356,850 thousand euros, maturing in 2023, can be broken down as follows (in thousands of euros):

	Mortgaged asset	Net book value of the mortgaged asset
	NH Conference Centre Leeuwenhorst	58,049
	NH Conference Centre Koningshof	41,469
	NH Conference Centre Sparrenhorst	8,200
	NH Zoetermeer	7,350
	NH Naarden	9,700
	NH Capelle	6,164
Total		130,932
Net value of assets assigned as mortgage collateral		**130,932**
Value of guaranteed debt		**592,850**
Fixed interest		**356,850**
Variable interest		**236,000**

Limitation on the distribution of Dividends

The guaranteed "senior" bonds maturing in 2023, the syndicated credit line and the ICO backed syndicated loan maturing in 2023 described above contain clauses limiting the distribution of dividends.

In the case of the senior bonds maturing in 2023, the distribution of dividends is generally permitted provided that (a) the interest coverage ratio is > 2.0x and (b) the sum of restricted payments (including dividends and repayment of subordinated debt) made since 8 November 2013 is less than the sum of, amongst other items, (I) 50% of NH's consolidated net income (even though in the calculation of net income,100% of consolidated net losses must be deducted) from 1 July 2013 to the date of the last quarterly accounts available (this is what is known as the CNI Builder) and, (ii) 100% of the net contributions to NH’s capital from 8 November 2013.

Additionally, as an alternative and without having to be in compliance with the previous condition: (i) in the case of bonds maturing in 2023, NH may distribute dividends provided that the leverage ratio (gross debt/ EBITDA) does not exceed 4.5x.

Finally, and also alternatively and without having to be concurrent with the previous ones, the notes maturing in 2023 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 as of November 2013.

In the case of the syndicated credit line and as a consequence of its maturity being extended until March 2023, as agreed in October 2020, the distribution of dividends is not allowed for the 2021 financial year.

From 2022 onwards, according to the syndicated credit line and the ICO backed loan maturing in 2023, 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 financing agreement and the Net Financial Debt (through the Dividend payment) / EBITDA Ratio is less than 4.0x.

The maximum percentage of consolidated net profit to distribute will depend on the Net Financial Debt (pro forma on the payment of the Dividend) /EBITDA Ratio according to 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 2020, the requirements for the distribution of dividends this year were not 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 31/12/2020				Maturity schedule						
Figures in millions of euros	Limit	Available	Disposed	2020	2021	2022	2023	2024	2025	Remainder
Subordinated loans	**40,000**	—	**40,000**	—	—	—	—	—	—	**40,000**
Variable interest	40,000	—	40,000	—	—	—	—	—	—	40,000
Guaranteed senior notes mat. in 2023	**356,850**	—	**356,850**	—	—	—	**356,850**	—	—	—
Fixed rate	356,850	—	356,850	—	—	—	356,850	—	—	—
Unsecured loans	**267,500**	—	**267,500**	—	**6,541**	**8,744**	**252,215**	—	—	—
Fixed rate	7,500	—	7,500	—	1,541	3,744	2,215	—	—	—
Variable interest	260,000	—	260,000	—	5,000	5,000	250,000	—	—	—
Secured credit line	**236,000**	—	**236,000**	—	—	—	**236,000**	—	—	—
Variable interest	236,000	—	236,000	—	—	—	236,000	—	—	—
Credit lines	**34,000**	**17,000**	**17,000**	—	**12,000**	—	**3,000**	—	**2,000**	—
Variable interest	34,000	17,000	17,000	—	12,000	—	3,000	—	2,000	—
Borrowing at 31/12/2020	**934,350**	**17,000**	**917,350**	—	**18,541**	**8,744**	**848,065**	—	**2,000**	**40,000**
Arrangement expenses	(10,869)	—	(10,869)	—	(3,428)	(4,123)	(2,934)	(30)	(30)	(324)
Borrowing costs	6,573	—	6,573	—	6,573	—	—	—	—	—
Adjusted total debt at 31/12/2020	**930,054**	**17,000**	**913,054**	—	**21,686**	**4,621**	**845,131**	**(30)**	**1,970**	**39,676**
Adjusted total debt at 31/12/2019	**681,141**	**291,500**	**389,641**	**453**	**(2,891)**	**(2,444)**	**354,910**	**(30)**	**(30)**	**39,673**

13.2 Other long-term financial liabilities

The balance this account at year-end is as follows (in thousands of euros):

	2020	2019
Acquisition of Capredo Investment GmbH (Note 8)	3,150	3.150
Others	331	242
Total	**3,481**	**3.392**

13.3. 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 and liquidity 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 10) and trade and other receivables. 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 Group's financial assets and liabilities are exposed to fluctuations in interest rates, which may have an adverse effect on its results and cash flows. 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 2020, approximately 40% of the gross borrowings was tied to fixed interest rates (90% in 2019).

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.

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

The Company's liquidity position in 2020 is based on the following points:

- The Company had cash and cash equivalents amounting to 10,901 thousand euros at 31 December 2020 (see Note 10).
- Available undrawn credit facilities amounting to 17,000 thousand euros at 31 December 2020.
- The capacity of the business units to generate positive cash flows from operations.

Lastly, the Company makes cash position forecasts on a systematic basis for each business unit and geographical area 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 and Hungary).
- 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 and Hungary).

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

The most significant balances in foreign currency in 2020, valued at the year-end exchange rate, is broken down as follows:

	Currency	Thousands of euros
Short-term investments in group companies and associates	ARS	2,566
Short-term investments in group companies and associates	BRL	132
Short-term investments in group companies and associates	CLP	1,607
Short-term investments in group companies and associates	COP	224
Short-term investments in group companies and associates	CZK	153
Short-term investments in group companies and associates	CHF	1,699
Short-term investments in group companies and associates	DOP	227
Short-term investments in group companies and associates	MXN	6,289
Short-term investments in group companies and associates	PLN	3
Short-term investments in group companies and associates	RON	3
Short-term investments in group companies and associates	USD	110
Short-term investments in group companies and associates	UYU	705
Short-term investments in group companies and associates	ZAR	1
Short-term investments in group companies and associates	THB	258
Short-term investments in group companies and associates	SGD	8
Short-term debts with group and associate companies	ARS	(34)
Short-term debts with group and associate companies	COP	(91)
Short-term debts with group and associate companies	DOP	(589)
Short-term debts with group and associate companies	GBP	(21)
Short-term debts with group and associate companies	MXN	(168)
Short-term debts with group and associate companies	ZAR	(6)
Short-term debts with group and associate companies	THB	(245)
Cash and cash equivalents	USD	645

The most significant balances in foreign currency in 2019, valued at the year-end exchange rate, is broken down as follows:

	Currency	Thousands of euros
Short-term investments in group companies and associates	ARS	3,123
Short-term investments in group companies and associates	BRL	117
Short-term investments in group companies and associates	CLP	1,900
Short-term investments in group companies and associates	COP	5,381
Short-term investments in group companies and associates	CZK	1
Short-term investments in group companies and associates	CHF	1,677
Short-term investments in group companies and associates	DOP	159
Short-term investments in group companies and associates	GBP	44
Short-term investments in group companies and associates	HUF	17
Short-term investments in group companies and associates	MXN	9,142
Short-term investments in group companies and associates	PLN	2
Short-term investments in group companies and associates	RON	8
Short-term investments in group companies and associates	USD	235
Short-term investments in group companies and associates	UYU	673
Short-term investments in group companies and associates	ZAR	3
Short-term debts with group and associate companies	ARS	(29)
Short-term debts with group and associate companies	COP	(148)
Short-term debts with group and associate companies	DOP	(612)
Short-term debts with group and associate companies	GBP	(302)
Short-term debts with group and associate companies	MXN	(86)
Short-term debts with group and associate companies	USD	(262)
Cash and cash equivalents	USD	4,200

Foreign currency transactions in the year were not significant.

14.- TAX POSITION

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 2020 tax period pay Corporation Tax 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 2020:

NH Hotel Group, S.A.	NH Europa, S.L.
Latinoamericana de Gestión Hotelera, S.L.	Atardecer Caribeño, S.L.
NH Central Reservation Office, S.L.	Hoteles Hesperia, 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**

	Thousand euros	
	2020	2019
Non-current receivables		
Deferred tax assets	34,279	35,284
Total	**34,279**	**35,284**
Current receivables		
Value Added Tax	5,572	2,566
Current tax assets	7,810	8,141
Others	24	27
Total	**13,406**	**10,734**

***Tax* payables**

	Thousand euros	
	2020	2019
Non-current payables		
Deferred tax liabilities	4,906	5,077
Total	**4,906**	**5,077**
Current payables		
Retentions	511	654
Social Security	522	574
Others	369	51
Total	**1,402**	**1,279**

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):

	Thousand euros	
	2020	**2019**
Accounting profit before tax	(225,924)	150,640
Adjustments to accounting profit (loss):		
Due to permanent differences	189,879	(196,542)
Due to temporary differences	(2,220)	534
Individual taxable base	**(38,265)**	**(45,368)**
Bases provided by the tax consolidated companies	(47,888)	35,645
Previous tax base of the Tax Group	**(86,153)**	**(9,723)**
Carryforwards for negative tax bases before consolidation	—	—
Set-off for negative tax bases	—	—
Tax base of the Tax Group	**(86,153)**	**(9,723)**
Settled rate (25%)	—	—
Double taxation relief	—	—
Non-activated deductions used in the year	—	—
Withholdings and payment by instalments	30	8,141
Current taxes to be refunded / (to pay)	**30**	**8,141**
Previous years' taxes to be refunded	**7,780**	**—**
Total taxes to be refunded/(paid)	**7,810**	**8,141**

The permanent differences relate mainly to the removal of provisions in the accounting portfolio, non-deductible financial expenses calculated in accordance with article 16 of the Corporation Tax Law and reversal of impairments of shares which were tax-deductible in tax periods before 2013 and which, as from 1 January 2016, must be reversed at a minimum annual amount on a straight-line basis over five years. In relation to the impairment reversal, in 2020 the Tax Group added approximately 31 million euros in its taxable base as the minimum annual reversion amount, of which 3.6 million euros relates to the Company.

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:

	2020	2019
Accounting profit before tax	(225,924)	150,640
Permanent differences	189,879	(196,542)
Temporary differences	(2,220)	534
Adjusted tax base	**(38,265)**	**(45,368)**
Current tax attributable to the company	1,537	9,201
Deferred tax	(555)	133
Regularisation of tax from the previous year	(904)	—
De-recognition of assets and liabilities	—	87
Taxes paid overseas	(440)	(121)
Others	122	(1,000)
Total tax (expense)/income recognised in the income statement	**(240)**	**8,300**

The current tax attributed to the company is that which results once the full bases contributed by the consolidated tax companies have been considered.

Deferred tax assets

The changes in this account are as follows:

	Thousand euros	
Deferred tax assets	2020	2019
Balance at beginning of year	**35,284**	**95,166**
Tax credit offsets	(263)	(27)
Application of capitalised deductions	—	(92)
Temporary differences	(742)	48
Tax credit impairment	—	(5,587)
Other movements	—	(54,224)
Balance at end of year:	**34,279**	**35,284**

Detail of the balance on deferred tax assets	Thousand euros 2020	2019
Negative tax bases	24,187	24,450
Deductions	554	554
Others	9,538	10,280
Balance at end of year:	**34,279**	**35,284**

The change in balance in relation to the negative tax bases corresponds to the of these credits due to the partial verification process to reduce the taxable base of revenues from certain intangible assets referred to in article 23 of the Corporation Tax Law for the years 2016 to 2018.

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 2020, the Company had assets resulting from tax losses and deductions amounting to 24,741 thousand euros (25,004 thousand euros in 2019). At 31 December 2020, 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 balance sheet.

Tax credits generated by the consolidated tax group

At 31 December 2020, the Tax Group had the following negative tax bases pending offsetting:

Financial year	Amount
2009	59,712
2010	18,313
2011	25,909
2012	131,570
2013	12,763
2014	80,125
2015	14,905
2019	14,549
2020	86,153
Total	**443,999**

Of the previous total, 134,329 thousand euros corresponds to tax losses not recorded.

At 31 December 2020, the Tax Group has uncapitalised tax credits of 139,756 thousand euros (112,186 thousand euros at 31 December 2019) under the following concepts:

	Thousands of euros	
	2020	2019
Finance costs and negative tax bases		
Non-deductible finance costs by the Tax Group	205,337	191,799
Negative tax bases generated by the Tax Group	134,329	43,351
Negative tax bases generated by the Spanish entities before inclusion in the Tax Group	102,813	102,813
Total base	**442,479**	**337,963**
Total rate	**110,620**	**84,491**
Tax Group deductions	29,136	27,695
Total non-activated tax credits	**139,756**	**112,186**

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:

	Thousand euros	
Deferred tax liabilities	2020	2019
Balance at beginning of year:	**5,077**	**5.905**
Deferral on reinvestment	(171)	(171)
Regularisation of balances	—	(657)
Balance at end of year:	**4,906**	**5.077**

Years open for review and tax audits

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

Tax	**Tax loss carryforwards**
Corporation	2014 - 2019
VAT	2017 - 2020
IRPF (personal income tax)	2017 - 2020
Non-resident Income Tax	2017 - 2020

In 2020, the Tax Administration finalised the partial verification process to reduce the taxable base of revenues from certain intangible assets referred to in article 23 of the Corporation Tax Law, which had begun in 2019 and covered the years 2016 to 2018. This verification by the Administration validated the application of the incentive, but amended some points of the calculation method.

The result of the verification was a cash outflow of 619 thousand euros for tax payable and interest. The verification has not resulted in sanctions being applied. Additionally, the verification has meant the use of activated tax credits by the company totalling 263 thousand euros. Given that the company had recorded a provision of 1 million euros in the previous tax year, the impact on the corporation tax heading on the profit and loss account was income of 123 thousand euros.

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 2020, the Tax Group held the following tax credits carryforward (thousand euros):

Year Origin	Deduction pending application	Amount
2006 to 2011	Deduction to encourage certain activities	26,717
2014 to 2020	IT Deduction	2,089
2019 and 2020	Deduction for investments in the Canary Islands	631
2013 to 2014	Other	884
		30,321

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	**Revenue subject to deferral**	**Prior years**	**Year 2019**	**Amount pending**	**Last year of deferral**
1999	75,145	54,849	682	19,315	2049

This income was reinvested in the acquisition of buildings.

15.- INFORMATION ON AVERAGE PERIOD FOR PAYMENT TO SUPPLIERS

Below is the information required by the Third additional provision of Law 15/2010 of 5 July 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.

	2020	2019
	Days	
Average period for payment to suppliers	83	60
Ratio of paid transactions	81	61
Ratio of transactions pending payment	125	36
	Thousand euros	
Total payments made	65,006	102.170
Total payments pending	3,447	4.249

In accordance with the ICAC Resolution, for the calculation of the average period for payment to suppliers, the commercial transactions corresponding to the delivery of goods or provision or services rendered from the date of the entry into force of Law 31/2014, of 3 December have been taken into account.

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 balance sheet at 31 December 2020.

The average period for payment to suppliers has been calculated, as stated in the Resolution of 29 January 2017, of the Institute of Accounting and Auditing, 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.

16.- THIRD-PARTY GUARANTEES AND CLAIMS IN PROCESS

At 31 December 2020, the Company had a total of 18,369 thousand euros in economic or financial bank guarantees issued by various banks to guarantee leasing contract obligations and others related to the usual operations of NH in various countries. Therefore, their execution would be linked to a failure by NH to comply with those contractual obligations.

At 31 December 2020, 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 Grupo NH 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 (see Note 13).

Claims in process

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

- A claim has been filed against the company claiming payment in relation to the payment of a management entity's fees for the years 2018, 2019, et seq, which is currently being processed.

- 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.

- Respondent in the process of claiming amounts from a real estate development due to construction defects.
- The company may be subject to a claim for amounts derived from an eventual administrative claim.

– A former shareholder of the Company has requested the annulment of certain resolutions adopted by the Board of Directors, and the proceedings are currently in progress.

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.

17.- OPERATIONS AND BALANCES BETWEEN GROUP COMPANIES

17.1.- Balances with related parties

The detail of balances with related parties during the year is as follows (in thousands of euros):

2020

	Parent company	Other Group companies	Other related parties
Long-term investments:	**—**	**744,923**	**—**
Loans to companies	—	744,923	—
Short-term investments:	**—**	**269,584**	—
Loans to companies	—	269,584	9,617
Provision for impairment	—	—	(9,617)
Long-term debts	**—**	**(7,289)**	—
Short-term debts	**(245)**	**(144,918)**	—
Other current liabilities	—	—	**—**

As a result of the fair value analysis of the shareholding in Sotocaribe, S.L. there is a provision for impairment of loans receivable with associated companies amounting to 9,617 thousand euros.

2019

	Other group companies	Other related parties
Long-term investments:	**387,018**	—
Loans to companies	387,018	—
Short-term investments:	**442,604**	**—**
Loans to companies	442,604	9,503
Provision for impairment	—	(9,503)
Long-term debts	**(284,900)**	—
Short-term debts	**(104,495)**	—
Other current liabilities	—	**(5,588)**

In addition to the provision for impairment, an expense of 5,588 thousand euros was recorded in 2019 for the contribution committed to the company Sotocaribe, S.L. at year-end 2019 to cancel of the bank loan it has and in which the NH Hotel Group acts as a guarantor for 35.5%. Both impacts have been recorded as "Impairment and gains or losses from disposals of financial instruments" on the income statement.

Long-term investments

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

	Thousand euros	
	2020	2019
Loans		
NH Finance S.A.	325,675	—
NH Europa, S.L.	229,793	214,208
Latinoamericana de Gestión Hotelera, S.L.	100,471	113,288
NH Hoteles España, S.A.	56,148	54,518
NH Hungary Szallodauzemelteto KFT	19,375	—
NH Hoteles Czechia S.R.O.	8,291	—
Others	5,170	5,004
Total	**744,923**	**387,018**

The increase in loans in 2020 mainly corresponds to the inter-company financing agreement that matures in 2022. The remuneration of said loan is a variable quarterly interest rate linked to the Euribor plus a spread.

Short-term investments:

“Loans to Companies” includes the following balances with Group companies:

	Thousand euros	
	2020	**2019**
NH FINANCE, S.A.	—	158,027
NH Hoteles España, S.A.	201,723	111,944
Current payables to Group companies	67,861	172,633
Total	**269,584**	**442,604**

The variation in short-term investments in 2020 mainly corresponds to the inter-company financing agreement that matures in 2022. The remuneration of said loan is a variable quarterly interest rate linked to the Euribor plus a spread.

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 consolidated NH Hotel 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.

Long-term debts

The "Long-term Debts" heading mainly consists of the loan with the Group company NH Atardecer Caribeño, S.A., maturing in 2022.

Short-term debts

"Short-term debts" includes the following loans with Group companies:

	Thousand euros	
	2020	**2019**
Current creditor account with NH Hoteles España, S.A.	379	1,216
Current creditor accounts with Group companies	144,539	103,279
Current creditor accounts with the parent company	245	—
Total	**145,163**	**104,495**

The variation in short-term debts in 2020 mainly corresponds to the inter-company financing agreement that matures in 2022. The remuneration of said loan is a variable quarterly interest rate linked to the Euribor plus a spread.

17.2.- Transactions with related parties

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

Income

	Thousand euros	
	2020	2019
Dividends	**884**	**160,417**
Group holding activity (Note 18.a)	884	160,417
Lease income	**3,181**	**11,442**
Group (Note 18.a)	3,181	11,442
Other operating expenses (income)	**—**	**12**
Group	—	12
Non-controlling	**18,217**	**12,173**
Group holding activity (Note 18.a)	17,871	11,849
Associates	346	324
Fees (Accessory Income)	**27,502**	**87,645**
Group	27,502	87,645

Expenses

	Thousand euros	
	2020	2019
Interests	**1,282**	**6,504**
Group	1,282	6,504

18.- INCOME AND EXPENSES

a) Revenues

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

	Thousand euros	
	2020	**2019**
Hotel activity:		
Accommodation in rooms	7,864	24,486
Leasing (Notes 17.2 and 7)	3,181	11,442
Other leasings (Note 7)	231	319
Catering	2,804	6,822
Rooms	502	1,311
Others	799	2,146
	15,381	**46,526**
Holding activity:		
Income from dividends (Note 17.2)	884	160,417
Income from lending activity (Note 17.2)	17,871	11,849
	18,755	**172,266**
Revenues	**34,136**	**218,792**

Similarly, revenue corresponding to the year was distributed by geographic market was as follows (in thousands of euros):

	2020	**2019**
National market	34,136	218,792
	34,136	**218,792**

b) Staff costs

The breakdown of this heading on the profit and loss account for the year was as follows (in thousands of euros):

	2020	**2019**
Wages, salaries and similar	18,318	33,586
Social security contributions	6,306	7,855
Termination benefits (Note 4-l)	176	391
	24,800	**41,832**

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

	2020	2019
Group's general management	5	8
Managers and heads of department	92	99
Technical staff	91	161
Sales representatives	20	36
Administrative staff	14	41
Rest of workforce	91	201
Average number of employees	**313**	**546**

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.

In calculating the average number of people employed by the Company, those furloughed (ERTEs) have been excluded. On average, 44% of workers have been furloughed.

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

	31/12/2020		31/12/2019	
	Males	Females	Males	Females
Group's general management	7	1	6	2
Managers and heads of department	64	51	55	49
Technical staff	66	88	81	88
Sales representatives	7	32	7	30
Administrative staff	11	22	12	28
Rest of workforce	85	96	106	111
Average number of employees	**240**	**290**	**267**	**308**

At 31 December, 51% of the workforce is furloughed (44% men and 56% women).

The average number of employees at the Company with a disability equal to or greater than 33% in the year, by professional category, was as follows:

	2020	2019
Managers and heads of department	1	1
Sales representatives	—	—
Administrative staff	—	—
Rest of workforce	—	—
Average number of employees	**1**	**1**

The average age of the workforce was approximately 40 and average seniority was 9.9 years (35 years and 6.8 years respectively in 2019).

Long-term Share-based Incentive Plan

On 25 June 2013, the Company's General Shareholders Meeting approved a long-term share-based incentive plan ("the plan") for the NH Hotel Group SA's executives and employees, as follows:

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 shall be subject to the degree of fulfilment of the following objectives:

- TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, SA shares with the following indices:
- IBEX Medium Cap
- Dow Jones Euro STOXX Travel & Leisure
- EBITDA, discounting the amount corresponding to rentals compared annually with the forecasts of the Company's strategic plan.

If the minimum degree of fulfilment established in the aforementioned objectives were not achieved, the plan beneficiaries would not be entitled to shares under said plan.

The plan was aimed at a maximum of 100 beneficiaries. The Board of Directors, at the proposal of the CEO, may include new members in the plan.

The plan had a total duration of five years, divided into three three-year cycles.

In 2019, the third and final cycle of the first plan was settled with the delivery of 226,067 net shares at a fair value per unit of 4.55 euros. The settlement of the plan was made net of taxes.

On the other hand, the 2017 General Shareholders' Meeting approved the launch of a new Long-Term Incentive Plan. This plan has a duration of five years, divided into three three-year cycles:

	No. of Shares Assigned at the start of each cycle (Thousands)	No. of live shares at 31.12.2020 (Thousands)	Value of the allocation (Euros)
The second cycle began on 01/01/2018 (delivery in 2021 (in force))	517.96	421.99	5.96
The third cycle began on 01/01/2019 (delivery in 2022 (in force))	879.25	760.76	3.96

The difference between the total shares assigned at the beginning of each cycle and the live shares at 31 December 2019 are beneficiaries who left between the launch the year-end 2020.

This second plan has a very similar structure to the first; delivery of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of fixed salary, according to their level of responsibility.

The number of shares to be delivered shall be subject to the degree of fulfilment of the following four objectives:

- TSR (total shareholder return) at the end of each of the plan 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 Board of Directors will be authorised to decide, before the start of each of the cycles, the effective implementation thereof in accordance with the Group's financial position at the time. At the date of publication of this report, all the cycles had been approved by the Board of Directors.

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

On the other hand, the first cycle of the new incentive plan, which began on 1 January 2017, was settled in full in 2020 with the delivery of 401,638 net shares at a fair value per unit of 4.68 euros. The settlement of this plan was made net of taxes.

The effect of this item on the statement of changes in equity for 2020 was (2,724) thousand euros ((998) thousand euros in 2019).

c) External Services

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

	Thousand euros	
	2020	2019
Leasing (Note 7)	7,714	9,205
Outsourcing of services	915	1,620
Supplies	628	823
Maintenance and cleaning	969	1,096
Laundry and related costs	317	723
Costs associated with information technologies	11,796	14,752
Marketing and merchandising	75	139
Other external services	337	458
	22,751	**28,816**

d) Other operating expenses

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:

	Thousand euros	
	2020	2019
Auditing services	644	545
Other verification services	214	138
Total auditing and related services	858	683
Tax consulting services	—	—
Other services	243	23
Total other services	243	23
Total professional services	**1,101**	**706**

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

	Thousand euros	
	2020	2019
Auditing services	1,079	1,031
Other verification services	215	152
Total auditing and related services	1,294	1,183
Tax consulting services	289	274
Other services	53	1
Total other services	342	275
Total	**1,636**	**1,458**

This year, 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 46 thousand euros (50 thousand euros in 2019). The fees accrued in 2020 by these firms for tax advice services were 366 thousand euros (244 thousand euros in 2019) and for other services, 54 thousand euros (80 thousand euros in 2019).

e) Gains or losses on disposals of fixed assets

Tangible and intangible assets, and non-current assets classified as held for sale, have been disposed of during the year with a net capital gain of 117 thousand euros having been recorded (3,708 thousand euros in 2019).

19.- 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 2020:

- Board of Directors: 9 members (9 members at 31 December 2019),
- Audit and Control Committee: 3 members (3 members at 31 December 2019),
- Appointments and Remuneration Committee: 3 members (3 members at 31 December 2019).

The Board of Directors had 9 members at 31 December 2020, of which all are men (9 members in 2019, one woman and eight men).

19.1 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:

	Thousand euros	
Remuneration item	2020	2019
Fixed remuneration	807	1,016
Variable remuneration	—	729
Parent Company: allowances	3	11
Parent Company: attendance allowances	221	589
Transactions in shares and other financial instruments	257	491
Life insurance premiums	33	31
Others	20	20
Total	**1,341**	**2,887**

Due to the Covid-19 situation, the board members have voluntarily waived 50% of their remuneration since 1 March 2020.

It is worth highlighting the appointment of the Chief Operations Officer by co-optation, Executive Director of the Company. On the other hand, in September the Company's Executive Director left, including her remuneration until she was terminated.

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

19.2 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:

	Thousand euros	
	2020	**2019**
Pecuniary remuneration	1,277	2.745
Remuneration in kind	98	86
Others	462	670
Total	**1,837**	**3.501**

The notable decrease in remuneration is explained by the Covid-19 crises, whereby the members of the Management Committee saw their annual remuneration for 2020 decreased by more than 50%.
The remuneration of the Chief Operations Officer, prior to being appointed Executive Director, is shown as Senior Management.

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

The heading "Other" takes the long-term objective remuneration accrued in 2020 into consideration.

There were six members of Senior Management at 31 December 2020 (six members at 31 December 2019) excluding the CEO and the Chief Operations Officer due to their status as executive directors.

19.3 Information on conflicts of interest on the part of Directors

During 2019, Minor International Public Company Limited ("Minor"), an indirect majority shareholder of NH (94.132%) and represented on the Board by four proprietary Directors, and NH signed a series of Related Party Transactions, which are broken down in the Audit and Control Committee's Annual 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 26 March 2014. 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 NH 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.

20.- ENVIRONMENTAL INFORMATION

For the NH Hotel Group, environmental sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of natural resources, particularly water and energy. In our responsible commitment to the Planet, we work to minimise our impact on Climate Change, increase the efficiency of resources and develop more sustainable services. All this minimises our environmental footprint with responsible consumption of natural resources.

The Company's environmental strategy is seen in NH ROOM4 Planet, which defines the roadmap to comply with the commitments acquired to fight climate change and progress towards decarbonisation, efficient management and responsible consumption of resources and a circular economy, the development of more sustainable products, but also the involvement of employees, suppliers, partners and customers as key actors to achieve this.

To formalise expanding these commitments to NH Hotel Group's entire operations and decision-making process, a meeting held by the Board of Directors on 29 July 2020 approved the new Environment and Energy Policy.

For the NH Hotel Group, the fight against climate change is a fundamental strategic value. This is why the Company was the first Spanish hotel company to establish scientifically validated emission reduction targets from the Science Based Targets initiative (SBTi) last year. With this, the NH Hotel Group formalises its commitment to reduce its carbon emissions by 20% throughout its value chain by 2030, thus avoiding the emission of more than 70,000 tonnes of CO2 into the atmosphere. This objective marks the NH Hotel Group's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement and join the efforts that are being made globally towards the transition to a low carbon economy.

21.- EVENTS AFTER THE REPORTING PERIOD

On 12 February 2021, the Company informed the workers of its Group corporate services of its intention to begin collective redundancies. The documentation that will make up the corresponding file will be transferred in a timely manner to both the labour authority and to the Committees that are set up for the negotiations. The conditions and the number of those affected will be subject to negotiation. All of this happens in accordance with the provisions of Article 51 of Royal Legislative Decree 2/2015, of 23 October which approves the Consolidated Text of the Workers' Statute Law and Royal Decree 1483/2012, of 29 October that approves the Regulations for the Procedures for Collective Redundancy and Suspension of Contracts and Reduction of Working Hours.

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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 361 hotels and 55,371 rooms in 29 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, reservations, marketing and systems.

Following the start of the Covid-19 pandemic in the first quarter of 2020, available economic data points to an unprecedented decline in global activity. Covid-19 has paralysed the world and tourism is one of the most affected economic sectors. In several regions of the world, borders remain closed to tourism and the Covid-19 pandemic continues to spread. Even when the worst seems to be over, the threat of further outbreaks is ever present.

Consumption and demand for services have declined sharply due to social distancing, lockdown, drastic loss of income and weakening consumer confidence. Mobility continues to be subdued and continues to be low in comparison to levels prior to the virus appearing.

Therefore, during 2020, due to the economic crisis caused by the Covid-19 pandemic, the global economy decreased -3.5%, compared to growth of +2.8% in the previous year (Data and estimates from the IMF's "World Economic Outlook", January 2021). The global economy is beginning to leave the minimums it fell into during the Great Lockdown in April behind. However, as the Covid-19 pandemic is continuing to spread, many countries have slowed down reopening and are once again imposing partial lockdowns to protect susceptible populations. Although China recovered more quickly than expected, the long road that must be taken by the global economy to pick up the levels of business prior to the pandemic is still susceptible to drawbacks.

Therefore, the European Union has estimated +5.5% growth of world economic activity in 2021. More specifically in the Eurozone, the provisional growth rate for 2020 was -7.2% (+1.3% in 2019) and growth is expected to be +4.2% in 2021. The rates in the four countries that bring the greatest proportion of the Group's sales and profits show rates of decline in 2020: Spain (-11.1% in 2020 vs. +2.0% in 2019), Holland (-5.4% in 2020 vs. +1.7% 2019), Germany (-5.4% in 2020 vs. +0.6% in 2019), and Italy (-9.2% in 2020 vs. +0.3% in 2019 On the other hand, the decrease in Latin America was -7.4% in 2020 (vs. +0.2% in 2019) as all the economies as a whole have suffered the consequences created by Covid-19. Uncertainty about health and economic policy, aggravated by the moderate prices of raw materials, have given rise to a sharp fall in economic activity in 2020 and have also affected the prospect of a rapid rebound.

World tourism recorded its worst year in 2020, with a fall of 74% in international arrivals, according to the latest data from the World Tourism Organisation (UNWTO). In 2020, destinations all over the world received 1 billion fewer international arrivals than the previous year, due to an unprecedented crash in demand and the general restrictions on travel. By comparison, the decline recorded during the 2009 global economic crisis was 4%.

According to the latest World Tourism Barometer from the UNWTO, the crash in international travel represents estimated losses of 1.3 billion dollars in export income. This figure is more than eleven times the losses recorded during the 2009 global economic crisis. The crisis has put between 100 and 120 million direct tourism jobs at risk, many of them in small and medium enterprises.

In 2020, Spain recorded a decrease of 70% in the number of arrivals, in spite of a small, brief upturn in the summer of 2020. The region suffered the greatest drop in absolute terms, with a decrease of more than 500 million tourists in 2020. The Americas recorded a 69% drop in international arrivals, with slightly better results in the last quarter of the year.

Given the constant evolution of the pandemic, many countries have been reintroducing stricter restrictions on travel since the beginning of the year. The steps taken include compulsory tests, quarantines and, in some cases, complete border closure, all of which makes it difficult to resume international travel. At the same time, it is to be hoped that the gradual arrival of vaccines against Covid-19 help to reinstate consumer confidence, ease travel restrictions and that travel slowly gets back to normal during 2021.

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 recent years 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.

The embodiment of an NH Hotel Group value proposition based on the improvement of quality, experience and brand architecture with the NH Collection, NH Hotel and nhow brands are a reality today in the Group. In this ongoing improvement of the customer experience, "Fastpass", a combination of three innovative services (Check-in Online, Choose Your Room and Check-out Online) was launched in 2019, which gives customers full control over their stay. In this respect, NH Hotel Group has become the first European chain to offer these three services simultaneously. A new service, “City Connection”, has been launched 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 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 therefore has been to centralise 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.

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 2020 was 8.5, compared to 8.4 in December 2019. Additionally, its average Google Reviews score was 8.7, compared with 8.6 in December 2019. 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.

The NH Rewards loyalty programme has also reached 9.8 million members (9.5 million in 2019) and is one of the most comprehensive rewards schemes worldwide.

On the other hand, in 2020, the Group started operating 11 new hotels in the following destinations: London, Amsterdam, Verona, Rome, Florence, Venice, Budapest, Prague and Tozeur. As a whole, all the openings in the year contribute 1,966 rooms and, as a result, the Group now has 361 hotels with 55,371 rooms at 31 December 2020.

These openings include the hotels in the agreement reached on 07 September 2020 with Covivio, one of the leading European real estate investors, to operate a unique portfolio of 8 high-end hotels previously belonging to the renowned Boscolo portfolio, located in privileged locations in Rome, Florence, Venice, Nice, Prague and Budapest. This portfolio will be operated by the NH Hotel Group under a sustainable variable rental contract with a guaranteed minimum that includes a loss protection mechanism and extension rights at NH's option. Most of the hotels will be converted to the Anantara and NH Collection brands after carrying out an in-depth repositioning programme in all properties promoted by Covivio over the coming months.

The Group also signed-up 2 new hotels with 487 bedrooms in 2020. These sign ups were on a rental basis in Copenhagen and under management in Tozeur. The sign ups were under the NH Collection brand and the luxury brand Anantara, respectively.

Revenues in 2020 totalled 34.1 million euros, a drop of -84.4% (184.7 million euros). The result for the year was -226.2 million euros compared with 158.9 million euros in 2019. This decrease is wholly explained by the impact of Covid-19 on business since March.

In this year gross borrowing increased from 389.6 million euros in December 2019 to 913 million euros in December 2020. At 31 December 2020, cash and cash equivalents amounted to 10.9 million euros (4.7 million euros at 31 December 2019). Additionally, this liquidity was complemented by credit lines at the end of the year amounting to 17.0 million euros, compared to 291.5 million euros at 31 December 2019, of which 250 million euros corresponded to a long-term syndicated credit line (fully drawn down at the close of the 2020 financial year).

During 2020, rating agencies updated their outlooks on companies in the sector after the impact of Covid-19. Moody's set NH Hotel Group's rating at 'B3' with a stable outlook from 'B1', reflecting the impact of the Coronavirus outbreak. Fitch lowered it from 'B' to 'B-' due to the impact of the pandemic on the sector and in line with applying its parent and subsidiary rating linkage criteria. It should be noted that both agencies have stated that NH has sufficient liquidity to deal with the current crisis.

As a result of the public offering on 31 October 2018, Minor currently owns 369,165,609 shares in NH Hotel Group, S.A. representing 94.13% of its share capital. Since then, both companies have begun to explore joint value creation opportunities for the coming years.

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: NH Hotels, NH Collection, nhow, Tivoli, Anantara, Avani, Elewana and Oaks, 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.

Covid-19 impact and the measures implemented

After the start of the Covid-19 pandemic in the middle of March in Europe, demand for hotels dropped drastically due to lockdowns, travel restrictions and social distancing, which drastically affected mobility.

During the months of lockdown, isolation and intense confinement from March until the end of May, around 95% of our hotels were closed and those which remained open were for charitable purposes. As a result, the second quarter was the quarter most affected by an extremely low level of demand.

The hotels' gradual reopening began at the end of May and was done progressively depending on recovery of demand and with a focus on optimising profitability. In June, around 60% of the hotel portfolio was open, 70% in July, and around 80% at the end of August and September.

The smooth reopening of the hotels since June, after the portfolio was closed in March due to the intense lockdown, enabled the attraction of national customers during the third quarter. The reopening, in spite of the low level of demand due to mobility restrictions, was possible because of the flexible cost structure.

In 2020 NH Hotel Group put “Feel Safe at NH” into place in all its hotels. This is a new plan, with measures approved by experts, to face up to the health crisis caused by the SARS-CoV-2 coronavirus. The Company has reviewed all its procedures and made nearly 700 adaptations to its operating standards to preserve the health and safety of travellers and employees worldwide. Grouped into 10 main lines of action and backed by specialists in different fields, the measures implemented cover the digitisation of hotel services, adapting sanitation processes, including social distancing regulations in operations and the application of personal protective equipment, among others. We also reached a collaboration agreement with SGS, the world leader in inspection, analysis and certification, which allows us to follow up on the measurement and diagnostics protocol established to verify that the Group's hotels are clean and safe environments.

As a result of the impact of the second wave of infections in Europe at end of the third quarter, apart from delaying additional reopenings that had been planned for the last months of 2020, hotels were closed once again and, at the end of December 2020, around 60% of the portfolio was open. The impact of the second wave and the stricter restrictions on mobility during the last months of the year resulted in a lower level of business when compared to the third quarter.

In spite of the low level of demand, its flexible operational and financial structure has enabled the Group to overcome the major challenges in 2020. Although the challenges will continue in the first months of 2021, the Group will benefit in the first stage of recovery from brand recognition, excellent locations and strong market positioning, once recovery is spearheaded in Europe.

Contingency Plan

As a result of the exceptional circumstances that occurred after the start of the global pandemic (Covid-19) that is affecting all the countries where the NH Hotel Group operates, the Group implemented different measures and plans to adapt the business and ensure its sustainability with the aim of minimising costs whilst hotels are closed, preserving the Company's liquidity to meet operational needs and ensure that the recovery of the hotel activity is carried out efficiently and under maximum guarantees in terms of health and safety.

Given the lack of visibility on the speed of business's recovery, the following discipline and cost control measures were implemented, and continue to be implemented, to minimise operational expenses and preserve liquidity:

- Personnel: The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons. These processes continued during the second half of 2020, to reduce the work force temporarily, and will continue during the first part of 2021 in various countries.

- Operational costs:
  - Negotiations with suppliers to reduce purchase costs, seek alternative, cheaper products and attain improvements to payment terms.
  - All Group staff travel suspended since early March.
  - Suspension of non-priority third party advisory services.
  - Significant reduction in marketing and advertising costs despite the need to boost income.

- Leases: Temporary reduction in fixed leases from the second quarter based on the health crisis scenario and the restrictions approved by all the governments that impact on essential elements of the business. These negotiations will continue in the first part of 2021.

- Capex: The greater part of investments were stopped, except those that are legally required or in a very advanced stage. Implementation of 2020 Capex (maintenance, refurbishment, systems and new openings) was reduced by around 100 thousand euros which is a 50% decrease on the original plan for 2020.

- Strengthening liquidity:
  - 275 million euros of credit lines were drawn down in March.
  - The 2019 dividend proposal of 0.15 euros per share was withdrawn, as this would have involved an estimated pay out of around 84 million euros.
  - Signing in May of a 3-year syndicated financing agreement for 250 million euros guaranteed by the ICO.
  - In October the extension of the syndicated credit line maturity date to March 2023 was agreed. It originally matured on September 2021, with a 236 million euros limit.
  - In addition to the waiver obtained in June 2020 for compliance with the financial covenants included in the syndicated credit line for the months of June and December 2020, unanimous approval from the loan institutions was also obtained by the NH Hotel Group to extend the waiver until June 2021. This waiver until June 2021 also extends to the syndicated loan with the ICO guarantee for 250 million euros.

Recovery of demand will occur once spread of the virus is tempered and vaccination is extended in the population. The Group will take advantage of its strong positioning in Europe, with excellent locations and high brand recognition, alongside the high weight of domestic demand.

The recovery stage will initially be driven by European domestic demand for leisure, as international mobility will continue to be low in the first stage. The business and corporate segment will take longer to recover, due to the macroeconomic environment and social distancing that restrict the size of events.

Covid-19 has brought forward a large part of the strategic strategies aimed at efficiency. During 2021, once the company has a better view of how demand recovers, the remainder of the initiatives will be defined in a new strategic plan.

ETHICS

Compliance System

Since 2014, NH Hotel Group has deployed a Compliance unit whose scope includes the following key areas:
- Code of Conduct.
- Criminal Risk Prevention Plan.
- Internal Rules of Conduct.
- Procedure for Conflicts of Interest.

Code of conduct

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 the last update to the Code of Conduct in 2015. The Group's Board of Directors is responsible for approving the Code of Conduct.

This document affects everybody working at the NH Hotel Group, applicable to employees, managers and members of the Board of Directors of both the Company and its group of companies, and also in certain cases to other stakeholders such as customers, suppliers, competitors and shareholders, and to the communities where NH operates its hotels.

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, competition, prevention of corruption and money laundering, and commitment to the environment.

The Code of Conduct is published in six languages on the official website of the NH Hotel Group, available to all stakeholders. 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 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.

Over the course of 2020, there were 38 reports of alleged breaches of the Code of Conduct, all of which were investigated, with appropriate disciplinary measures being taken in 30 cases.

Compliance Committee

In 2014 the NH Hotel Group created a Compliance Committee consisting of certain members of the Management Committee and senior directors. This body is empowered to supervise compliance with the Group's Internal Rules of Conduct, Procedure for Conflicts of Interest, Code of Conduct and Criminal Risk Prevention Plan.

The Compliance Committee supervises the management of the Compliance Office and is empowered to impose disciplinary measures on employees in matters within its scope.

In the course of 2020, there were three meetings of the Compliance Committee.

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.

Compliance Office

The Compliance Office, led by the Group's head of Compliance, is responsible for disseminating and supervising compliance with the Code of Conduct and for drafting the Criminal Risk Prevention Plan. The Compliance Office reports directly to the Compliance Committee.

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

Drawing up of the 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. Said Policy was approved by the Board on 13 May 2019.

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 regard, carried out during the various meetings held in 2020 were control and monitoring of the Company's main risks, their evolution in recent years and the main mitigation and response measures.

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 them, 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 has reviewed its operation annually for the last two years.
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:

a. First line: carried out by each function (business and corporate units) that owns the risk and its management (Operations, Commercial, Marketing, etc.).
b. Second line: performed by the functions responsible for risk supervision (Risk Management, Compliance, Data Protection, Internal Control, etc.)
c. 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. The Company updated its Risk Map in 2020 through a process in which 22 Senior Executives identified and assessed the main risks faced by the Company. This Map was approved by the Board of Directors at its meeting on 29 July 2020.

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.

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, political instability or terrorist attacks.
e. Systems Risks: events that could affect the integrity, availability or reliability of operational and financial information.
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).

New data protection plan

Due to the mandatory application of the General Data Protection Regulation (GDPR) in the European Union from May 2018, NH Hotel Group has launched a plan to guarantee compliance with the regulation, included in and aligned with the Transformation Plan.

This new plan includes general privacy measures by default, so that all the company's activities, applications, processes, and projects will take privacy matters into account. The plan includes key initiatives such as the effective management of personal data infringements, the data subject's consent to the gathering and use of their data, and a policy for the destruction of physical or virtual data. The plan also provides for the creation of a Data Protection Officer within the NH Hotel Group.

NH ROOM 4 SUSTAINABLE BUSINESS PILLARS AND COMMITMENTS

The NH Hotel Group performs its hotel activity with the ambition of leading responsible behaviours, and creating shared value at an economic, social and environmental level wherever it operates. With this philosophy, in 2020 the Company continued with its strategy, in which one of the pillars is NH ROOM4 Sustainable Business; a key part of the Company's global strategy.

The strategic vision of NH ROOM4 Sustainable Business is, in turn, based on three fundamental management levers: NH ROOM4 People, NH ROOM4 Planet and NH ROOM4 Responsible Shared Success, all of which are framed under the same premise of sustainable and ethical principles, responsible culture and spirit of citizenship.

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.

A noteworthy milestone for NH Hotel Group in 2020 was participating, for the second time and voluntarily, in the Corporate Sustainability Assessment (CSA) carried out by the sustainable investment agency SAM, gaining 3rd place in the ranking for companies on the Dow Jones Sustainability Index, and standing out as one of the most sustainable leaders in the sector. This result consolidated NH Hotel Group as one of the benchmark companies for sustainability in the industry worldwide, and backs up NH Hotel Group's strength in social, environmental and economic performance. This improvement demonstrated by the Company this year has led it to achieve the Bronze Class recognition in "The Sustainability Yearbook 2021" published by S&P Global, as well as the Industry Mover distinction for registering the greatest improvement in the sector in the last year.

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. The index was created by the London Stock Exchange to help investors include environmental, social and governance (ESG) factors into their decision making.

The NH Hotel Group has 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.

A demonstration of its commitment to gender equality, NH Hotel Group, for the second year running, was included on the Bloomberg GEI 2021 index, being the only Spanish hotelier in the 380 companies listed in the index.

NH Response

The NH Hotel Group is firmly committed to creating a positive impact where it operates, irrespective of the circumstances in which it finds itself. Due to the exceptional situation the Company finds itself in because of the impact of Covid-19, from the outset of the pandemic the Company identified a series of initiatives to help governments and health authorities and social organisations deal with the crisis.

In this regard, NH Hotel Group made hotels available to authorities so that they could be used to manage 3,373 patients and thereby help to alleviate hospitals. Hotels were also designated as special accommodation for 2,720 health professionals.

Due to the closure of the hotels, it was decided to donate food and staple goods to associations and foundations that NH Hotel Group has collaborated with in the past. Therefore, about 12,400 kg of food from the hotels closed were donated to food banks and soup kitchens, as well as 30,000 amenities kits, 7,000 gloves, 6,000 shower caps, 2,000 rubbish bags, 55 beds and 600 blankets to health centres.

The company joined the #chefsforspain movement launched by chef José Andrés to deliver two million meals through its World Central Kitchen initiative. The NH Hotel Group took part with the kitchens of the Anantara Villa Padierna (Marbella), NH Collection Eurobuilding (Madrid) and NH Collection Finisterre (A Coruña) hotels, where 138,759 meals were cooked to donate to the most vulnerable groups during the crisis.
Currently, the commitment to donating meals continues to run, raising 5,600 meals through the NH Runners initiative: 1km = 1 meal during the "Together with Love" corporate volunteering week.

Human Resources Strategy

Throughout 2020, NH Hotel Group had to act to alleviate the severe consequences of Covid-19 on its business and profits. With this aim, the Company, always with the purpose of protecting employment in the long term as far as possible, launched a contingency plan to temporarily reduce its staff and, as a result, adjust its personnel costs to the reality of the business, with contract suspensions, reductions in working days and other temporary measures taken in accordance with employment legislation in each country.

As part of the NH Hotel Group's Contingency Plan to adapt its operations and ensure business viability, the Company carried out temporary lay-offs and reductions in hours and wages in hotels and central offices due to force majeure or production reasons subject to different closure mandates.

62% of staff, at all levels, were affected by one of these measures. Men and women were equally affected.
Even in such an adverse context, NH Hotel Group has sustained its corporate culture and commitment to its values, seeking coherence and fidelity in its current People strategy, convinced that it is what is needed to gain the credibility and trust of its team members, who are the Company's greatest asset.

The initial aim during 2020 was to consolidate key policies and projects within the Company's Human Resources Strategic Plan. However, the Covid-19 crisis involved an about turn for all the planned projects. Throughout the year NH Hotel Group still maintained the focus on its strategic pillars, but rethinking each action and initiative to give them sense and use within the complicated individual, social and corporate context that the pandemic involves:

- Global leadership and talent management: Continue promoting and transmitting leadership within the NH Hotel Group, focusing efforts and investment on internal talent that has the potential to make a difference in the Company's strategy and to become models of our culture.

- Maximum performance and better workplaces: All employees are encouraged to develop and do their best, where high performance is differentiated, recognised and rewarded. Making our employees our best brand ambassadors.

- Transformation and reinvention: Searching for, assessing and leveraging opportunities to be more efficient (outsourcing, digitisation, etc.), evolving our working environment and acquiring advanced analytical and predictive skills.

With this working framework, NH Hotel Group launched a multitude of initiatives to care for its employees in these challenging times. "With You" stands out among them. It is an internal engagement project designed to give the teams tools, advice and training resources to use to strengthen key skills during this phase, not just at professional level, but also to improve their personal well-being. Using "With You", and amongst other actions, NH employees have received content aimed at stress management, have accessed digital kiosks free-of-charge, have had language classes within reach, have been able to collect office material to improve their remote working experience, and have had access to two external, international e-learning platforms: Typsy and GoodHabitz. Both platforms include multiple training resources so that each employee can work on their personal development plan, gain new knowledge and, ultimately, continue investing in their professional growth.

The average number of people employed by the Parent Company and consolidated companies in 2020 is 11,112 employees. The corporate culture of the NH Hotel is also based on the cornerstones of diversity, equality and inclusion. Therefore, employees are 132 different nationalities and, at 31 December 2020, 51% of all staff were women.

Also, the average age of employees in 2020 was 39.7 years old, and their average time with the company is 9.4 years.

Finally, as part of the Company's recovery strategy, Feel Safe at NH is a set of health and safety protocols, certified by safety experts, and implemented in all hotels to guarantee health, safety and social distancing for both guests and team members. Due to the involvement of Hotel Managers and Heads of Department, this situation moved forward and it was ensured that employees took on, followed and implemented the new Health and Safety standards in the hotels in all operations.

Environmental sustainability

For the NH Hotel Group, environmental sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of natural resources, particularly water and energy. In our responsible commitment to the Planet, we work to minimise our impact on Climate Change, increase the efficiency of resources and develop more sustainable services. All this minimises our environmental footprint with responsible consumption of natural resources.

The Company's environmental strategy is seen in NH ROOM4 Planet, which defines the roadmap to comply with the commitments acquired to fight climate change and progress towards decarbonisation, efficient management and responsible consumption of resources and a circular economy, the development of more sustainable products, but also the involvement of employees, suppliers, partners and customers as key actors to achieve this.

To formalise expanding these commitments to NH Hotel Group's entire operations and decision-making process, a meeting held by the Board of Directors on 29 July 2020 approved the new Environment and Energy Policy.

For the NH Hotel Group, the fight against climate change is a fundamental strategic value. This is why the Company was the first Spanish hotel company to establish scientifically validated emission reduction targets from the Science Based Targets initiative (SBTi) last year. With this, the NH Hotel Group formalises its commitment to reduce its carbon emissions by 20% throughout its value chain by 2030, thus avoiding the emission of more than 70,000 tonnes of CO_2 into the atmosphere. This objective marks the NH Hotel Group's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement and join the efforts that are being made globally towards the transition to a low carbon economy.

NH Hotel Group hotels have and ISO 14001 environmental management system and an ISO 50001 energy efficiency system, certified for accommodation, catering, meetings and events services. At the close of 2020, 47% of the hotels in Germany, Spain and Italy already had ISO 14001 or ISO 50001 certification. There are group hotels that also have other environmental certifications, such as: BREEAM, LEED, Green Key, Hoteles+Verdes. The aim is to have an increasingly large number of hotels with globally recognised environmental certifications that are specific to the tourism sector and approved by the Global Sustainable Tourism Council, the most important body of reference.

The exceptional and irregular operating conditions of the hotels since March and throughout the rest of the year do not reflect the continuity of the environmental achievements achieved since 2007. In absolute terms, the carbon footprint and energy consumption have reduced by 37% compared to 2019 and water extraction by 52%.

NH Hotel Group remains committed to renewable energy, which reduces its carbon footprint. This consumption of green energy, certified as renewable, is available in 100% of our hotels that are consolidated in Spain, Italy, the Netherlands, France and Luxembourg, covering 64% of the total electricity consumed in Europe.

SHARES AND SHAREHOLDERS

NH Hotel Group, S.A. share capital at the end of 2020 comprised 392,180,243 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 2020 and 2019 were as follows:

	2020	**2019**
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 2020 was 3.58 euros per share (4.57 euros in 2019). The lowest share price of 2.10 euros per share (3.89 euros in January 2019) was recorded in October and the highest share price of 5.34 euros per share in January (5.28 euros in March 2019). The market capitalisation of the Group at the close of 2020 stood at 1,349.10 million euros.

At 31 December 2020, the Group had 103,947 own shares, compared to 374,464 own shares at 31 December 2019. The reduction in treasury shares over the period can be explained by the following movement:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract at 31 December 2020 is 103,947 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2019, the number of shares assigned to the liquidity contract was 83,176 shares. The negative effect recorded in reserves for operations carried out in 2020 was 245 thousand euros.

- In the second half of the 2020 financial year, a purchase of 110,350 treasury shares was made.

- In the 2020 financial year, the second cycle of the second long-term incentive plan was settled (Note 18.b). For the settlement of this second cycle a purchase of 110,350 treasury shares was made. This second cycle was settled by the delivery of 401,638 shares valued at 1,525 thousand euros.

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 new Liquidity Contract is 103,947 shares and the amount allocated to the cash account is 400,000 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 according to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

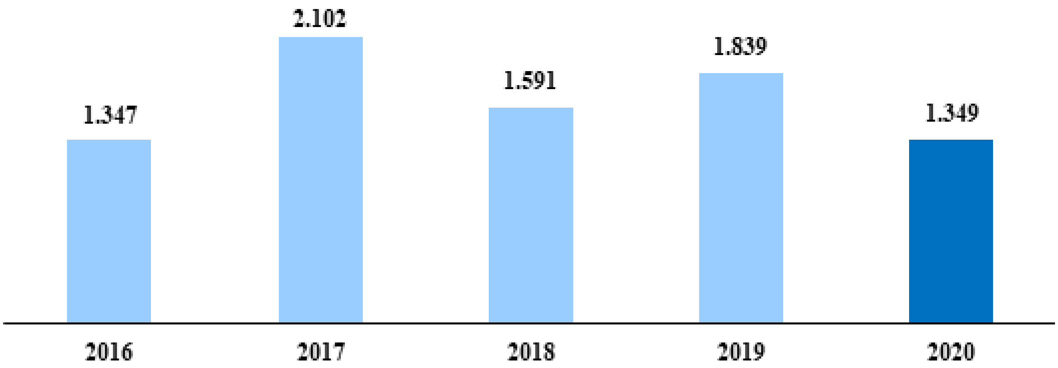
	2020	2019
	Days	
Average period for payment to suppliers	**82**	**63**
Ratio of paid transactions	82	63
Ratio of transactions pending payment	96	53
	Amount (Thousand euros)	
Total payments made	194,915	308.812
Total payments pending	10,226	13.732

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

The average period for payment to suppliers has been calculated, as stated in the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, using the weighted average of the two ratios explained below:

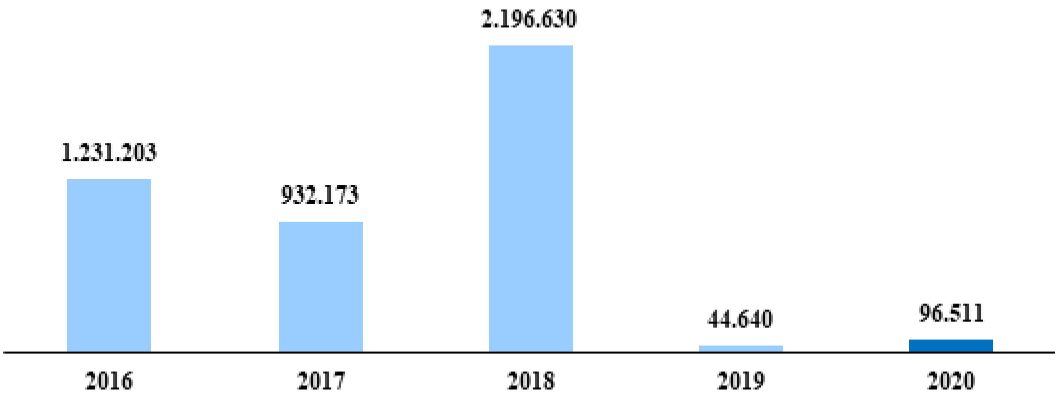
- Ratio of paid transactions: average payment period of transactions paid in each year weighted by the amount of each transaction.
- Ratio of transactions pending payment: average period between the invoice date and the end of the year weighted by the amount of each transaction.

CAPITALISATION (at the end of each year in millions of euros)

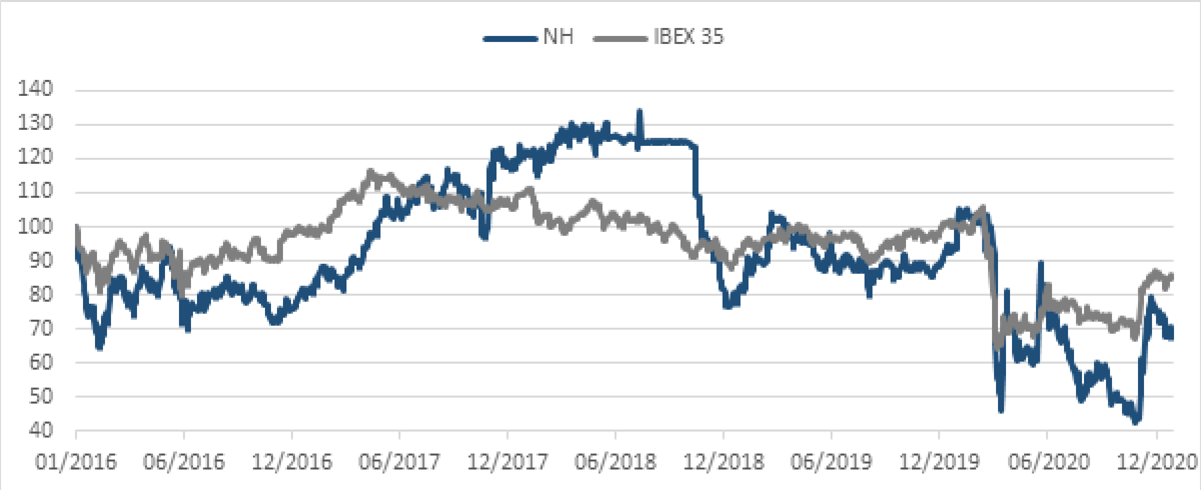


During 2020, 24,706,896 shares in NH Hotel Group, S.A. were traded on the Continuous Market (11,383,314 shares in 2019) with average daily share trading on the Continuous Market of 96,511 shares (44,640 shares in 2019).

AVERAGE DAILY TRADING (in shares)



EVOLUTION NH HOTEL GROUP vs. IBEX 35
1 JANUARY 2016-31 DECEMBER 2020



FUTURE OUTLOOK

Covid-19 has paralysed the world and tourism is one of the most affected economic sectors. In several regions of the world, borders remain closed to tourism and the Covid-19 pandemic continues to spread. The cost to human life, economic losses and social impact continue to increase. Even when the worst seems to be over, the threat of further outbreaks is ever present.

The Covid-19 pandemic impacted economic activity more negatively than expected in 2020 and, according to estimates, the recovery will be more gradual than previously predicted. The latest projections from the International Monetary Fund (IMF; World Economic Outlook) for January suggest an unprecedented decline in global activity due to the Covid-19 pandemic, and point to a fall in global economic growth of -3.5% in 2020.

The recent approval of vaccines has nurtured the hope that the pandemic reaches a turning point later in the year, but the new waves and strains of the virus create concerns about the outlook. In the middle of this exceptional uncertainty, it is projected that the global economy will grow by 5.5% in 2021 and 4.2% in 2022. The projections for 2021 had been revised up by 0.3 percentage points compared to the previous forecast, in the light of the expectations that business with strengthen later in the year due to the vaccines and the additional back up of the policies of the some large economies.

The latest survey amongst the UNWTO's group of experts shows different forecasts for 2021: almost half of those surveyed forecast a better panorama in 2021 than in 2020. The general forecasts of an upturn in 2021 seem to have worsened compared to the previous survey.

The UNWTO's group of experts forecast an increase in demand for domestic tourism and "slow travel" experiences. In the longer term, the majority of the experts do not foresee a return to 2019 levels before 2023. The UNWTO extended scenarios for 2021-2024 indicate that international tourism could take between two and a half and four years to return to 2019 levels.

Non-financial Information Statement

The 2020 consolidated Non-Financial Information Statement, issued by the Board of Directors on 24 February 2021, 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.es/corporate), within the section on Annual reports included in financial information in the shareholders and investors section and as an appendix of this document.

Annual corporate governance report

The company's Annual Corporate Governance Report, issued pursuant to the provisions of Article 49.4 of the Spanish Code of Commerce can be found from the listing date of this annual report in the NH Group's corporate web (https://www.nh-hoteles.es/corporate/en) and in the CNMV website (www.cnmv.es).

EVENTS AFTER THE REPORTING PERIOD

On 12 February 2021, the Group informed the workers of its central and corporate services in Spain of its intention to begin collective redundancies. The documentation that will make up the corresponding file will be transferred in a timely manner to both the labour authority and to the Committees that are set up for the negotiations. The conditions and the number of those affected will be subject to negotiation. All of this happens in accordance with the provisions of Article 51 of Royal Legislative Decree 2/2015, of 23 October which approves the Consolidated Text of the Workers' Statute Law and Royal Decree 1483/2012, of 29 October that approves the Regulations for the Procedures for Collective Redundancy and Suspension of Contracts and Reduction of Working Hours.