



NH Hotel Group, S.A. and subsidiaries

Report on limited review

Condensed consolidated interim financial statements
for the six-month period ended June 30, 2022

Consolidated interim management report



Free translation of the limited review report on the condensed consolidated interim financial statements originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Report on limited review of condensed consolidated interim financial statements

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

Introduction

We have performed a limited review of the accompanying condensed consolidated interim financial statements (hereinafter, the interim financial statements) of NH Hotel Group, S.A. (hereinafter, the Parent company) and its subsidiaries (hereinafter, the Group), which comprise the balance sheet as at 30 June 2022, and the comprehensive profit and loss statement, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six month period then ended. The Parent company's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standards (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the Audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six month period ended 30 June 2022 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, as provided in Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

Emphasis of matter

We draw attention to note 2, in which it is mentioned that these interim financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the Group for the year ended 31 December 2021. Our conclusion is not modified in respect of this matter.

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Other matters

Consolidated interim management report

The accompanying consolidated interim management report for the six-month period ended 30 June 2022 contains the explanations which the Parent company's directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this management report is in agreement with that the interim financial statements for the six-month period ended 30 June 2022. Our work as auditors is limited to checking the consolidated interim management report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from NH Hotel Group, S.A. and its subsidiaries' accounting records.

Preparation of this review report

This report has been prepared at the request of the Board of Directors in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Originally in Spanish signed by Mariano Cortés Redín

26 July 2022

NH Hotel Group, S.A. and Subsidiaries

**Condensed Interim Consolidated Financial Statements
and Interim Consolidated Management Report
corresponding to the six-month period ended 30 June
2022.**

NH HOTEL GROUP, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS AT 30 June 2022 AND 31 December 2021
(Thousands of euros)

ASSETS	Note	30/06/2022	31/12/2021	NET ASSETS AND LIABILITIES	Note	30/06/2022	31/12/2021
NON-CURRENT ASSETS:				EQUITY:			
Property, plant and equipment	4	1,490,285	1,518,859	Share capital	10	871,491	871,491
Right-of-use assets	5	1,555,948	1,592,345	Reserves of the parent company	10	889,985	723,963
Investment Property		2,881	2,905	Reserves of fully consolidated companies		(856,255)	(555,894)
Goodwill	6	96,557	96,127	Reserves of companies consolidated using the equity method		(27,091)	(25,644)
Other intangible assets	7	122,735	126,948	Conversion differences		(127,235)	(147,865)
Deferred tax assets		285,843	294,005	Treasury shares and shareholdings	10	(361)	(308)
Investments accounted for using the equity method		42,432	40,922	Consolidated Profit/(Loss) for the period		(15,349)	(133,667)
Financial assets at fair value with change in profit/loss	8	2,335	2,334	Equity attributable to the shareholders of the Parent Company		735,185	732,076
Other financial assets at amortised cost	8	27,572	27,872	Non-controlling interests	10	52,633	48,998
Total non-current assets		3,626,588	3,702,317	Total equity		787,818	781,074
				NON-CURRENT LIABILITIES			
				Debt instruments and other marketable securities	11	395,684	395,020
				Bank borrowings	11	384,921	389,943
				Leasing liabilities	11	1,635,657	1,673,018
				Deferred tax liabilities		193,612	186,359
				Other financial liabilities	11	316	504
				Other non-current liabilities	11	22,463	21,360
				Non-current liabilities	13	51,776	44,061
				Total non-current liabilities		2,684,429	2,710,265
CURRENT ASSETS:				CURRENT LIABILITIES:			
Non-current assets classified as held for sale				Liabilities associated with non-current assets classified as held for sale	9	28	—
Inventories	9	20,701	—	Trade and other payables		311,559	256,676
Other current assets		13,823	9,576	Accounts payable from related entities	11 and	1,474	824
Trade receivables		14,452	13,228	Tax payables		55,180	32,140
Other non-trade debtors		119,892	48,964	Bank borrowings	11	28,623	21,281
Tax receivables		18,606	50,340	Leasing liabilities	11	250,109	252,335
Accounts receivable from related entities	17	29,177	35,772	Debt instruments and other marketable securities	11	6,596	6,803
Current financial investments		1,729	1,185	Other financial liabilities	11	24	63
Cash and cash equivalents		312	—	Other current liabilities	11	68,076	40,376
Total current assets		569,595	402,995	Current liabilities	13	2,267	3,475
TOTAL ASSETS		4,196,183	4,105,312	Total current liabilities		723,936	613,973
				NET ASSETS AND LIABILITIES		4,196,183	4,105,312

Notes 1 to 20 to the accounts form an integral part of the condensed consolidated statement of financial position as at 30 June 2022.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30 June
2022 AND 2021

(Thousands of euros)

	Note	2022	2021
Revenues	16.1	721,277	175,050
Other operating income	16.1	20,130	41,281
Net gains on disposal of non-current assets	16.1	1,377	62,409
Procurements		(28,420)	(6,833)
Staff costs	16.2	(201,018)	(110,884)
Amortisation of use rights	5	(85,721)	(86,455)
Impairment on tangible fixed assets and intangible assets	4 and 7	(51,878)	(53,622)
Net Profits/(Losses) from asset impairment	4, 6 and 7	6,927	326
Other operating expenses	16.3	(322,968)	(110,998)
Gains on financial assets and liabilities and other		(510)	(916)
Profit (Loss) from entities valued through the equity method		252	(1,406)
Financial income		958	2,048
Change in fair value of financial instruments		512	175
Financial expenses on leases		(39,988)	(42,872)
Other financial expenses		(26,223)	(43,764)
Results from exposure to hyperinflation		2,580	1,413
Net exchange differences (Income/(Expense))		(170)	1,669
Impairment on financial investments		2,276	—
PROFITS/(LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS		(607)	(173,379)
Corporation tax		(13,742)	26,277
PROFIT / (LOSS) FOR THE PERIOD		(14,349)	(147,102)
Conversion differences	10.c and 10.d	23,265	7,681
Income and expenses recognised directly in equity			
TOTAL COMPREHENSIVE PROFIT/(LOSS)		8,916	(139,421)
Profit/(Loss) for the year attributable to:			
<i>Parent Company Shareholders</i>		(15,349)	(145,416)
<i>Non-controlling interests</i>	10.c	1,000	(1,686)
Comprehensive Profit / (Loss) attributable to:			
<i>Parent Company Shareholders</i>		5,281	(139,122)
<i>Non-controlling interests</i>	10.c	3,635	(299)
Basic Profit/(Loss) per share in euros	3	(0.035)	(0.37)
Diluted Profit/(Loss) per share in euros	3	(0.035)	(0.34)

The explanatory notes to the accounts 1 to 20 attached form an integral part of the consolidated comprehensive income statement for the six month period ended 30 June 2022.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE SIX-MONTH PERIODS ENDED 30 JUNE 2022 AND 2021
(Thousands of euros)

	Capital capital	Reserves of the parent company			Reserves in companies consolidated by		Conversion translation differences	Treasury Shares in equity shares	Profit (Loss) attributable to the Company Parent	Total	Shares not parent	Total Assets
		Share premium	Reserves reserve	Other reserves	Full global	The of the share						
Balance at 01 January 2021	784,361	786,990	90,747	85,436	(349,899)	(18,176)	(357)	(437,169)	749,002	49,562	796,564	
Net profit (Loss) for 2021	—	—	—	—	—	—	—	(145,416)	(145,416)	(1,688)	(147,102)	
Conversion differences	—	—	—	—	—	6,294	—	—	6,294	1,357	7,651	
Recognised income and expenses for the												
Distribution of Profit (Loss) 2020-												
- To Reserves	—	—	—	(225,164)	(203,527)	(7,468)	—	437,159	—	—	(2,039)	
Remuneration Scheme in shares	—	—	—	(2,798)	—	—	—	—	—	—	(165)	
Distribution of dividends	—	—	—	—	—	—	—	—	—	—	(2)	
Other movements	—	—	—	12	575	—	—	—	—	(167)	(167)	
Balances at 30 June 2021	784,361	756,990	90,747	(143,614)	(652,850)	(25,644)	(350)	(145,416)	607,676	49,115	656,791	

	Capital capital	Reserves of the parent company			Reserves in companies consolidated by		Conversion translation differences	Treasury Shares in equity shares	Profit (Loss) attributable to the Company Parent	Total	Shares not parent	Total Assets
		Share premium	Reserves reserve	Other reserves	Full global	Equity Method						
Balance at 01 January 2022	871,481	776,462	90,747	(143,236)	(656,894)	(25,644)	(308)	(133,667)	732,076	48,998	781,074	
Net profit (Loss) for 2022	—	—	—	—	—	—	—	(15,349)	(15,349)	1,000	(14,349)	
Conversion differences	—	—	—	—	—	—	—	—	20,630	2,635	23,265	
Recognised income and expenses for the												
Distribution of Profit (Loss) 2021-												
- To Reserves	—	—	—	151,257	(300,263)	(1,447)	—	133,667	—	—	(1,725)	
Remuneration Scheme in shares	—	—	—	(2,231)	—	—	—	—	—	—	(1,725)	
Distribution of dividends	—	—	—	—	(78)	—	—	—	—	—	(447)	
Other movements	—	—	—	190	—	—	—	—	—	—	(447)	
Balances at 30 June 2022	871,481	776,462	107,553	6,960	(856,256)	(27,091)	(351)	(15,349)	735,185	52,633	787,818	

Notes to the accounts 1 to 20 attached hereto form an integral part of the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2022.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED CASH FLOW STATEMENT CORRESPONDING TO THE SIX-MONTH PERIODS ENDED 30
June 2022 AND 30 June 2021
(Thousands of euros)

	Note	30/06/2022	30/06/2021
1. OPERATING ACTIVITIES			
Consolidated profit (loss) before tax:		(607)	(173,379)
Adjustments:			
Amortisations of material, intangible and rights of use assets (+)	4, 5 and 7	137,599	140,077
(Profits)/Losses for impairment (net) (+/-)	4, 5 and 7	(6,927)	(326)
Gains/Losses on the sale of tangible, intangible and rights of use assets (+/-)		(1,377)	(62,409)
Gains/Losses on investments valued using the equity method (+/-)		(252)	1,406
Financial income (-)		(958)	(2,048)
Change in fair value of financial instruments		(512)	(175)
Financial expenses (+)		66,211	86,636
Results from exposure to hyperinflation (IAS 29)		(2,580)	(1,413)
Net exchange differences (Income/(Expense))		170	(1,669)
Profit (loss) on disposal of financial investments		510	916
Impairment on financial investments (+/-)		(2,276)	—
Other non-monetary items (+/-)		23,708	(4,671)
Adjusted profit (loss)		212,709	(17,055)
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		(4,247)	(56)
(Increase)/Decrease in trade debtors and other accounts receivable		(41,404)	(101)
(Increase)/Decrease in other current assets		4,650	1,594
Increase/(Decrease) in trade payables		50,260	23,475
Increase/(Decrease) in other current liabilities		33,572	25,022
Increase/(Decrease) in provisions for contingencies and expenses		(1,114)	(3,463)
(Increase)/Decrease in non-current assets		7	(392)
Increase/(Decrease) in non-current liabilities		1,187	813
Income tax paid		(892)	7,295
Total net cash flow from operating activities (I)		254,728	37,132
2. INVESTMENT ACTIVITIES			
Other interest/dividends received		170	202
Investments (-):			
Tangible and intangible assets and investments in property	4 and 7	(18,107)	(23,551)
Financial investments and other current financial assets		1,437	(6,000)
		(16,670)	(29,551)
Disinvestment (+):			
Group companies, joint ventures and associates		20	—
Tangible and intangible assets and investments in property		19,774	126,690
Other assets		90	128
		19,884	126,818
Total net cash flow from investment activities (II)		3,384	97,469
3. FINANCING ACTIVITIES			
Dividends paid out (-)		—	(86)
Interest paid on debts (-)		(24,157)	(32,147)
Interest paid by means of payment		(7,996)	(2,116)
Interest paid by financing and other		(16,161)	(30,031)
Variations in (+/-):			
Equity instruments			
- Treasury shares		(512)	(740)
Debt instruments:			
- Bonds and other tradeable securities (+)	11.b	—	400,000
- Bonds and other tradeable securities (-)	11.b	—	(336,850)
- Loans from credit institutions (+)	11.b	—	2,484
- Loans from credit institutions (-)	11.b	(1,948)	(3,400)
Borrowings from associate companies (+)	11.b and 17	—	100,000
- Principal elements on payment for leasing (-)		(125,126)	(118,739)
- Other financial liabilities (+/-)		(27)	736
Total net cash flow from financing activities (III)		(151,770)	(8,742)
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		106,342	125,859
5. Effect of exchange rate variations on cash and cash equivalents (IV)		631	184
6. Effect of variations in the scope of consolidation (V)		—	—
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+V)		106,973	126,043
8. Cash and cash equivalents at the start of the financial year		243,930	320,851
9. Cash and cash equivalents at end of year		350,903	446,894

Notes to the accounts 1 to 20 attached hereto form an integral part of the condensed consolidated cash flow statement produced in the six-month period ended 30 June 2022.

NH Hotel Group, S.A. and Subsidiaries

Explanatory notes to the condensed interim financial statements corresponding to the six-month period ended 30 June 2022.

1. Information on the Group

a) Introduction

NH Hotel Group, S.A. (hereinafter the "Parent Company") was incorporated as a limited company in Spain on 23 December 1981. The object of the company, as per its articles is, essentially, to operate and manage hotel establishments. The registered office is located at no. 120 Santa Engracia (Madrid, Spain). The articles of association and additional public information concerning the Parent Company can be consulted on its website: www.nh-hotels.com and at its registered office.

In addition to the operations that it undertakes directly, the Parent Company is the head of a group of subsidiaries undertaking diverse activities and that, alongside the Parent, form the NH Group (hereinafter the "Group" or the "NH Group"). As a result, in addition to its own individual financial statements, the Parent Company must also prepare consolidated financial statements for the Group that include shareholdings in joint ventures and investments in associates.

At 30 June 2022, the NH Group was operating in 30 countries, with 349 hotels and 54,469 rooms, giving it a significant presence in Europe.

The Group's consolidated financial statements for 2021 were approved by the shareholders at the Annual General Meeting of NH Hotel Group, S.A. held on 30 June 2022.

b) Impact of COVID-19

These condensed consolidated interim financial statements continue to be influenced by the evolution of the COVID-19 pandemic, and the fluctuations in demand which have been having a very different impact on NH Group's markets and business segments.

2021, in spite of continuing to be impacted by the pandemic, marked the beginning of recovery. The first half was marked by restrictions on mobility in all geographical areas, while in the second half recovery began with a change in the business development trend due to the countries opening up. This recovery in the second part of the year slowed down due to the impact of Omicron at the end of 2021 and during the first months of 2022.

Although during the first months of 2022 the business was still affected by the impact of Omicron, from March onwards we saw significant acceleration due to restrictions being lifted, first of all in Southern Europe, and from April onwards in the central European countries. The reactivation involved highly positive development in the main cities, where we have a strong presence, partly due to the return of business customers. NH Group is taking advantage of its strong positioning in Europe, with excellent locations and high brand recognition, alongside the high weight of domestic demand in the various countries.

In addition to the contingency plans structured at the beginning of the pandemic, NH Group has maintained strict control over costs, along with other initiatives to contain the pressure of inflation during the months of recovery.

For more information on the Contingency Plan, see the section "Impacts of COVID-19 and the measures implemented" of the Interim Consolidated Management Report for the six month period ended 30 June 2022.

These condensed interim consolidated financial statements include the impact arising from the situation described above, with particular relevance on the impairment analysis carried out by NH Group, tax credits, grants of government aid and cost containment policies.

2. Basis for presentation of the condensed interim consolidated financial statements

In accordance with European Parliament and Council Regulation (EC) 1606/2002 of 19 July 2002, all companies governed by the law of a European Union Member State, and whose securities are admitted to trading on a regulated market of any Member State, shall prepare their consolidated accounts for the years beginning on or after 1 January 2005 in conformity with the International Financial Reporting Standards (hereinafter, IFRS) previously adopted by the European Union.

The Group's consolidated financial statements for 2021 were prepared by the directors of the Parent Company in accordance with the provisions of the International Financial Reporting Standards adopted by the European Union, applying the principles of consolidation, accounting policies and measurement criteria described in Note 4 of the report on said consolidated financial statements, so that they provide a true and fair view of the consolidated equity and consolidated financial position of the Group as at 31 December 2021 and the consolidated results from its operations, the changes in consolidated equity and consolidated cash flows for the year ended on this date.

These condensed interim consolidated financial statements are presented in accordance with International Accounting Standard (IAS) 34 on Interim Financial Information and were prepared by the Directors of the Parent Company on 26 July 2022.

In accordance with the provisions of IAS 34, the interim financial report is drawn up only for the purposes of updating the content of the most recent financial statements drafted by the Group, placing emphasis on the new activities, events and circumstances that arose during the first quarter and not duplicating the information previously published in the consolidated financial statements for 2021. Therefore, the intermediate condensed financial statements at 30 June 2022 do not include all the information that would be required by complete consolidated financial statements prepared according to the IFRS Standards adopted by the European Union, so that for a full understanding of the information included in these condensed interim consolidated financial statements, they should be read together with the Group's consolidated annual accounts for 2021.

The consolidated results and the calculation of the consolidated equity are subject to the accounting principles and policies, measurement criteria and estimates followed by the Parent Company's Directors for the preparation of the condensed interim consolidated financial statements. The main accounting principles and policies and measurement criteria correspond to those applied to the consolidated annual accounts for 2021, except for the standards and interpretations which came into force in the first half of 2022 (see section a).

All information corresponding to the six-month period ended 30 June 2021 within the explanatory notes to the condensed interim financial statements for the six-month period ended 30 June 2022 is only and exclusively presented for comparative purposes.

a) Standards and interpretations effective in this period

During the six-month period ending 30 June 2022 new accounting standards came into force and were therefore taken into account when preparing the interim consolidated financial statements:

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

New standards, amendments and interpretations

Obligatory application in the years beginning on or after:

Approved for use in the European Union

Amendments and/or interpretations

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

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

Approved for use in the European Union:

New Standards:

IFRS 17 Insurance contracts	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	01 January 2023
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Amendments and/or interpretations

Amendment to IAS 40 Breakdown of accounting policies.	IAS 1 has been amended to improve breakdowns of accounting policies so that they provide more useful information to investors and other main users of the financial statements.	01 January 2023
Amendment to IAS 8 Definition of accounting estimates	Amendments and clarifications on what should be understood to be a change in accounting estimates.	01 January 2023

Awaiting approval for use in the European Union as of the date of publication of this document

Amendments and/or interpretations

Amendment to IAS 1 Classification of liabilities as current or non-current.	Clarifications regarding presentation of liabilities as current or non-current.	
Amendment to IFRS 17 Initial application of IFRS 17 and IFRS 9. Comparative information	Amendment to the IFRS 17 transition requirements for insurance companies applying IFRS 17 and IFRS 9 for the first time, simultaneously.	01 January 2023
Amendment to IAS 12 Deferred taxes arising from assets and liabilities from a single transaction.	Classifications of how entities should record the deferred tax generated in transactions such as leases and decommissioning obligations.	
Amendment to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associates or joint ventures	<p>These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will rest on if the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet said definition, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture.</p> <p>Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB made the decision to postpone the effective date (without setting a new specific date) as it is planning a broader review that could result in simplifying the accounting of these transactions and other aspects of the accounting of associates and joint ventures.</p>	Pending approval

b) Comparative information

The information contained in these condensed interim consolidated financial statements for the first half of 2021 is presented solely for the purposes of comparison with the information for the six-month period ended 30 June 2022 for the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated cash flow statement.

c) Seasonality of the Group's transactions

Given the activities of the Group's companies, its transactions have a slight cyclical or seasonal nature; historically the months with the highest hotel sales are from March to June and from September to November. On the other hand, the seasonality in the holiday hotels varies in the months of December to April and July to August, when sales are higher. This seasonal distribution of income has been affected since mid-March 2020 due to the impact of the COVID-19 pandemic.

d) Accounting correction

There have been no corrections of errors in the condensed interim consolidated financial statements for the six-month period ended 30 June 2022.

e) Change in accounting criteria

There have been no accounting criteria changes in the condensed interim consolidated financial statements for the six-month period ended 30 June 2022.

f) Responsibility for the information, estimates made and sources of uncertainty

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

Drawing up these condensed interim consolidated financial statements has required the use of relevant accounting estimates and forming opinions, estimates and assumptions in the process of applying NH Group's accounting policies and valuation of assets, liabilities and profit and loss. The estimates are the same as those referred to in Note 2.7 to the consolidated annual accounts for the 2021 financial year.

Corporation tax for the six month period ended on 30 June 2022 was calculated using the nominal rate for each country to calculate the tax result (tax base).

In spite of the fact that these estimates were carried out using the best information available at 30 June 2022 on events analysed, it is possible that events may take place in the future which compel their amendment (upwards or downwards) in years to come. This will be done in accordance with the provisions of IAS 8, prospectively.

g) Consolidated cash flow statements

In the consolidated cash flow statements, the following expressions are used with the following meanings:

- Cash flows are the inflows and outflows of cash and cash equivalents.
- Operating activities are the activities that form the main source of ordinary income for the Group, as well as other activities that cannot be classified as investment or financing.
- Investment activities are the purchase and disposal of long-term assets, as well as other investments not included in cash and cash equivalents.
- Financing activities are those activities that bring about changes in the size and composition of own funds and the loans taken out by the Group.

For the purposes of preparing the condensed consolidated cash flow statement, "cash and cash equivalents" was considered to be cash and bank deposits payable on demand, in addition to those highly-liquid short-term investments that are readily convertible into specific cash amounts and subject to little risk of a change in value.

h) Contingent assets and liabilities

Note 23 of the report on the Group's consolidated financial statements for the year ended 31 December 2021 provides information on the contingent assets and liabilities as at that date. Note 14 to these condensed interim consolidated financial statements for the six-month period ended 30 June 2022 details the most significant changes in the contingent assets and liabilities during that period.

i) Going concern

As a result of applying the new accounting standard IFRS 16, the Group has recognised a short-term liability corresponding to the current value of the lease payment commitments to be made in the next twelve months that, at 30 June 2022, amounted to 250,109 thousand euros (252,335 thousand euros at 31 December 2021) meaning that, at 30 June 2022, current liabilities are 154,341 thousand euros higher than current assets (210,978 thousand euros at 31 December 2021). Given that the effect is caused by a purely accounting (non-financial) approach, this does not prevent the business's normal development.

NH Group's prudent financial policy confirmed the capital structure reinforcement in the 2021 financial year, which made it possible to face the recovery stage from a position of financial strength. To do so, a €100 million capital investment was agreed by Minor International through a subordinated loan that was capitalised in September 2021 through a capital increase process directed towards all shareholders. Furthermore, liquidity was reinforced with the disinvestment of a landmark asset: NH Collection Barcelona Gran Hotel Calderón. The transaction involved a cash entry of €125.5 million, with operation of the asset being maintained with a long-term lease agreement. This strengthening of liquidity made it possible to optimise the financial debt maturities profile. By doing so, the maturities of the Group's three main debt instruments were extended from 2023 until 2026 and the financial covenants were waived for the whole of 2021 and this financial year (Note 11).

Since March this year, once the Omicron variant restrictions were lifted, accelerated reactivation of leisure and business travellers has made it possible to reach turnovers greater than 2019 in the second quarter, and reduce the Group's net debt in the first half by more than €100 million.

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

j) Significant changes in the composition of the Group and other sales of shareholdings

During the first half of 2022, there have been no significant changes in the composition of the Group and other sales or shareholdings.

3. Profit/(Loss) per share

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

In accordance with this:

	30/06/2022	30/06/2021
Net Profit/(Loss) for the period (thousands of euros)	(15.349)	(145.416)
Weighted average number of shares in circulation (in thousands)	435.639	392.052
Basic Earnings per share in euros	(0.035)	(0.37)

Diluted earnings per share are established on a similar basis to basic earnings per share; however, the weighted average number of shares outstanding is increased by options on shares, warrants and convertible debt.

	30/06/2022	30/06/2021
Net Profit/(Loss) for the period (thousands of euros)	(15,349)	(145,416)
Weighted average number of shares with dilutive effect	435,639	420,718
Diluted Earnings per share in euros	(0.035)	(0.34)

4. Property, Plant and Equipment

a) Movement in the period

The main additions occurring during the six month period ended on 30 June 2022 relate to hotel refurbishment and opening new hotels. In Spain, highlights are the works at NH Collection Barcelona Gran Hotel Calderón, in France, Anantara Plaza Nice Hotel and in Portugal, Tivoli Avenida Liberdade Lisbon, in Italy the refurbishment at NH Padova and NH Collection Roma Centro and NH Milano Corso Buenos Aires (opening in the next few months), and in Benelux

the works at the new Brussels Bloom and NH Collection Brussels Centre hotels. The total effect of all additions in the year was 13.1 million euros.

The main derecognitions for the financial year were the sales of NH Naarden in Holland and NH Wiesbaden in Germany. The hotels were sold for €18.9 million. In addition, assets relating to a property in Belgium were reclassified to non-current assets available for sale in the amount of 18 million euros (Note 9).

During 2022 there have been amortisations of 45.1 million euros. The other movements in the period are explained by the effect of conversion differences, the application of IAS 29 and the derecognition of certain assets.

b) Impairment losses

During the first six months of 2022, a net reversal was recorded for impairment loss on assets of €6.9 million, mainly due to the sale process of the NH Naarden Hotel on 21 June, which enabled recovery of a large part of the value impairment recorded against it.

c) Commitments to purchase property, plant and equipment items

Firm purchase/investment undertakings by the NH Group amounted to 27.9 million euros at 30 June 2022. These investments will be made between 2022 and 2023.

d) Insurance policy

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

5. Leases

The breakdown and movements under this heading during the first six months of 2022 were as follows (in thousands of euros):

Thousands of euros	
Right-of-use assets	
Net Book Value at 31 December 2021	1,592,345
Cost	
Inclusions	47,096
Retirements	(100,246)
Currency translation difference	5,065
Accumulated Amortisation	
Inclusions	(85,721)
Retirements	99,885
Currency translation difference	(2,476)
Net Book Value at 30 June 2022	1,555,948

	Net 31/12/2021	Expenses for interest	Changes	Rent payments	Exchange rate differences	Net 30/06/2022
Leasing liabilities	1,925,353	39,988	43,943	(125,126)	1,608	1,885,766

The main movements in the six-month period ended 30 June 2022 mainly correspond to the opening of a hotel under lease, NH Collection Milano City Life, as well as the updating of various contracts according to rent reference indices. During the

first six months NH Logroño, NH Milano Concordia and NH Frankfurt Mörfelden Conference Center, NH Kensington, NH Hotel de Ville and NH Frankfurt Villa were closed.

The movement in both right-of-use assets and leasing liabilities does not principally involve a cash outflow given that the asset is modified based on the variations produced in the liability, either due to changes in the contract's payment structure or by the update in accordance with revenues benchmarks.

6. Goodwill

The breakdown of the heading "Goodwill" as at 30 June 2022 and 31 December 2021, depending on the companies that generated the goodwill, is as follows:

	2022	2021
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	58,888	58,888
Grupo Royal	23,517	22,494
Boscolo Hotels	10,941	11,571
Others	3,211	3,174
	96,557	96,127

The impairment testing policies applied by the Group to its intangible assets and to its goodwill in particular are described in Notes 4.2, 4.4 and 11 to the consolidated financial statements for the year ended 31 December 2021.

The change in the goodwill of Hotel Royal, S.A., Boscolo Hotels and Others results from the exchange rate effect.

7. Other intangible assets

The most significant additions in this financial year were in Spain (€2.7 million) a result of implementing the new NH Discovery loyalty programme, investments made in digitisation and optimisation of operating processes to gain sustainability, mobility and improve customer care.

There have also been amortisations of 6.7 million euros.

8. Financial assets

Composition and breakdown

The breakdown of the Group's financial assets is shown below, presented by type and categories for the purposes of valuation:

Financial Assets: Type / Category	Thousands of euros	
	30/06/2022	
	Financial Assets at Amortised Cost	Other Financial Assets at Amortised Cost
Equity instruments	2,335	—
Debt securities	—	26,426
Derivatives	—	—
Other financial assets	—	1,146
Long-term / non-current	2,335	27,572
Equity instruments	—	—
Debt securities	—	—
Derivatives	—	—
Other financial assets	—	—
Short-term / Current	—	—
Total	2,335	27,572
Financial Assets: Type / Category	Thousands of euros	
	31/12/2021	
	Financial Assets at Amortised Cost	Other Financial Assets at Amortised Cost
Equity instruments	2,334	—
Debt securities	—	26,713
Derivatives	—	—
Other financial assets	—	1,159
Long-term / non-current	2,334	27,872
Equity instruments	—	—
Debt securities	—	—
Derivatives	—	—
Other financial assets	—	—
Short-term / Current	—	—
Total	2,334	27,872

As regards the fair value of financial assets, it does not differ significantly from its book value.

9. Assets and liabilities classified as held for sale and discontinued operations

In accordance with IFRS 5, “Non-current assets classified as held for sale and discontinued operations”, the group has classified non-strategic assets under this heading which 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 30 June 2022 the Group recorded the property company “Immo Hotel BCC, N.V.”, the owner of a hotel in Belgium whose sale is planned in the second half of 2022, as available for sale (Note 4). Furthermore, the minority

shareholding held by the Group in a company owning a property in the United Kingdom which was sold on 1 July 2022 was recorded as available for sale (Note 20).

Consolidated balance sheets. Headings of Non-current assets and liabilities classified as held for sale (in thousands of euros):

	30/06/2022	31/12/2021
Property, plant and equipment	18,297	—
Other intangible assets	60	—
Financial assets	2,344	—
Non-current assets classified as held for sale	20,701	—
Trade payables	(28)	—
Liabilities associated with assets classified as held for sale	(28)	—

For the six month period ended on 30 June 2022 there are no results for discontinued operations.

10. Equity

NH Hotel Group, S.A. share capital at 30 June 2022 comprised 435,745,670 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Parent Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 30 June 2022 and 31 December 2021 were as follows:

	30/06/2022	31/12/2021
Minor International Public Company Limited ("MINT")	94.13%	94.13%

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

a) Issue premium and reserves

The most significant variation in reserves is due to the distribution of profits from the previous year.

b) Treasury shares and shareholdings

At 30 June 2022, the Group had 103,453 own shares, compared to 96,246 own shares at 31 December 2021. The variation in treasury shares over the period can be explained by the following movements:

- 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 30 June 2022 is 103,453 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2021, the number of shares assigned to the liquidity contract was 96,246 shares. The positive effect recorded in reserves for operations carried out in the first half of the year was 560 thousand euros.
- In the first half of 2022, 150,351 treasury shares were repurchased to meet the obligations derived from settling the third, and final, cycle (2019-2021) of the Second Long-Term Incentive Plan 2019-2021 for certain executives and personnel (Note 15), which was settled in the first quarter of 2022 with handover of the shares. The total recorded positive impact on equity was 506 thousand euros.

c) *Non-controlling interests*

The movements in this heading in the first six months of 2022 and the financial year 2021 are summarised below:

	Thousands of euros	
	30/06/2022	31/12/2021
Opening balance	48,998	49,582
Comprehensive profit/(loss) attributable to non-controlling	3,635	556
Dividends paid to non-controlling interests	—	(166)
Other movements	—	(974)
Closing balance	52,633	48,998

The comprehensive profit/(loss) attributable to non-controlling interests includes the following effects: the profit (Loss) for 2022 (1,000 thousand euros), the effect caused by exchange rate conversion at the close of the financial year (691 thousand euros) and the re-expression of the profit/(loss) attributable to companies operating in hyperinflationary economies due to inflation (1,944 thousand euros).

d) *Exchange differences*

Exchange differences include the following equity effects: the equity effect caused when converting their respective financial statements to Euros, using the exchange rate conversion at the end of the financial year (13,915 thousand euros) and the re-expression of the financial statements of group Companies operating in hyperinflationary economies due to inflation (6,715 thousand euros).

11. Financial liabilities

a) *Composition and breakdown*

The breakdown of the Group's financial liabilities is shown below, presented by type and categories for the purposes of valuation:

	Thousands of euros	
	30/06/2022	
Financial Liabilities: Type / Category	Liabilities at amortized costs	
Bank borrowings	384,921	
Debt instruments and other marketable securities	395,684	
Leasing liabilities	1,635,657	
Other non-current financial liabilities	316	
Other non-current liabilities	22,463	
Long-terms debts / Non-current financial liabilities	2,439,041	
Bank borrowings	28,623	
Debt instruments and other marketable securities	6,596	
Accounts payable from related entities (Note 16)	1,474	
Leasing liabilities	250,109	
Other financial liabilities	24	
Other current liabilities	68,076	
Short-term debts / Current financial liabilities	354,902	
Total	2,793,943	

Financial Liabilities: Type / Category	Thousands of euros
	31/12/2021
	Liabilities at amortized costs
Bank borrowings	389,943
Debt instruments and other marketable securities	395,020
Leasing liabilities	1,673,018
Other financial liabilities	504
Other non-current liabilities	21,360
Long-terms debts / Non-current financial liabilities	2,479,845
Bank borrowings	21,281
Debt instruments and other marketable securities	6,803
Accounts payable from related entities (Note 16)	824
Leasing liabilities	252,335
Other financial liabilities	63
Other current liabilities	40,376
Short-term debts / Current financial liabilities	321,682
Total	2,801,527

As regards the fair value of financial liabilities, it does not differ significantly from its book value.

b) Debts and accounts payable

The breakdown of debts from credit institutions, bonds and other tradeable securities at 30 June 2022 and 31 December 2021 is as follows (thousands of euros):

At 30/06/2022	Maturity schedule								
Figures in thousands of euros	Limit	Available	Disposed	Year 1	Year 2	Year 3	Year 4	Year 5	Remaind
Mortgages	22.328	—	22.328	1.993	6.375	1.256	1.130	738	10.836
Fixed rate	18.888	—	18.888	1.362	5.710	580	602	678	9.956
Variable interest	3.440	—	3.440	631	665	676	528	60	880
Subordinated loans	40.000	—	40.000	—	—	—	—	—	40.000
Variable interest	40.000	—	40.000	—	—	—	—	—	40.000
Guaranteed senior notes mat. in 2026	400.000	—	400.000	—	—	—	—	400.000	—
Fixed rate	400.000	—	400.000	—	—	—	—	400.000	—
Unsecured loans	334.347	—	334.347	9.385	58.185	9.517	256.161	1.099	—
Fixed rate	7.958	—	7.958	1.976	2.011	1.888	1.922	161	—
Variable interest	326.389	—	326.389	7.409	56.174	7.629	254.239	938	—
Secured credit line	242.000	242.000	—	—	—	—	—	—	—
Variable interest	242.000	242.000	—	—	—	—	—	—	—
Credit lines	42.000	25.000	17.000	16.000	—	1.000	—	—	—
Variable interest	42.000	25.000	17.000	16.000	—	1.000	—	—	—
Borrowing at 30/06/2022	1.080.675	267.000	813.675	27.378	64.560	11.773	257.291	401.837	50.836
Arrangement expenses	(11.426)	—	(11.426)	(2.690)	(2.804)	(2.915)	(2.697)	(38)	(282)
IFRS 9	4.097	—	4.097	1.053	1.067	1.073	904	—	—
Borrowing costs	9.478	—	9.478	9.478	—	—	—	—	—
Adjusted total debt at 30/06/2022	1.082.824	267.000	815.824	35.219	62.823	9.931	255.498	401.799	50.554
Adjusted total debt at 31/12/2021	1.080.047	267.000	813.047	28.084	57.713	13.841	9.198	654.074	50.137

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

	Total liabilities	Maturity					
		Year 1	Year 2	Year 3	Year 4	Year 5	Remainder
Gross lease payments 30/06/2022	2,769,706	245,331	230,963	214,363	198,687	171,142	1,709,220
Gross lease payments 31/12/2021	2,728,005	250,149	236,321	222,303	206,872	191,944	1,620,416

The Group's loans bear interest at a fixed rate for 52.5% of the total consolidated debt, including guaranteed senior bonds maturing in 2026 that accrue a nominal interest of 4%.

Secured senior bonds maturing in 2026

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

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

The outstanding nominal amount at 30 June 2022 was 400,000 thousand euros.

Secured credit line (RCF)

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

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

On 29 June 2021, the Parent Company and NH Finance, S.A. agreed an additional extension of the maturity of the finance to 31 March 2026, with a limit of 242,000 thousand euros.

At 30 June 2022, 242,000 thousand euros of this financing was fully available.

Unsecured loans

- Syndicated ICO backed loan maturing in 2026:

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

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

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

At 30 June 2022, this financing was fully drawn down.

– Other non-guarantee 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 COVID-19 and thus receiving the ICO guarantee. In May 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of May 2025. At 30 June 2022, this financing was fully drawn down in the amount of 10,000 thousand euros.
- 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 COVID-19 and thus receiving the ICO guarantee. In April 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of July 2026. At 30 June 2022, this financing was fully drawn down in the amount of 7,500 thousand euros.
- In October 2020 the Italian subsidiary NH Italia Spa signed a bilateral loan for 15,000 thousand euros over 6 years, within the legal framework provided by the Italian state to mitigate the economic impact of COVID-19 and, in this way, receiving the State guarantee (SEPE). At 30 June 2022, this financing was fully drawn down in the amount of 15,000 thousand euros.
- Furthermore, various bilateral loans were signed between June and September 2020 in different regions (Portugal, Argentina and Chile) to mitigate the economic impact of the pandemic. At 30 June 2022, this financing was fully drawn down in the amount of 2,633 thousand euros.
- Subsidiaries of the Parent Company have other unsecured bilateral loans, including a loan from the American subsidiary of 50,000 thousand dollars (48,137 thousand euros at June 2022) signed in 2018, fully drawn down at 30 June 2022 and maturing in July 2023. These funds were used to finance the NH Collection New York Madison Avenue hotel's capex. The remaining bilateral loans are distributed amongst the companies in Colombia and, at 30 June 2021, the amount drawn down was 1,077 thousand euros.

Subordinated loan

A loan amounting to 40,000 thousand euros fully drawn at 30 June 2022 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.

Mortgages

There were no changes in loans and mortgage loans during the first half of 2022. The amount at 30 June 2022 was 22,328 thousand euros.

Bilateral credit lines

At 30 June 2022, the balances under this item include the amount drawn down from credit facilities. The joint limit of these loan agreements and credit facilities at 30 June 2022 amounted to 42,000 thousand euros, of which 17,000 thousand euros had been drawn down at that date.

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

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

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

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

- Net debt-to-income ratio $\leq 4.00x$: LTV ratio = 70%
- Net debt-to-income ratios $\leq 4.00x$: LTV ratio = 85%
- Net debt-to-income ratio $\leq 3.50x$: LTV ratio = 100%

The maximum permitted LTV at 30 June 2022 is 70%.

At 30 June 2022, the Parent Company has a waiver on compliance with the financial covenants for the syndicated credit line and the syndicated loan with the ICO guarantee for the whole of 2022.

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

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

The net book value of the assets granted as mortgage security against the syndicated credit line (fully drawn down at 30 June 2022) and guaranteed senior notes in the amount of 400,000 thousand euros, maturing in 2026, can be broken down as follows (in thousands of euros):

	Mortgaged asset	Net book value mortgaged asset
	NH Conference Centre Leeuwenhorst	55,077
	NH Conference Centre Koningshof	38,392
	NH Conference Centre Sparrenhorst	6,200
	NH Zoetermeer	7,120
	NH Capelle	6,067
Total		112,856
	Net value of assets assigned as mortgage collateral	112,856
	Value of guaranteed debt	400,000
	Fixed interest	400,000
	Variable interest (amount of the syndicated credit line drawn down)	—

Limitation on the distribution of dividends

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

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

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

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

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

- Net Financial Debt / EBITDA $\leq 4.0x$: 75% of consolidated net profit
- Net Financial Debt / EBITDA $\leq 3.5x$: 100% of consolidated net profit
- Net Financial Debt / EBITDA $\leq 3.0x$: without limits

All metrics are calculated using consolidated data.

Liquidity

The Group holds 350,903 thousand euros in treasury and 267,000 thousand euros in credit lines drawn down at 30 June 2022, of which 242,000 thousand euros relate to the syndicated credit facility (RCF) and 25,000 thousand euros to the bilateral credit lines.

12. Tax note

The NH Hotel Group companies have calculated the estimated Corporate Income Tax to 30 June 2022 applying the regulations in force in the countries in which they operate and specifically, as regards companies resident in Spain, in accordance with the provisions contained in Law 27/2014, of 27 November.

In the first half of 2022 the net impact of the movement of credits for tax losses is their consumption, shown on the Profit and Loss account as an expense of 6.2 million euros.

13. Provisions

Details of "Provisions for Contingencies and Expenses" at 30 June 2022 and 31 December 2021 are as follows:

	Thousands of euros	
	30/06/2022	31/12/2021
Provisions for contingencies and non-current expenses		
Provision for pensions and similar obligations	29,084	28,032
Other claims	22,692	16,029
	51,776	44,061
Provisions for contingencies and current expenses		
Other claims	2,267	3,475
	2,267	3,475
Total	54,043	47,536

The "Other claims" item includes provisions for disputes and risks that the Group considers likely to occur. Among the most significant are the provisions created on the basis of the action brought in the proceedings claiming breach of contract in a property development, as well as other claims received in relation to the termination of certain leases and services where certain amounts are claimed. During the first half of 2022 the most significant increase was due to the agreement reached to put an end to a claim (Note 14).

14. Claims in process

Note 23 of the report on the consolidated annual accounts relating to the financial year ended 31 December 2021 describes guarantees committed to with third parties and the main tax and legal disputes involving the Group as at that date. The updates with respect to the detailed information in the aforementioned consolidated annual accounts are detailed below:

- In relation to the claim against two Group companies, claiming payment of fees to rights management entities from 1 January 2008 until 31 May 2013, the appeal for judicial review lodged by the claimant was denied.
- In relation to the claim for a sum of money against a Group company relating to the payment of fees to a management entity, a judgment was passed dismissing the claim and the proceedings are now in the appeal phase.
- With respect to the claims for payment submitted within the framework of various rent renegotiation processes, a partially favourable judgment has been obtained in one of them, with the remainder being in progress, or ended as a result of out-of-court agreements.
- As part of the contractual liability assumed by the NH Group in a hotel purchase contract in Holland, the buyers informed the Group of the requirement to pay the Dutch Capital Transfer Tax. At 30 June 2022, the total amount of this tax, plus the corresponding default interest, was 12,842 thousand euros. The purchasers submitted an appeal to the Dutch Treasury that was rejected and an appeal has been filed with the Courts that is still pending resolution. The NH Group and the purchasers reached an agreement whereby NH assumed control and the outcome of the judicial procedure. In March 2021, a judgment issued by the Court of First Instance was received rejecting NH's claim, with which the Group does not agree, so a new appeal will be filed before the second judicial instance on 14 June 2021 and the oral hearing was held on 22 June 2022. As a result of the hearing, the parties reached agreement to put an end to the claim which will materialise in the third quarter of 2022.

The previous updates have had an impact of 6.6 thousand euros on the interim consolidated comprehensive profit and loss statement at 30 June 2022.

At 30 June 2022, the Directors of the Parent Company estimate that the hypothetical losses the Group could incur as a result of the ongoing disputes will have no significant impact on its equity.

15. Long-Term Incentive Plan

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

The Plan consisted of the delivery of the Group's ordinary shares to the beneficiaries calculated as a percentage of the fixed salary in accordance with their level of responsibility. The number of shares to be granted was subject to the degree of fulfilment of the following objectives:

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

	No. of Shares Assigned at the start of each cycle	Value of the allocation (Euros)
The first cycle began on 1/1/2017 (delivered in 2020 - concluded)	720.87	3.80
The second cycle began on 1/01/2018 (delivered in 2021 - concluded)	517.96	5.96
The third cycle began on 01/01/2019 (delivery in 2022 - concluded)	879.25	3.96

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

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

At the date this report is published there are no long-term share-based incentives that have not been finalised and settled.

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

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

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

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

The Plan is aimed at approximately 100 beneficiaries.

The effect of these items on the consolidated comprehensive profit and loss statement for 2022 was 1,033 thousand euros positive (during the first half of 2021 an expense of 511 thousand euros was recorded relating to the Second Incentive Plan, settled in 2022).

16. Income and expenses

16.1 Income

The breakdown of these headings in the condensed consolidated comprehensive profit and loss statements for the six month period is as follows:

	Thousands of euros	
	2022	2021
Hotel occupancy	525,669	117,011
Catering	128,787	35,788
Meeting rooms and others	48,236	13,962
Rentals and other services	18,585	8,289
Revenues	721,277	175,050
Operating subsidies	17,704	38,936
Other operating income	2,426	2,345
Other operating income	20,130	41,281
Net gain (loss) on disposal of assets	1,377	62,409

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

Aid received of 17.7 million euros has been recorded under the Operating subsidies line, which mainly relates to subsidies received from the German, Italian and Belgian governments to offset the drop in sales caused by COVID-19.

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

16.2 Personnel expenses

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

	Thousands of euros	
	2022	2021
Wages, salaries and similar	152,851	75,787
Social security contributions	37,177	20,792
Severance payments	—	6,635
Contributions to pension plans and similar	5,547	4,827
Other social expenses	5,443	2,843
	201,018	110,884

The increase in personnel expenses is explained by the contingency plans the Group made during the first half of the 2021 financial year to palliate the drop in sales, such as voluntary reductions in working hours and salary. In addition, less savings were recorded as a result of the subsidies or allowances received from the Governments, which were 11.6 thousand euros (19.7 million euros in June 2021).

The average number of people employed by the Parent Company and fully consolidated companies during the first half-year period of 2022 and 2021, broken down by professional categories, is as follows:

	30/06/2022	30/06/2021
Group's General Management	8	8
Managers and heads of department	1,437	1,450
Technical staff	869	883
Sales representatives	647	665
Administrative staff	135	156
Rest of workforce	7,300	6,808
	10,396	9,970

The workforce breakdown by sex and professional category as at 30 June 2022 and 2021 was as follows:

	30/06/2022		30/06/2021	
	Males	Females	Males	Females
Group's General Management	7	2	7	1
Managers and heads of department	818	627	806	631
Technical staff	464	422	439	388
Sales representatives	209	497	179	434
Administrative staff	47	85	52	86
Rest of workforce	3,845	3,974	3,340	3,425
	5,390	5,607	4,823	4,965

The average number of people with a disability greater than or equal to 33% employed directly by the Parent Company and the fully consolidated companies as at 30 June 2022 and 2021, broken down by professional categories, is as follows:

	30/06/2022	30/06/2021
Group's General Management	—	—
Managers and heads of department	—	1
Technical staff	9	6
Sales representatives	2	3
Administrative staff	10	4
Rest of workforce	64	73
	85	87

16.3 Other operating expenses

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

	Thousands of euros	
	2022	2021
Leases	58,084	(6,895)
Outsourcing of services	52,319	13,169
Commissions and bonuses for customers	44,457	8,301
Supplies	32,954	20,411
Maintenance and cleaning	22,487	13,130
Laundry and related costs	16,447	4,675
Costs associated with information technologies	18,878	15,145
Marketing and merchandising	8,399	3,838
Taxes, insurance and levies	17,769	14,529
Advisory services	8,564	6,054
Other external services	42,610	18,641
	322,968	110,998

In the first half of 2022, the Group experienced an improvement to the level of activity in its hotel business, which led to an increase in some operational expenses directly related to the level of activity, such as the supplies and laundry service, among others. Also, the increase recorded in revenue per available room explains the increase in associated agency commission expenses and the cost of leases associated with variable rents. Nevertheless, and in spite of the improvement to business, the Group has, since the start of the pandemic, a contingency plan in place to reduce fixed and variable costs directly related to the level of activity.

In June, NH outsourced its NH Rewards loyalty programme which merged with the Global Hotel Alliance (GHA) loyalty programme, as NH Discovery, to become part of one of the 10 largest loyalty programmes in the hotel sector with more than 800 hotels, 21 million members and access to new source markets. In this way, it joins Minor hotels as members of the alliance.

17. Related party transactions

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

Transactions carried out by the Group with its related parties during the first half of 2022 are stated below, distinguishing between major shareholders, members of the Board of Directors and Directors of the Parent Company and other related parties. The conditions of the related-party transactions are equivalent to those of transactions carried out under market conditions:

Income and Expenses	Thousands of euros			
	30/06/2022			
	Major Shareholders	Directors and Senior Management	Associates or companies of the Group	Total
Expenses:				
Reception of services	91	—	—	91
Other expenses	948	—	—	948
	1,039	—	—	1,039
Income:				
Management or cooperation agreements	1,612	—	700	2,312
Other income	377	—	—	377
	1,989	—	700	2,689

Income and Expenses	Thousands of euros			
	30/06/2021			
	Major Shareholders	Directors and Senior Management	Associates or companies of the Group	Total
Expenses:				
Financial expenses	617	—	—	617
Management or cooperation agreements	22	—	—	22
Reception of services	411	—	—	411
Other expenses	270	—	—	270
	1,320	—	—	1,320
Income:				
Financial income	—	—	(5)	(5)
Management or cooperation agreements	—	—	280	280
Other income	221	—	—	221
	221	—	275	496

The heading “Management or cooperation agreements” referring to major shareholders includes the amounts that have accrued in the form of management fees payable to NH Group in the first half of 2022 by virtue of the hotel management agreement signed with the Minor Group.

Other agreements

	Thousands of euros	
	30/06/2022	31/12/2021
Accounts receivable from related entities	1,729	1,185
Accounts receivable from associated companies (long term)	163	148
Accounts receivable from associated companies (short term)	618	418
Loans to associates (Sotocaribe, S.L.)	10,606	10,543
Provision for impairment	(9,502)	(9,502)
Total Assets	3,614	2,792

	Thousands of euros	
	30/06/2022	31/12/2021
Accounts payable from related entities	(1,474)	(824)
Loans from related entities	(9)	(9)
Total Liabilities	(1,483)	(833)

At 30 June 2022, the NH Group has a net balance pending collection of 255 thousand euros with the Minor Group (1,729 thousand euros recorded as an account receivable and 1,474 thousand euros as accounts payable).

18. Information by segments

Note 27 of the report on the Group's consolidated financial statements for the year ended 31 December 2021 provides details of the criteria used by the Group to define its business segments. There have been no changes to the segmentation criteria.

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

	Thousands of euros (30/06/2022)						TOTAL
	Italy	Southern Europe	Central Europe	Benelux	Latin America	Central Services	
Revenues	144,769	234,879	135,975	158,737	46,333	584	721,277
Other operating income	2,339	930	12,681	3,047	143	990	20,130
Depreciation	(24,054)	(40,398)	(38,353)	(20,910)	(5,721)	(8,163)	(137,599)
Net profit (loss) for asset deterioration	(5)	62	121	6,749	—	—	6,927
Financial Income	18	48	147	9	212	524	958
Financial Expenses	(9,707)	(8,149)	(21,214)	(10,758)	(3,829)	(12,554)	(66,211)
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	2,580	—	2,580
Profit (Loss) from entities valued through the equity method	—	—	—	—	31	221	252
Corporation tax	(6,100)	(4,008)	(1,220)	(3,793)	(779)	2,158	(13,742)

	Thousands of euros (30/06/2021)						TOTAL
	Italy	Southern Europe	Central Europe	Benelux	Latin America	Central Services	
Revenues	38,870	70,563	25,614	25,667	14,159	177	175,050
Other operating income	168	871	39,220	179	70	773	41,281
Depreciation	(25,140)	(38,876)	(39,116)	(22,429)	(5,238)	(9,278)	(140,077)
Net profit (loss) for asset deterioration	182	144	—	—	—	—	326
Financial Income	18	20	161	59	131	1,659	2,048
Financial Expenses	(10,046)	(8,018)	(18,602)	(11,271)	(2,661)	(36,038)	(86,636)
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	1,413	—	1,413
Profit (Loss) from entities valued through the equity method	—	—	—	—	(1,253)	(153)	(1,406)
Corporation tax	7,156	15,248	(345)	10,114	2,897	(8,793)	26,277

2022

	Thousands of euros						Central Services
	Total	Italy	Southern Europe	Central Europe	Benelux	Latin America	
OTHER INFORMATION							
Inclusions of tangible fixed assets and other intangibles	15,878	2,909	(498)	3,292	3,011	1,138	6,026
Depreciation	(137,599)	(24,054)	(40,398)	(38,353)	(20,910)	(5,721)	(8,163)
Net profit (loss) for asset deterioration	6,927	(5)	62	121	6,749	—	—
BALANCE SHEET							
ASSETS							
Assets by segments	4,153,751	705,991	814,158	1,026,551	1,077,148	344,648	185,255
Shareholdings in associated companies	42,432	—	929	—	—	4,566	36,937
Total consolidated assets	4,196,183	705,991	815,087	1,026,551	1,077,148	349,214	222,192
LIABILITIES							
Liabilities and equity by segments	4,196,183	705,991	815,087	1,026,551	1,077,148	349,214	222,192
Total Consolidated Liabilities and Equity	4,196,183	705,991	815,087	1,026,551	1,077,148	349,214	222,192

2021

	Thousands of euros						
	31/12/2021						
	Total	Italy	Southern Europe	Central Europe	Benelux	Latin America	Central Services
OTHER INFORMATION							
Inclusions of tangible fixed assets and other intangibles	42,409	5,806	2,010	8,209	18,132	2,226	6,026
Depreciation	(280,227)	(48,142)	(79,230)	(79,697)	(44,700)	(10,719)	(17,739)
Net profit (loss) for asset deterioration	2,131	23,367	2,070	(11,730)	(7,603)	(3,973)	—
BALANCE SHEET							
ASSETS							
Assets by segments	4,064,390	710,942	793,029	1,038,647	1,002,412	309,521	209,839
Shareholdings in associated companies	40,922	—	929	—	—	4,212	35,781
Total consolidated assets	4,105,312	710,942	793,958	1,038,647	1,002,412	313,733	245,620
LIABILITIES							
Liabilities and equity by segments	4,105,312	710,942	793,958	1,038,647	1,002,412	313,733	245,620
Total Consolidated Liabilities and Equity	4,105,312	710,942	793,958	1,038,647	1,002,412	313,733	245,620

19. Remuneration and other statements made by the Board of Directors and Senior Management

Note 28 of the report on the Group's consolidated financial statements for the year ended 31 December 2021 details the existing agreements on remuneration and other benefits of members of the Parent Company's Board of Directors and Senior Management.

A summary table containing the most relevant data concerning such remuneration and benefits in relation to the six-month periods ended 30 June 2022 and 2021 is provided below:

	Thousands of euros	
	30/06/2022	30/06/2021
Members of the Board of Directors:		
Remuneration item-		
Fixed remuneration	550	440
Short-term variable remuneration	318	206
Long-term variable remuneration	265	—
Allowances	2	2
Allowances as per Articles	170	152
Transactions in shares and/or other financial instruments	—	95
Others	15	17
	1,320	912
Other benefits-		
Life insurance premiums	5	16
	5	16
Senior management, excluding Directors:		
Total remuneration received by senior management	1,301	974
Others	294	115
	1,595	1,089

The prorated remuneration of the seven members (excluding the CEO and Chief Operations Officer) who formed the Company's Senior Management at 30 June 2022 was taken into account to calculate the amounts indicated in the Senior Management section. Senior Management remuneration includes the economic valuation of payment in kind and the accrual of 100% of the variable remuneration for the first half of 2022. The heading "Other" takes the long-term objective remuneration accrued during the first half of 2022 into consideration.

At 30 June 2022 there were seven members of Senior Management, including the new Chief People Officer, appointed on 1 June 2022, and the outgoing Chief People Officer, who left the company on 30 June 2022. The CEO and the Chief Operations Officer, as they are Executive Directors, are not included in Senior Management.

The Board of Directors had nine members at 30 June 2022, who were all men.

The current Executive Director and CEO was appointed by the General Shareholders' Meeting on 29 June 2017 and re-elected at the General Shareholders' Meeting on 16 July 2020. On the other hand, the Executive Director and Chief Operations Officer were appointed by co-opting on 28 September 2020 and ratified by the General Shareholders' Meeting on 30 June 2021.

Directors' remuneration in kind (vehicle and health insurance) is included under "Others".

During the General Shareholders' Meeting on 30 June 2022, the current Chief Assets & Development Officer was appointed as an Executive Director. Her remuneration information is included in this report under Senior Management.

20. Events after the reporting period

On 1 July 2022 the sale of the minority holding in the company owning a hotel in the United Kingdom, which, at 30 June 2022, was classified as available for sale, was completed for a price of 12 million euros (Note 9).

INTERIM CONSOLIDATED MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 June 2022

EVOLUTION OF BUSINESS AND GROUP'S SITUATION

NH Hotel Group is an international hotel operator and one of the leading urban hotel companies worldwide in terms of number of rooms. The Group operates 349 hotels and 54,469 rooms in 30 countries, and has a significant presence in Europe.

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

This flexible operational and financial structure has enabled the Group to overcome the huge challenges of the past two years. Although the challenges have continued in the first months of 2022, the strong recovery during the second quarter has enabled the Group to benefit from brand recognition, excellent locations and strong market positioning in Europe.

During 2021, as a result of the start of recovery after the economic crisis caused by the COVID-19 pandemic, the global economy increased by +6.1%, compared to a decrease of -3.1% in the previous year (Data and estimates from IMF "World Economic Outlook", April 2022). GDP growth in 2021 was in line with expectations, showing continuous adaptation of economic activity to the pandemic and its associated restrictions, as well as continuous support from institutions in many countries. However, the continuous recovery was weakened during the year, hindered by the increase of infections from new strains and interruptions to the supply chains. At the end of the year, as a result of the omicron strain, many countries went back into partial lockdown which had an impact on global economic recovery.

The four countries that bring the greatest proportion of the Group's sales and profits show rates of growth in 2021: Spain (+5.1% in 2021 vs. -10.8% in 2020), Holland (+5.0% in 2021 vs. -3.8% in 2020), Germany (+2.8% in 2021 vs. -4.6% in 2020), and Italy (+6.6% in 2021 vs. -8.9% in 2020). On the other hand, growth in Latin America was +6.8% in 2021 (vs. -6.9% in 2020) as all the economies as a whole have continued to suffer the consequences created by COVID-19.

The economic damage caused by the war in Ukraine will contribute to a significant downturn in world growth in 2022. Apart from reducing growth, the war will increase inflation. Fuel and food prices have risen rapidly. The high level of inflation will complicate the dilemma facing the central banks between containing price pressures and protecting growth. It is forecast that interest rates will go up as the central banks tighten their policies. Furthermore, the recent lockdowns decreed in critical manufacturing and commercial hubs in China will probably deepen the supply problems in other regions.

Therefore, the estimate is for +3.6% growth of world economic activity in 2022 (+6.1% in 2021 vs. -3.1% in 2020). Therefore, in the Euro zone +2.8% growth is estimated in 2022 (+5.3% in 2021 vs. -6.4% in 2020).

The recovery of tourism is speeding up after the restrictions were lessened and confidence increased. At worldwide level, destinations received almost three times more international arrivals in the first quarter of 2022 than in the same period in 2021, with Europe leading the sector's upturn. According to the last World Tourism Barometer from the UNWTO, international tourism experienced a year-on-year increase of 182% in January-March 2022, and worldwide destinations received around 117 million international arrivals, against 41 million in the first quarter of 2021. Out of the 76 million additional international arrivals during the first three months, around 47 million were recorded in March, which shows that the recovery is gaining strength.

The data from the UNWTO shows that during the first quarter of 2022 Europe received almost four times more international arrivals (+280%) than in the first quarter of 2021, with results driven by the strong inter-regional demand. In America, arrivals duplicated and more (+117%) in the same three months. However, arrivals to Europe and America are still 43% and 46% lower than 2019 levels, respectively. By sub-regions, the Caribbean and the south of Mediterranean Europe continue to show the fastest recovery rates. Both of them recovered arrivals up to almost 75% of 2019 levels, and some destinations reached or exceeded pre-pandemic levels.

Although international tourism is still 61% lower than 2019 levels, it is expected that gradual recovery will continue throughout 2022, as more destinations ease or lift travel restrictions and repressed demand is freed. At 2 June, 45 destinations (31 of which are in Europe) have no restrictions relating to COVID-19. In Asia, a growing number of destinations have begun to ease restrictions.

In spite of this positive outlook, the difficult economic situation, combined with the Russian military offensive in Ukraine, involves a risk to the recovery of international tourism. Until now the Russian offensive in Ukraine seems to have had a limited direct impact on global results, although it is disrupting travel in Eastern Europe. Nevertheless, the conflict is having significant repercussions at worldwide level, exacerbating the already high petrol prices and general inflation, and interrupting international supply chains, which translates into an increase in transport costs and accommodation for the tourist sector.

The latest UNWTO Confidence Index showed a marked increase. For the first time since the pandemic began, the index returned to 2019 levels, which reflects the increase in optimism amongst worldwide tourism experts, taking advantage of the strong repressed demand, in particular inter-European travel and travel from the USA to Europe.

While international tourism recovers, domestic tourism continues to drive sector recovery in an increasing number of destinations, particularly those with a large domestic market. According to the experts, domestic tourism and travel closer to home will continue to make up tourism in 2022.

Business traveller behaviour habits could continue to be affected in the short and medium term. This involves less trips on business, given the gradual adoption of digital solutions and hybrid formulas, which are affecting the evolution of some specific segments of business tourism.

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

The Company's excellent performance over the past few years (pre-covid) was the result of a process of deep transformation of the Group. In the first stage of this transformation, which began in 2014, the strategic plan focussed on brand segmentation, portfolio optimisation, heavy investment in repositioning and systems and an updated pricing policy. This led NH Hotel Group to a second phase, which began in 2017, based on the Company's strengths and boosting the key drivers in creating value in the business. This Plan prioritised boosting the Company's income, increasing its efficiency and, at the same time, taking advantage of its strengths for new repositioning opportunities and organic expansion as an additional path to growth.

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

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

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

The 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. With the integration of the Minor Hotels commercial brands, NH Hotel Group is currently operating hotels in Europe under the Tivoli, Anatara and Avani flags.

During the first part of 2021, and in order to adapt to the new trends in business travel, the Group launched a series of initiatives:

- *Extended Stay*, with up to 35% discount on stays of more than 7 days for working away from home for an extended period.

- *Smart Spaces*, a new B2B offer, with exclusive spaces for working and organising small business meetings making the most of all the advantages of our hotels.
- *Hybrid Meetings*, to boost the value of events reaching a bigger audience from various destinations with a combination of in-person and virtual attendance.
- *NH+*, a new corporate segment focus on SMEs, which are the first to restart their activity.

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

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.

For the first time, hotel businesses are experiencing difficulties finding staff, which suggests that the sector must go back to attracting talent with attractive professional career plans that boost training and job flexibility.

In its use of quality indicators, the NH Hotel Group focuses on measuring quality using new sources of information and surveys with a significant increase in the volume of reviews and number of assessments received. Its average score on TripAdvisor in the first 6 months of 2022 was 8.5, compared to 8.4 in December 2021. Additionally, its average Google Reviews score was 8.7, the same as in December 2021. These average scores demonstrate the high levels of quality perceived by customers and the positive growth trend that the NH Hotel Group has had throughout the year.

In June, NH launched a new loyalty programme: NH Discovery, merging with the Global Hotel Alliance (GHA) loyalty programme to become part of one of the 10 largest loyalty programmes in the hotel sector with more than 800 hotels, 21 million members and access to new source markets. Minor's hotels are already members of this alliance.

NH Discovery is a global loyalty programme where members can accumulate and redeem Discovery Dollars in all the brands and will be recognised and treated equally. GHA is an alliance of 35 medium-sized hotel brands with 500 hotels in 85 countries which share a successful, award winning programme: GHA DISCOVERY, with more than 11 million members. NH integrates and adds 350 hotels to the alliance and out NH Rewards programme, with more than 10 million members. The NH hotels and members are complementary to GHA's, which entails a huge advantage when it comes to gaining visibility on the main source markets and the various business segments.

On the other hand, in 2022, the Group started operating 3 new hotels in Milan, Andorra and Santiago del Estero, with 316 rooms. The Group, therefore, reached a total of 349 hotels with 54,469 rooms at 30 June 2022. Furthermore, during the first 6 months of 2022, 3 hotels in Andorra, Vila Viçosa and Berne, with a total of 194 rooms, were signed up to.

Revenues in the first half of 2022 totalled 721.3 million euros, an increase of 312% (+546.2 million euros). The losses attributable to the Parent Company were -15.3 million euros compared with a loss of -145.4 million euros in the first half of 2021.

Gross indebtedness increased from 813.0 million euros in December 2021 to 815.8 million euros in June 2022. At 30 June 2022, cash and cash equivalents amounted to 350.9 million euros (243.9 million euros at 31 December 2021). Additionally, this liquidity was complemented by credit lines at the end of June amounting to 25.0 million euros compared to 242.0 million euros RCF available (the same amount as December 2021).

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

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

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 2020 in Europe, demand for hotels dropped drastically due to lockdowns and travel restrictions.

The flexible costs structure enabled streamlined reopening of the hotels depending on the recovery of domestic demand and with a focus on optimising profitability. With the gradual roll out of vaccines since the beginning of 2021, a turning point was beginning to be seen that – together with the progressive lifting of restrictions in some European countries – was allowing a faster reopening of the portfolio. Therefore, since the middle of 2022, 100% of the hotels have reopened. The Group is benefiting from brand recognition, excellent locations and strong market positioning in the recovery phase, once recovery accelerates in Europe.

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.

Contingency Plan

As a result of the exceptional circumstances that occurred after the start of the global pandemic (COVID-19), the Group implemented different measures and plans to adapt the business and ensure its sustainability with the aim of minimising costs, 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.

The following cost discipline and control measures, to ensure minimisation of operational expenses and preserve liquidity, were implemented:

- **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. Furthermore, a collective dismissal process in Central Services in Spain was carried out in 2021.
- **Operational costs:**
 - Negotiations with suppliers to reduce purchase costs, seek alternative, cheaper products and attain improvements to payment terms.
 - Suspension of non-priority third party advisory services.
 - Significant reduction in marketing and advertising costs despite the need to boost income.
- **Leases:** The temporary reduction in fixed leases during 2020 and 2021.
- **CapEx:** Capex was reduced by more than 50% during 2020 and has continued to be limited in 2021 and 2022.

- Strengthening liquidity: during the first part of 2021 NH Hotel Group proactively carried out a battery of initiatives to reinforce the Group's capital structure:
 - In May 2021 a €100 million capital investment was agreed by Minor International (94% shareholding) through an unsecured subordinated loan that was drawn down in May and capitalised in September 2021 through a capital increase process directed towards all shareholders. This agreement provided immediate liquidity and demonstrated the support of the main shareholder in the recovery. The capital increase was approved at the Shareholders' meeting held on 30 June 2021. At the same time as the capital increase, the Board started up the cash capital increase under the same economic conditions and with preferential subscription rights for the other shareholders to prevent dilutive effects on the shareholdings.
 - In addition, during May 2021, in order to continue to optimise the debt profile, the expiry of the ICO syndicated loan of 250 million euros was extended from 2023 to 2026.
 - In June 2021, NH Hotel Group successfully launched a senior bonds issue on the market, guaranteed for the amount of 400 million euros and maturing in July 2026. The funds obtained were used to repay the senior bond for 357 million euros expiring in 2023. The new issue, which was significantly oversubscribed, has an annual interest of 4%.
 - Furthermore, NH Hotel Group agreed to extend its revolving syndicated credit facility (RCF) for 242 million euros, which will now expire in March 2026, instead of March 2023. It is worth pointing out the support shown by the loan institutions taking part in this financing, with the extension of the waiver on the financial covenants during all of 2022.
- On 30 June 2021, the sale & leaseback transaction on the NH Collection Barcelona Gran Hotel Calderón was announced, for 125.5 million euros with a linked 20 year lease agreement, with NH having the option to exercise additional extensions. This transaction generated a net capital gain of 46.7 million euros for the Group.

These milestones reached during 2021 made it possible to strengthen the Company's capital and liquidity with a solid financial base, with no significant debts maturing until 2026, so we can face the imminent recovery of the sector from a better position from the financial and capital structure point of view. Furthermore, they enabled initiation of the reduction in gross debt in 2021.

The rebound in demand for domestic leisure was enhanced as vaccination rates across Europe increased and restrictions on mobility were eased. The Group is taking advantage of its strong positioning in Europe, with excellent locations and high brand recognition, alongside the high weight of domestic demand.

The recovery stage, which began in the second half of 2021 and accelerated in the first half of 2022, has initially been driven by European domestic demand, as international long haul mobility continues to be low in this stage. The business and corporate segment began a first recovery after the summer of 2021, gathering strong momentum from the second quarter of 2022.

ETHICS

Compliance System

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

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

NH Hotel Group currently continues to implement and reinforce measures to promote and place value on the culture of compliance and the importance of consolidating an ethical business culture, promoting awareness amongst all the employees

about the relevance, not just of complying with the applicable regulations, but also of acting ethically and in accordance with the Company's principles and values.

Code of conduct

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

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

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

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

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

The 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. NH Hotel Group is currently working on adapting the channel to the new legal requirements and best practices in the area.

To date in 2022, there were 19 reports of alleged breaches of the Code of Conduct, all of which were investigated, with appropriate disciplinary measures being taken in the 20 cases received.

Compliance Committee

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

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

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

During 2022, to date, one Compliance Committee meeting has been held and the next has been called for July 2022.

Compliance Office

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

Anti-Corruption and Fraud Policy

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

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

Anti-money laundering policy

NH's Code of Conduct reflects a commitment to respect the applicable regulations on anti-money laundering policy, with special attention to diligence and care in the processes of evaluating and selecting suppliers, and in payments and collections in cash. Therefore, the Compliance Committee meeting of 19 December 2018 approved a policy that reinforces NH Hotel Group's commitment to anti-money laundering and combating the financing of terrorism, with the aim of detecting and preventing NH Hotel Group, S.A. and its Group companies from being used in money laundering or terrorist financing operations. The Policy was approved by the Board on 13 May 2019 and was updated in November 2021.

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

RISK MANAGEMENT

Risk management governance

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

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

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives. To ensure that there are no conflicts of independence and that the NH risk management and control system works as set out in the Corporate Risk Management Policy, an independent third party periodically reviews its operation. Due to the exceptional situation caused by COVID-19, the review was not carried out in 2020 and 2021, but it is planned to resume the external review at the end of 2022, or at the beginning of 2023.

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

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

- First line: carried out by each function (business and corporate units) that owns the risk and its management (Operations, Commercial, Marketing, etc.).

- Second line: performed by the functions responsible for risk supervision (Risk Management, Compliance, Data Protection, Internal Control, etc.)
- Third line: carried out by Internal Audit that affords independent assurance.

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

Risk management model

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

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

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

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

Each of the main risks on the Company's Risk Map is assigned a Risk Owner who, in turn, is a member of the Management Committee. Each risk owner is responsible for mitigation measures, either existing or in progress, for their risks and the implementation status of action plans.

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

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

- a) Financial Risks: events that affect financial variables (interest rates, exchange rates, inflation, liquidity, debt, credit, etc.).
- b) Compliance Risks: arising from possible regulatory changes as well as non-compliance with internal and external regulations.
- c) Business Risks: generated by inadequate management of procedures and resources, whether human, material or technological.
- d) Risks from External Factors: arising from natural disasters, pandemics, political instability or terrorist attacks.
- e) Systems Risks: events that could affect the integrity, availability or reliability of operational and financial information (including cyber).
- f) Strategic Risks: produced by difficulty accessing markets and difficulties in asset disinvestment.

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

NH ROOM 4 SUSTAINABLE BUSINESS

During the first half of 2022, the Company continued with its strategy in which one of the key pillars is NH ROOM4 Sustainable Business.

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.

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

Along these lines, NH Hotel Group obtained the Bronze Class award in The Sustainability Yearbook 2022 published by S&P Global. The Company took part, for the third time and voluntarily, in the Corporate Sustainability Assessment (CSA) carried out by the sustainable investment agency S&P, 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.

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

A demonstration of its commitment to gender equality, NH Hotel Group, for the third year running, was included on the Bloomberg GEI 2022 index, being the only Spanish hotelier in the 380 companies listed in the index.

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.

NH ROOM4 PEOPLE: EMPLOYEES

NH Hotel Group looks after its employees and seeks their commitment and involvement in the Company's sustainable business, in such a way that this is an integral part of their daily work. This is achieved with fluid communication and recognition of their responsible commitment. The Company considers human capital to be its main asset and understands that, to build a leading corporate culture, it is essential to manage attracting and developing talent, and sustain their motivation and pride in belonging to the NH Hotel Group.

During the first half of 2022, NH Hotel Group has maintained its commitment to its values, in line with its current People strategy, with the conviction that coherence is key to gaining the credibility and trust of its team members, who are the Company's greatest asset.

It is worth pointing out that during the first half of 2022 the Company gave continuity to its processes within its People strategy, such as the MBO and the Time for You - Mid year Review, as well as talent calibrations and recognition and training programmes, all of which are adapted to the Company's new reality.

In this way, NH Hotel Group has continued to care for its teams, giving them tools to manage the stress and uncertainty brought by the pandemic during these years as best as possible, by focussing on identifying, developing and retaining talent and continue to strengthen commitment, creating optimal workplaces to maximise its employees' contribution.

Under these circumstances, NH Hotel Group, throughout the year, maintained the focus on its strategic cornerstones, ensuring, in this way, that it continues to sustain its long-term vision, but adapting the initiative launched to give them sense and usefulness within an individual, social and company context as complex as the one caused by the pandemic.

Our human capital

The average number of people employed by the Parent Company and consolidated companies during the first half of 2022 was 10,396 employees. The corporate culture of the NH Hotel Group is also based on the cornerstones of diversity, equality and inclusion. Therefore, employees are 141 different nationalities and, at 30 June 2022, 51% of all staff were women. Also, the average age of employees in first half of 2022 was 39.7 years old, and their average time with the company is 8.7 years.

NH Hotel Group uses its Code of Conduct to formalise its commitment to promoting non-discrimination due to the race, colour, nationality, social origin, age, gender, civil status, sexual orientation, ideology, political opinions, religion or any other personal, physical or social condition of its professionals, along with equal opportunities for all of them.

The policies and actions for recruiting, employing, training and internal promotion of employees are based on criteria of ability, skills and professional merit.

NH ROOM4 PLANET

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.

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. These commitments, which are applicable to the entire operations of NH Hotel Group and the Company's decision making process, were formalised in the Environmental and Energy Policy.

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

NH Hotel Group hotels operates with the ISO 14001 environmental management system and the ISO 50001 energy efficiency system, certified for accommodation, catering, meetings and events services. Currently, 48% of the hotels in Germany, Spain and Italy have ISO 14001 or ISO 50001 certification. There are Group hotels that also have other environmental certifications, such as: BREEAM, LEED, DGNG, Green Key and 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.

As a demonstration of our environmental commitment, during the first half of 2022 100% of the hotels NH Hotel Group operates have obtained Bioscore certification. 163 hotels in the portfolio have also obtained the Green Leaders mark on TripAdvisor, with 46% of the Company's hotels having this recognition.

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

SHARES AND SHAREHOLDERS

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

According to the latest notifications received by the Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 30 June 2022 and 31 December 2021 were as follows:

	30/06/2022	31/12/2021
Minor International Public Company Limited ("MINT")	94.13%	94.13%

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

The average share price of NH Hotel Group, S.A. in the first half of 2022 was 3.51 euros per share (3.84 euros for the first half of 2021). The lowest share price of 2.94 euros per share was recorded in March (3.08 euros in January 2021) and the highest share price was 4.03 euros per share in June (4.35 euros in February 2021). The market capitalisation of the Group at the end of June 2022 stood at 1,514.22 million euros.

At 30 June 2022, the Group had 103,453 own shares (all in the liquidity contract), compared to 96,246 own shares at 31 December 2021 (all in the liquidity contract). In addition to those of the liquidity contract, own shares were used to deliver shares to NH employees under the Long-Term Incentive Plan. The increase in treasury shares in the period is wholly explained by the liquidity contract operation.

Liquidity contract for treasury shares management

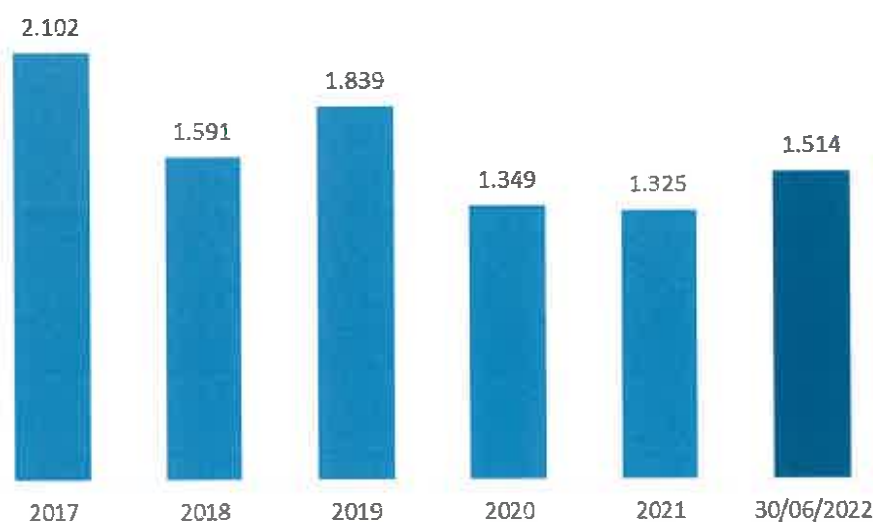
On 10 April 2019, the NH Board of Directors entered into a liquidity contract to manage its treasury shares with Banco Santander, S.A. The Contract became effective on 11 April 2019.

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

The total number of shares allocated to the securities account associated with the new Liquidity Contract at 30 June 2022 is 103,453 shares and the amount of cash allocated to the securities account is 400,000 euros.

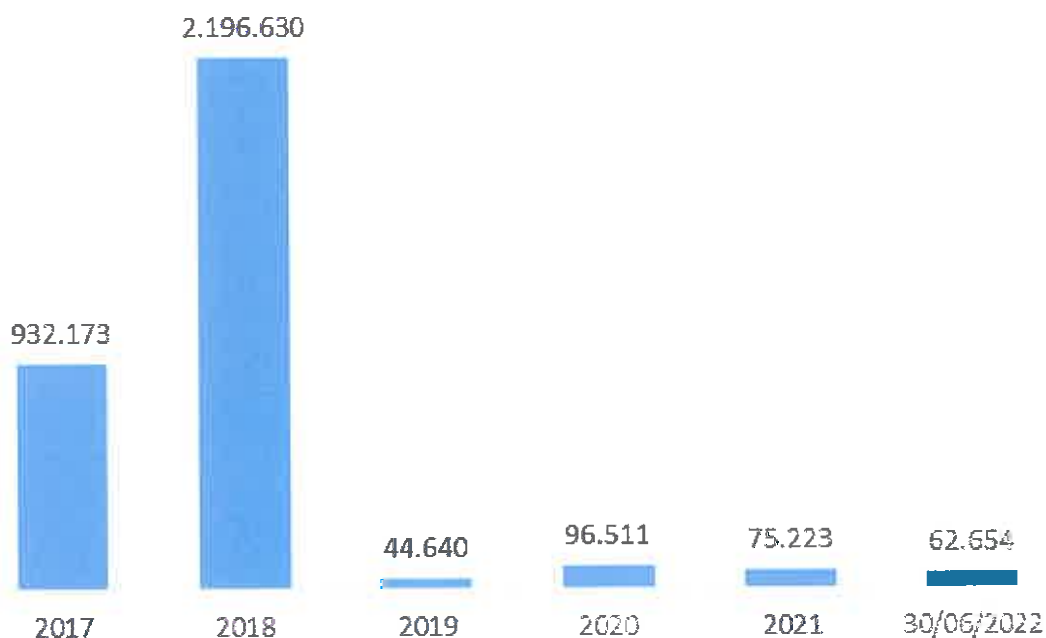
The Liquidity Contract was agreed upon by the Board of Directors at the proposal of the Proprietary Directors on behalf of the shareholder Minor as a measure to encourage and favour the liquidity of the Company's shares taking the current market conditions into account.

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



In the first half of 2022, 7,957,162 shares in NH Hotel Group, S.A. were traded on the Continuous Market (11,731,839 shares in the first half of 2021) with average daily share trading on the Continuous Market of 62,654 shares (93,109 shares in the first half of 2021).

AVERAGE DAILY TRADING (in shares)



EVOLUTION NH HOTEL GROUP vs. IBEX 35

1 JANUARY 2017 - 30 JUNE 2022



FUTURE OUTLOOK

It is forecast that inflation will continue to be high for longer than initially forecast, fed by rising prices for raw materials driven by the war in Ukraine and the increase in pricing pressures. For 2022, inflation is projected at 5.7% in advanced economies and 8.7% in emerging and developing markets.

Given the signs of high inflation in the medium term, the central banks are planning a more rapid response than foreseen, by announcing interest rate rises.

The appearance of new strains of the virus causing COVID-19 may prolong the pandemic and once again pose economic problems. In addition, disruptions to the supply chains, volatile energy prices and specific wages pressures create huge uncertainty about the path of inflation and politics. As the monetary policy rates in advanced economies rise, risks to financial stability may appear, as well as to capital flows, currencies and the tax position of the economies of emerging and developing markets, particularly taking into account that debt levels increased significantly during the last two years. On the other hand, other global risks may materialise given that geopolitical tensions continue to be acute.

According to the last UNWTO Panel of Experts' survey, an overwhelming majority of tourism professionals (83%) see a better outlook for 2022 compared to 2021, as long as the virus is contained and the destinations continue to ease or lift travel restrictions. Nevertheless, the current closure of some large source markets, above all in Asia and the Pacific, along with the uncertainty caused by the conflict between Russian and Ukraine, may delay the effective recovery of international tourism.

A greater number of experts (48%) now see a possible return to international arrivals at 2019 levels in 2023 (up from 32% in the January survey), while the percentage indicating that this could occur in 2024 or later (44%) has decreased in comparison with the January survey (64%). Meanwhile, at the end of April, international air capacity in America, Africa, Europe, the Northern Atlantic and Middle East has reached, or is near to, 80% of the pre-crisis levels and demand continues.

The UNWTO has revised its outlook for 2022 due to stronger results than expected in the first quarter of 2022, a significant increase in flight bookings and the outlook in the UNWTO Confidence Index. It is now expected that international tourist arrivals in 2022 may reach between 55% and 70% of 2019 levels, depending on various circumstances, such as the speed at which destinations continue to lift travel restrictions, the evolution of the war in Ukraine, possible new outbreaks of coronavirus and world economic conditions, particularly inflation and energy prices.

EVENTS AFTER THE REPORTING PERIOD

On 1 July 2022 the sale of the minority holding in the company owning a hotel in the United Kingdom, which, at 30 June 2022, was classified as available for sale, was completed for a price of 12 million euros (Note 9 to the condensed interim consolidated financial statements).