NH Hotel Group, S.A. and its subsidiaries

Report on Limited Review of Condensed Interim Consolidated Financial Statements at 30 June 2020

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

Report on limited review of condensed interim consolidated financial statements

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

Introduction

We have performed a limited review of the accompanying condensed interim consolidated 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 statement of financial position as at June 30, 2020, and the statement of comprehensive profit and loss, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six months 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 Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, 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 months period ended June 30, 2020 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, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

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

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

Emphasis of Matter

We draw attention to note 1l) to the accompanying interim financial statements that describes the exceptional circumstances that have taken place in the Group in the first six months of 2020 in relation to the health crisis caused by the coronavirus (Covid-19), that has brought about the temporary closing of its hotel establishments in most locations, resulting in a marked fall in revenues and the uncertainties associated with the evolution of this situation. In said note, the directors explain their assessment of the existing situation and the measures taken to mitigate the potential impacts on business, including the signing of several medium and long-term financing operations and the exemption with respect to the measurement of the financial ratios to be met in June and December 2020, all of which aims to strengthen the Group's liquidity position. On the basis of the above, the directors express a conclusion, based on their assessment, regarding the continuity of the business and the preparation the accompanying interim financial statements on a going-concern basis.These interim financial statements should be read taking into account such assessment and disclosure. Our conclusion is not modified in respect of this matter.

We draw attention to Note 1, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2019. Our conclusion is not modified in respect of this matter.

Other Matters

Interim consolidated directors´ Report

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2020 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 directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2019. Our work is limited to checking the interim consolidated directors' 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 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 the Royal Decree 1362/2007, of 19 October

PricewaterhouseCoopers Auditores, S.L.

Original in spanish signed
by Mariano Cortés Redín

July 29, 2020

NH Hotel Group, S.A. and Subsidiaries

Condensed Interim Consolidated Financial Statements and Interim Consolidated Directors' Report for the six-month period ending 30 June 2020

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020 AND 31 DECEMBER 2019

(Thousands of euros)

ASSETS	Note	30/06/2020	31/12/2019 (*)
NON-CURRENT ASSETS:			
Goodwill	6 - a	102,767	106,577
Intangible assets	6 - b	81,696	83,807
Investment Property		2,978	2,964
Property, plant and equipment	7	1,698,610	1,713,123
Right-of-use assets	8	1,773,888	1,701,499
Investments accounted for using the equity method		6,213	7,517
Non-current financial investments-	9	37,690	37,402
Loans and accounts receivable not available for trading		*35,646*	*35,327*
Other non-current financial investments		*2,044*	*2,075*
Deferred tax assets		253,719	220,040
Total non-current assets		**3,957,561**	**3,872,929**
CURRENT ASSETS:			
Non-current assets classified as held for sale	5	49,025	47,811
Inventories		10,193	11,123
Trade receivables		34,044	106,496
Non-trade receivables-		73,678	55,928
Tax receivables		*54,806*	*28,961*
Other non-trade debtors		*18,872*	*26,967*
Accounts receivable from related entities		860	2,493
Cash and cash equivalents		325,521	289,345
Other current assets		8,371	5,771
Total current assets		**501,692**	**518,967**
TOTAL ASSETS		**4,459,253**	**4,391,896**

NET ASSETS AND LIABILITIES	Note	30/06/2020	31/12/2019 (*)
EQUITY:			
Share capital	11	784,361	784,361
Reserves of the parent company	11	934,196	777,089
Reserves of fully consolidated companies		(347,894)	(278,348)
Reserves of companies consolidated using the equity method		(18,176)	(18,198)
Conversion differences		(158,361)	(134,967)
Treasury shares and shareholdings	11	(579)	(1,647)
Consolidated profit for the period		(218,507)	89,964
Equity attributable to the shareholders of the Parent Company		**975,040**	**1,218,254**
Non-controlling interests	11	51,703	57,239
Total equity		**1,026,743**	**1,275,493**
NON-CURRENT LIABILITIES			
Debt instruments and other marketable securities	10	347,376	345,652
Bank borrowings	10	382,971	106,695
Lease liabilities	10	1,910,015	1,814,399
Other financial liabilities	10	1,191	1,160
Other non-current liabilities	10	9,551	7,637
Provisions for contingencies and charges	12	47,163	48,241
Deferred tax liabilities		175,841	180,082
Total non-current liabilities		**2,874,108**	**2,503,866**
CURRENT LIABILITIES:			
Liabilities associated with non-current assets classified as held for sale	5	2,619	2,584
Debt instruments and other marketable securities	10	87	141
Bank borrowings	10	18,806	3,111
Lease liabilities	10	264,956	252,970
Other financial liabilities	10	128	251
Trade and other payables		201,469	257,499
Accounts payable from related entities		1,987	1,050
Tax payables		43,833	40,875
Provisions for contingencies and charges	13	734	5,021
Other current liabilities		23,783	49,035
Total current liabilities		**558,402**	**612,537**
NET ASSETS AND LIABILITIES		**4,459,253**	**4,391,896**

* Consolidated statement of financial position as at 31 December 2019 is presented exclusively as comparative information (audited).

Notes 1 to 20 to the financial statements attached hereto form an integral part of the condensed consolidated statement of financial position as at 30 June 2020.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 AND 2019

(Thousands of euros)

	Note	30/06/2020	30/06/2019 (*)
Revenues	**15.1**	306,852	815,980
Other operating income	**15.1**	5,453	5,683
Net gains on disposal of non-current assets	**15.1**	(439)	2,609
Procurements		(14,529)	(37,102)
Staff costs	**15.2**	(151,941)	(216,054)
Depreciation and amortisation charges	**6, 7 and 8**	(151,609)	(146,191)
Net Profits/(Losses) from asset impairment	**6, 7 and 8**	(16,817)	588
Other operating expenses	**15.3**	(175,845)	(299,537)
Gains on financial assets and liabilities and other		-	9
Profit / (Loss) from entities valued through the equity method		(251)	7
Financial income		957	933
Change in fair value of financial instruments		151	81
Financial expenses		(64,705)	(66,694)
Result from exposure to hyperinflation (IAS 29)		42	(115)
Net exchange differences (Income/(Expense))		(525)	(222)
Impairment on financial investments		(242)	-
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**(263,448)**	**59,975**
Income tax		42,943	(17,813)
PROFIT FOR THE PERIOD - CONTINUING		**(220,505)**	**42,162**
Profit / (loss) for the year from discontinued operations net of tax	5	87	(493)
PROFIT FOR THE PERIOD		**(220,418)**	**41,669**
Exchange differences		(22,881)	(514)
Income and expenses recognised directly in equity	**1.h**	**(22,881)**	**(514)**
TOTAL COMPREHENSIVE PROFIT		**(243,299)**	**41,155**
Profit / (Loss) for the year attributable to:			
Parent Company Shareholders		*(218,507)*	*39,873*
Non-controlling interests	11.c	*(1,911)*	*1,796*
Comprehensive Profit / (Loss) attributable to:			
Parent Company Shareholders		*(239,135)*	*39,487*
Non-controlling interests		*(4,164)*	*1,668*
Profit / (Loss) per share in euros basic	4	**(0.56)**	**0.10**

* Consolidated comprehensive profit and loss statement for the six-month period ended 30 June 2019 is presented exclusively as comparative information (reviewed).

Notes 1 to 20 to the financial statements form an integral part of the consolidated comprehensive income statement for the six-month period ended 30 June 2020.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED

30 JUNE 2020 AND 2019

(Thousands of euros)

		Reserves of the Parent Company			Reserves in companies consolidated by							
	Share capital	Share premium	Legal reserve	Other reserves	Full consolidation	the equity method	Currency translation difference	Treasury shares and shareholdings	Consolidated profit for the period	Total Shareholders' Equity	Non-controlling interests	Total Net Equity
Balances at 31 December 2018 (**)	784,361	756,990	58,834	(134,756)	(44,723)	(23,436)	(60,854)	(2,530)	117,785	1,451,671	52,351	1,504,022
Accountancy reclassification IAS 29 (Note 1.h)	-	-	-	-	93,923	-	(93,923)	-	-	-	-	-
Accounting correction	-	-	-	-	-	-	16,212	-	(16,212)	-	-	-
Balances at 31 December 2018 restated	784,361	756,990	58,834	(134,756)	49,200	(23,436)	(138,565)	(2,530)	101,573	1,451,671	52,351	1,504,022
Application of new accounting policy (IFRS 16)	-	-	-	(3,443)	(251,262)	-	-	-	-	(254,705)	(1,098)	(255,803)
Accounting criteria change	-	-	-	(1,041)	(16,591)	5,737	166	-	-	(11,729)	3,761	(7,968)
Initial balance adjusted at 1 January 2019	784,361	756,990	58,834	(139,240)	(218,653)	(17,699)	(138,399)	(2,530)	101,573	1,185,237	55,014	1,240,251
Net profit (loss) for 2019	-	-	-	-	-	-	-	-	89,964	89,964	2,937	92,901
Exchange differences	-	-	-	-	-	-	2,281	-	-	2,281	1,255	3,536
Recognised income and expenses for the period	-	-	-	-	-	-	2,281	-	89,964	92,245	4,192	96,437
Distribution of Profit (Loss) 2018-												
- To Reserves	-	-	16,019	144,173	(58,120)	(499)	-	-	(101,573)	-	-	-
- To Dividends	-	-	-	(58,771)	-	-	-	-	-	(58,771)	-	(58,771)
Remuneration Scheme in shares	-	-	-	(998)	-	-	-	970	-	(28)	-	(28)
Application adjustment of IAS29 (Note 1.h)	-	-	-	-	-	-	1,151	-	-	1,151	777	1,928
Dividends distribution	-	-	-	-	-	-	-	-	-	-	(2,720)	(2,720)
Other movements	-	-	-	82	(1,575)	-	-	(87)	-	(1,580)	(24)	(1,604)
Balances at 31 December 2019 (*)	784,361	756,990	74,853	(54,754)	(278,348)	(18,198)	(134,967)	(1,647)	89,964	1,218,254	57,239	1,275,493
Initial balance adjusted at 1 January 2020	784,361	756,990	74,853	(54,754)	(278,348)	(18,198)	(134,967)	(1,647)	89,964	1,218,254	57,239	1,275,493
Net profit (loss) for 2020	-	-	-	-	-	-	-	-	(218,507)	(218,507)	(1,911)	(220,418)
Exchange differences	-	-	-	-	-	-	(20,628)	-	-	(20,628)	(2,253)	(22,881)
Recognised income and expenses for the period	-	-	-	-	-	-	(20,628)	-	(218,507)	(239,135)	(4,164)	(243,299)
Distribution of Profit (Loss) 2019- (Note 3)												
- To Reserves	-	-	15,894	143,046	(68,998)	22	-	-	(89,964)	-	-	-
Remuneration Scheme in shares (Note 14)	-	-	-	(1,833)	-	-	-	1,021	-	(812)	-	(812)
Application adjustment of IAS29	-	-	-	-	-	-	(2,766)	-	-	(2,766)	(434)	(3,200)
Dividends distribution (Note 11.c)	-	-	-	-	-	-	-	-	-	-	(1,150)	(1,150)
Other movements	-	-	-	-	(548)	-	-	47	-	(501)	212	(289)
Balances at 30 June 2020	784,361	756,990	90,747	86,459	(347,894)	(18,176)	(158,361)	(579)	(218,507)	975,040	51,703	1,026,743

(**) Presented for purposes of comparison only. Audited balances.
(*) Presented for comparison purposes only. Audited balances.

Notes 1 to 20 to the financial statements form an integral part of the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2020.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED CASH FLOW STATEMENT PRODUCED IN THE SIX-MONTH PERIODS ENDED 30 JUNE 2020 AND 30 JUNE 2019

(Thousands of euros)

	Note	30.06.2020	30.06.2019 (*)
1. OPERATING ACTIVITIES			
Consolidated profit (loss) before tax:		**(263,448)**	**59,975**
Adjustments:			
Depreciation of tangible and amortisation of intangible assets (+)	6, 7 and 8	151,609	146,191
Impairment losses (net) (+/-)	6, 7 and 8	16,817	(588)
Gains/Losses on the sale of tangible and intangible assets (+/-)		439	(2,609)
Gains/Losses on investments valued using the equity method (+/-)		251	(7)
Financial income (-)		(957)	(933)
Variation in fair value of financial instruments (+)		(151)	(81)
Financial expenses (+)		64,705	66,694
Result from exposure to hyperinflation (IAS 29)		(42)	115
Net exchange differences (Income/(Expense))		525	222
Profit (loss) on disposal of financial investments		242	(9)
Other non-monetary items (+/-)		342	(876)
Adjusted profit (loss)		**(29,668)**	**268,094**
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		930	131
(Increase)/Decrease in trade debtors and other accounts receivable		70,284	(21,567)
(Increase)/Decrease in other current assets		(22,712)	40
Increase/(Decrease) in trade payables		(67,256)	9,120
Increase/(Decrease) in other current liabilities		(11,008)	7,796
Increase/(Decrease) in provisions for contingencies and expenses		(1,556)	(1,852)
(Increase)/Decrease in non-current assets		(67)	(6,946)
Increase/(Decrease) in non-current liabilities		(163)	(82)
Income tax paid		(3,396)	(27,174)
Total net cash flow from operating activities (I)		**(64,612)**	**227,560**
2. INVESTMENT ACTIVITIES			
Finance income		**103**	**103**
Investments (-):			
Group companies, joint ventures and associates		(10,078)	-
Tangible and intangible assets and investments in property	6 and 7	(68,057)	(84,587)
		(78,135)	**(84,587)**
Disinvestment (+):			
Group companies, joint ventures and associates		17,298	1,903
Tangible and intangible assets and investments in property		(361)	18,436
		16,937	**20,339**
Total net cash flow from investment activities (II)		**(61,081)**	**(64,145)**
3. FINANCING ACTIVITIES			
Dividends paid out (-)	11.c	(1,150)	(54,089)
Interest paid on debts (-)		(16,223)	(18,279)
Financial expenses for means of payment		(4,084)	(9,210)
Interest paid on debts and other interest		(12,139)	(9,069)
Variations in (+/-):			
Debt instruments:			
- Loans from credit institutions (+)	10.b	545,465	14,100
- Loans from credit institutions (-)	10.b	(251,456)	(1,943)
- Lease liabilities (-)		(114,653)	(123,341)
- Other financial liabilities (+/-)		59	(520)
Total net cash flow from financing activities (III)		**162,042**	**(184,072)**
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		36,349	(20,657)
5. Effect of exchange rate variations on cash and cash equivalents (IV)		(173)	2
6. Effect of variations in the scope of consolidation (V)		-	-
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		36,176	(20,655)
8. Cash and cash equivalents at the start of the financial year		**289,345**	**265,869**
9. Cash and cash equivalents at the end of the financial year (7+8)		**325,521**	**245,214**

(*) Presented for comparison purposes only. Unaudited balances.

Notes 1 to 20 to the financial statements form an integral part of the condensed consolidated cash flow statement produced in the six-month period ended 30 June 2020.

NH Hotel Group, S.A. and Subsidiaries

Explanatory notes to the interim financial statements for the six-month period ended 30 June 2020

1. Introduction, basis for presentation of the half-yearly condensed consolidated financial statements and other information

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 2020, the NH Group was operating in 28 countries, with 360 hotels and 55,353 rooms, giving it a significant presence in Europe.

The Group's consolidated financial statements for 2019 were approved by the shareholders at the Annual General Meeting of NH Hotel Group, S.A. held on 16 July 2020.

b) *Basis for presentation of the half-yearly condensed 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 2019 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 2019 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 consolidated intermediate 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 29 July 2020, all pursuant to Article 12 of Spanish Royal Decree 1362/2007 of 19 October, amending Law 24/1988 of 28 July on the Securities Market, in relation to the transparency requirements for information on the issuers whose securities are admitted for trading on an official secondary market or another regulated market in the European Union.

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 half-year period and not duplicating the information previously published in the consolidated financial statements for 2019. Therefore, the intermediate condensed financial statements at 30 June 2020 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 half-yearly condensed consolidated financial statements, they should be read together with the Group's consolidated annual accounts for 2019.

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 half-yearly condensed consolidated financial statements. The main accounting principles and policies and measurement criteria correspond to those applied to the consolidated annual accounts for 2019, except for the standards and interpretations which came into force in the first half of 2020 (see Note 1.c).

All information corresponding to the six-month period ended 30 June 2019 within the explanatory notes to the condensed interim financial statements for the six-month period ended 30 June 2020 is only and exclusively presented for comparative purposes.

c) Standards and interpretations effective in this period

During the six-month period ending 30 June 2020 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 01 January 2020:

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 - Definition of business (published in October 2018)	Clarifications to the definition of business.	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of "materiality" (published in October 2018)	Amendments to IAS 1 and IAS 8 to align the definition of "materiality" to the content of the conceptual framework.	1 January 2020
Amendments to IFRS 9, IFRS 7 and IAS 39 Current reform of the benchmark interest rate. (published in September 2019)	Modifications that provide certain exemptions related to hedge accounting with respect to the reform of the benchmark interest rate (IBOR).	1 January 2020
Not approved for use in the European Union		
Amendments and/or interpretations		
Amendments to IFRS 16 Leases Rent concessions (published in May 2020)	Amendment to help lessees accounting for COVID-19-related rent concessions	1 June 2020

Impact of amendment to IFRS 16

An amendment to IFRS 16 was approved by the IASB on 28 May 2020 to help accounting for changes in leases resulting from the pandemic caused by COVID-19. At the date of these interim financial statements, this amendment has not been adopted by the European Union.

In this regard, the new wording establishes an exemption in which rental concessions caused by COVID-19 may not be recorded as amendments to the lease. The interpretation of the new regulatory framework is summarised in the fact that renegotiations where a reduction in the rent payable due to COVID-19 is achieved and where a substantial contractual change linked to that renegotiation is not included may be eligible for the exemption.

Had approval by the European Union taken place on the terms defined by the IASB, the Group would have recorded lower expenses for rent concessions of 17.9 million euros (before taxes) for those negotiations already formalised or agreed, a figure that will be increased with the other negotiations that are in progress and pending formalisation.

The amendments approved by the IASB are expected to be approved by the European Union before the end of 2020.

(2) New obligatory regulations, amendments and interpretations which will be obligatory in the years following the year commencing 1 January 2020:

Awaiting approval for use in the European Union as of the date of publication of this document [(1)]

New Standards:

IFRS 17 Insurance contracts (published in May 2017)	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.	1 January 2021[(2)]
Amendment to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associates or joint ventures	These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will rest on if the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". 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. 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.	Pending approval

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

(2) The IASB has proposed its deferral to 1 January 2022 (Draft amendment to IFRS 7 published on 26 June 2019).

Amendments and/or interpretations

Amendment to IAS 1: Classification of Liabilities as Current or Non-current. (published in October 2020)	Classification of Liabilities as Current or Non-current.	1 January 2023[1]
Amendment to IFRS 3: "Reference to the Conceptual Framework"	IFRS 3 has been updated to refer to the 2018 Conceptual Framework to determine what constitutes an asset or liability in a business combination (previously referred to the 2001 CF). A new exception has also been added in IFRS 3 for liabilities and contingent liabilities.	1 January 2022
Improvements to IFRS 2018-2020 Cycle (published in December 2017)	Amendments that affect IFRS 1, IFRS 9 and IFRS 16	1 January 2022

(1) The IASB has proposed its deferral to 1 January 2023 (Draft amendment of 3 June 2020).

d) Estimates made

In the intermediate condensed consolidated financial statements, estimates made by the Directors of the Parent Company and of the consolidated entities have been used to put a figure on some of the assets, liabilities, income, expenses and commitments that appear in these statements. In essence, these estimates, made on the basis of the best information available at the time, refer to:

- The assessment of possible impairment losses on certain assets;
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce;
- The useful life of tangible and intangible assets;
- The valuation of consolidation goodwill;
- The market value of specific assets;
- Calculation of provisions and evaluation of contingencies;
- The recoverability of capitalised tax credits.

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

In spite of the fact that the estimates described above were carried out using the best information available at 30 June 2020 on the events analysed, it is possible that events may take place in the future (or a change in events that differ to that estimated) which compel their amendment at the close of the year 2020, or in later years. This will be done, if it should be necessary and in accordance with the provisions of IAS 8, prospectively recognising the effects of the change in estimate on the consolidated profit and loss statement for the years in which such events take place in the future.

e) Impairment in the value of tangible and intangible assets excluding goodwill

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

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

As a general rule, the Group has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

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

For each CGU (hotel or Royal Group) the operating result is obtained at the end of the year without taking into account non-recurring results (if any) or financial results.

Once the operating result is obtained for each CGU, the impairment test is performed for those in which there are indications of impairment. Among others, the Group considers that a CGU has indications of impairment if it meets the following conditions: it has negative operating results and its business is stable (that is to say, they are not recently operational hotels until, generally speaking, they have been open for 3 years).

In addition, for all those CGUs in which impairment was recognised in previous years, an individual analysis and, therefore, an impairment test is performed for them.

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

Future cash flows are estimated based on the result for the year and the records of at least five previous years. Given the uncertainty stemming from the current economic environment, macroeconomic information from external information sources has been analysed and, Group Management's business knowledge, different evolution and forecast possibilities have been made on the most likely basis and taking the effect of the pandemic into account.

The evolution of the key assumptions in the analysed hotels has taking the business knowledge of Group Management into account as well as the main effects that the COVID-19 pandemic is likely to have. In this regard, the assumed projections are based on the current forecast for 2020, which suggests a dramatic fall in revenues compared to 2019 due to the negative effect that COVID-19 has had on tourism, one of the most affected sectors. It is estimated that the loss of business in 2020 will be recovered in upcoming years with more intensity in 2021 once mobility recovers with the hope of a scientific advance regarding COVID-19 and therefore consumer confidence recovers. The Group's strong positioning in the countries where it operates, the good locations of the portfolio and the high recognition of its brands are key factors in the assumed recovery period before reaching the figures of the period prior to the pandemic. The current forecast for 2020 was considered in making the projections, which implies a drop in income of between 40% and 60% compared to 2019, as well as a gradual recovery in the following years with greater intensity in 2021.

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

- Knowledge of the business/asset/local situation of the local Management of each Business Unit to which each CGU belongs.
- Historical results obtained by the CGUs.
- Investments in repositioning the CGUs.

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

- Income from accommodation is projected as the product of the occupancy percentage, the average daily rate (ADR) per room, and the total available rooms per year.
- The other revenues are projected based on the average of the relationship between the revenue from accommodation and those revenues.
- Staff costs are calculated based on the average staff costs, taking into account the efficiency measures and levels of income with a growth in the inflation index (CPI).
- For its part, tax is calculated from the tax rates applicable in each country.
- Direct expenses are directly associated with each of the revenues and are projected on the basis of an average ratio, while undistributed expenses are projected based on the average ratio between these and direct expenses.

For the calculation of the discount rate the Weighted Average Cost of Capital (WACC) methodology has been applied: Weighted Average Cost of Capital (WACC), as follows:

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

Where:

Ke: Cost of Equity
Kd: Cost of Debt (after tax)

E: Equity **Amount**
D: Debt Amount
T: Tax Rate

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

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

- Risk-free rate: using the average long-term interest rates of a 10-year bond over the last 12 months for each country, in the local currency.
- Risk premium defined by market and based on third party reports: defined in a range between 5.7% and 7.5%.
- Beta or systematic risk: used as outside sources of information, this information is gathered from independent databases and concerns the ratio between the risk of companies and overall market risk. The re-leveraged beta coefficient used was 1.7.
- Cost of debt, by market, amounting to between 2.24% and 9.68%.
- Premium by size: based on recent expert reports.

The discount rates used by the Group for these purposes range in Europe from 6.4% to 8.2%, and in Latin America from 10.1% to 14.4%.

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

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

Information on impairment losses detected in the financial year appears in Notes 6, 7 and 8 of this Consolidated Annual Report.

f) Contingent assets and liabilities

Note 23 of the report on the Group's consolidated financial statements for the year ended 31 December 2019 provides information on the contingent assets and liabilities as at that date. Note 13 to these condensed consolidated half-yearly financial statements for the six-month period ended 30 June 2020 details the most significant changes in the contingent assets and liabilities during that period.

g) Accounting correction

There have been no corrections of errors in the half-yearly condensed consolidated financial statements for the six-month period ended 30 June 2020.

h) Comparative information

The information contained in these half-yearly condensed consolidated financial statements for 2019 is presented solely for the purposes of comparison with the information for the six-month period ended 30 June 2020 for the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated cash flow statement.

In March 2020, the IFRS Interpretations Committee decided on the presentation of the effects on restatement for hyperinflation and the translation into "Other Comprehensive Income" on a net basis where the entity considers that the combination of the two effects meet the definition of exchange rate differences in IAS 21. If this is not the case, the effect of hyperinflation (IAS 29) in equity and the effect of conversion differences (IAS 21) in "Other Comprehensive Income" will be recognised separately. It is not allowable to present both variables net in equity (an aspect that until now was accepted by the CNMV and ESMA). Following this approval, the Group has reclassified the net effect of the restatement due to hyperinflation and the translation into "Other Comprehensive Income", this reclassification has resulted in greater net equity due to global integration and a greater conversion differences value of 77.7 million euros at 31 December 2018 and 1.2 million euros in 2019. This restatement has had no impact on the Group's Equity.

i) *Seasonality of the Group's transactions*

Given the activities of the Group's companies, its transactions are marked by a slight cyclical or seasonal character. Most of the hotels are aimed at business clients, so the months with the highest hotel sales are March to June and 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 will not be met in 2020 due to the impact of COVID-19 that forced hotels to temporarily close.

j) *Relative importance*

In determining what information to break down in these notes on the different items in the financial statements or other matters, the Group, in accordance with IAS 34, has taken into account relative importance in relation to the half-yearly condensed consolidated financial statements.

k) *Condensed consolidated cash flow statements*

In the condensed 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.

l) *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 2020, amounted to 264,956 thousand euros (252,970 thousand euros at December 2019) meaning that, at 30 June 2020, current liabilities are 56,710 thousand euros higher (93,570 thousand euros at December 2019). Given that the effect is caused by a purely accounting (non-financial) approach, this does not prevent the business's normal development.

On the other hand, as a consequence of the situation caused by COVID-19 that resulted in the temporary closure of establishments in the majority of its locations for a period of time, as well as significant falls in the business's operations and the uncertainties associated with how the situation evolves, these condensed consolidated interim financial statements have been prepared in accordance with the going concern principle as the Group has implemented crisis management organisational measures to ensure business continuity, both individually (management of contagion or isolation situations), and collectively. These measures include actions focused on the temporary downsizing of existing resources as well as renegotiating lease contracts and other actions focused on minimising the impacts of the situation. Likewise, to strengthen the Group's liquidity, various medium- and long-term financing operations have been signed. Of note amongst these are the signing of a syndicated loan in April for 250,000 thousand euros over three years and a bilateral loan in May for 10,000 thousand euros over two years. Both operations have the partial guarantee of the Official Credit Institute (ICO). The previous short-term financing lines have been refinanced for 27,500 thousand euros in credit lines and loans, extending their maturities to terms between three and five years and are also within the framework of the ICO guarantee programme. As a further strengthening measure, a syndicated credit line of 250,000 thousand euros has been negotiated with lenders, and an exemption on the measurement of financial ratios (covenants) for June and December 2020, which was approved unanimously by the lenders. The availability of this line is thus assured (See Note 20). Therefore, assuming a gradual reactivation of the business and a scientific advance regarding COVID-19 that facilitates a gradual return to normality during 2021, the Group considers it has sufficient resources to meet future obligations in the next 12 months.

2. Significant changes in the composition of the Group and other sales of shares

There have been no significant changes in the composition of the Group and other sales or shares in the first half of 2020.

3. Dividends paid by the Parent Company

The financial statements for the year ended 31 December 2019 included the following proposal for the distribution of profits (in thousands of euros) that was approved:

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

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

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

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

4. Profit per share in ordinary and discontinued activities

Basic earnings per share (EPS) are 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:

	30/06/2020	30/06/2019
Net Profit/(Loss) for the period (thousands of euros)	(218,507)	39,873
Weighted average number of shares in circulation (in	391,890	391,703
Basic Earnings per share in euros	**(0.56)**	**0.10**

5. Non-current assets and disposal groups of items classified as held for sale

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, pursuant to the Strategic Plan, are undergoing divestment with committed sales plans.

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

Specifically, the shareholdings in Sotocaribe, S.L and Capredo Investments GmbH are classified as discontinued operations; these companies represented the entirety of the Group's property activity. Sotocaribe, S.L. was consolidated by the equity method, while Capredo Investments, GmbH was consolidated by the global method.

Additionally, at 30 June 2020, the Group has recorded the property company "Onroerend Goed Beheer Maatschappij Maas Best, B.V.", owner of the NH Best hotel in the Netherlands, as available for sale. The sale was concluded on 1 July 2020 (See Note 20).

Condensed consolidated statement of financial positions. Headings of Non-current assets and liabilities classified as held for sale (in thousands of euros):

	30/06/2020	31/12/2019
Property, plant and equipment	13,807	10,495
Financial assets	35,163	37,265
Investments accounted for using the equity method	*35,163*	*37,265*
Cash	24	17
Other current assets	31	34
Non-current assets classified as held for sale	**49,025**	**47,811**
Other non-current liabilities	635	564
Trade payables	371	439
Public administration payables	1,613	1,581
Liabilities associated with assets classified as held for sale	**2,619**	**2,584**

Condensed consolidated profit and loss statements:

The profit and loss of the discontinued operations shown in the accompanying consolidated comprehensive profit and loss statement is broken down by company as follows (in thousands of euros):

	Onroerend Goed Beheer Maatschappij Maas Best, B.V."	Capredo Investments, GmbH	Sotocaribe, S.L.	Total
30/06/2020				
Profit (loss) before tax	87	-	-	87
Profit (loss) for the year from discontinued operations net of tax	87	-	-	87
30/06/2019				
Profit (loss) before tax	-	(141)	(352)	(493)
Profit (loss) for the year from discontinued operations net of tax	-	(141)	(352)	(493)

The net result before tax on discontinued operations shown in the consolidated comprehensive income statement consists of operating expenses and financial expenses.

Consolidated cash flow statements

The consolidated cash flow statements for the fully consolidated company, Capredo Investments, GmbH, are detailed below (in thousands of euros):

	Capredo Investments, GmbH
30/06/2020	
Total net cash flow from operating activities I	7
Total net cash flow from investment activities II	-
Total net cash flow from financing activities III	-
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	7
Effect of variations in the scope of consolidation (IV)	-
Cash and cash equivalents at the start of the financial year	17
Cash and cash equivalents at end of year	24

	Capredo Investments, GmbH
30/06/2019	
Total net cash flow from operating activities I	2
Total net cash flow from investment activities II	-
Total net cash flow from financing activities III	-
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	2
Effect of variations in the scope of consolidation (IV)	-
Cash and cash equivalents at the start of the financial year	9
Cash and cash equivalents at end of year	11

6. Intangible assets

a) Goodwill

The breakdown of the heading "Goodwill" as at 30 June 2020 and 31 December 2019, depending on the companies that generated the goodwill, is as follows:

	Thousands of euros	
	30/06/2020	31/12/2019
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	74,385	75,212
Hoteles Royal, S.A.	24,539	27,607
Others	3,843	3,758
	102,767	**106,577**

Recoverable goodwill values have been allocated to each cash-generating unit, mainly rental agreements, by using five-year projections on results, investments and working capital.

The impairment testing policies applied by the Group to its intangible assets and to its goodwill in particular are described in Note 4.2 to the consolidated financial statements for the year ended 31 December 2019 and note 1.e of these condensed consolidated interim financial statements

At 30 June 2020, Goodwill was subject to an impairment test which showed impairment of 827 thousand euros for NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH. This impairment arises from their worsening expectations of future cash flows mainly due to the opening of competitor hotels or the loss of a major customer and the worsening of the outlook due to the COVID-19 situation.

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

The basic assumptions used to estimate future cash flows of the CGUs mentioned above are detailed below:

- Discount rate: 6.42% and 6.90% for CGUs subject to the same risks (German and Austrian market); and for Grupo Royal CGUs, rates of 11.06% for Colombian market 13% for Ecuadorian market and 10.06% for Chilean market.
- Terminal value growth rate (g): 2.13% and 2.00% for Germany and Austria and 1.10%, 3% and 3.30% for Grupo Royal CGUs (Ecuador, Chile and Colombia).
- Additionally, and considering the assumption implied in the preceding paragraph, the Group has conducted a sensitivity analysis of the result of the impairment test to changes in the following situations:

NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH			
	Average values		
	Impairment test	Scenario 1	Scenario 2
Discount rate	6.42% - 6.90%	7.29% - 7.77%	5.55% - 6.02%
Growth rate	2.13% - 2.00%	1.13% - 1.00%	3.13% - 3.00%

Hoteles Royal, S.A.			
	Average values		
	Impairment test	Scenario 1	Scenario 2
Discount rate	10.06% - 13%	10.93% - 13.87%	9.18% - 12.13%
Growth rate	1.10% - 3.30%	0.10% - 2.30%	2.10% - 4.30%

Scenario 1 is a negative one where the discount rate is raised to the high end of the range of the discount used in the test and a growth rate lower by 1 b.p., i.e. with minimum growth, and falls in occupancy and ADR of 1% which would lead to an additional impairment to that registered in 2020 for an amount of 0.7 million euros with respect to the goodwill of NH Hotels Deutschland, Gmbh and NH Hoteles Austria, Gmbh, and 14.5 million euros with respect to the goodwill of Hoteles Royal, S.A.

In the case of scenario 2, an impairment had been recorded for 20 thousand euros less than that recorded at 30 June 2020 with respect to the goodwill of NH Hotels Deutschland, Gmbh and NH Hoteles Austria, Gmbh, and no impairment in regard to the goodwill of Hoteles Royal, S.A. was registered.

b) Other intangible assets

The main additions in the six-month period ending on 30 June 2020 were in Spain (6.8 million euros), as a result of the investments made to develop the corporate website, implementing front office systems for the hotels and IT transformation plan projects. Additionally, there have been amortisations of 7.9 million euros and an impairment of 0.9 million euros that have been recorded, partially offsetting such additions.

7. Tangible fixed assets

a) Movement in the period

The main additions occurring during the six month period ended on 30 June 2020 relate to hotel refurbishment and opening new hotels. Of note is the refurbishment on the NH Sants Barcelona in Spain, the renovations of the NH Napoli Panorama, NH Palermo, NH Trieste, NHC Roma Vittorio Veneto and NH Milano Touring in Italy, the refurbishment on the NH Heidelberg, NH Munchen Airport, NH Frankfurt Airport and NH Salzburg City in Central Europe, and the refurbishment on the NH Conference Center Leeuwenhorst NH Amsterdam Caransa, NH Brussels Airport, NH Brussels Bloom and NH Luxembourg hotels in Benelux. Finally, in New York, refurbishment of the NH New York Jolly Madison Towers. The total effect of all additions in the year was 74.8 million euros.

During 2020, there were amortisations of 49.6 million euros that offset the net effect of additions and derecognitions for the year.

The other movements in the period are explained by the effect of conversion differences, the derecognition of certain assets and the reclassification of the NH Best hotel to available for sale (see Note 5).

b) Impairment losses

In the first six months of 2020, an impairment of 11.3 million euros has been set on certain hotel assets. This impairment mainly corresponds to real estate and is a consequence of the current economic scenario caused by COVID-19 that has caused uncertainty as to the recovery of the sector in the short and medium term.

c) Commitments to purchase property, plant and equipment items

Firm purchase/investment undertakings amounted to 62.4 million euros at 30 June 2020. These investments will be made from 2020 to 2021.

d) Insurance policy

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

8. Leases

a) Movement in the period

The main additions in the six-month period ended 30 June 2020 mainly correspond to the opening of two hotels under leases, as well as the extension of various contracts. During the first half of the year, the NHOW Amsterdam Rai in the Netherlands and the NH Collection Palazzo Verona in Italy opened.

The movement in both right-of-use assets and leasing liabilities is mainly non-cash 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. The total effect of all additions in the period was 172.7 million euros.

During the first half of 2020, there were amortisations of 94.0 million euros a financial expense of 46.5 million euros.

The other movements for the year are explained by the loss of contracts and the change in exchange rate.

b) Impairment losses

In the first six months of 2020, impairment losses of 3.8 million euros on right of use were recorded.

9. Financial assets

Composition and breakdown

The breakdown of the Group's financial assets as at 30 June 2020 and 31 December 2019 is shown below, presented by type and categories for the purposes of valuation:

Financial Assets: Type / Category	Thousands of euros 30/06/2020 Financial Assets Held for Trading	Other Financial Assets at Fair Value with Changes in P&L	Other non-current financial investments	Loans and Accounts Receivable	Investments Held to Maturity	Hedging Derivatives
Equity instruments	-	-	2,044	-	-	-
Debt securities	-	-	-	34,626	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	1,020	-	-
Long-term / non-current	-	-	**2,044**	**35,646**	-	-
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Short-term / Current	-	-	-	-	-	-
Total	-	-	2,044	35,646	-	-

Financial Assets: Type / Category	Thousands of euros 31/12/2019 Financial Assets Held for Trading	Other Financial Assets at Fair Value with Changes in P&L	Other non-current financial investments	Loans and Accounts Receivable	Investments Held to Maturity	Hedging Derivatives
Equity instruments	-	-	2,075	-	-	-
Debt securities	-	-	-	34,307	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	1,020	-	-
Long-term / non-current	-	-	**2,075**	**35,327**	-	-
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Short-term / Current	-	-	-	-	-	-
Total	-	-	2,075	35,327	-	-

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

10. Financial liabilities

a) Composition and breakdown

The Group's financial liabilities at 30 June 2020 and 31 December 2019, broken down by type and category for the purposes of valuation, are shown below:

Financial Liabilities: Type / Category	Thousands of euros 30/06/2020			
	Financial Liabilities Held for Trading	Other Financial Liabilities at Fair Value with Changes in P&L	Debts and Accounts Payable	Hedging Derivatives
Bank borrowings	-	-	382,971	-
Debt instruments and other marketable	-	-	347,376	-
Leasing liabilities	-	-	1,910,015	
Other non-current and financial liabilities	-	-	10,742	-
Long-terms debts / Non-current financial current			**2,651,104**	
Bank borrowings	-	-	18,806	-
Debt instruments and other marketable	-	-	87	-
Leasing liabilities	-	-	264,956	
Other financial liabilities	-	-	128	-
Short-term debts / Current financial current	-	-	**283,977**	-
Total	-	-	**2,935,081**	-

Financial Liabilities: Type / Category	Thousands of euros 31/12/2019			
	Financial Liabilities Held for Trading	Other Financial Liabilities at Fair Value with Changes in P&L	Debts and Accounts Payable	Hedging Derivatives
Bank borrowings	-	-	106,695	-
Debt instruments and other marketable	-	-	345,652	-
Leasing liabilities	-	-	1,814,399	-
Other non-current and financial liabilities	-	-	8,797	-
Long-terms debts / Non-current financial current	-	-	**2,275,543**	-
Bank borrowings	-	-	3,111	-
Debt instruments and other marketable	-	-	141	-
Leasing liabilities	-	-	252,970	-
Other financial liabilities	-	-	251	-
Short-term debts / Current financial current	-	-	**256,473**	-
Total	-	-	**2,532,016**	-

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 short and long-term debts from credit institutions, bonds and other tradeable securities at 30 June 2020 and 31 December 2019 is as follows (thousands of euros):

Facility	Limit	Available	Disposed	Maturity						
				Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Remainder
Mortgages	**25,347**	-	**25,347**	-	**2,462**	**2,216**	**6,347**	**1,220**	**1,095**	**12,007**
Fixed rate	21,655	-	21,655	-	1,317	1,383	5,732	596	620	12,007
Variable interest	3,692	-	3,692	-	1,145	833	615	624	475	-
Subordinated loans	**40,000**	-	**40,000**	-	-	-	-	-	-	**40,000**
Variable interest	40,000	-	40,000	-	-	-	-	-	-	40,000
Guaranteed senior notes mat. in 2023	**356,850**	-	**356,850**	-	-	-	-	**356,850**	-	-
Fixed rate	356,850	-	356,850	-	-	-	-	356,850	-	-
Unsecured loans	**313,873**	-	**313,873**	-	**6,168**	**10,989**	**250,590**	**45,241**	**449**	**436**
Variable interest	313,873	-	313,873	-	6,168	10,989	250,590	45,241	449	436
Secured credit line	**250,000**	**250,000**	-	-	-	-	-	-	-	-
Variable interest	250,000	250,000	-	-	-	-	-	-	-	-
Credit lines	**46,000**	**21,334**	**24,667**	-	**10,588**	-	**7,025**	-	**7,053**	-
Variable interest	46,000	21,334	24,666	-	10,588	-	7,025	-	7,053	-
SUBTOTAL	**1,032,070**	**271,334**	**760,736**	-	**19,218**	**13,205**	**263,962**	**403,312**	**8,597**	**52,443**
Arrangement expenses	(11,178)	-	(11,178)	-	(3,446)	(3,329)	(3,016)	(1,016)	(30)	(341)
Effect of renegotiation of debt IFRS 9	(4,963)	-	(4,963)	-	(1,333)	(1,106)	(1,634)	(890)	-	-
Borrowing costs	4,645	-	4,645	-	4,645	-	-	-	-	-
Borrowing at 30/06/2020	**1,020,574**	**271,334**	**749,240**	-	**19,083**	**8,771**	**259,312**	**401,405**	**8,567**	**52,102**
Borrowing at 31/12/2019	**761,694**	**306,095**	**455,599**	**3,252**	**(1,666)**	**(1,816)**	**401,420**	**1,259**	**826**	**52,324**

Long- and short-term financial debt at 30 June 2020 amounted to 741.5 million euros and 19.2 million euros, respectively. As regards this financing, the commitment remains to adhere to a series of financial ratios, measured twice yearly, at 30 June and 31 December each year. On 6 May 2020, the Parent Company formally requested that all financing entities waive the measurement of financial ratios required in June and December 2020 by contract. This waiver was approved unanimously by all financing entities on 5 June 2020.

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

	Total liabilities	Maturities						
		2020	2021	2022	2023	2024	2025	Remainder
Gross lease payments 30/06/2020	3,151,502	133,546	263,233	248,084	238,307	226,380	214,076	1,827,877
Gross lease payments 31/12/2019	2,998,501	259,006	247,223	227,611	215,623	206,669	196,727	1,645,642

The Group's loans bear interest at a fixed rate for 49.8% of the total consolidated debt, including guaranteed senior bonds maturing in 2023 that accrue nominal interest of 3.75%.

<u>Secured senior bonds maturing in 2023</u>

On 23 September 2016 the Parent Company placed guaranteed senior bonds, which mature in 2023, at the nominal value of 285,000 thousand euros. The nominal yearly interest rate for said issuance of notes is 3.75%. On 4 April 2017, the parent company issued an extension of guaranteed senior bonds maturing in 2023 for a nominal amount of 115,000 thousand euros with an implicit cost until maturity of 3.17%. The outstanding nominal amount at 30 June 2020 was 356,850 thousand euros (see section "Depreciation and Amortisation 2018").

<u>Depreciation and Amortisation 2018</u>

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

The bond repurchase offer was settled on 12 November 2018, the date on which the Parent Company paid an aggregate amount of 3.20 million euros to the bondholders, who accepted the offer as a whole:

- Nominal paid in advance: 3,150 thousand euros
- Unpaid accrued interest: 13.5 thousand euros
- Amount of the repurchase premium: 31.5 thousand euros

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

- Nominal paid in advance: 40,000 thousand euros
- Unpaid accrued interest: 304.2 thousand euros
- Amount of the repurchase premium: 1,200 thousand euros

The Company paid the partial redemptions from available cash.

Secured credit line (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 ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior bonds 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.

This line can be used through 1, 3, and 6-month drawdowns. On 26 March 2020, the line was fully drawn (250,000 thousand euros) for a period of 3 months until 26 June 2020, the amortisation date of the total credit line. On 8 July 2020, the line was fully drawn again for a period of 6 months until 8 January 2021 (See Note 20).

On 6 May 2020, the Parent Company formally requested that all financing entities waive the measurement of financial ratios (covenants) required in June and December 2020 by the contract. This waiver was approved unanimously by all financing entities on 5 June 2020.

New syndicated loan (ICO)

On 29 April 2020, the Parent Company signed a new syndicated loan for a maximum of 250,000 thousand euros over a three-year period. At that moment, a committed amount of 225,000 thousand euros was formalised with five entities. These obligations of the Parent Company are partially guaranteed by the Kingdom of Spain and administered by the Official Credit Institute ("ICO") under the aid programme for companies and workers to mitigate the economic effects of COVID-19 and which was approved by Royal Decree-law 8/2020 of 18 March 2020, on extraordinary measures to deal with the economic and social impact of the pandemic.

On 18 May 2020, the Parent Company completed its financing agreement up to 250,000 thousand euros with the signing of 25,000 thousand euros over three years with Banco Sabadell that is also guaranteed by the Official Credit Institute ("ICO"). This financing was structured by signing a Framework agreement between the Parent Company, Banco Sabadell and the other lenders in the syndicated financing through which they could adhere to the terms of said syndicated financing, thus completing the 250,000 thousand euros.

The interest rate accrues during interest periods of six months and the applicable margin is adjusted based on the relationship between net financial indebtedness and the consolidated EBITDA:

	% Margin
Greater than or equal to 4.0:1	2.85
Greater than or equal to 3.5:1 but less than 4.0:1	2.70
Less than 3.5:1	2.45

The new syndicated loan has no collateral.

The syndicated loan requires compliance with financial ratios (covenants), which are exactly the same as those applied to the 2016 syndicated credit line (RCF), although their measurement will not be required for compliance purposes until June 2021.

New bilateral loan (Caixabank, SA)

On 6 May 2020, the Parent Company signed a bilateral loan with Caixabank for 10,000 thousand euros over two years, under the temporary framework established by the Spanish Government to mitigate the economic impacts of COVID-19 and is guaranteed by the Official Credit Institute (ICO).

The repayment of this loan commences in August 2021 with quarterly payments until maturity at a variable interest rate (Euribor + 1.4%).

Renewed credit lines

On 29 June 2020, the Parent Company renewed an existing credit line with Bankinter, S.A. for 10,000 thousand euros with a variable interest rate (Euribor + 1.75%), extending the term to three years from the date of signing.

On 4 June 2020, the Parent Company renewed an existing credit line with BBVA, SA for 10,000 thousand euros at a variable interest rate (Euribor + 2.7%), extending the term to five years from the date of signing.

Both lines of credit were renewed and received a guarantee from the Official Credit Institute (ICO), approved under Royal Decree Law 8/2020.

Liquidity

In addition to the guaranteed syndicated credit line (RCF) of 250 million euros (undrawn at 30 June 2020, See Note 20), the Group has 325.52 million euros in Treasury and 21.33 million euros in short-term credit lines available at 30 June 2020.

11. Equity

NH Hotel Group, S.A. share capital at 30 June 2020 comprised 392,180,243 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the 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 2020 and 31 December 2019 were as follows:

	30/06/2020	31/12/2019
Minor International Public Company Limited ("MINT")	94.13%	94.13%

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

a) Issue premium and reserves

The most significant variation in reserves is due to the distribution of profits from the previous year (see note 3).

b) Treasury shares and shareholdings

At 30 June 2020, the Group had 147,780 own shares, compared to 374,464 own shares at 31 December 2019. The reduction in treasury shares over the period can be explained by the following 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 2020 is 96,808 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2019, the number of shares assigned to the liquidity contract was 83,176 shares. The positive effect recorded in reserves for operations carried out in the first half of the year was a positive amount of 47 thousand euros.

- In the first half of 2020, the part of the first cycle of the second long-term incentive plan was settled (see Note 14). This first cycle was settled by the delivery of 240,316 shares valued at 1,021 thousand euros.

c) Non-controlling interests

The movements in this heading in the first six months of 2020 and the financial year 2019 are summarised below:

	Thousands of euros	
	30/06/2020	31/12/2019
Opening balance	**57,239**	**52,351**
Application of IAS 29	(434)	777
Application of IFRS 16	-	(1,098)
Comprehensive profit (loss) attributable to non-controlling interests	(4,164)	4,192
Dividends paid to non-controlling interests	(1,150)	(2,720)
Other movements	212	3,737
Closing balance	**51,703**	**57,239**

12. Provisions

Details of "Provisions for Contingencies and Expenses" at 30 June 2020 and 31 December 2019 are as follows:

	Thousands of euros	
	30/06/2020	31/12/2019
Provisions for contingencies and non-current expenses		
Provision for pensions and similar obligations	29,488	28,919
Other claims	17,675	19,322
	47,163	**48,241**
Provisions for contingencies and current expenses		
Other claims	734	5,021
	734	**5,021**
Total	**47,897**	**53,262**

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.

13. Claims in process

Note 23 of the report on the consolidated annual accounts relating to the financial year ended 31 December 2019 describes the main tax and legal disputes involving the Group as at that date. Developments in the aforementioned disputes as at 30 June 2020 are detailed below:

- The owner of four properties in the Netherlands has claimed in court the payment of compensation to a Dutch subsidiary because there was allegedly a change of the control situation in the year 2014, which supposedly entitles him to claim a fine, according to the lease. The claim filed by the owner, both in the first instance and on appeal, was dismissed in full. The same owner has started a new judicial procedure alleging a situation of change in control in 2018, which has been resolved favourably to the interests of the company, although an appeal has been filed against the resolution, which is being processed.

- A claim has been filed against an NH Group company demanding payment of fees to a management entity.

- As part of the contractual liability assumed by the NH Group in the 2013 hotel purchase contract, the buyers required the Group to pay tax on capital transfers that, in turn, had been claimed by the Dutch Treasury. At 30 June 2020, the total amount of this tax, plus the corresponding default interest, was 12,100 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 court of first instance has summoned the parties for a hearing on 28 September so it is likely that a judgement will be passed before the end of 2020. The NH Group and the purchasers reached an agreement whereby NH assumed control of the judicial procedure.

The previous updates have not had any additional impact on the consolidated comprehensive profit and loss statement at 30 June 2020.

As at 30 June 2020, 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 the Group's equity.

14. Long-Term Incentive Plan

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

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

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

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

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

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

On the other hand, the 2017 Shareholders' Meeting approved the launch of a new Long-Term Incentive Plan. This plan has a duration of five years, divided into three three-year cycles with the current cycles at 30 June 2020 being:

	No. of Shares Assigned at the start of each cycle (Thousands)	No. of Gross Shares at 30/06/2020 (Thousands)	Value of the allocation (Euros)
The second cycle began on 01/01/2018 (delivery in 2021 (in force))	517.96	482.30	5.96
The third cycle began on 01/01/2019 (delivery in 2022 (in force))	879.25	872.81	3.96

The difference between the total shares assigned at the beginning of each cycle and the live shares at 30 June 2020 are beneficiaries who left between the launch and 30 June 2020.

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

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

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

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

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

The Board of Directors will be authorised to decide, before the start of each of the cycles, the effective implementation thereof in accordance with the Group's financial position at the time. At the date of publication of this report, all the cycles had been approved by the Board of Directors.

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

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

On the other hand, in the first half of 2020, the first cycle of the new incentive plan, beginning on 1 January 2017, was partially settled with the delivery of 240,316 net shares at a fair value of 4.68 euros each and leaving 161,322 net shares at a fair value of 4.68 euros each pending settlement. The settlement of this plan was made net of taxes.

During 2020, no impact has been recorded in the consolidated profit and loss statement as it is not expected to meet the objectives described above (the impact recorded in the first half of 2019 was 1,748 thousand euros).

15. Income and expenses

15.1 Income

The breakdown of these headings in the condensed consolidated comprehensive profit and loss statements for the periods ended 30 June 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Hotel occupancy	198,973	583,965
Catering	61,530	161,988
Meeting rooms and others	27,507	45,157
Rentals and other services	18,842	24,870
Revenues	**306,852**	**815,980**
Operating subsidies	18	18
Other operating income	5,435	5,665
Other operating income	**5,453**	**5,683**
Net gain (loss) on disposal of assets	**(439)**	**2,609**

"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.

Net turnover was affected by the impact of COVID-19 in the first half of the year.

15.2 Personnel expenses

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

	Thousands of euros	
	2020	2019
Wages, salaries and similar	109,687	164,679
Social security contributions	30,714	38,521
Indemnifications	2,452	2,016
Contributions to pension plans and similar	5,221	4,847
Other social expenses	3,867	5,991
	151,941	**216,054**

The Group has carried out temporary lay-offs and reductions in hours and wages in hotels and central offices due to force majeure or production reasons subject to different closure mandates.

The average number of people employed by the Parent Company and fully consolidated companies during the first half-year period of 2020 and 2019, broken down by professional categories, is as follows:

	30/06/2020	30/06/2019
Group's general management	8	8
Managers and heads of department	1,498	1,419
Technical staff	970	920
Sales representatives	790	749
Administrative staff	172	169
Rest of workforce	7,936	7,383
	11,374	**10,648**

The workforce breakdown by sex and professional category as at 30 June 2020 and 2019 was as follows:

	30/06/2020		30/06/2019	
	Males	Females	Males	Females
Group's general management	6	2	6	2
Managers and heads of department	848	642	825	605
Technical staff	502	461	490	443
Sales representatives	218	539	227	538
Administrative staff	64	109	62	109
Rest of workforce	3,794	3,876	3,728	3,846
	5,432	**5,629**	**5,338**	**5,543**

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 2020 and 2019, broken down by professional categories, is as follows:

	30/06/2020	30/06/2019
Group's general management	-	-
Managers and heads of department	2	3
Technical staff	12	10
Sales representatives	1	1
Administrative staff	10	9
Rest of workforce	67	86
	92	109

15.3 Other operating expenses

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

	Thousands of euros	
	2020	2019
Leases	26,251	37,073
Outsourcing of services	25,218	59,246
Commissions and bonuses for customers	16,553	43,244
Supplies	21,303	29,364
Maintenance and cleaning	15,217	20,691
Laundry and related costs	7,801	18,436
Costs associated with information technologies	16,263	20,049
Marketing and merchandising	6,095	12,493
Taxes, insurance and levies	13,451	14,975
Advisory services	5,305	7,291
Other external services	22,388	36,675
	175,845	**299,537**

As a result of the impact of COVID-19 in the first half of the year, the Group has reduced the business's operating expenses.

16. Related parties

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 2020 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			
	30/06/2020			
	Major Shareholders	Directors and Senior Management	Associates or companies of the Group	Total
Expenses:				
Financial expenses	-	-	-	-
Management or cooperation agreements	-	-	-	-
R&D transfers and licence agreements	-	-	-	-
Leases	-	-	-	-
Reception of services	554	-	-	554
Purchase of goods (finished or in-progress)	-	-	-	-
Write-downs for bad debts and doubtful accounts	-	-	-	-
Losses on retirement or disposal of assets	-	-	-	-
Other expenses	1,390	-	-	1,390
	1,944	**-**	**-**	**1,944**
Income:				
Financial income	-	-	38	38
Management or cooperation agreements	174	-	392	566
R&D transfers and licence agreements	-	-	-	-
Dividends received	-	-	-	-
Leases	-	-	-	-
Provision of services	-	-	-	-
Sale of goods (finished or in-progress)	-	-	-	-
Gains on retirement or disposal of assets	-	-	-	-
Other income	-	-	-	-
	174	**-**	**430**	**604**

Income and Expenses	Thousands of euros 30/06/2019 Major Shareholders	Directors and Senior Management	Associates or companies of the Group	Total
Expenses:				
Financial expenses	-	-	-	-
Management or cooperation agreements	-	-	-	-
R&D transfers and licence agreements	-	-	-	-
Leases	-	-	-	-
Reception of services	-	-	-	-
Purchase of goods (finished or in-progress)	-	-	-	-
Write-downs for bad debts and doubtful accounts	-	-	-	-
Losses on retirement or disposal of assets	-	-	-	-
Other expenses	63	-	-	63
	63	-	-	**63**
Income:				
Financial income	-	-	-	-
Management or cooperation agreements	551	-	711	1,262
R&D transfers and licence agreements	-	-	-	-
Dividends received	-	-	-	-
Leases	-	-	-	-
Provision of services	-	-	-	-
Sale of goods (finished or in-progress)	-	-	-	-
Gains on retirement or disposal of assets	-	-	-	-
Other income	-	-	-	-
	551	-	**711**	**1,262**

The heading "Management or cooperation agreements" referring to major shareholders includes the amounts that have accrued in the form of management fees payable to Grupo NH in the first half of 2020 by virtue of the hotel management agreement signed with Grupo Minor.

Other agreements

	Thousands of euros 30/06/2020	31/12/2019
Accounts receivable from related entities	860	2,493
Accounts receivable from associated companies (long term) (Note 11)	132	143
Accounts receivable from associated companies (short term)	858	1,180
Loans to associates - Sotocaribe, S.L.	9,617	9,503
Provision for impairment	(9,617)	(9,503)
Total Assets	**1,850**	**3,816**

	Thousands of euros	
	30/06/2020	31/12/2019
Accounts payable from related entities	(1,987)	(1,050)
Accounts payable from associated companies	(47)	(156)
Loans to associates		
Sotocaribe, S.L.	-	(5,588)
Total Liabilities	**(2,034)**	**(6,794)**

At 30 June 2020, the NH Hotel Group has a net balance pending collection of 1,127 thousand euros with the Minor Group (860 thousand euros recorded as an account receivable and 1,987 thousand euros as accounts payable).

17. Remuneration and other benefits of the Parent Company's Board of Directors and Senior Management

Note 28 of the report on the Group's consolidated financial statements for the year ended 31 December 2019 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 2020 and 2019 is provided below:

	Thousands of euros	
	30/06/2020	**30/06/2019**
Members of the Board of Directors:		
Remuneration item-		
Fixed remuneration (*)	421	283
Variable remuneration	-	195
Allowances	2	8
Allowances as per Articles	127	232
Transactions in shares and/or other financial instruments	-	-
Others	10	7
	559	725
Other benefits-		
Loans granted	-	-
Life insurance premiums	15	10
	15	10
Senior management, excluding Directors:		
Total remuneration received by senior management (**)	801	1,642
Loans granted to senior executives	-	-
Others	-	-
	801	1,642

The Board of Directors had nine members at 30 June 2020: one woman and eight men.

There were six members of Senior Management at 30 June 2020 (seven members at 30 June 2019) excluding the CEO and the Chief Financial Officer due to their status as Executive Directors.

The current Executive Director was appointed by the General Shareholders' Meeting on 29 June 2017 and re-elected at the Shareholders' Meeting on 16 July 2020. On the other hand, the Executive Director and Chief Financial Officer was appointed by the General Shareholders' Meeting on 13 May 2019.

(*) The variation between 2020 and 2019 of the fixed remuneration of the Board of Directors, is explained by the appointment of the Chief Financial Officer as Executive Director, whose remuneration become part of the rest of Directors and therefore is deducted from Senior Management; and additionally, the remuneration is reduced as well because annual gross remuneration of all members of the Board of Directors has been reduced by a 50% since last 1 March, aligned with the rest of measures taken by the Company to face crisis derived from COVID-19.

(**) Consequently, the prorated remuneration of the six members (excluding the CEO and Chief Financial Officer) who formed the Company's Senior Management in the first half of 2020 was taken into account to calculate the amounts indicated in the Senior Management section. The economic valuation of payment in kind is included under Senior Management Remuneration and it is not included the accrual of the variable remuneration corresponding to 2020. In line with other measures taken by the Company to deal with the COVID-19 crisis, the amount is also reduced because members of the Management Committee of NH Hotel Group have had their annual gross salary reduced by 50% since 1 March.

18. Segment information

Note 27 of the report on the Group's consolidated financial statements for the year ended 31 December 2019 provides details of the criteria used by the Group to define its business segments. There have been no changes to the segmentation criteria.

The breakdown of the segment information required by IFRS 8 is as follows:

	Thousands of euros													
	Hotel Business													
	30/06/2020							31/12/2019						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET														
ASSETS														
Assets by segments	4,404,016	929,098	1,256,365	728,175	799,763	431,434	259,181	4,336,568	925,736	1,129,590	739,488	817,721	467,527	256,506
Shareholdings in associated companies	6,213	929	-	-	-	5,283	-	7,517	929	-	-	-	6,588	-
Non-current assets classified as held for sale	3,235	3,235	-	-	-	-	-	-	-	-	-	-	-	-
Total consolidated assets	4,413,463	933,262	1,256,365	728,175	799,763	436,718	259,181	4,344,085	926,665	1,129,590	739,488	817,721	474,115	256,506
LIABILITIES														
Liabilities and equity by segments	4,413,463	933,262	1,256,365	728,175	799,763	436,718	259,181	4,344,085	926,665	1,129,590	739,488	817,721	474,115	256,506
Total Consolidated Liabilities and Equity	4,413,463	933,262	1,256,365	728,175	799,763	436,718	259,181	4,344,085	926,665	1,129,590	739,488	817,721	474,115	256,506

	Thousands of euros													
	Real estate													
	30/06/2020							31/12/2019						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET														
ASSETS														
Assets by segments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shareholdings in associated companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as held for sale	45,790	-	-	-	-	35,163	10,626	47,811	-	-	-	-	37,264	10,547
Total consolidated assets	45,790	-	-	-	-	35,163	10,626	47,811	-	-	-	-	37,264	10,547
LIABILITIES														
Liabilities and equity by segments	45,790	-	-	-	-	35,163	10,626	47,811	-	-	-	-	37,264	10,547
Total Consolidated Liabilities and Equity	45,790	-	-	-	-	35,163	10,626	47,811	-	-	-	-	37,264	10,547

	Thousands of euros													
	Total													
	30/06/2020							31/12/2019						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET														
ASSETS														
Assets by segments	4,404,016	929,098	1,256,365	728,175	799,763	431,434	259,181	4,336,568	925,736	1,129,590	739,488	817,721	467,527	256,506
Shareholdings in associated companies	6,213	929	-	-	-	5,283	(0)	7,517	929	-	-	-	6,588	-
Non-current assets classified as held for sale	49,025	3,235	-	-	-	35,163	10,626	47,811	-	-	-	-	37,264	10,547
Total consolidated assets	4,459,253	933,262	1,256,365	728,175	799,763	471,881	269,807	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053
LIABILITIES														
Liabilities and equity by segments	4,459,253	933,262	1,256,365	728,175	799,763	471,881	269,807	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053
Total Consolidated Liabilities and Equity	4,459,253	933,262	1,256,365	728,175	799,763	471,881	269,807	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053

Information on sub-segments

The following table shows the breakdown of certain balances in the Group's consolidated financial statements by segment:

Significant information from the Income Statement by Geographic Area	30.06.2020 (Thousands of euros)						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	**TOTAL**
Revenues	78,907	68,644	40,635	64,375	22,178	32,113	**306,852**
Depreciation	(47,894)	(23,122)	(26,470)	(34,326)	(5,673)	(14,124)	**(151,609)**
Net Profits/(Losses) from asset impairment	(2,866)	(2,228)	(1,637)	(7,905)	(2,190)	8	**(16,817)**
Financial income	320	21	13	237	351	15	**957**
Financial expenses	(16,405)	(14,714)	(9,678)	(14,402)	(3,766)	(5,740)	**(64,705)**
Results from exposure to hyperinflation (IAS 29)	-	-	-	-	42	-	**42**
Profit (Loss) from entities valued through the equity method	-	-	-	-	(251)	-	**(251)**
Income tax	3,050	11,251	10,468	13,121	1,903	3.150	**42,943**
Profit (loss) for the year from discontinued operations net of tax	-	87	-	-	-	-	**87**

Significant information from the Income Statement by Geographic Area	30.06.2019 (Thousands of euros)						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	**TOTAL**
Revenues	216,870	176,779	148,590	156,073	60,026	57,642	**815,980**
Depreciation	(46,393)	(19,555)	(25,884)	(35,577)	(6,253)	(12,529)	**(146,191)**
Net Profits/(Losses) from asset impairment	650	(867)	443	199	-	163	**588**
Financial income	267	80	9	230	311	36	**933**
Financial expenses	(18,968)	(9,799)	(11,576)	(16,469)	(4,258)	(5,624)	**(66,694)**
Results from exposure to hyperinflation (IAS 29)	-	-	-	-	(115)	-	**(115)**
Profit (Loss) from entities valued through the equity method	(35)	-	-	-	42	-	**7**
Income tax	(5,203)	(4,351)	(6,679)	746	(2,334)	8	**(17,813)**
Profit (loss) for the year from discontinued operations net of tax	-	-	-	-	(352)	(141)	**(493)**

19. Tax note

The NH Hotel Group companies have calculated the estimated Corporate Income Tax to 30 June 2020 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.

The first half of 2020 saw 23.8 million euros of tax losses activated.

20. Events after the reporting period

The sale of the real estate company "Onroerend Goed Beheer Maatschappij Maas Best, BV", classified as available for sale at 30 June 2020 was formalised on 2 July 2020 (see Note 5). This company owns the NH Best hotel in the Netherlands. This sale had no impact on the profit and loss account as the asset was impaired up to its fair value at 30 June 2020.

On 8 July 2020, the Parent Company signed a bilateral loan with Abanca for 7,500 thousand euros over three years, under the temporary framework established by the Spanish Government to mitigate the economic impacts of COVID-19 and is guaranteed by the Official Credit Institute (ICO). Additionally, on the same date, the syndicated credit line of 250,000 thousand euros was once again fully available for a period of six months until 8 January 2021 (See Note 10.b).

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 360 hotels and 55,353 rooms in 28 countries, and has a significant presence in Europe.

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

Following the start of the COVID-19 pandemic in the first quarter of 2020, available economic data points to an unprecedented decline in global activity and suggests a greater fall than even initially projected, and tourism is one of the most affected economic sectors.

Consumption and demand for services have declined sharply due to social distancing, lockdown, resulting in a drastic loss of income and weakening consumer confidence. Mobility continues to be subdued. At an international level, lockdowns were more intense and widespread between mid-March and mid-May. As economies reopened, mobility recovered in some areas, but remains very low overall compared to pre-virus levels.

The latest projections from the International Monetary Fund (IMF; World Economic Outlook) for June suggest an unprecedented decline in global activity with an uncertain recovery due to the COVID-19 pandemic, and point to a fall in global economic growth of -4.9% this year (1.9 percentage points lower than the forecast in the April 2020 edition). The COVID-19 pandemic impacted economic activity more negatively than expected in the first half of 2020 and, according to estimates, the recovery will be more gradual than previously predicted. In 2021, the IMF estimates world growth to be 5.4%.

For the eurozone, the IMF expects a 10.2% fall in its economy this year with a 6.0% recovery next year. For Spain, it forecasts a 12.8% fall in GDP with growth of 6.3% in 2021. In Latin America a downturn of -9.4% is expected in 2020 with growth of 3.7% in 2021 where most countries are still struggling to contain infections.

According to the World Tourism Organization ("UNWTO"), in the first four months of 2020, international tourist arrivals fell globally by 44% compared to the same period in the previous year; a decrease of 180 million international tourist arrivals compared to the 1.5 billion in 2019. After months of unprecedented disruption, the sector is beginning to restart in some regions, but slowly.

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

The embodiment of an NH Hotel Group value proposition based on the improvement of quality, experience and brand architecture with the NH Collection, NH Hotel and nhow brands are a reality today in the Group. In this ongoing improvement of the customer experience, "Fastpass", a combination of three innovative services (Check-in Online, Choose Your Room and Check-out Online) was launched in 2019, which gives customers full control over their stay. In this respect, NH Hotel Group has become the first European chain to offer these three services simultaneously. A new service, "City Connection", has been launched where you can enjoy the city without limits. Under the slogan "Stay in one hotel, enjoy them all", the NH Hotel Group offered a range of services that allow customers to enjoy them in any hotel in the city they are in, regardless of the hotel they are staying in for the duration of their stay.

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

In its use of quality indicators, the NH Hotel Group focuses on measuring quality using new sources of information and surveys with a significant increase in the volume of reviews and number of assessments received. Its average score on TripAdvisor in the first 6 months of 2020 was 8.7, compared to 8.4 in December 2019. Additionally, its average Google Reviews score was 8.7, compared with 8.6 in December 2019. These average scores demonstrate the high levels of quality perceived by customers and the positive growth trend that the NH Hotel Group has had throughout the year.

In addition, the NH Rewards loyalty programme should reach 9.6 million members at the end of June 2020 (9.4 million members in 2019).

In recent years, new selective repositioning opportunities were identified to be executed in the period 2018-2020, having used a significant part of said investment in 2018 and 2019. In this new phase, there will also be contributions from the owners of hotels under a rental regime.

On the other hand, in 2020, the Group started operating 3 new hotels in the following destinations: London, Amsterdam and Verona. As a whole, all the openings in the first half of the year contribute 910 rooms and, as a result, the Group now has 360 hotels with 55,353 rooms at the end of the first half of 2020.

At 31 December 2019, the NH Hotel Group had also reached an agreement with Covivio, one of the leading European real estate investors, to operate a unique portfolio of eight high-end hotels previously belonging to the renowned Boscolo portfolio, located in privileged locations in Rome, Florence, Venice, Nice, Prague and Budapest. This portfolio will be operated by the NH Hotel Group under a sustainable variable rental contract with a guaranteed minimum that includes a loss protection mechanism and extension rights at NH's option. Most of the hotels will be converted to the Anantara and NH Collection brands after carrying out a in-depth repositioning programme in all properties promoted by Covivio. It is estimated that the transaction will be completed in the second half of this year.

In addition, the Group signed up one new hotel in Copenhagen with 394 rooms. This signing is under a rental formula within the NH Collection brand and is expected to be operational in 2021.

Revenues in the first half of 2020 totalled 306.9 million euros, a fall of 62.4% (-509.1 million euros). The losses attributable to the Parent were -218.5 million euros compared with a profit of 39.9 million euros in the first half of 2019.

In this year, gross borrowings increased from 467.9 million euros in December 2019 to 760.7 million euros at 30 June 2020. At 30 June 2020, cash and cash equivalents amounted to 325.5 million euros (289.3 million euros at 31 December 2019). Additionally, this liquidity was complemented by credit line at 30 June 2020 of 271.3 million euros, of which 250 million euros corresponded to an undrawn long-term syndicated credit line, compared to 306.1 million euros at 31 December 2019. This RCF credit line was fully drawn at 8 July.

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

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

Minor Hotels and NH Hotel Group have integrated their brands under a single corporate umbrella present in more than 50 countries around the world. In this way, a portfolio of more than 500 hotels under eight brands is organised: NH Hotels, NH Collection, nhow, Tivoli, Anantara, Avani, Elewana and Oaks, which completes a wide and diverse spectrum of hotel proposals connected to the needs and desires of global travellers.

Both groups currently share their knowledge base and experience in the sector in order to materialise short-term opportunities, taking advantage of the complementarity of their hotel portfolios to define a global sales strategy, the implementation of economies of scale with a broader customer base, explore development pathways for all their brands in different geographical areas and access to shared talent.

Impact of COVID-19 and measures to mitigate its impact

As a result of the exceptional circumstances that occurred in the first half of 2020, due to the unpredictable and extraordinary outbreak of the global pandemic (COVID-19) that has affected almost all countries where the NH Hotel Group operates, the

Group has been implementing different measures to adapt the business and ensure its sustainability with the aim of minimising costs whilst hotels are closed, preserving the Company's liquidity to meet operational needs in the coming months and ensuring that the recovery of the hotel activity is carried out efficiently and under maximum guarantees in terms of health and safety.

The current situation requires assessing the state and development of the existing situation and the possible impacts it may have on the business. The situation is expected to be temporary, allowing the business to recover subject to a scientific regarding COVID-19, although the economic impacts of this crisis are still unknown and it is therefore impossible to quantify them. However, it cannot be ruled out that the economic effects become more significant than expected as the next few months progress.

The Group has implemented a Contingency Plan to adapt operations and ensure business viability in an environment in which COVID-19 has created unprecedented challenges and uncertainties in the hotel industry, and has resulted in travel restrictions and the forced closure of hotels in most countries where the Company operates.

Given the lack of visibility on the speed of business's recovery, the following measures have been implemented to minimise costs and preserve liquidity:

- **Personnel:** the Group carried out temporary lay-offs and reductions in hours and wages in hotels and central offices due to force majeure or production reasons subject to different closure mandates.
- **Other Operating Expenses:**
    - Negotiations with suppliers to reduce the costs of procurement;
    - Search for lower cost alternative products and improvements in payment terms;
    - All Group staff travel suspended since early March;
    - Suspension of advice from non-priority third parties, as well as staff training and
    - Significant reduction in marketing and advertising costs despite the need to boost income.
- **Rent payments:** negotiations with landlords based on the health crisis and the hotel closure guidelines by various European governments. The Company has also requested a reduction or temporary suspension of rent payments.
- **CapEx:** all investments stopped or cancelled, except those that are legally required or in a very advanced stage. The execution of Capex 2020 (renewals, ordinary, IT and new openings) has been reduced by approximately 80 million euros.
- **Statement of financial position and liquidity:**
    - 275 million euros of credit lines were drawn in March.
    - On 28 April, the Group announced that due to the impact of COVID-19, and as a precautionary measure to deal with this difficult situation, the Board of Directors cancelled the proposed dividend of 0.15 euros for this year, which had implied an estimated payment of approximately 59 million euros. This point was approved by the General Shareholders' Meeting on 16 July.
    - Signing in May of a three-year syndicated financing agreement for 250 million euros guaranteed by the ICO.
    - In June, approval was obtained to suspend compliance with the financial covenants for June and December 2020.

Following government guidelines regarding the restriction of economic activities and limitations on mobility, we had to temporarily close our hotels. Almost 95% of our hotels have been closed since the beginning of April and those that remained open were for charity purposes. The second quarter was the most affected due to the severe closure across all of Europe and the Company began opening hotels in June based on demand and profitability. At 30 June, almost 60% of the portfolio is open.

The recovery will initially be driven by domestic demand, capitalising on the strong positioning of our brands and excellent locations, with a focus on the B2C segment that represents approximately two-thirds of the business. Our sales and reservation systems have been open since the beginning of May. To enable hotels to reopen, standards that guarantee health, safety and social distancing for both guests and team members have been redefined.

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 have 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.

The reopening of hotels is being done progressively depending on demand and optimising profitability. At the end of June, almost 60% of the portfolio is operational, which means more than 215 hotels have reopened. This gradual reopening will continue in the coming months and we hope to have our entire European portfolio operational in September.

Improving efficiency and adapting the business to the current environment remain priorities to the Group, in addition to protecting the Company's liquidity. This liquidity position has been strengthened in recent months and, at the end of June, the Group had liquidity available of almost 600 million euros.

ETHICS

Compliance System

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

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

Code of conduct

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

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

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

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

The Code of Conduct is published in six languages on the official website of the NH Hotel Group, available to all stakeholders. Also, since 2017, NH employees can use the "My NH" app to access the code of conduct from their mobile devices. The staff at centres operating under NH Hotel Group brands also have a handbook and an FAQs document.

The head of Internal Audit manages the Confidential Channel for Complaints and Queries relating to the Code of Conduct. The procedure for managing complaints received via the complaints channel are specified in detail in the Code of Conduct. This procedure guarantees confidentiality and respect in every phase, and protects against retaliation.

Over the first half of 2020, there were 18 reports of alleged breaches of the Code of Conduct, all of which were investigated, with appropriate disciplinary measures being taken in 16 cases.

Compliance Committee

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

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

The Company has decided to roll out its crime prevention model to other countries (Germany, Holland, Belgium, United Kingdom, Colombia, Mexico and Argentina), having constituted local Compliance Committees in the Business Units covering the aforementioned countries.

Compliance Office

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

Drafting the anti-corruption and anti-fraud policy

On 31 January 2018, NH's Board of Directors approved the Anti-Corruption Policy, in its commitment to detect and prevent the commission of corruption offences in business within the company. In order to reduce exposure to regulatory risks of a criminal nature, specifically to the risk of crimes related to corruption, bribery and fraud, in December 2018, the Compliance Committee approved an update of the Anti-Corruption and Fraud Policy, which was approved by the Board of Directors on 13 May 2019.

The general principles of the Anti-Corruption and Fraud Policy are:

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

Drawing up of the anti-money laundering policy

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

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

RISK MANAGEMENT

Risk management governance

The Company's Board of Directors is responsible for overseeing the risk management system, in line with the provisions of Article 5 of the Regulation of the Board of Directors. As regulated by Section 3 of article 25 b) of the Regulation of the Company's Board of Directors, the Audit and Control Committee supports the Board of Directors in supervising the effectiveness of the internal control, internal audit and the risk management systems, including tax risks. In this regard, periodic control and monitoring is carried out on the Company's main risks, their evolution in recent years and the main mitigation and response measures.

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

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives. To ensure that there are no conflicts of independence and that the NH risk management and control system works as set out in the Corporate Risk Management Policy, an independent third party has reviewed its operation annually for the last two years.

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

In line with the above, NH follows the Three Lines of Defence model ('The three lines of defence for effective risk management and control' Position Paper issued by the Institute of Internal Auditors in January 2013):

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

The risk management system of the NH Hotel Group, which is rolled out in both the Group's corporate head office and its Business Units, 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, is managed through SAP GRC 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 and Key Risk Indicators based on the Company's tolerance to risk.
4. To follow-up on the action plans and the key indicators established for the main risks, within a continuous improvement model framework.
5. Periodic reporting in SAP GRC by risk managers about the status of their respective risks and, in turn, reporting to the Company's main governing bodies.

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. The Company updated its Risk Catalogue and Risk Map in the first half of 2020 through a process in which 24 Senior Executives identified and assessed the main risks faced by the Company in the new situation due to the impact of COVID-19. This Risk Map will be submitted to the Audit and Control Committee at the end of July 2020 and subsequently to the Board of Directors for approval.

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, indebtedness capacity and debt repayment, breach of covenants, 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 the pandemic, natural disasters, political instability or terrorist attacks.
e) Systems Risks: cyberattacks that could affect the integrity, availability or reliability of operational and financial information.
f) Strategic Risks: produced by difficulty accessing markets and difficulties in asset disinvestment.

New data protection plan

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

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

NH ROOM 4 SUSTAINABLE BUSINESS

The NH Hotel Group performs its hotel activity with the ambition of leading responsible behaviours, and creating shared value at an economic, social and environmental level wherever it operates. With this philosophy, the Company worked on the development of the new Strategic Plan in 2019, giving continuity to the previous one, in which one of the pillars is NH ROOM 4 Sustainable Business; a key part of the Company's global strategy.

The strategic vision of NH ROOM 4 Sustainable Business is, in turn, based on three fundamental management levers: NH ROOM 4 People, NH ROOM 4 Planet and NH ROOM 4 Responsible Shared Success, all of which are framed under the same premise of sustainable and ethical principles, responsible culture and spirit of citizenship.

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

For the first time, in 2019, the NH Hotel Group voluntarily participated in the *Corporate Sustainability Assessment* (CSA) carried out by the sustainable investment agency SAM, and achieved fourth position among all companies assessed in the 2019 index, consolidating itself as one of the leading companies in sustainability in the industry worldwide.

Encouraged by this assessment, the NH Hotel Group defined an Action Plan that identified areas for improvement and opportunities to reinforce the Company's commitment in future years to ensure that all actions have a positive impact, both economically as well as socially and environmentally. During 2020, some of the most urgent actions identified in the plan have already been implemented and work is underway on the second SAM assessment.

Since 2013, the NH Hotel Group has been listed on the FTSE4GOOD index and renews its presence year after year thanks to the responsible management of the business and the improvements implemented. The index was created by the London Stock Exchange to help investors include environmental, social and governance (ESG) factors into their decision making.

At the same time, the Company has been listed on the Ethibel Sustainability Index since 2015. Ethibel is an index that unites companies from different sectors who are leaders in Corporate Social Responsibility. The presence of the NH Hotel Group demonstrates the Company's good performance and encourages Socially Responsible Investment (SRI) among investors and funds.

The NH Hotel Group has reported its commitment to and strategy against climate change to CDP Climate Change since 2010 and received a B in its annual ranking. With this rating, the NH Hotel Group once again recognises its pioneering 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.

Finally, the NH Hotel Group has been included on Bloomberg's gender equality index 2020 for the first time; it being the only Spanish hotel company among the index's 325 companies.

NH Response

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

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

In addition, about 12,400 kg of food from the hotels closed were donated to food banks and soup kitchens, as well as 30,000 amenities kits, 7,000 gloves, 6,000 shower caps, 2,000 rubbish bags, 55 beds and 600 blankets to health centres.

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

Human Resources Strategy

The average number of people employed by the Parent Company and consolidated companies in 2020 is 11,374 employees.

The corporate culture of the NH Hotel is also based on the cornerstones of diversity and equality. At 30 June 2020, women made up 50.9% of the total workforce.

It is worth noting the inclusion of NH Hotel Group in the 2019 Equileap ranking, an international organisation created to accelerate progress towards gender equality at work. In October 2019, it published its first multi-sector ranking that shows the performance of the largest companies in the world in regard to gender equality. The NH Hotel Group was in 48th position, the best in Spain, from 3,000 companies worldwide, based on 19 gender equality criteria.

Additionally, the average age of employees at 30 June 2020 is 39.1 years old, and their average time with the company is 8.9 years.

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

Given these circumstances, Human Resources has focused on being available to all employees in such complex moments and, for this, the first **With You** *newsletter* was launched in early April, an internal *engagement* project designed to give toolkits, advice and training resources with which to reinforce key skills during this stage, not only professionally but also to improve personal well-being. Between April and June, 10 *newsletters* were shared, including the launch of two external e-learning platforms, allowing all employees to work on their development, incorporate new knowledge and, ultimately, continue to invest in their professional growth.

During 2020, the Human Resources strategy continues to be based on three main pillars: Global leadership and talent management, Maximum performance and Better workplaces. Much of this has been driven by technological measures, to take advantage of opportunities, to be more efficient and evolve working environment towards being more agile and more connected:

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

- Maximum performance: Being recognised as a high-performance team model in which all employees are encouraged to develop and do their best, where high performance is differentiated, recognised and rewarded.

- Better workplaces: Making our employees the best brand ambassadors, based on their high commitment levels and increasing the recognition of the NH Hotel Group as one of the best companies to work for.

- Transformation and new technologies: Seek, evaluate, and take advantage of opportunities to evolve and develop our work environment to make it increasingly agile, connected, and productive, and to acquire advanced predictive analytical skills. All this, with clear policies and processes, meeting commitments proactively, supporting, developing and implementing the operational model of the NH Hotel Group, and controlling payroll costs and related budget items.

Finally, as part of the Company's recovery strategy, **Feel Safe at NH** is a set of health and safety measures, certified by safety experts, to be implemented in all hotels to guarantee health, safety and social distancing for both guests and *team members.*

To ensure these measures are implemented effectively, Human Resources is working on a specific training plan by position that guarantees the training of our *team members*. Specifically, the following training sessions are taking place for all the *team members* of the hotels that are reopening:

- COVID-19 training to raise awareness about the risks of the novel coronavirus and the preventive measures to be carried out individually.

- Training on *Feel Safe at NH* where the project and new operational promises are presented to all *team members*. The new *Health & Safety Manager* position is introduced so that everyone knows who will assume this role in the hotel, as well as their main mission and tasks.

- Department-specific training on the new standards and procedures to be applied to guarantee safety in our hotels.

- Training for Directors and Department Heads for the reincorporation of their teams to help identify what emotions they may be experiencing and how to manage them.

In addition to the above, a specific timetable has been defined for the new *Health & Safety Managers* in communication skills, influence, effective meetings or change management, among others.

Environmental sustainability

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

Work continued in the first half of 2020 to give continuity to the environmental achievements achieved in recent years but the exceptional situation in which the Company has found itself with the temporary closure of almost all its hotels since the beginning April has lead to the trend of the results obtained in recent years being distorted due to the lack of occupation.

NH Hotel Group remains committed to renewable energy as one of the ways of reducing its carbon footprint. This consumption of green energy, certified as renewable, is available in 99% of our hotels that are consolidated in Spain, Italy, the Netherlands, France and Luxembourg.

NH Hotel Group works with the ISO 14.001 environmental management system and ISO 50.001 for energy efficiency in accommodation, catering, meetings and events. In total, the Company has 151 individual sustainability certifications in hotels such as BREEAM, LEED, Green Key, Hoteles+Verdes, ISO 14.001 Environmental Management System and/or ISO 50.001 Energy Management System. These environmental certifications are internationally recognised (ISO 14.001 and ISO 50.001) and those from the hotel sector itself such as Hoteles+Verdes and Green Key are recognised by the GSTC (Global Sustainable Tourism Council).

It is also noteworthy that, in 2019, the NH Hotel Group became the first Spanish hotel company to establish emission reduction targets that are scientifically validated by the Science Based Targets initiative (SBTi) - a leading alliance in the promotion of the business sector against climate change in which CDP, the United Nations Global Compact, World Resources Institute and World Wide Fund for Nature are a part. With this formalisation, the NH Hotel Group is committed to reducing its carbon emissions by 20% throughout its value chain before 2030. This objective marks the Company's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement to limit the increase in the global temperature to less than 2ºC, and join the efforts that are being made globally towards the transition to a low carbon economy.

SHARES AND SHAREHOLDERS

At the close of the first half of 2020, the share capital of NH Hotel Group, S.A. comprised 392,180,243 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 30 June 2020 and 31 December 2019 were as follows:

	30/06/2020	31/12/2019
Minor International Public Company Limited ("MINT")	94.13%	94.13%

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

The average share price of NH Hotel Group, S.A. in the first half of 2020 was 4.14 euros per share (4.62 euros for the same period in 2019). The lowest share price of 2.29 euros per share was recorded in March (3.89 euros in January 2019) and the highest share price of 5.34 euros per share was in January (5.28 euros in March 2019). The Group's market capitalisation at the end of the first half of 2020 was 1,304.00 million euros.

At 30 June 2020, the Group had 147,780 treasury shares (which include 96,808 liquidity contract shares); 374,464 treasury shares at 31 December 2019. The reduction of treasury shares in the period is explained by the delivery of 240,316 shares to NH employees under the Long-term Incentive Plan (2017-2019), leaving 161,322 pending delivery (net of taxes).

Liquidity contract for treasury shares management

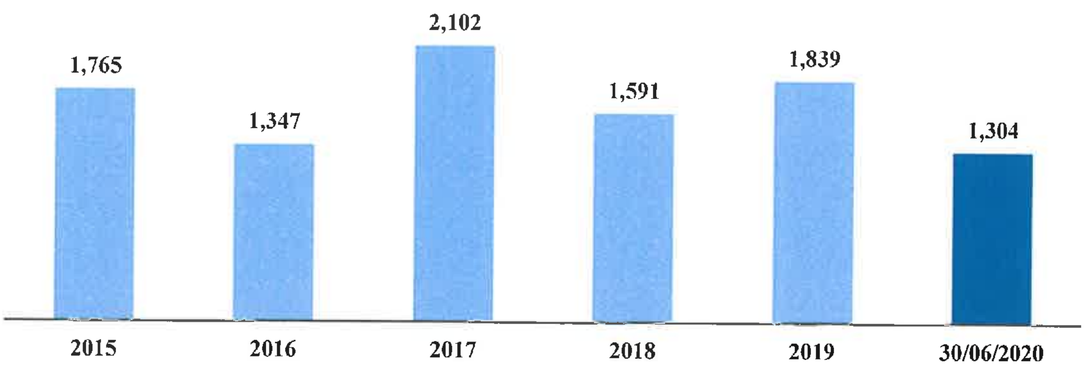
On 10 April 2019, the NH Board of Directors entered into a liquidity contract to manage its treasury shares with Banco Santander, S.A. The Contract became effective on 11 April 2019.

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

The total number of shares allocated to the securities account associated with the new Liquidity Contract is 82,645 shares and the amount allocated to the cash account is 400,000 euros. At 30 June, this liquidity agreement has 96,808 shares and cash of 346,395 euros.

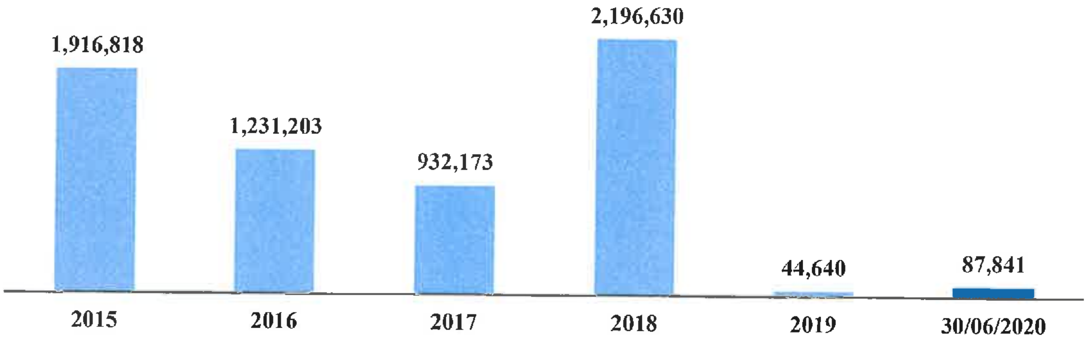
The Liquidity Contract was agreed upon by the Board of Directors at the proposal of the Proprietary Directors on behalf of the shareholder Minor as a measure to encourage and favour the liquidity of the Company's shares taking the current market conditions into account.

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



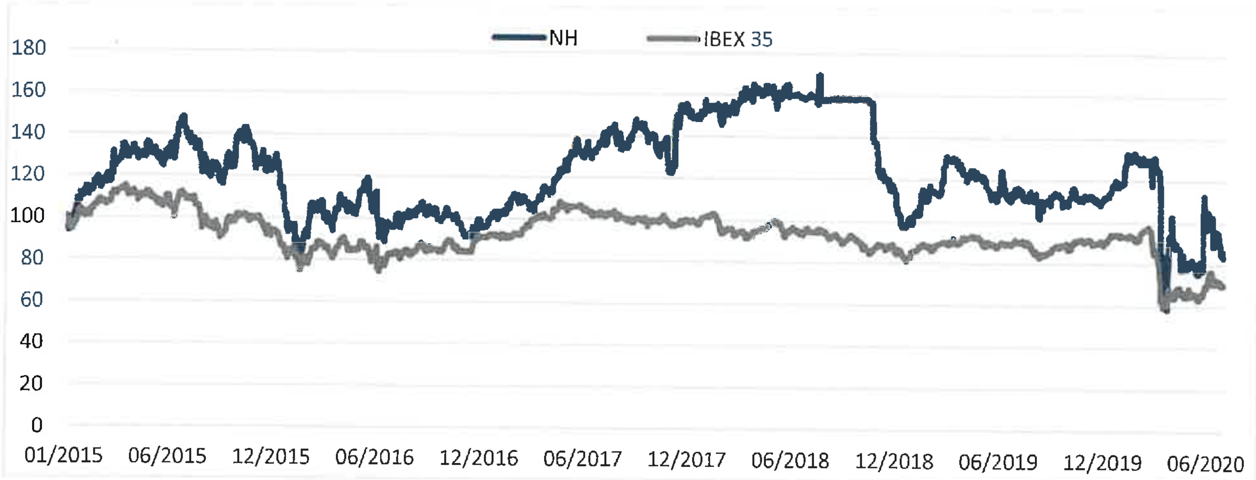
During the first six months of 2020, 10,980,223 shares in NH Hotel Group, S.A. were traded on the Continuous Market (8,289,399 shares in the same period in 2019) with average daily share trading on the Continuous Market of 87,841 shares (66,315 shares in the same period in 2019).

AVERAGE DAILY TRADING (in shares)



EVOLUTION NH HOTEL GROUP vs. IBEX 35

1 JANUARY 2015 - 30 JUNE 2020



FUTURE OUTLOOK

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

The COVID-19 pandemic impacted economic activity more negatively than expected in the first half of 2020 and, according to estimates, the recovery will be more gradual than previously predicted. The latest projections from the International Monetary

Fund (IMF; World Economic Outlook) for June suggest an unprecedented decline in global activity with an uncertain recovery due to the COVID-19 pandemic, and point to a fall in global economic growth of -4.9% this year.

Travel restrictions remain in place in most global destinations, and tourism remains one of the hardest hit sectors. The UNWTO has established three possible scenarios for 2020. These point to possible decreases in the total number of international tourists of between 58% and 78% depending on when travel restrictions are lifted, which would imply a decrease between 850 and 1.1 billion international tourists.

It is still too early to estimate the impact of the pandemic on an economic and social level as uncertainty remains high and economic recovery will be linked to the scientific advances related to COVID-19 that will allow confidence and mobility to recover globally.

Events after the reporting period

The sale of the real estate company "Onroerend Goed Beheer Maatschappij Maas Best, BV", classified as available for sale at 30 June 2020 was formalised on 2 July 2020 (see Note 5). This company owns the NH Best hotel in the Netherlands. This sale had no impact on the profit and loss account as the asset was impaired up to its fair value at 30 June 2020.

On 8 July 2020, the Parent Company signed a bilateral loan with Abanca for 7,500 thousand euros over three years, under the temporary framework established by the Spanish Government to mitigate the economic impacts of COVID-19 and is guaranteed by the Official Credit Institute (ICO). Additionally, on the same date, the syndicated credit line of 250,000 thousand euros was once again fully available for a period of six months until 8 January 2021 (See Note 10.b).