NH Hotel Group, S.A. and subsidiaries

Report on limited review
Condensed consolidated interim financial statements
for the six-month period ended June 30, 2021
Consolidated interim management report

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

Report on limited review of condensed consolidated interim financial statements

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

Introduction

We have performed a limited review of the accompanying condensed consolidated interim financial statements (hereinafter, the interim financial statements) of NH Hotel Group, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the balance sheet statement at June 30, 2021, and the comprehensive profit and loss statement, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six-month period then ended. The parent company's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting 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- month period ended June 30, 2021 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.

Emphasis of matter

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2020. Our conclusion is not modified in respect of this matter.

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Other matters

Consolidated interim management report

The accompanying consolidated interim management report for the six-month period ended June 30, 2021 contains the explanations which the parent company's directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this management report is in agreement with that of the interim financial statements for the six-month period ended June 30, 2021. Our work is limited to checking the consolidated interim management report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from NH Hotel Group, S.A. and its subsidiaries' accounting records.

Preparation of this review report

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

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed

by Mariano Cortés Redín

July 28, 2021

NH Hotel Group, S.A. and Subsidiaries

Condensed Interim Consolidated Financial Statements and Interim Consolidated Management Report corresponding to the six-month period ended 30 June 2021

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2021 AND 31 DECEMBER 2020

(Thousands of euros)

ASSETS	Note	30/06/2021	31/12/2020
NON-CURRENT ASSETS:			
Property, plant and equipment	4	1,534,297	1,615,924
Right-of-use assets	5	1,634,578	1,693,820
Investment Property		2,930	2,950
Goodwill	6	100,016	101,069
Other intangible assets	7	127,893	128,137
Deferred tax assets		299,138	273,013
Investments accounted for using the equity method	8	40,746	41,773
Financial assets at fair value with change in profit/loss	8	1,502	1,985
Other financial assets at amortised cost	8	35,410	35,664
Total non-current assets		**3,776,510**	**3,894,335**
CURRENT ASSETS:			
Inventories		8,013	7,957
Other current assets		12,628	5,383
Trade receivables		34,037	29,937
Other non-trade debtors		21,835	19,952
Current tax receivable		45,961	50,547
Accounts receivable from related entities	16	768	955
Cash and cash equivalents		446,894	320,851
Total current assets		**570,136**	**435,582**
TOTAL ASSETS		**4,346,646**	**4,329,917**

NET ASSETS AND LIABILITIES	Note	30/06/2021	31/12/2020
EQUITY:			
Share capital	9	784,361	784,361
Reserves of the parent company	9	704,223	933,173
Reserves of fully consolidated companies		(552,850)	(349,898)
Reserves of companies consolidated using the equity method		(25,644)	(18,176)
Conversion differences		(156,638)	(162,932)
Treasury shares	9	(360)	(367)
Consolidated Profit/(Loss) for the period		(145,416)	(437,159)
Equity attributable to the shareholders of the Parent Company		**607,676**	**749,002**
Non-controlling interests	9	49,115	49,582
Total equity		**656,791**	**798,584**
NON-CURRENT LIABILITIES			
Debt instruments and other marketable securities	10	393,111	349,062
Bank borrowings	10	630,554	623,011
Borrowings from associate companies	10 and 16	100,000	-
Lease liabilities	10	1,753,589	1,809,120
Deferred tax liabilities		169,381	171,519
Other financial liabilities	10	757	904
Other non-current liabilities	10	10,953	10,601
Provisions for contingencies and charges	12	49,648	47,255
Total non-current liabilities		**3,107,993**	**3,011,472**
CURRENT LIABILITIES:			
Trade and other payables		219,344	188,493
Accounts payable from related entities	16	857	613
Current tax payable		46,508	22,589
Bank borrowings	10	19,626	25,927
Borrowings from associate companies	10 and 16	617	-
Lease liabilities	10	249,664	250,619
Debt instruments and other marketable securities	10	89	143
Other financial liabilities	10	813	105
Other current liabilities	10	41,359	25,095
Provisions for contingencies and charges	12	2,985	6,277
Total current liabilities		**581,862**	**519,861**
NET ASSETS AND LIABILITIES		**4,346,646**	**4,329,917**

Notes 1 to 19 to the accounts form an integral part of the condensed consolidated statement of financial position as at 30 June 2021.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 AND 2020

(Thousands of euros)

	Note	2021	2020
Revenue	15.1	175,050	306,852
Other operating income	15.1	41,281	5,453
Net gains on disposal of non-current assets	15.1	62,409	(439)
Procurements		(6,833)	(14,529)
Staff costs	15.2	(110,884)	(151,941)
Amortisation of use rights	5	(86,455)	(94,036)
Amortisation of tangible fixed assets and intangible assets	4 and 7	(53,622)	(57,573)
Net Profits/(Losses) from asset impairment	4, 6 and 7	326	(16,817)
Other operating expenses	15.3	(110,998)	(175,845)
Gains on financial assets and liabilities and others		(916)	-
Share of profit/(loss) of associates and joint ventures		(1,406)	(251)
Financial income		2,048	957
Change in fair value of financial instruments		175	151
Financial expenses on leases		(42,872)	(46,537)
Other financial expenses		(43,764)	(18,168)
Results from exposure to hyperinflation (IAS 29)		1,413	42
Net exchange differences (Income/(Expense))		1,669	(525)
Impairment on financial investments		-	(242)
PROFITS/(LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS		(173,379)	(263,448)
Taxation		26,277	42,943
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES		(147,102)	(220,505)
Profit (loss) for the year from discontinued operations net of tax		-	87
TOTAL COMPREHENSIVE PROFIT / (LOSS)		(147,102)	(220,418)
Conversion differences	2.e	(2,102)	(22,881)
Income and expenses recognised directly in equity			
TOTAL COMPREHENSIVE PROFIT/(LOSS)		(149,204)	(243,299)
Profit/(Loss) for the year attributable to:			
Parent Company Shareholders		(145,416)	(218,507)
Non-controlling interests	*9.e*	(1,686)	(1,911)
Comprehensive Profit / (Loss) attributable to:			
Parent Company Shareholders		(147,499)	(239,153)
Non-controlling interests		(1,705)	(4,164)
Profit / (Loss) per share in euros (basic)	3	(0.37)	(0.56)
Profit / (Loss) per share in euros (diluted)	3	**(0.34)**	**(0.56)**

The explanatory notes to the accounts 1 to 19 attached form an integral part of the consolidated comprehensive income statement for the six month period ended 30 June 2021.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020

(Thousands of euros)

		Reserves of the parent company			Reserves in companies consolidated using							
	Share capital	Share premium	Legal reserve	Other reserves	Full consolidation	the equity method	Conversion differences	Treasury shares and shareholdings	Results attributable to Parent Company	Total	Non-controlling interests	Total Shareholders' Equity
Balance 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)
Other comprehensive income	—	—	—	—	—	—	(20,628)	—	—	(20,628)	(2,253)	(22,881)
Total comprehensive income	—	—	—	—	—	—	(20,628)	—	(218,507)	(239,135)	(4,164)	(243,299)
Distribution of Profit (Loss) 2019-												
- To Reserves	—	—	15,894	143,046	(68,998)	22	—	—	(89,964)	—	—	—
Share-based payments, net of tax	—	—	—	(1,833)	—	—	—	1,021	—	(812)	—	(812)
Accounting adjustment IAS 29	—	—	—	—	—	—	(2,766)	—	—	(2,766)	(434)	(3,200)
Distribution of dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(1,150)	(1,150)
Other movements in equity	—	—	—	—	(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**

		Reserves of the parent company			Reserves in companies consolidated using							
	Share capital	Share premium	Legal reserve	Other reserves	Full consolidation	the equity method	Conversion differences	Treasury shares and shareholdings	Results attributable to Parent Company	Total	Non-controlling interests	Total Shareholders' Equity
Balance at 01 January 2021	**784,361**	**756,990**	**90,747**	**85,436**	**(349,898)**	**(18,176)**	**(162,932)**	**(367)**	**(437,159)**	**749,002**	**49,582**	**798,584**
Net profit (Loss) for 2021	—	—	—	—	—	—	—	—	(145,416)	(145,416)	(1,686)	(147,102)
Other comprehensive income	—	—	—	—	—	—	(2,083)	—	—	(2,083)	(19)	(2,102)
Total comprehensive income	—	—	—	—	—	—	(2,083)	—	(145,416)	(147,499)	(1,705)	(149,204)
Distribution of Profit (Loss) 2020-												
- To Reserves	—	—	—	(226,164)	(203,527)	(7,468)	—	—	437,159	—	—	—
Share-based payments, net of tax	—	—	—	(2,798)	—	—	—	759	—	(2,039)	—	(2,039)
Accounting adjustment IAS 29	—	—	—	—	—	—	8,377	—	—	8,377	1,406	9,783
Distribution of dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(166)	(166)
Other movements in equity	—	—	—	12	575	—	—	(752)	—	(165)	(2)	(167)
Balances at 30 June 2021	**784,361**	**756,990**	**90,747**	**(143,514)**	**(552,850)**	**(25,644)**	**(156,638)**	**(360)**	**(145,416)**	**607,676**	**49,115**	**656,791**

Notes to the accounts 1 to 19 attached hereto form an integral part of the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2021.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED CASH FLOW STATEMENT CORRESPONDING TO THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 30 JUNE 2020

(Thousands of euros)

	Note	30.06.2021	30.06.2020
1. OPERATING ACTIVITIES			
Consolidated profit (loss) before tax:		(173,379)	(263,448)
Adjustments:			
Amortisation of tangible and intangible assets and right-of-use assets (+)	4, 5 and 7	140,077	151,609
(Profits)/Losses for impairment (net) (+/-)	4, 5 and 7	(326)	16,817
Gains/Losses on the sale of tangible and intangible assets and right-of-use assets (+/-)		(62,409)	439
Gains/Losses on investments valued using the equity method (+/-)		1,406	251
Financial income (-)		(2,048)	(957)
Change in fair value of financial instruments		(175)	(151)
Financial expenses (+)		86,636	64,705
Results from exposure to hyperinflation (IAS 29)		(1,413)	(42)
Net exchange differences (Income/(Expense))		(1,669)	525
Profit (loss) on disposal of financial investments		916	-
Impairment on financial investments (+/-)		-	242
Other non-monetary items (+/-)		(4,671)	342
Adjusted profit (loss)		(17,055)	(29,668)
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		(56)	930
(Increase)/Decrease in trade debtors and other accounts receivable		(101)	70,284
(Increase)/Decrease in other current assets		1,594	(22,712)
Increase/(Decrease) in trade payables		23,475	(67,256)
Increase/(Decrease) in other current liabilities		25,022	(11,008)
Increase/(Decrease) in provisions for contingencies and expenses		(3,463)	(1,556)
(Increase)/Decrease in non-current assets		(392)	(67)
Increase/(Decrease) in non-current liabilities		813	(163)
Income tax paid		7,295	(3,396)
Total net cash flow from operating activities (I)		**37,132**	**(64,612)**
2. INVESTMENT ACTIVITIES			
Other interest/dividends received		**202**	117
Investments (-):			
Group companies, joint ventures and associates		-	(10,078)
Tangible and intangible assets and investments in property	4 and 7	(23,551)	(68,057)
Financial investments and other current financial assets		(6,000)	-
		(29,551)	(78,135)
Disinvestment (+):			
Group companies, joint ventures and associates		-	17,298
Tangible and intangible assets and investments in property		126,690	(361)
Other assets		128	-
		126,818	16,937
Total net cash flow from investment activities (II)		**97,469**	**(61,081)**
3. FINANCING ACTIVITIES			
Dividends paid out (-)		(86)	(1,150)
Interest paid on debts (-)		(32,147)	(16,223)
Interest paid by means of payment		*(2,116)*	*(4,084)*
Interest paid by financing and other		*(30,031)*	*(12,139)*
Variations in (+/-):			
Equity instruments			
- Treasury shares		(740)	-
Debt instruments:			
- Bonds and other tradeable securities (+)	10.b	400,000	-
- Bonds and other tradeable securities (-)	10.b	(356,850)	-
- Loans from credit institutions (+)	10.b	2,484	545,465
- Loans from credit institutions (-)	10.b	(3,400)	(251,456)
Borrowings from associate companies (+)	10.b and 16	100,000	-
- Principal elements on payment for leasing (-)		(118,739)	(114,653)
- Other financial liabilities (+/-)		736	59
Total net cash flow from financing activities (III)		**(8,742)**	**162,042**
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		125,859	36,349
5. Effect of exchange rate variations on cash and cash equivalents (IV)		184	(173)
6. Effect of variations in the scope of consolidation (V)		-	-
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		126,043	36,176
8. Cash and cash equivalents at beginning of year		**320,851**	**289,345**
9. Cash and cash equivalents at end of year		**446,894**	**325,521**

Notes to the accounts 1 to 19 attached hereto form an integral part of the condensed consolidated cash flow statement produced in the six-month period ended 30 June 2021.

NH Hotel Group, S.A. and Subsidiaries

Explanatory notes to the condensed interim financial statements corresponding to the six-month period ended 30 June 2021.

1. Information on the Group

a) Introduction

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

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

At 30 June 2021, the NH Group was operating in 29 countries, with 354 hotels and 54,830 rooms, giving it a significant presence in Europe.

The Group's consolidated financial statements for 2020 were approved by the shareholders at the Annual General Meeting of NH Hotel Group, S.A. held on 30 June 2021.

b) Impact of COVID-19

After the start of the COVID-19 pandemic in the middle of March 2020 in Europe, demand for hotels dropped drastically due to lockdowns, travel restrictions and social distancing, which drastically affected mobility.

The agile gradual reopening of hotels was made possible by the flexible costing structure and began in the middle of 2020, progressively, depending on recovery of domestic demand and with a focus on optimising profitability. After reaching the end of August 2020, 80% of the portfolio was open but, as a result of stricter restrictions on mobility due to the increase in infections in Europe during the last months of 2020, hotels were closed again and, at the end of December 2020, around 60% of the portfolio was open.

With the gradual roll out of vaccines since the beginning of the year, a turning point is beginning to be seen that – together with the progressive lifting of restrictions in some European countries – is allowing a faster reopening of the portfolio once again. Therefore, at the end of June 2021, around 90% of the hotels were open.

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

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

Contingency Plan

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

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

- Personnel: The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons. These processes continued in the final months of 2020 and the first half of 2021, and will continue during the rest of 2021 in various countries. The workforce therefore continues to adapt with temporary layoffs and salary reductions. The announced collective redundancy process has been carried out in Central Services in Spain as part of a global plan pursuant to local legislation.

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

- Leases: The temporary reduction in fixed leases continued during the first part of 2021.

- Capex: Implementation of Capex (maintenance, refurbishment, systems and new openings) reduced by around 100 million euros in 2020 compared to the year before, which is a 50% decrease on the original plan. Capex will continue to be limited in 2021.

- Strengthening liquidity: In addition to the milestones reached in 2020, mainly the drawdown of €275 million in credit lines, entering into syndicated financing at 3 years for €250 million guaranteed by ICO, the extension to the expire of the syndicated credit line for €236 million from September 2021 until March 2023, along with the waiver on performance of financial commitments. During the first part of 2021 NH Hotel Group has proactively carried out a battery of initiatives to reinforce the Group's capital structure:

  - In May 2021 a €100 million capital investment was agreed by Minor International (94% shareholding) through an unsecured subordinated loan that was drawn down in May and will be capitalised in the second half of 2021 through a capital increase process directed towards all shareholders. This agreement has provided immediate liquidity and demonstrates the support of the main shareholder in the recovery. The capital increase to offset the shareholder loan was approved at the Shareholders' Meeting held on 30 June 2021. At the same time as the capital increase, the Board will start up the cash capital increase under the same economic conditions and with preferential subscription rights for the other shareholders for an additional, proportional value of up to seven million euros, to prevent dilutive effects in the shareholdings.

  - In addition, during May the maturity date of the ICO syndicated loan of 250 million euros was extended from 2023 to 2026 in order to continue to optimise the debt profile (Note 10).

  - In June, NH Hotel Group successfully launched a senior secured bonds issue on the market for the amount of 400 million euros and maturity date of July 2026. The funds obtained have mainly been used to repay the senior bond for 357 million euros expiring in 2023. The new issue, which was significantly oversubscribed, has an annual interest of 4% (Note 10).

  - Furthermore, NH Hotel Group has agreed to extend the period of its syndicated revolving credit facility (RCF) for 242 million eurosfrom March 2023 to March 2026. It is worth pointing out the support shown by the loan institutions taking part in this financing, with the extension of the waiver on the financial covenants during all of 2022.

- On 30 June 2021, the sale & leaseback transaction on the NH Collection Barcelona Gran Hotel Calderón was announced, which was sold for 125.5 million euros with a linked 20 year lease agreement, with NH having the option to exercise additional extensions. With this transaction, the Group has generated a net book gain of 46.7 million euros and net cash, after paying the taxes on the sale, of 113 million euros. Moreover, the transaction brings NH closer to its commitment to completing rotations of assets worth around 200 million euros this year, which it will use to strengthen liquidity and reduce its debt level (Notes 4 and 5).

These milestones reached strengthen the Company's capital and liquidity with a solid financial base, with no significant debts maturing until 2026, with which it can face the imminent recovery of the sector from a better position from the financial and capital structure point of view.

The rebound in demand for domestic leisure has already begun, as vaccination rates across Europe increase and restrictions on mobility are eased. The difficulties of the first months of 2021 have been resolved and we are confident of a gradual recovery. The Group will take advantage of its strong positioning in Europe, with excellent locations and high brand recognition, alongside the high weight of domestic demand.

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

The Group has continued with its policy of studying signs of impairment on its assets. Although there are uncertainties due to the health crisis, the studies carried out and records of impacts so far are such that the Administrators consider them adequate in the current context. The Group will continue studying any possible additional signs of impairment throughout the year, which could entail additional accounting impacts to those recorded until now, taking into account the evolution of the crisis and its potential impact on the business.

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

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

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

The Group's consolidated financial statements for 2020 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 2020 and the consolidated results from its operations, the changes in consolidated equity and consolidated cash flows for the year ended on this date.

These condensed interim consolidated financial statements are presented in accordance with International Accounting Standard (IAS) 34 on Interim Financial Information, and were prepared by the Directors of the Parent Company on 28 July 2021.

In accordance with the provisions of IAS 34, the interim financial report is drawn up only for the purposes of updating the content of the most recent financial statements drafted by the Group, placing emphasis on the new activities, events and circumstances that arose during the first quarter and not duplicating the information previously published in the consolidated financial statements for 2020. Therefore, the intermediate condensed financial statements at 30 June 2021 do not include all the information that would be required by complete consolidated financial statements prepared according to the IFRS Standards adopted by the European Union, so that for a full understanding of the information included in these condensed interim consolidated financial statements, they should be read together with the Group's consolidated annual accounts for 2020.

The consolidated results and the calculation of the consolidated equity are subject to the accounting principles and policies, measurement criteria and estimates followed by the Parent Company's Directors for the preparation of the condensed interim consolidated financial statements. The main accounting principles and policies and measurement criteria correspond to those applied to the consolidated annual accounts for 2020, except for the standards and interpretations which came into force in the first half of 2021 (see section a).

All information corresponding to the six-month period ended 30 June 2020 within the explanatory notes to the condensed interim financial statements for the six-month period ended 30 June 2021 is only and exclusively presented for comparative purposes.

a) Standards and interpretations effective in this period

During the six-month period ending 30 June 2021 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 2021:

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		
Amendments to IFRS 9, IFRS 7, IFRS 4, IFRS 16 and IAS 39 Reform of the Benchmark Interest Rate (Phase 2)	Amendments to IFRS 9, IFRS 4, IFRS 16 and IFRS 7 and IAS 39 related to the reform of benchmark indices (Phase 2).	01 January 2021
Amendment to IFRS 4 Deferment of application of IFRS 9	Deferment of application of IFRS 9 until 2023.	

Awaiting approval for use in the European Union as of the date of publication of this document (1)		
Amendments:		
Amendment to IFRS 16 Leases - Rent concessions	Amendment to extend the application period for the practical solution in IFRS 16 provided for rent concessions related to COVID-19.	01 April 2021

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

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. In March 2021, the IASB approved an amendment that extends the application period of the aforementioned practical option of IFRS 16 "Leases" by one year. At the date of these financial statements, this amendment has not been adopted by the European Union.

In this sense, the new wording extends the term that may be affected by the income reductions that could qualify for the exemption, putting back the deadline from 30 June 2021 to 30 June 2022. Had approval by the European Union taken place on the terms defined by the IASB on 30 June 2021, the Group would have recorded lower expenses for rent concessions of 1.1 million euros (before tax) for those negotiations already formalised or agreed. This figure will be increased with the other negotiations pending formalisation.

The amendments approved by the IASB are expected to be approved by the European Union before the end of 2021.

(2) New obligatory regulations, amendments and interpretations which will be obligatory in the years following the year commencing 01 January 2022:

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

New Standards:

IFRS 17 Insurance contracts and their amendments	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 financial information to determine the effect which insurance contracts have on the financial statements.	01 January 2023
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.

Amendments and/or interpretations

Amendment to IFRS 3 Reference to the Conceptual Framework	Updates IFRS 3 to bring the definitions of assets and liabilities in a business combination into line with those contained in the conceptual framework.	01 January 2022
Amendments to IAS 16 Proceeds before intended use	The amendment prohibits deduction of any proceeds from the sale of the articles produced from the cost of a tangible fixed asset while the entity is preparing the asset for its intended use.	
Amendment to IAS 37 Onerous contracts – Costs of fulfilling a contract	The amendment explains that the direct cost of fulfilling a contract includes the incremental costs of performing the contract and an allotment of other costs that are directly related to performance of the contract.	
Improvements to IFRS 2018-2020 cycle	Minor amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41	
Amendment to IAS 1 Classification of liabilities as current or non-current.	Clarifications regarding presentation of liabilities as current or non-current.	01 January 2023
Amendment to IAS 1 Breakdown of accounting policies	Amendments that allow entities to properly identify the information about material accounting policies that must be broken down in the financial statements.	
Amendment to IAS 8 Definition of accounting estimates	Amendments and clarifications on what should be understood to be a change in accounting estimates.	
Amendment to IAS 12 Deferred taxes arising from assets and liabilities from a single transaction.	Classifications of how entities should record the deferred tax generated in transactions such as leases and decommissioning obligations.	

b) ***Comparative information***

The information contained in these condensed interim consolidated financial statements for the first half of 2020 is presented solely for the purposes of comparison with the information for the six-month period ended 30 June 2021 for the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated cash flow statement.

c) ***Seasonality of the Group's transactions***

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

d) Accounting correction

There have been no corrections of errors in the condensed interim consolidated financial statements for the six-month period ended 30 June 2021.

e) Change in accounting criteria

There have been no accounting criteria changes in the condensed interim consolidated financial statements for the six-month period ended 30 June 2021.

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

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

Estimates made by the management of the Group and of the consolidated entities have been used in preparing the Group's condensed interim consolidated financial statements to quantify some of the assets, liabilities, revenue, expenses and undertakings recognised. These estimates essentially 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 the 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 and continuously looks for signs of impairment that could impact the accounting records.

In spite of the fact that these estimates were carried out using the best information available at 30 June 2021 on events analysed, it is possible that events may take place in the future which compel their amendment (upwards or downwards) in years to come. This will be done in accordance with the provisions of IAS 8, prospectively.

g) Consolidated cash flow statements

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

- <u>Cash flows</u> are the inflows and outflows of cash and cash equivalents.

- <u>Operating activities</u> 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.

- <u>Investment activities</u> are the purchase and disposal of long-term assets, as well as other investments not included in cash and cash equivalents.

- <u>Financing activities</u> are those activities that bring about changes in the size and composition of own funds and the loans taken out by the Group.

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

h) Contingent assets and liabilities

The Note 24 of the report on the Group's consolidated financial statements for the year ended 31 December 2020 provides information on the contingent assets and liabilities as at that date. Note 13 to these condensed interim consolidated financial statements for the six-month period ended 30 June 2021 details the most significant changes in the contingent assets and liabilities during that period.

i) Going concern

As a result of applying the new accounting standard IFRS 16, the Group has recognised a short-term liability corresponding to the current value of the lease payment commitments to be made in the next twelve months that, at 30 June 2021, amounted to 249,664 thousand euros (250,619 thousand euros at December 2020) meaning that, at 30 June 2021, current liabilities are 11,726 thousand euros higher than current assets (84,279 thousand euros at 31 December 2020). Given that the effect is caused by a purely accounting (non-financial) approach, this does not prevent the business's normal development.

As a consequence of the situation caused by COVID-19, government measures taken worldwide to mitigate the spread of the pandemic have had a significant impact on the Group. These measures resulted in the temporary closure of establishments in the majority of its locations, as well as the consequent significant falls in the business's operations and uncertainties associated with how the situation evolves. These condensed interim consolidated 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 (Note 1).

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.

In addition to the milestones reached in 2020 to strengthen liquidity, mainly the availability of €275 million in credit lines, entering into syndicated financing at 3 years for €250 million guaranteed by ICO, the extension to the expire of the syndicated credit line for €236 million from September 2021 until March 2023, along with the waiver on meeting financial commitments until June 2021, during the first part of 2021 NH Hotel Group has proactively carried out a battery of initiatives to reinforce the Group's capital structure:

In May 2021 a €100 million capital investment was agreed by Minor International (94% shareholding) through an unsecured subordinated loan that was drawn down in May and capitalised in the second half of 2021 through a capital increase process directed towards all shareholders. In addition, during May, in order to continue to optimise the debt profile, the expiry of the ICO syndicated loan of 250 million euros was extended from 2023 to 2026 (Note 10).

In June, NH Hotel Group successfully launched a senior bonds issue on the market, guaranteed for the amount of 400 million euros and maturing in July 2026. The funds obtained have mainly been used to repay the senior bond for 357 million euros expiring in 2023. The new issue, which was significantly oversubscribed, has an annual interest of 4% (Note 10). Furthermore, NH Hotel Group has agreed to extend its revolving syndicated credit facility (RCF) for 242 million euros, which will now expire in March 2026, instead of March 2023, and the extension of the waiver on financial covenants has been agreed for the whole of 2022.

On the other hand, on 30 June 2021, the sale & leaseback transaction on the NH Collection Barcelona Gran Hotel Calderón was announced, which was sold for 125.5 million euros with a linked 20 year lease agreement, with NH having the option to exercise additional extensions (Notes 4 and 5).

These milestones reached strengthen the Company's capital and liquidity with a solid financial base, with no significant debts maturing until 2026, with which it can face the imminent recovery of the sector from a better position from the financial and capital structure point of view.

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

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

During the first half of 2021, there have been no significant changes in the composition of the Group and other sales or shareholdings.

On 7 September 2020, the Group acquired 100% of the shares of the Boscolo Hotels Group, which runs eight luxury hotels in prime areas of Rome. Florence, Venice, Prague, Nice and Budapest. The Group operates through the following companies:

- Hungarian Opco New York Palace K.F.T.
- Italian OpCo Roco Hospitality Group, S.R.L.
- Czech Opco AGAGA, s.r.o.

The hotels are run under the variable rent with a guaranteed minimum system.

The consideration, the fair values of the assets and liabilities identified at the time of acquisition and the goodwill are set out below:

Item	Thousands of euros
Other intangible assets	51,187
Property, Plant and Equipment	850
Right-of-use Assets	52,629
Deferred tax assets	5,610
Other non-current assets	150
Cash and cash equivalents	2,722
Other current assets	2,097
Leasing liabilities	(52,629)
Provisions for contingencies and charges	(4,710)
Deferred tax liabilities	(11,458)
Other current liabilities	(12,168)
Fair value of the acquired entity's net assets	**34,280**
Net Consideration	**45,738**
Goodwill	**11,458**

The fair values of the assets and liabilities acquired were estimated internally based on the Group's past experience.

For more information, see Note 6 of the Group's consolidated annual accounts for the year ended 31 December 2020.

3. Profit/(Loss) per share

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

In accordance with this:

	30/06/2021	30/06/2020
Net Profit/(Loss) for the period (thousands of euros)	(145,416)	(218,507)
Weighted average number of shares in circulation (in	392,052	391,890
Basic Earnings per share in euros	**(0.37)**	**(0.56)**

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

	30/06/2021	30/06/2020
Net Profit/(Loss) for the period (thousands of euros)	(145,416)	(218,507)
Weighted average number of shares in circulation with dilutive	420,718	391,890
Diluted Earnings per share in euros	**(0.34)**	**(0.56)**

4. Property, Plant and Equipment

a) Movement in the period

The main additions occurring during the six month period ended on 30 June 2021 relate to hotel refurbishment and opening new hotels. The highlights in Spain are the works at the NH Collection Madrid Abascal, in France the refurbishment of the NH Lyon Airport, in Italy the refurbishment of the NH Trieste and NH Collection Roma Centro, in Central Europe the opening of the NH Hannover, in Benelux the works at the NHOW Brussels Bloom hotel, in Latin America the works at the NH Mexico City Reforma (Mexico) and the NH Ciudad de Santiago (Chile). Finally, it should be noted that the works on the NH Collection New York Madison Avenue have concluded and the hotel opened. The total effect of all additions in the year was 13.0 million euros.

The main derecognition in the period relates to the sale of the NH Collection Barcelona Gran Hotel Calderón in Spain with a sale and leaseback transaction. The hotel was sold for 125.5 million euros with a linked 20 year lease agreement, with NH having the option of additional extensions (Note 1).

During 2021 there have been amortisations of 46 million euros. The other movements in the period are explained by the effect of conversion differences. the application of IAS 29 and the derecognition of certain assets.

b) Impairment losses

In the first six months of 2021, no losses were recognised on items of property, plant and equipment.

c) Commitments to purchase property, plant and equipment items

Firm purchase/investment undertakings by the NH Group amounted to 20.5 million euros at 30 June 2021. These investments will be made between 2021 and 2022.

d) Insurance policy

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

5. Leases

a) *Movement in the period*

The main movements in the six-month period ended 30 June 2021 mainly correspond to the closure of four hotels under leases, as well as the amendment to the term of some contracts and the change to the essentially fixed component in various contracts with a variable structure. During the first half, NH Collection Venezia Palazzo Barocci and NH Firenze Anglo American in Italy, NH Cornellá and NH Ciudad de Almería in Spain were closed, NH Hannover in Germany was opened and NH Collection Barcelona Gran Hotel Calderón in Spain was sold and subsequently leased.

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.

During the first half of 2021, there were amortisations of 86.5 million euros and a financial expense of 42.9 million euros.

The other movements for the year are explained by the change in the exchange rate.

b) *Impairment losses*

In the first six months of 2021, impairment loss reversals of 0.3 million euros on right of use were recorded due to changes in lease agreements.

6. Goodwill

The breakdown of the heading "Goodwill" as at 30 June 2021 and 31 December 2020, depending on the companies that generated the goodwill, is as follows:

	2021	2020
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	61,114	61,114
Grupo Royal	23,517	24,539
Boscolo Hotels	11,842	11,554
Others	3,543	3,862
	100,016	**101,069**

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 Notes 4.2, 4.4 and 11 to the consolidated financial statements for the year ended 31 December 2020.

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

7. Other intangible assets

The main additions during the six-month period to 30 June 2021 occurred in the Netherlands (6.5 million euros), as a result of the improvements investment within the framework of the NH Collection Amsterdam Grand Hotel Krasnapolsky management contract . There have also been additions in the year (1.4 million euros) resulting from investments made in digitisation and improvement to the customer journey experience, and digitisation and optimisation of operating processes to gain sustainability, mobility and include customer care. There have also been amortisations of 7.6 million euros.

8. <u>Financial assets</u>

Composition and breakdown

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

Financial Assets: Type / Category	Thousands of euros 30/06/2021 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	-	-	1,502	-	-	-
Debt securities	-	-	-	34,176	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	1,234	-	-
Long-term / non-current	-	-	**1,502**	**35,410**	-	-
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Short-term / Current	-	-	-	-	-	-
Total	-	-	**1,502**	**35,410**	-	-

Financial Assets: Type / Category	Thousands of euros 31/12/2020 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	-	-	1,985	-	-	-
Debt securities	-	-	-	34,686	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	978	-	-
Long-term / non-current	-	-	1,985	**35,664**	-	-
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Short-term / Current	-	-	-	-	-	-
Total	-	-	**1,985**	**35,664**	-	-

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

9. Equity

NH Hotel Group, S.A. share capital at 30 June 2021 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 2021 and 31 December 2020 were as follows:

	30/06/2021	31/12/2020
Minor International Public Company Limited ("MINT")	94.13%	94.13%

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

a) Issue premium and reserves

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

b) Treasury shares and shareholdings

At 30 June 2021, the Group had 94,705 own shares, compared to 103,947 own shares at 31 December 2020. The variation in treasury shares over the period can be explained by the following movements:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract at 30 June 2021 is 94,705 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2020, the number of shares assigned to the liquidity contract was 103,947 shares. The positive effect recorded in reserves for operations carried out in the first half of the year was 12 thousand euros.

- In the first half of 2021, 189,962 treasury shares were repurchased to meet the obligations derived from settling the second cycle of the Long-Term Incentive Plan 20172019 for certain executives and personnel (See Note 14), which was settled in the quarter half of 2021. The effect recorded in reserves for the repurchase and share-based payment was 7 thousand euros positive.

c) Non-controlling interests

The movements in this heading in the first six months of 2021 and the financial year 2020 are summarised below:

	Thousands of euros	
	30/06/2021	31/12/2020
Opening balance	**49,582**	**57,239**
Application of IAS 29	1,406	(1,383)
Comprehensive profit/(loss) attributable to non-controlling interests	(1,705)	(5,371)
Dividends paid to non-controlling interests	(166)	(1,179)
Other movements	(2)	276
Closing balance	**49,115**	**49,582**

10. Financial liabilities

a) Composition and breakdown

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

Financial Liabilities: Type / Category	Thousands of euros 30/06/2021 Financial Liabilities Held for Trading	Other Financial Liabilities at Fair Value with Changes in P&L	Debts and Accounts Payable	Hedging Derivatives
Bank borrowings	-	-	630,554	-
Debt instruments and other marketable	-	-	393,111	-
Debts with related entities (Note 16)	-	-	100,000	-
Leasing liabilities	-	-	1,753,589	-
Other non-current financial liabilities	-	-	757	-
Other non-current liabilities	-	-	10,953	-
Long-terms debts / Non-current financial .	-	-	**2,888,964**	-
Bank borrowings	-	-	19,626	-
Debt instruments and other marketable	-	-	89	-
Debts with related entities (Note 16)	-	-	617	-
Leasing liabilities	-	-	249,664	
Other financial liabilities	-	-	813	-
Other current liabilities	-	-	41.359	-
Short-term debts / Current financial .	-	-	**312,168**	-
Total	-	-	**3,201,132**	-

Financial Liabilities: Type / Category	Thousands of euros 31/12/2020 Financial Liabilities Held for Trading	Other Financial Liabilities at Fair Value with Changes in P&L	Debts and Accounts Payable	Hedging Derivatives
Bank borrowings	-	-	623,011	-
Debt instruments and other marketable	-	-	349,062	-
Leasing liabilities	-	-	1,809,120	-
Other financial liabilities	-	-	904	-
Other non-current liabilities			10,601	
Long-terms debts / Non-current financial .	-	-	**2,792,698**	-
Bank borrowings	-	-	25,927	-
Debt instruments and other marketable	-	-	143	-
Leasing liabilities	-	-	250,619	-
Other financial liabilities	-	-	105	-
Other current liabilities	-	-	25,095	-
Short-term debts / Current financial .	-	-	**301,889**	-
Total	-	-	**3,094,587**	-

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

b) Debts and accounts payable

For the purpose of strengthening the Group's capital structure and liquidity, the following financing measures were entered into during the first half of 2021:

- In April 2021 the extension for an additional period of 3 years was formalised for the syndicated loan of 250,000 thousand euros with a partial guarantee from the Instituto de Crédito Oficial (ICO), taking its original expiry date of 2023 to 2026.

- In May 2021, the Parent Company received a loan convertible into shares of 100,000 thousand euros from its majority shareholder, Minor International, which will be capitalised with a capital increase for all the shareholders in the second half of 2021 (Note 16).

- In June 2021, the renegotiation of the syndicated credit facility (RCF) was formalised, increasing its total from 236,000 thousand euros to 242,000 thousand euros and extending its expiry from 2023 to 2026. Furthermore, the waiver on compliance with financial covenants was extended for the whole of 2022.

- In June 2021, the Parent Company placed a senior bonds issue on the market, guaranteed for a total of 400,000 thousand euros maturing in 2026, the funds from which were mainly used to repay senior bonds guaranteed for a total of 356,850 thousand euros maturing in 2023.

These transactions have strengthened capital structure and liquidity, giving the company a stable financial position, without significant maturities until 2026, to address the recovery of its activity.

The breakdown of debts from credit institutions, bonds and other tradeable securities at 30 June 2021 and 31 December 2020 is as follows (thousands of euros):

As of 30/06/2021	Maximum			Maturities					
Data in Euro thousand	Available	Availability	Drawn	Year 1	Year 2	Year 3	Year 4	Year 5	Remainder
Mortgage loans	**26,171**	-	**26,171**	**3,190**	**2,043**	**6,402**	**1,286**	**1,159**	**12,091**
Fixed rate	23,027	-	23,027	2,366	1,437	5,787	661	685	12,091
Variable rate	3,144	-	3,144	824	606	615	625	474	-
Subordinated loans	**40,000**	-	**40,000**	-	-	-	-	-	**40,000**
Variable rate	40,000	-	40,000	-	-	-	-	-	40,000
Shareholder loans*	**100,000**	-	**100,000**	-	-	-	-	-	**100,000**
variable rate	100,000	-	100,000						100,000
Guaranteed senior notes mat. in 2026	**400,000**	-	**400,000**	-	-	-	-	-	**400,000**
Fixed rate	400,000	-	400,000	-	-	-	-	-	400,000
Unsecured loans	**330,357**	-	**330,357**	**2,007**	**10,135**	**52,044**	**9,437**	**255,704**	**1,030**
Fixed rate	8,354	-	8,354	332	2,482	2,041	1,897	1,510	92
Variable rate	322,003	-	322,003	1,675	7,653	50,003	7,540	254,194	938
Secured credit line	**242,000**	**6,000**	**236,000**	-	-	-	-	**236,000**	-
Variable rate	242,000	6,000	236,000	-	-	-	-	236,000	-
Credit lines	**42,000**	**25,000**	**17,000**	**12,000**	**3,000**	-	**2,000**	-	-
Variable rate	42,000	25,000	17,000	12,000	3,000	-	2,000	-	-
Borrowing at 30/06/2021	**1,180,528**	**31,000**	**1,149,528**	**17,197**	**15,178**	**58,446**	**12,723**	**492,863**	**553,121**
Arrangement expenses	(14,022)	-	(14,022)	(1,339)	(3,003)	(3,118)	(3,230)	(3,011)	(321)
IFRS 9	5,042	-	5,042	1,025	1,027	1,037	1,055	898	-
Accrued interests	3,449	-	3,449	3,449	-	-	-	-	-
Adjusted total debt at 30/06/2021	**1,174,997**	**31,000**	**1,143,997**	**20,332**	**13,202**	**56,365**	**10,548**	**490,750**	**552,800**

Adjusted total debt at 31/12/2020	**1,023,143**	**25,000**	**998,143**	**26,070**	**7,861**	**891,307**	**10,239**	**7,472**	**55,194**

*The subordinated loan from the majority shareholder will be convertible into shares during the second half of 2021.

Long- and short-term financial debt at 30 June 2021 amounted to 1,132.3 million euros and 17.2 million euros, respectively. As regards this financing, the commitment remains to meet a series of financial ratios, measured twice yearly, at 30 June and 31 December each year. In June 2021, the Parent Company obtained a waiver on compliance with the financial covenants in the syndicated credit facility (RCF) until 2022. The Parent Company has also been granted a covenant waiver for the syndicated loan with a guarantee from ICO until June 2022.

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

		Maturity					
	Total liabilities	Year 1	Year 2	Year 3	Year 4	Year 5	Remainder
Gross lease payments 30/06/2021	2,897,899	263,507	252,218	236,978	220,334	205,311	1,719,551
Gross lease payments 31/12/2020	3,001,150	261,034	248,745	237,466	225,081	209,655	1,818,169

The Group's loans bear interest at a fixed rate for 37.5% of the total consolidated debt, including senior secured bonds maturing in 2026 that accrue nominal interest of 4%.

Senior secured bonds maturing in 2026

On 14 June 2021 the Parent Company offered senior secured bonds, which maturity date is 2026, at the nominal value of 400,000 thousand euros. The nominal yearly interest rate for the issue is 4%.

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

Secured credit line (RCF)

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

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

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

At 30 June 2021, 236,000 thousand euros of this financing was drawn down.

Subordinate loan convertible into shares

On 24 May 2021, the Parent Company received a loan convertible into shares of 100,000 thousand euros from its majority shareholder, Minor International, which will be capitalised with a capital increase for all the shareholders in the second half of 2021. The loan carries Euribor variable interest plus an annual margin of 6%, payable in kind by inclusion into the loan principal.

Unsecured loans

- Syndicated ICO backed loan maturing in 2023:

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

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

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

At 30 June 2021, this financing was fully drawn down.

- Other unsecured loans:

In addition to the ICO backed syndicated loan of 250,000 thousand euros, and as due to the crisis caused by COVID-19, the Parent Company and its subsidiaries took advantage of government aid in the various countries throughout 2020 to take out several loans:

- In May 2020, the Parent Company signed a bilateral loan for 10,000 thousand euros over two years, within the legal framework established by the Spanish state to mitigate the economic impact of COVID-19 and thus receiving the ICO guarantee. In May 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of May 2025.

- In July 2020, the Parent Company signed a bilateral loan for 7,500 thousand euros over three years, within the legal framework established by the Spanish state to mitigate the economic impact of COVID-19 and thus receiving the ICO guarantee. In April 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of July 2026.

- In October 2020 the Italian subsidiary NH Italia Spa signed a bilateral loan for 15,000 thousand euros over 6 years, within the legal framework provided by the Italian state to mitigate the economic impact of COVID-19 and, in this way, receiving the State guarantee (SEPE).

- Furthermore, various bilateral loans totalling 6,400 thousand euros were signed between June and September 2020 in different regions (Portugal, Argentina, Chile, Colombia and the USA) to mitigate the economic impact of the pandemic.

- Subsidiaries of the Parent Company have other unsecured bilateral loans, including a loan from the American subsidiary of 50,000 thousand dollars (42,073 thousand euros at June 2021) signed in 2018, fully drawn down at 30 June 2021 and maturing in July 2023. These funds were used to finance the capex of the hotel in New York.

Subordinated loan

A loan amounting to 40,000 thousand euros fully drawn down at 31 March 2021 and with a single maturity and repayment in 2037, are included in this item. The interest rate of these loans is the 3-month Euribor plus a spread.

Mortgages

There were no changes in loans and mortgage loans during the first half of 2021. The amount at 30 June 2021 was 26.2 thousand euros.

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

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

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

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

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

- Net debt-to-income ratio > 4.00x: LTV ratio = 70%

- Net debt-to-income ratios ≤ 4.00x: LTV ratio = 85%

- Net debt-to-income ratio ≤ 3.50x: LTV ratio = 100%

The maximum permitted LTV at 30 June 2021 is 70%.

At 30 June 2021, the Parent Company has a waiver on compliance with the financial covenants for the syndicated credit line for the whole of 2022, and until June 2022 for the syndicated loan with the ICO guarantee.

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

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

The net book value of the assets granted as mortgage security against the syndicated credit line (236,000 thousand euros drawn down at 30 June 2021) and guaranteed senior notes in the amount of 400,000 thousand euros, maturing in 2026, can be broken down as follows (in thousands of euros):

	Mortgaged asset	Net book value of the mortgaged asset
	NH Conference Centre Leeuwenhorst	56,900
	NH Conference Centre Koningshof	40,340
	NH Conference Centre Sparrenhorst	8,083
	NH Zoetermeer	7,262
	NH Naarden	9,628
	NH Capelle	6,129
Total		128,342
Net book value of assets assigned as mortgage collateral		**128,342**
Amount of guaranteed debt drawn down		**636,000**
At a fixed interest rate		**400,000**
At a variable interest rate (amount of the syndicated credit line drawn down)		**236,000**

Limitation on the distribution of dividends

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

In the case of the senior bonds maturing in 2026, the distribution of dividends is generally permitted provided that (a) there is no default or event of default in place and it is not expected to occur as a consequence of the distribution (b) the proforma interest coverage ratio, taking into account the analysed distribution is > 2.0x and (c) the sum of restricted payments (including, among others, certain restricted investments, anticipated subordinated debt repayments, dividends, share repurchase, cash payments under subordinated debt of controlling shareholders, or related parties to them, and other forms to retribute shareholders in their condition as such) made since the offer date (14 June 2021) is less than the sum of, among other items, (i) 50% of NH Group's consolidated net income since the first day of the closest quarter immediately preceding the date of the offer, until the date of the closest complete quarter, with quarterly accounts available, to the distribution date, while 100% of the net consolidated losses generated during said period must be deducted from the net income calculation, except for those losses generated before 31 March 2022 (this is what is known as the "CNI builder basket") and, (ii) 100% of the net contributions to NH Group's capital from the offer date.

Additionally, as an alternative and without having to be in compliance with the previous condition, NH Group may distribute dividends and make restricted payments without quantity limit provided that the proforma leverage ratio (gross debt/EBITDA), taking into account the analysed restricted payment, does not exceed 4.5x.

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

In the case of the syndicated credit line and, the distribution of dividends, or other forms of shareholder remuneration, is not allowed as long as the waiver on fulfilment of the financial covenants is in place. Once said waiver is no longer in place, according to the syndicated credit line, the distribution of a percentage of the NH Group's consolidated net profit from the previous year is allowed, provided that there has been no breach of the relevant financing agreement and the Net Financial Debt/EBITDA (proforma taking into account dividend payment or any other form of distribution) / EBITDA Ratio is less than 4.0x. The amount to be distributed will depend on the Net Financial Debt/EBITDA ratio (pro forma taking into account dividend payment or any other form of distribution) Ratio according to the following breakdown:

- Net Financial Debt / EBITDA ≤ 4.0x: 75% of consolidated net profit

- Net Financial Debt / EBITDA ≤ 3.5x: 100% of consolidated net profit

- Net Financial Debt / EBITDA ≤ 3.0x: unlimited

In the case of ICO guaranteed loan maturing 2026, it is not allowed to distribute dividends or any other shareholder remuneration forms during 2021. From that date onwards it is allowed the distribution following the aforementioned scheme.

Liquidity

The Group holds 446,894 thousand euros in treasury and 31,000 thousand euros in credit lines available at 30 June 2021, of which 25,000 thousand euros relate to bilateral credit lines and 6,000 thousand euros to the syndicated credit facility (RCF).

11. Tax note

The NH Hotel Group companies have calculated the estimated Corporate Income Tax at 30 June 2021 applying the regulations in force in the countries in which they operate and specifically, as regards companies resident in Spain, in accordance with the provisions contained in Law 27/2014, of 27 November.

In the first half of 2021 the movement of credits for tax losses shown on the Profit and Loss account is 19.1 million euros.

12. Provisions

Details of "Provisions for contingencies and charges" at 30 June 2021 and 31 December 2020 are as follows:

	Thousands of euros	
	30/06/2021	31/12/2020
Provisions for contingencies and non-current expenses		
Provision for pensions and similar obligations	30,084	29,224
Other claims	19,564	18,031
	49,648	**47,255**
Provisions for contingencies and current expenses		
Other claims	2,985	6,277
	2,985	**6,277**
Total	**52,633**	**53,532**

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

The Note 24 of the report on the consolidated annual accounts relating to the financial year ended 31 December 2020 describes the main tax and legal disputes involving the Group as at that date. The update of the litigation that has had variations with respect to the detailed information in the aforementioned consolidated annual accounts is detailed below:

- In relation to the claim for damages submitted against an NH Group company within the framework of a corporate relationship, a judgment was passed partially admitting the claim, with an appeal having been lodged.

- As part of the contractual liability assumed by the NH Group in a contract of a hotel sale in 2013, the purchasers informed the Group of the requirement to pay the Dutch Capital Transfer Tax. At 30 June 2021, the total amount of this tax, plus the corresponding default interest (calculated for the whole of 2021), was 12,905 thousand euros. The NH Group and the purchasers reached an agreement whereby NH assumed control of the judicial procedure. In March 2021, a judgment issued by the Court of First Instance was received rejecting NH's claim, with which the Group does not agree, so that a new appeal was filed on 14 June 2021 before the second judicial instance.

- Two claims have been submitted in claim for payment, within the framework of the various rent renegotiation processes the company is in. These claims are currently being processed.

The previous updates have not had any additional impact on the consolidated comprehensive profit and loss statement at 30 June 2021.

At 30 June 2021, the Directors of the Parent Company estimate that the hypothetical losses the Group could incur as a result of the ongoing disputes will have no significant impact on its equity.

14. Long-Term Incentive Plan

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

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

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

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

The Plan targeted approximately 100 beneficiaries.

	No. of Shares assigned at the beginning of each cycle (Thousands)	No. of Gross Shares outstanding at 30/06/2021 (Thousands)	Value of the concession (Euros)
The first cycle began on 1/1/2017 (delivery in 2020 -ended-)	720.87	-	3.80
The second cycle began on 01/01/2018 (delivery in April 2021 -ended-)	517.96	-	5.96
The third cycle began on 01/01/2019 (delivery in 2022 -in force-)	879.25	725.85	3.96

The difference between the total shares assigned at the beginning of each cycle and the live shares at 30 June 2021 correspond to beneficiaries who left between the launch and the end of the first half of 2021.

At the date of publication of this report, all the cycles – in force or ended – 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 thousand euros.

The effect of this Plan on the consolidated comprehensive profit and loss statement for 2021 is 426 thousand euros (the impact for 2020 was an expense of 94 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 six month period is as follows:

	Thousands of euros	
	2021	2020
Hotel occupancy	117,011	198,973
Catering	35,788	61,530
Meeting rooms and others	13,962	27,507
Rents and other services	8,289	18,842
Revenue	**175,050**	**306,852**
Operating subsidies	38.936	18
Other operating income	2.345	5.435
Other operating income	**41,281**	**5,453**
Net gain (loss) on disposal of assets	**62,409**	**(439)**

The fall in net turnover arises from the drastic decrease in demand in the hotel sector, a consequence of the lockdowns and travel restrictions derived from the COVID-19 pandemic since mid-March 2020.

The Operating subsidies line includes aids received amounting to 38.9 million euros, mainly related to the grants received from the German government to offset the drop in sales caused by COVID-19.

"Rents 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.

15.2 Personnel expenses

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

	Thousands of euros	
	2021	2020
Wages, salaries and similar	75,787	109,687
Social security contributions	20,792	30,714
Severance payments	6,635	2,452
Contributions to pension plans and similar	4,827	5,221
Other social expenses	2,843	3,867
	110,884	**151,941**

The decrease in personnel costs is explained by the contingency plans that the Group put in place to alleviate the fall in business due to COVID-19. Mainly these consisted of temporary layoffs, due to force majeure or productive reasons, and voluntary reductions in working days and wages. The collective redundancy process announced in February has been carried out in central services and the business unit in Spain, as part of a global plan, in compliance with local legislations.

The savings recorded at 30 June 2021, as a result of the subsidies or allowances received from Governments to offset the restrictive measures taken, was approximately 19.7 million euros in aid mainly from Northern Europe.

The average number of people employed by the Parent Company and fully consolidated companies during the first half-year period of 2021 and 2020, broken down by professional categories, is as follows:

	30/06/2021	30/06/2020
Group's General Management	8	8
Managers and heads of department	1,450	1,498
Technical staff	883	970
Sales representatives	665	790
Administrative staff	156	172
Rest of workforce	6,808	7,936
	9,970	**11,374**

The workforce breakdown by sex and professional category as at 30 June 2021 and 2020 was as follows:

	30/06/2021		30/06/2020	
	Males	Females	Males	Females
Group's General Management	7	1	6	2
Managers and heads of department	806	631	848	642
Technical staff	439	388	502	461
Sales representatives	179	434	218	539
Administrative staff	52	86	64	109
Rest of workforce	3,340	3,425	3,794	3,876
	4,823	**4,965**	**5,432**	**5,629**

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 2021 and 2020, broken down by professional categories, is as follows:

	30/06/2021	30/06/2020
Group's General Management	-	-
Managers and heads of department	1	2
Technical staff	6	12
Sales representatives	3	1
Administrative staff	4	10
Rest of workforce	73	67
	87	92

15.3 Other operating expenses

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

	Thousands of euros	
	2021	2020
Leases	(6,895)	26,251
Outsourcing of services	13,169	25,218
Commissions and bonuses for customers	8,301	16,553
Supplies	20,411	21,303
Maintenance and cleaning	13,130	15,217
Laundry and related costs	4,675	7,801
Costs associated with information technologies	15,145	16,263
Marketing and merchandising	3,838	6,095
Taxes, insurance and levies	14,529	13,451
Advisory services	6,054	5,305
Other external services	18,641	22,388
	110,998	**175,845**

During the first half of 2021, the decrease in the level of activity of the Group's hotel continued as a result of COVID-19. At the start of the pandemic, the Group implemented a contingency plan that includes a severe reduction in fixed and variable costs directly related to the activity level.

On the other hand, during 2020 and 2021, the Group managed to reach agreements with the vast majority of landlords, which has made it possible to obtain rent concessions to significantly mitigate the impact of the pandemic. In this sense, as a result of applying the IFRS 16 amendment published on 28 May 2020, the Group has recorded savings of 16.4 million euros relating to rent concessions achieved in the aforementioned negotiations carried out as a result of COVID-19. Furthermore, the Group has reached rent reduction agreements on leases that are not subject to the application of IFRS 16 or the amendment mentioned previously, for a total of 7.3 million euros (4.65 million at 30 June 2020).

Likewise, as a result of the subsidies or bonuses received by the Governments to offset the losses produced by the fixed rents, a saving of 13 million euros has been recorded in leases.

16. Related party transactions

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

Transactions carried out by the Group with its related parties during the first half of 2021 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			
	30/06/2021			
	Significant shareholders	Directors and Executives	Associates or companies of the Group	Total
Expenses:				
Financial expenses	617	-	-	617
Management or cooperation agreements	22	-	-	22
Reception of services	411	-	-	411
Other expenses	270	-	-	270
	1,320	-	-	**1,320**
Income:				
Financial income			(5)	(5)
Management or cooperation agreements	-	-	280	280
Other income	221	-	-	221
	221	-	**275**	**496**

Income and Expenses	Thousands of euros			
	30/06/2020			
	Significant shareholders	Directors and Executives	Associates or companies of the Group	Total
Expenses:				
Reception of services	554	-	-	554
Other expenses	1,390	-	-	1,390
	1,944	-	-	**1,944**
Income:				
Financial income	-	-	38	38
Management or cooperation agreements	174	-	392	566
	174	-	**430**	**604**

The heading "Management or cooperation agreements" referring to major shareholders includes the amounts that have accrued in the form of management fees payable to the NH Group in the first half of 2021 by virtue of the hotel management agreement signed with the Minor Group.

Other agreements

	Thousands of euros	
	30/06/2021	31/12/2020
Accounts receivable from related entities	768	955
Accounts receivable from associated companies (long term)	145	140
Accounts receivable from associated companies (short term)	480	841
Loans to associates (Sotocaribe, S.L.)	10,140	10,114
Provision for impairment	(9,502)	(9,502)
Total Assets	**2,031**	**2,548**

	Thousands of euros	
	30/06/2021	31/12/2020
Accounts payable from related entities	(857)	(613)
Loans from related entities	(100,617)	-
Total Liabilities	**(101,474)**	**(613)**

At 30 June 2021, the NH Group has a net balance pending collection of 89 thousand euros with the Minor Group (768 thousand euros recorded as an account receivable and 857 thousand euros as accounts payable).

In May 2021 a capital investment of 100 million euros was agreed by Minor International through an unsecured subordinated loan that was drawn down in May and will be capitalised in the second half of 2021 through a capital increase process directed towards all shareholders (Note 10).

17. Information by segments

The Note 28 of the report on the Group's consolidated financial statements for the year ended 31 December 2020 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:

2021

	Thousand euros						
	Hotel						
	30/06/2021						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET							
ASSETS							
Assets by segments	4,293,306	762,118	1,251,741	735,130	798,166	429,646	316,505
Shareholding in associated companies	4,862	929	-	-	-	3,933	-
Total consolidated assets	**4,298,168**	**763,047**	**1,251,741**	**735,130**	**798,166**	**433,579**	**316,505**
LIABILITIES							
Liabilities and equity by segments	4,298,168	763,047	1,251,741	735,130	798,166	433,579	316,505
Total Consolidated Liabilities and Equity	**4,298,168**	**763,047**	**1,251,741**	**735,130**	**798,166**	**433,579**	**316,505**

	Thousand euros						
	Real Estate						
	30/06/2021						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET							
ASSETS							
Assets by segments	12,594	2,930	-	-	-	-	9,664
Shareholding in associated companies	35,884	35,884	-	-	-	-	-
Total consolidated assets	**48,478**	**38,814**	-	-	-	-	**9,664**
LIABILITIES							
Liabilities and equity by segments	48,478	38,814	-	-	-	-	9,664
Total Consolidated Liabilities and Equity	48,478	**38,814**	-	-	-	-	**9,664**

	Thousand euros						
	Total						
	30/06/2021						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET							
ASSETS							
Assets by segments	4,305,900	765,048	1,251,741	735,130	798,166	429,646	326,169
Shareholding in associated companies	40,746	36,813	-	-	-	3,933	-
Total consolidated assets	**4,346,646**	**801,861**	**1,251,741**	**735,130**	**798,166**	**433,579**	**326,169**
LIABILITIES							
Liabilities and equity by segments	4,346,646	801,861	1,251,741	735,130	798,166	433,579	326,169
Total Consolidated Liabilities and Equity	**4,346,646**	**801,861**	**1,251,741**	**735,130**	**798,166**	**433,579**	**326,169**

2020

	Thousand euros						
	Hotel						
	31/12/2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET							
ASSETS							
Assets by segments	**4,276,264**	848,872	1,126,947	747,933	802,040	419,628	330,844
Shareholding in associated companies	**6,044**	929	-	-	-	5,115	-
Total consolidated assets	**4,282,308**	**849,801**	**1,126,947**	**747,933**	**802,040**	**424,743**	**330,844**
LIABILITIES							
Liabilities and equity by segments	4,282,308	849,801	1,126,947	747,933	802,040	424,743	330,844
Total Consolidated Liabilities and Equity	4,282,308	**849,801**	**1,126,947**	**747,933**	**802,040**	**424,743**	**330,844**

	Thousand euros						
	Real Estate						
	31/12/2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET							
ASSETS							
Assets by segments	11,880	2,950	-	-	-	-	8,930
Shareholding in associated companies	35,729	35,729	-	-	-	-	-
Total consolidated assets	**47,609**	**38,679**	-	-	-	-	**8,930**
LIABILITIES							
Liabilities and equity by segments	47,609	38,679	-	-	-	-	8,930
Total Consolidated Liabilities and Equity	**47,609**	**38,679**	-	-	-	-	**8,930**

	Thousand euros						
	Total						
	31/12/2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET							
ASSETS							
Assets by segments	4,288,144	851,822	1,126,947	747,933	802,040	419,628	339,774
Shareholding in associated companies	41,773	36,658	-	-	-	5,115	-
Total consolidated assets	**4,329,917**	**888,480**	**1,126,947**	**747,933**	**802,040**	**424,743**	**339,774**
LIABILITIES							
Liabilities and equity by segments	4,329,917	888,480	1,126,947	747,933	802,040	424,743	339,774
Total Consolidated Liabilities and Equity	**4,329,917**	**888,480**	**1,126,947**	**747,933**	**802,040**	**424,743**	**339,774**

Information on secondary segments

The following table shows the breakdown of certain Group consolidated balances in accordance with the geographical distribution of the entities giving rise to them:

	Thousands of euros (30/06/2021)						
Significant information from the Income Statement by Geographic Area	**Spain**	**Benelux**	**Italy**	**Germany**	**Latin America**	**Rest of Europe and Others**	**TOTAL**
Revenues	60,329	24,389	38,870	16,503	14,570	20,389	**175,050**
Depreciation	(43,100)	(20,667)	(25,140)	(31,667)	(5,840)	(13,663)	**(140,077)**
Net profit (loss) for asset deterioration	99	-	182		-	45	**326**
Financial Income	1,679	59	18	161	131	-	**2,048**
Financial Expenses	(41,154)	(10,965)	(10,046)	(14,770)	(3,776)	(5,925)	**(86,636)**
Results from exposure to hyperinflation (IAS 29)	-	-	-	-	1,413	-	**1,413**
Profit (Loss) from entities valued through the equity method	(153)	-	-	-	(1,253)	-	**(1,406)**
Corporation tax	4,568	9,638	7,156	53	2,908	1,954	**26,277**

	Thousands of euros (30/06/2020)						
Significant information from the Income Statement by Geographic Area	**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 profit (loss) for asset deterioration	(2,866)	(2,228)	(1,637)	(7,905)	(2,190)	7	**(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)**
Corporation tax	3,050	11,251	10,468	13,121	1,903	3,150	**42,943**

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

Note 29 of the report on the Group's consolidated financial statements for the year ended 31 December 2020 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 2021 and 2020 is provided below:

	Thousands of euros	
	30/06/2021	30/06/2020
Members of the Board of Directors:		
Remuneration item-		
Fixed remuneration	440	421
Variable remuneration	206	-
Allowances	2	2
Allowances as per Articles	152	127
Transactions in shares and/or other financial instruments	95	-
Others	17	10
	912	560
Other benefits-		
Loans granted	-	-
Life insurance premiums	16	15
	16	15
Senior management, excluding Directors:		
Total remuneration received by senior management	974	801
Loans granted to senior executives	-	-
Others	115	-
	1,089	**801**

The members of the Board of Directors have had their gross salaries cut by 20% during the first six months of 2021 (50% in 2020). In relation to the heading "Transactions on shares and/or other financial instruments" consideration has been given to the objective long-term remuneration accrued during the first half of 2021. Remuneration in kind (vehicle and health insurance) is included under "Others".

The prorated remuneration of the six members (excluding the CEO and the Chief Operations Officer in 2021) who formed the Company's Senior Management in the first half of 2021 was taken into account to calculate the amounts indicated in the Senior Management section. Senior Management remuneration includes the economic valuation of payment in kind and the accrual of 65% of the variable remuneration for the first half of 2021. The heading "Other" takes the long-term objective remuneration accrued during the first half of 2021 into consideration. In line with other measures taken by the Company to deal with the COVID-19 crisis, the amount is also reduced because the members of the Group's Management Committee have seen their annual gross fixed salary reduced by 20% since 1 January 2021. The reduction in 2020 was more than 50%.

The Board of Directors is composed of nine members at 30 June 2021, who are all men.

There are six members of Senior Management at 30 June 2021 excluding the CEO and the Chief Operations Officer, due to their status as Executive Directors.

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

19. Events after the reporting period

At the date of preparing these summary interim financial statements, the guaranteed syndicated credit line (RCF) maturing in 2026 has had 36 million euros drawn down.

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 354 hotels and 54,830 rooms in 29 countries, and has a significant presence in Europe.

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

Following the start of the COVID-19 pandemic in the first quarter of 2020, economic data suffered an unprecedented decline in global activity, with tourism being 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.

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

However, with the gradual roll out of vaccines since the beginning of the year, a turning point is beginning to be seen that – together with the progressive lifting of restrictions – will allow a return to normality.

Therefore, during 2020, due to the economic crisis caused by the COVID-19 pandemic, the global economy decreased 3.3%, compared to growth of +2.8% in the previous year (Data and estimates from IMF "World Economic Outlook", April 2021). The global economy is beginning to recover from the lows it fell to during the Great Lockdown in April 2020. While the COVID-19 pandemic continues to spread, many countries are continuing to slow down the pace of reopening. Although China and the USA are recovering more quickly than expected, the long road that must be taken by the global economy to pick up the levels of business prior to the pandemic is still susceptible to drawbacks.

Therefore, the International Monetary Fund has estimated +6.0% growth of world economic activity in 2021. More specifically in the Eurozone, the growth rate for 2020 was -6.6% (+1.3% in 2019) and growth is expected to be +4.4% in 2021. For Spain, it forecasts a +6.4% growth in GDP in 2021 and growth of +4.7% in 2022. In Italy, growth is estimated to be +4.2% in 2021 and +3.6% in 2022, while in Germany growth of +3.6% in 2021 and +3.4% in 2022 is expected. In Latin America growth of +4.6% in 2021 and +3.1% in 2022 is expected, with all the economies as a whole bouncing back after suffering the consequences of COVID-19.

According to the latest data from the World Tourism Organisation (UNWTO), arrivals of international tourists in the first half of 2021 had dropped by 83%, which means 180 million less international tourist arrivals compared to the first quarter of the previous year, due to generalised travel restrictions remaining in place. Nevertheless, the UNWTO's Confidence Index shows signs of a small upturn in confidence.

These figures give continuity to a 73% drop in international tourist arrivals worldwide in 2020, the worst year on record in the sector due to an unprecedented drop in demand and the general restrictions on travel. By comparison, the decline recorded during the 2009 global economic crisis was 4%.

According to the latest World Tourism Barometer from the UNWTO, the crash in international travel represents estimated losses of 1.3 billion dollars in export income. This figure is more than eleven times the losses recorded during the 2009 global economic crisis.

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

It is worth noting the Company's solid position with which to deal with the current situation after its operational and financial transformation in previous years. The excellent performance 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. 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.

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

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

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 2021 was 8.7, compared to 8.5 in December 2020. Additionally, its average Google Reviews score was 8.8, compared with 8.7 in December 2020. These average scores demonstrate the high levels of quality perceived by customers and the positive growth trend that the NH Hotel Group has had throughout the year.

The NH Rewards loyalty programme was on the point of reaching 9.9 million members at the end of June 2021 (9.8 million in 2020) and is one of the most comprehensive rewards schemes worldwide. Recently, in April 2021 it was announced that the NH Rewards loyalty programme will be merged with the Global Hotel Alliance (GHA) loyalty programme to become part of one of the 10 largest loyalty programmes in the hotel sector with more than 900 hotels and access to new source markets. Minor's hotels are already members of this alliance.

On the other hand, in 2021, the Group started operating 2 new hotels in Hannover and Murano with 195 rooms. The Group, therefore, reached a total of 354 hotels with 54,830 rooms at 30 June 2021. In the first 6 months of 2021, no signings were made.

Revenues in the first half of 2021 totalled 175.1 million euros, a fall of -43.0% (-131.8 million euros). The losses attributable to the Parent Company were 145.4 million euros compared with a loss of 218.5 million euros in the first half of 2020.

Gross indebtedness increased from 1,006.0 million euros in December 2020 to 1,149.5 million euros in June 2021. At 30 June 2021, cash and cash equivalents amounted to 446.9 million euros (325.5 million euros at 30 June 2020 and 320.9 million euros at 31 December 2020). In addition, this liquidity is supplemented with credit lines at the close of June totalling 25.0 million euros and 6.0 million euros drawn down from the RCF, against 21.3 million euros at 30 June 2020 drawn down from credit lines and 250.0 million euros drawn down from the RCF and 25 million euros at 31 December 2020 available on credit lines.

In June 2021, the rating agencies confirmed NH Hotel Group's rating within the issue of the new bond for 400 million euros maturing in 2026 which occurred in June. On 14 June 2021, Fitch confirmed NH Hotel Group's rating at 'B-' with a negative outlook. On 15 June 2021, Moody's confirmed NH Hotel Group's corporate rating at 'B3' with a negative outlook. It should be noted that both agencies have stated that NH is managing the recovery with satisfactory financial flexibility and deleveraging capacity, with a significant portfolio of owned assets.

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

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

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

COVID-19 impact and the measures implemented

After the start of the COVID-19 pandemic in the middle of March 2020 in Europe, demand for hotels dropped drastically due to lockdowns, travel restrictions and social distancing, which drastically affected mobility.

The agile gradual reopening of hotels was made possible by the flexible costing structure and began in the middle of 2020, progressively, depending on recovery of domestic demand and with a focus on optimising profitability. After reaching the end of August 2020, 80% of the portfolio was open but, as a result of stricter restrictions on mobility due to the increase in infections in Europe during the last months of 2020, hotels were closed again and, at the end of December 2020, around 60% of the portfolio was open.

With the gradual roll out of vaccines since the beginning of the year, a turning point is beginning to be seen that – together with the progressive lifting of restrictions in some European countries – is allowing a faster reopening of the portfolio once again. Therefore, at the end of June 2021, around 90% of the hotels were open.

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

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

Contingency Plan

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

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

- Personnel: The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons. These processes continued during the first part of 2021. In addition, the announced collective redundancy process has been carried out in central services in Spain as part of a global plan pursuant to local legislation. More information in the Chapter NH ROOM4 People: Employees.

- Operational costs:
  - Negotiations with suppliers to reduce purchase costs, seek alternative, cheaper products and attain improvements to payment terms.

- Suspension of non-priority third party advisory services.
- Significant reduction in marketing and advertising costs despite the need to boost income.

- Leases: The temporary reduction in fixed leases continued during the first part of 2021.

- CapEx: Implementation of Capex (maintenance, refurbishment, systems and new openings) reduced by around 100 million euros in 2020 compared to the year before, which is a 50% decrease on the original plan. Capex will continue to be limited in 2021.

- Strengthening liquidity: In addition to the milestones reached in 2020, mainly the availability of €275 million in credit lines, entering into syndicated financing at 3 years for €250 million guaranteed by ICO, the extension to the expire of the syndicated credit line for €236 million from September 2021 until March 2023, along with the waiver on performance of financial commitments until June 2021, during the first part of 2021 NH Hotel Group has proactively carried out a battery of initiatives to reinforce the Group's capital structure:

  - In May 2021 a €100 million capital investment was agreed by Minor International (94% shareholding) through an unsecured subordinated loan that was drawn down in May and capitalised in the second half of 2021 through a capital increase process directed towards all shareholders. This agreement provided immediate liquidity and demonstrates the support of the main shareholder in the recovery. The capital increase to offset the shareholder loan was approved at the Shareholders' Meeting held on 30 June 2021. At the same time as the capital increase, the Board will start up the cash capital increase under the same economic conditions and with preferential subscription rights for the other shareholders for an additional, proportional value of up to seven million euros, to prevent diffusive effects in the shareholdings.

  - In addition, during May, in order to continue to optimise the debt profile, the expiry of the ICO syndicated loan of 250 million euros was extended from 2023 to 2026.

  - In June, NH Hotel Group successfully launched a senior bonds issue on the market, guaranteed for the amount of 400 million euros and maturing in July 2026. The funds obtained have been used to repay the senior bond for 357 million euros expiring in 2023. The new issue, which was significantly oversubscribed, has an annual interest of 4%.

  - Furthermore, NH Hotel Group has agreed to extend its revolving syndicated credit facility (RCF) for 242 million euros, which will now expire in March 2026, instead of March 2023. It is worth pointing out the support shown by the loan institutions taking part in this financing, with the extension of the waiver on the financial covenants during all of 2022.

  - On 30 June 2021, the sale & leaseback transaction on the NH Collection Barcelona Gran Hotel Calderón was announced, which was sold for 125.5 million euros with a linked 20 year lease agreement, with NH having the option to exercise additional extensions. The Group has generated, with this transaction, a net book gain of 46.7 million euros and net cash, after paying the taxes on the sale, of 113 million euros. Moreover, the transaction brings NH closer to its commitment to completing rotations of assets worth around 200 million euros this year, which it will use to strengthen liquidity and reduce its debt level.

These milestones reached strengthen the Company's capital and liquidity with a solid financial base, with no significant debts maturing until 2026, with which it can face the imminent recovery of the sector from a better position from the financial and capital structure point of view.

The rebound in demand for domestic leisure has already begun, as vaccination rates across Europe increase and restrictions on mobility are eased. The difficulties of the first months of 2021 have been resolved and we are confident of a gradual recovery in the short term. The Group will take advantage of its strong positioning in Europe, with excellent locations and high brand recognition, alongside the high weight of domestic demand.

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

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

ETHICS

Compliance System

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

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

Code of conduct

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

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

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

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

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

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

To date in 2021, there were 5 reports of alleged breaches of the Code of Conduct, all of which were investigated, with appropriate disciplinary measures being taken in the 23 cases received.

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, among others.

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.

Anti-Corruption and Fraud Policy

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

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

Drawing up of the anti-money laundering policy

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

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

RISK MANAGEMENT

Risk management governance

The Company's Board of Directors is responsible for overseeing the risk management system, in line with the provisions of Article 5 of the Regulation of the Board of Directors. As regulated by Section 3 of article 25 b) of the Regulation of the Company's Board of Directors, the Audit and Control Committee supports the Board of Directors in supervising the effectiveness of the internal control, internal audit and the risk management systems, including tax risks. In this sense, during 2021, a control and monitoring process of the Company's main risks has been carried out.

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

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

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

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

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

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

Risk management model

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

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

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

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. In 2021, the Company updated its risk catalogue (78 risks) and its Risk Map. This is pending approval by the Board of Directors on 28 July 2021.

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

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

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

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

Apart from this classification, the Company has identified emerging risks and ESG risks that it particularly monitors (described in the annual non-financial information report). At the start of 2021, NH Hotel Group strengthened its analysis of risks associated with Human Rights, the Environment and Fraud by the Sustainable Business and Risks Departments.

New data protection plan

Due to the mandatory application of the General Data Protection Regulation (GDPR) in the European Union from May 2018, together with Organic Law 3/2018 of 5 December on data protection and the guarantee on digital rights, the NH Hotel Group implemented 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, as well as managing the rights of interested parties and employee training. The plan also provides for the creation of a Data Protection Officer within the NH Hotel Group.

NH ROOM 4 SUSTAINABLE BUSINESS PILLARS AND COMMITMENTS

During the first half of 2021, the Company continued with its strategy in which one of the key pillars is NH ROOM4 Sustainable Business.

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

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.

An outstanding milestone is that the Company achieved Bronze Class recognition in "The Sustainability Yearbook 2021" published by S&P Global, as well as the Industry Mover distinction, recording the best improvement in the sector in the last year. The Company took part, for the second time and voluntarily, in the Corporate Sustainability Assessment (CSA) carried out by the sustainable investment agency SAM, gaining 3rd place in the ranking for companies on the Dow Jones Sustainability Index, and standing out as one of the most sustainable leaders in the sector. This result consolidated NH Hotel Group as one of the benchmark companies for sustainability in the industry worldwide, and backs up NH Hotel Group's strength in social, environmental and economic performance.

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

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

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

Human Resources Strategy

Within NH Hotel Group's business strategy, corporate culture is key. The Company considers human capital to be its main asset and understands that, to build a leading corporate culture, it is essential to manage attracting and developing talent, and sustain their motivation and pride in belonging to the NH Hotel Group.

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 due to force majeure and redundancies in central offices and the corporate office for production reasons.

Even in such an adverse context, NH Hotel Group has sustained its corporate culture and commitment to its values, seeking coherence and fidelity in its current People strategy, convinced that it is what is needed to gain the credibility and trust of its team members, who are the Company's greatest asset.

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

- Global leadership and talent management: Continue promoting and transmitting leadership within the NH Hotel Group, focusing efforts and investment on internal talent that has the potential to make a difference in the Company's strategy and to become models of our culture.
- Maximum performance and better workplaces: All employees are encouraged to develop and do their best, where high performance is differentiated, recognised and rewarded, as well as making our employees the best brand ambassadors.

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

With this working framework, in the first half of 2021, NH Hotel Group continued with its initiatives to care for its employees in these challenging times.

The average number of people employed by the Parent Company and consolidated companies during the first half of 2021 was 9,970 employees. The corporate culture of the NH Hotel is also based on the cornerstones of diversity, equality and inclusion. Therefore, employees are 134 different nationalities and, at 30 June 2021, 51% of all staff were women.

Also, the average age of employees in first half of 2021 was 40.8 years old, and their average time with the company is 10.4 years.

We are currently continuing with our Feel Safe at NH health and safety protocols, certified by safety experts, and implemented in all hotels to guarantee health, safety and social distancing for both guests and team members.

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.

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

At NH Hotel Group, the fight against climate change is a fundamental strategic value and this is why the NH Hotel Group continues working on its commitment to reduce its carbon emissions by 20% throughout its value chain by 2030, thus avoiding the emission of more than 70,000 tonnes of CO_2 into the atmosphere as established in our reduction targets based on the SBTi initiative. This objective marks the NH Hotel Group's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement and join the efforts that are being made globally towards the transition to a low carbon economy.

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

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

SHARES AND SHAREHOLDERS

NH Hotel Group, S.A. share capital at the end of June 2021 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 2021 and 31 December 2020 were as follows:

	30/06/2021	31/12/2020
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 2021 was 3.84 euros per share (4.14 euros for the first half of 2020). The lowest share price of 3.08 euros per share was recorded in January (2.29 euros in March 2020) and the highest share price was 4.35 euros per share in February (5.34 euros in January 2020). The market capitalisation of the Group at the end of June 2021 stood at 1,376.55 million euros.

At 30 June 2021, the Group had 94,705 own shares (all in the liquidity contract), compared to 147,780 own shares at 30 June 2020 (including 96,808 shares in the liquidity contract). In addition to those of the liquidity contract, own shares were used to deliver shares to NH employees under the Long-Term Incentive Plan.

Liquidity contract for treasury shares management

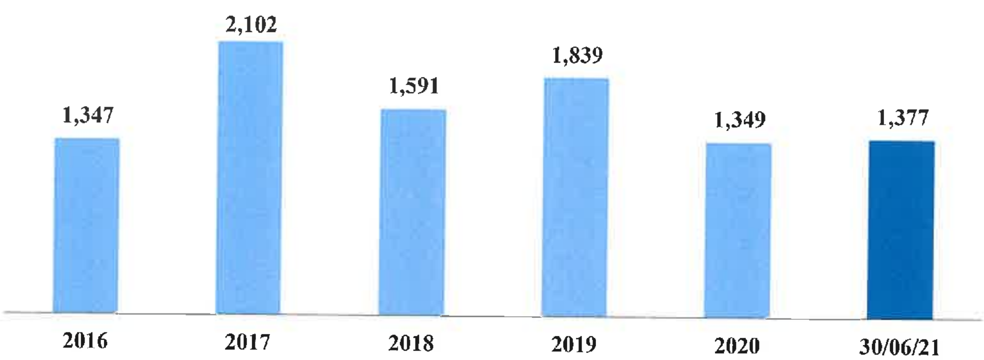
On 10 April 2019, the NH Board of Directors entered into a liquidity contract to manage its treasury shares with Banco Santander, S.A. The Contract became effective on 11 April 2019.

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 of cash allocated to the securities account is 400 thousand euros.

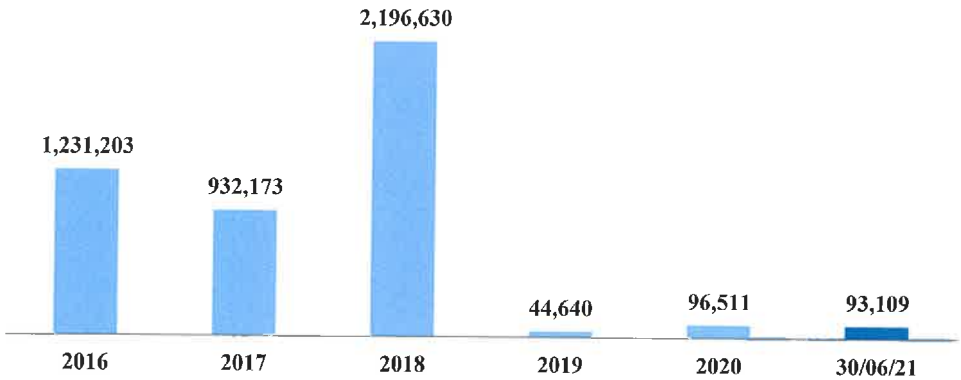
The Liquidity Contract was agreed upon by the Board of Directors at the proposal of the Proprietary Directors on behalf of the shareholder Minor as a measure to encourage and favour the liquidity of the Company's shares taking the current market conditions into account.

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



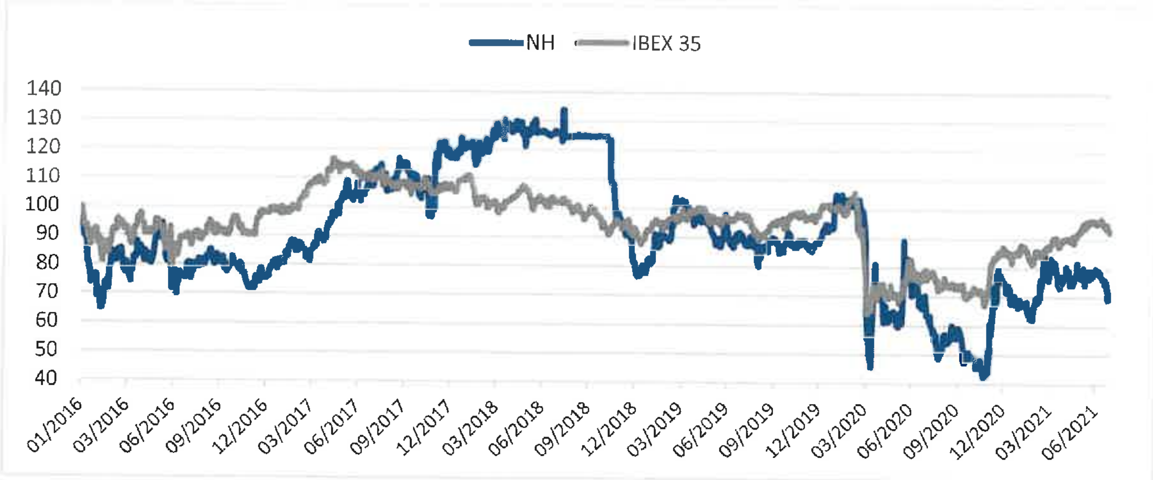
In the first half of 2021, 11,731,839 shares in NH Hotel Group, S.A. were traded on the Continuous Market (10,980,223 shares in the first half of 2020) with average daily share trading on the Continuous Market of 93,109 shares (87,841 shares in the first half of 2020).

AVERAGE DAILY TRADING (in shares)



EVOLUTION NH HOTEL GROUP vs. IBEX 35

1 JANUARY 2016 - 30 JUNE 2021



FUTURE OUTLOOK

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

The COVID-19 pandemic impacted economic activity more negatively than expected in 2020 and, according to estimates, the recovery will be more gradual than previously predicted. The latest projections from the International Monetary Fund (IMF; World Economic Outlook) for April 2021 suggest an unprecedented decline in global activity due to the COVID-19 pandemic, and point to a 3.3% fall in global economic growth in 2020.

The recent approval of vaccines has nurtured the hope that the pandemic reaches a turning point later in the year, but the new waves and strains of the virus create concerns about the outlook. In the middle of this exceptional uncertainty, it is projected that the global economy will grow by 6.0% in 2021 and 4.4% in 2022. The projections for 2021 had been revised up by 0.5

percentage points compared to the previous forecast, in the light of the expectations that business with strengthen later in the year due to the vaccines and the additional back up of the policies of the some large economies.

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

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

EVENTS AFTER THE REPORTING PERIOD

At the date of preparing these summary interim financial statements, the guaranteed syndicated credit line (RCF) maturing in 2026 has had 36 million euros drawn down.