NH Hotel Group, S.A. and subsidiaries

Report on limited review
Condensed consolidated interim financial statements
for the six-month period ended June 30, 2023
Consolidated interim management report

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

Report on limited review of condensed consolidated interim financial statements

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

Introduction

We have performed a limited review of the accompanying condensed consolidated interim financial statements (hereinafter, the interim financial statements) of NH Hotel Group, S.A. (hereinafter, the Parent company) and its subsidiaries (hereinafter, the Group), which comprise the statement of financial position as at 30 June 2023, and the income statement, statement of comprehensive income, 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 statements, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of review

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

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2023 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, as provided in Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

Emphasis of matter

We draw attention to note 2 of the condensed consolidated interim financial statements, in which it is mentioned that these condensed consolidated 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 condensed consolidated interim financial statements should be read together with the consolidated annual accounts of the Group for the year ended 31 December 2022. Our conclusion is not modified in respect of this matter.

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

R. M. Madrid, hoja M-63.988, folio 75, tomo 3.805, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Other matters

Consolidated interim management report

The accompanying consolidated interim management report for the six-month period ended 30 June 2023 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 30 June 2023. Our work as auditors is limited to checking the consolidated interim management report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from NH Hotel Group, S.A. and its subsidiaries' accounting records.

Preparation of this review report

This report has been prepared at the request of the directors in relation to the publication of the half-yearly financial report required by Article 100 of Law 6/2023, of March 17, on Securities Markets and Investment Services.

PricewaterhouseCoopers Auditores, S.L.

Mariano Cortés Redín

26 July 2023

NH | HOTEL GROUP
PART OF
MINOR
HOTELS

NH HOTEL GROUP AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements and Consolidated Interim Management Report corresponding to the six month period ending 30 June 2023

Anantara Plaza Nice Hotel
Nice, France

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023 AND 31 DECEMBER 2022

(Thousands of euros)

ASSETS	Note	30/06/2023	31/12/2022
NON-CURRENT ASSETS:			
Property, plant and equipment	4	1,506,935	1,478,548
Right-of-use assets	5	1,632,816	1,583,611
Investment property		2,074	2,318
Goodwill	6	93,445	89,488
Other intangible assets	7	121,293	120,270
Deferred tax assets	11	246,864	258,345
Investments accounted for using the equity method		46,070	41,935
Other non-current financial assets	8.1	35,657	36,782
Total non-current assets		**3,685,154**	**3,611,297**
CURRENT ASSETS:			
Inventories		14,633	12,589
Trade and other receivables	8.2	199,344	166,034
Current income tax assets		12,567	10,974
Other current assets		10,655	6,642
Cash and cash equivalents	8.3	292,426	301,763
Total Current Assets		**529,625**	**498,002**
TOTAL ASSETS		**4,214,779**	**4,109,299**
EQUITY:			
Share capital	9.1	871,491	871,491
Share premium	9.2	776,452	776,452
Other Reserves	9.3	109,791	107,555
Treasury shares	9.4	(387)	(273)
Retained earnings	9.5	(773,920)	(871,986)
Currency translation difference	9.6	(124,389)	(135,978)
Result for the year attributable to the Parent Company		45,043	100,308
Equity attributed to the Parent Company		**904,081**	**847,569**
Non-controlling interests	9.7	54,809	53,157
Total Net Equity		**958,890**	**900,726**
NON-CURRENT LIABILITIES:			
Debt instruments and other marketable securities	10.1	397,058	396,363
Bank borrowings	10.1	70,265	135,834
Lease liabilities	6	1,684,911	1,641,972
Deferred tax liabilities		191,988	192,030
Non-current provisions	12	40,308	42,003
Other non-current liabilities	10.2	21,334	22,693
Total Non-current liabilities		**2,405,864**	**2,430,895**
CURRENT LIABILITIES:			
Debt instruments and other marketable securities	10.1	6,538	6,567
Bank borrowings	10.1	66,443	71,913
Lease liabilities	6	258,738	253,620
Trade and other payables	10.3	420,648	347,389
Current income tax liabilities	11	22,887	14,580
Current provisions	12	1,189	7,339
Other current liabilities	10.4	73,582	76,270
Total current liabilities		**850,025**	**777,678**
Total liabilities		**3,255,889**	**3,208,573**
TOTAL NET EQUITY AND LIABILITIES		**4,214,779**	**4,109,299**

Explanatory notes 1 to 18 are an integral part of the condensed consolidated statement of financial position at 30 June 2023. The condensed consolidated statement of financial position at 31 December 2022 is presented solely for the purposes of comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENT CORRESPONDING TO THE SIX MONTH PERIOD ENDING 30 JUNE 2023 AND 2022

(Thousands of euros)

	Note	30/06/2023	30/06/2022
Revenue	14.1	1,025,506	721,277
Other income	14.1	1,553	20,130
Net gains on disposal of non-current assets	14.1	354	1,377
TOTAL INCOME		**1,027,413**	**742,784**
Procurements		(43,566)	(28,420)
Staff costs	14.2	(257,855)	(201,018)
Other operating expenses	14.2	(442,198)	(322,968)
Net Profits/(Losses) from asset impairment		2	6,927
Right-of-use amortisation	5	(92,546)	(85,721)
Property, plant and equipment and other intangible assets amortisation	4 and 7	(52,482)	(51,878)
OPERATING PROFIT/LOSS		**138,768**	**59,706**
Financial income		5,255	958
Financial expenses on debt		(17,331)	(18,227)
Financial expenses on leases	5	(42,606)	(39,988)
Other financial expenses		(12,316)	(7,996)
Other financial profit/(loss)		2,406	2,278
Results from exposure to hyperinflation (IAS 29)		890	2,580
Net exchange differences (Income/(Expense))		1,462	(170)
FINANCIAL PROFIT/LOSS		**(62,240)**	**(60,565)**
Share of profit/(Loss) from entities accounted for the equity method		667	252
NET PROFIT/(LOSS) BEFORE TAX		**77,195**	**(607)**
Income tax	11	(30,252)	(13,742)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**46,943**	**(14,349)**
PROFIT (LOSS) FOR THE YEAR		**46,943**	**(14,349)**
Profit/(Loss) for the year attributable to:			
Parent Company Shareholders		45,043	(15,349)
Non-controlling interests		1,900	1,000
BASIC PROFIT/(LOSS) PER SHARE IN EUROS	**3**	**0.103**	**(0.035)**
DILUTED PROFIT/(LOSS) PER SHARE IN EUROS	**3**	**0.103**	**(0.035)**

Explanatory notes 1 to 18 are an integral part of the condensed consolidated income statement corresponding to the six month period ending 30 June 2023. The condensed consolidated income statement for the six month period ending 30 June 2022 are presented for comparison only.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CORRESPONDING TO THE SIX MONTH PERIOD ENDING 30 JUNE 2023 AND 2022

(Thousands of euros)

	Note	30/06/2023	30/06/2022
PROFIT (LOSS) FOR THE YEAR		**46,943**	**(14,349)**
Currency translation	9.6	13,003	23,265
Total other comprehensive gains (losses) to be registered to profit/(loss) in later periods		**13,003**	**23,265**
Actuarial gains (losses) for pension plans and similar obligations - Net of tax		—	—
Total other comprehensive gains (losses) not to be registered to profit/(loss) in later periods		**—**	**—**
OTHER COMPREHENSIVE PROFIT/(LOSS)		**13,003**	**23,265**
TOTAL COMPREHENSIVE PROFIT/(LOSS)		**59,946**	**8,916**
Comprehensive Profit / (Loss) attributable to:			
Parent Company Shareholders		56,632	5,281
Non-controlling interests	9.7	3,314	3,635

Explanatory notes 1 to 18 are an integral part of the consolidated statement of comprehensive income corresponding to the six-month period ending 30 June 2023. The consolidated statement of comprehensive income corresponding to the six-month period ending 30 June 2022 are presented for comparison.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE SIX MONTH PERIOD ENDING 30 JUNE 2023 AND 2022

(Thousands of euros)

	Capital (Note 9.1)	Share premium (Note 9.2)	Other reserves (Note 9.3)	Treasury shares (Note 9.4)	Retained Earnings (Note 9.5)	Currency translation difference (Note 9.6)	Result for the year attributable to the Parent Company	Equity attributed to the Parent Company	Non-controlling interests (Note 9.7)	Total Equity
Balance at 1 January 2022	**871,491**	**776,452**	**90,749**	**(308)**	**(724,776)**	**(147,865)**	**(133,667)**	**732,076**	**48,998**	**781,074**
Result for the year	—	—	—	—	—	—	(15,349)	(15,349)	1,000	(14,349)
Other comprehensive profit/(loss)	—	—	—	—	—	20,630	—	20,630	2,635	23,265
Total comprehensive profit/(Loss)	**—**	**—**	**—**	**—**	**—**	**20,630**	**(15,349)**	**5,281**	**3,635**	**8,916**
Distribution of profit (loss) 2021	—	—	16,806	—	(150,473)	—	133,667	—	—	—
Remuneration scheme in shares	—	—	—	506	(2,231)	—	—	(1,725)	—	(1,725)
Other movements	—	—	—	(559)	112	—	—	(447)	—	(447)
Balance at 30 June 2022	**871,491**	**776,452**	**107,555**	**(361)**	**(877,368)**	**(127,235)**	**(15,349)**	**735,185**	**52,633**	**787,818**
Balance at 1 January 2023	**871,491**	**776,452**	**107,555**	**(273)**	**(871,986)**	**(135,978)**	**100,308**	**847,569**	**53,157**	**900,726**
Result for the year	—	—	—	—	—	—	45,043	45,043	1,900	46,943
Other comprehensive profit/(loss)	—	—	—	—	—	11,589	—	11,589	1,414	13,003
Total comprehensive profit/(Loss)	**—**	**—**	**—**	**—**	**—**	**11,589**	**45,043**	**56,632**	**3,314**	**59,946**
Distribution of profit (loss) 2022	—	—	2,236	—	98,072	—	100,308	—	—	—
Distribution of dividends	—	—	—	—	—	—	—	—	(1,607)	(1,607)
Other movements	—	—	—	(114)	(6)	—	—	(120)	(55)	(175)
Balance at 30 June 2023	**871,491**	**776,452**	**109,791**	**(387)**	**(773,920)**	**(124,389)**	**45,043**	**904,081**	**54,809**	**958,890**

Explanatory notes 1 to 18 are an integral part of the condensed consolidated statement of changes in equity corresponding to the six-month period ending 30 June 2023. The condensed consolidated statement of changes in equity for the six-month period ending 30 June 2022 is presented for comparison purposes.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED CASH FLOW STATEMENT GENERATED IN THE SIX MONTH PERIODS ENDING 30 JUNE 2023 AND 30 JUNE 2022

(Thousands of euros)

	Note	30/06/2023	30/06/2022
OPERATING ACTIVITIES			
Consolidated profit (loss) before tax and discontinued operations:		**77,195**	**(607)**
Adjustments:			
Property, plant and equipment and other intangible assets amortisation (+)	4 and 7	52,482	51,878
Right-of-use amortisation (+)	5	92,546	85,721
(Net) (Profits)/Losses from asset impairment (+/-)		(2)	(6,927)
Net gains on disposal of non-current assets (+/-)		(354)	(1,377)
Share of profit/(Loss) from entities accounted for the equity method (+/-)		(667)	(252)
Financial income (-)		(5,255)	(958)
Change in fair value of financial instruments		256	(512)
Financial expenses on debt, leases and others (+)		72,253	66,211
Results from exposure to hyperinflation (IAS 29)		(890)	(2,580)
Net exchange differences (Income/(Expense))		(1,462)	170
Profit (loss) on disposal of financial investments		(2,662)	510
Impairment on financial investments (+/-)		—	(2,276)
Other non-monetary items (+/-)		502	23,708
Adjusted profit (loss)		**283,942**	**212,709**
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		(2,044)	(4,247)
(Increase)/Decrease in trade debtors and other accounts receivable		(42,323)	(41,404)
(Increase)/Decrease in other current assets		5,047	4,650
Increase/(Decrease) in trade payables		48,679	50,260
Increase/(Decrease) in other current liabilities		5,352	33,572
Increase/(Decrease) in provisions for contingencies and expenses		(9,120)	(1,114)
(Increase)/Decrease in non-current assets		108	7
Increase/(Decrease) in non-current liabilities		(1,062)	1,187
Income tax paid		(9,413)	(892)
Total net cash flow from operating activities		**279,166**	**254,728**
INVESTMENT ACTIVITIES			
Other interests		**4,308**	**170**
Investments (-):			
Group companies, joint ventures and associates		(125)	—
Tangible and intangible assets and investments in property	4 and 7	(60,608)	(18,107)
Financial investments and other current financial assets		—	1,437
		(60,733)	**(16,670)**
Disinvestment (+):			
Group companies, joint ventures and associates		—	20
Tangible and intangible assets and investments in property		491	19,774
Other assets		2,662	90
		3,153	**19,884**
Total net cash flow from investment activities		**(53,272)**	**3,384**
FINANCING ACTIVITIES			
Dividends paid out (-)		(1,505)	—
Interest paid on debts (-)		(26,838)	(24,157)
Interest paid by means of payment		(12,316)	(7,996)
Interest paid by financing and other		(14,522)	(16,161)
Payments for transactions with minority shareholders (-)	9.7	(57)	—
Payments for transactions with treasury shares (-)	9.4	13	(512)
Payments for bank borrowings (-)	10	(70,809)	(1,948)
Payments for lease liabilities (-)	5	(135,609)	(125,126)
Payments for other financial liabilities (+/-)		(329)	(27)
Total net cash flow from financing activities		**(235,134)**	**(151,770)**
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(9,240)**	**106,342**
Effect of exchange rate variations on cash and cash equivalents		**(97)**	**631**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS		**(9,337)**	**106,973**
Cash and cash equivalents at the start of the financial year		**301,763**	**243,930**
Cash and cash equivalents at end of year		**292,42**	**350,90**

Explanatory notes 1 to 18 are an integral part of the condensed consolidated cash flow statement generated in the six-month period ending 30 June 2023. The condensed consolidated cash flow statement for the six-month period ending 30 June 2022 is presented for comparison purposes.

Explanatory notes on the condensed consolidated interim financial statements corresponding to the six-month period ending 30 June 2023

1. INFORMATION ABOUT THE GROUP

NH Hotel Group, S.A. (hereinafter the "Parent Company") was incorporated as a public limited company in Spain on 23 December 1881. According to its articles of association, the company objects essentially consist of the operation and management of hotel establishments. It has its registered address at Santa Engracia, 120 (Madrid). The company's articles of association and other public information about the Parent Company can be consulted on the "website" at www.nh-hotels.com and at its registered address.

Besides the operations in which it is directly engaged, the Parent Company is the head of a group of subsidiaries engaged in various activities that make up, together with NH Hotel Group, S.A., the NH Group (hereinafter, the "Group" or the "NH Group"). As a result, the Parent Company is required to prepare consolidated annual accounts for its Group, which include holdings in joint ventures and investments in associates, as well as its own individual annual accounts.

At 30 June 2023, the NH Group does business in 30 countries with 351 hotels and 55,529 rooms, including a significant presence in Europe.

The Group's consolidated annual accounts for 2022 were approved by the shareholders at the Annual General Meeting of NH Hotel Group, S.A., held on 29 June 2023.

2. BASIS OF PRESENTATION FOR THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the law of a Member State of the European Union and whose equity securities are listed in a regulated market of any of the states thereof are required to present consolidated annual accounts corresponding to the financial years beginning 1 January 2005 under the International Financial Reporting Standards (hereinafter, IFRS) that have been previously adopted by the European Union.

The Group's consolidated annual accounts corresponding to financial year 2022 were drafted by the Directors of the Parent Company in accordance with the International Financial Reporting Standards adopted by the European Union, applying the principles of consolidation, accounting policies and assessment criteria described in Note 4 of the report on such consolidated annual accounts, in such a way that they show a true and fair image of the consolidated equity value and of the consolidated financial situation of the Group at 31 December 2022, and of the consolidated results from its operations, of the consolidated changes in equity and of its consolidated treasury flows corresponding to the financial year ending on that date.

These condensed consolidated interim financial statements are presented in accordance with International Accounting Standard (IAS) 34 on Interim Financial Information and were drafted by the Directors of the Parent Company on 26 July 2023.

In accordance with IAS 34, interim financial information is prepared solely for the purpose of updating content in the most recent consolidated annual accounts prepared by the Group, placing an emphasis on new activities, events and circumstances arising in the first half of the year and not duplicating the information published previously in the consolidated annual accounts for financial year 2022. Hence, the condensed consolidated interim financial statements at 30 June 2023 do not include all the information that would be required for full consolidated financial statements prepared according to the International Financial Reporting Standards adopted by the European Union. Therefore, a proper understanding of the information contained in these condensed consolidated interim financial statements requires them to be read alongside the Group's consolidated annual accounts corresponding to financial year 2022.

The consolidated results and determination of consolidated equity are sensitive to accounting principles and policies, assessment criteria and estimates followed by the Directors of the Parent Company when drafting the condensed consolidated interim financial statements. In this regard, the main accounting principles and policies and assessment criteria used correspond to those applied to the consolidated annual accounts for financial year 2022, except for the standards and interpretations that came into force during the first half of 2023 (see Section a).

All the information corresponding to the six-month period ending 30 June 2022 presented in the explanatory notes on the condensed consolidated interim financial statements corresponding to the six month period ending 30 June 2023 is information presented solely and exclusively for the purposes of comparison.

a) Standards and interpretations effective in this period

During the six month period ending 30 June 2023, new accounting standards came into force and were therefore taken into account when preparing the condensed consolidated interim financial statements:

1) New obligatory regulations, amendments and interpretations for the year commencing 1 January 2023:

New standards, amendments and interpretations		Obligatory application in the years beginning on
Approved for use in the European Union		
Amendments and/or interpretations:		
Amendment to IAS 1 Breakdown of accounting policies.	IAS 1 has been amended to improve breakdowns of accounting policies so that they provide more useful information to investors and other main users of the financial statements.	1 January 2023
Amendment to IFRS 17 Initial application of IFRS 17 and IFRS 9. Comparative information	Amendment to the IFRS 17 transition requirements for insurance companies applying IFRS 17 and IFRS 9 for the first time, simultaneously.	1 January 2023
Amendment to IAS 12 Deferred taxes arising from assets and liabilities in a single transaction	Classifications of how entities should record the deferred tax generated in transactions such as leases and decommissioning obligations.	1 January 2023
Amendment to IAS 8 Definition of accounting estimates	Amendments and clarifications on what should be understood to be a change in accounting estimates.	1 January 2023
New Standards:		
IFRS 17 Insurance contracts	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	1 January 2023
Awaiting approval for use in the European Union as of the date of publication of this document[1]		
Amendments and/or interpretations:		
Amendment to IAS 12 Tax reform - Model rules Pillar 2	This amendment introduces a temporary mandatory exemption to the recognition of deferred taxes under IAS 12 relating to the entry into force of the international tax model of Pillar 2. It also includes additional breakdown requirements.	1 January 2023

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

Amendment to IAS 12. Deferred taxes related to Assets and Liabilities arising from a single transaction

The application of the amendment to IAS 12 from January 1st, 2023, regarding deferred taxes related to assets and liabilities arising from a single transaction, has not had impact on the Group's financial statements. The Group, previously accounted for deferred tax on leases and decommissioning liabilities applying the netting approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability was recognized on a net basis. Aforementioned deferred taxes are presented netted according to the accounting policy detailed in Note "4.10 Income Tax" of the Consolidated annual accounts as of December 31st, 2022, aligned with the paragraph 74 of the IAS 12.

The amounts of the deferred tax assets and liabilities netted will be disclosed in the annual accounts as of 31 December 2023.

2) New regulations, amendments and interpretations that will be obligatory in the years following the year starting 1 January 2023

Awaiting approval for use in the European Union as of the date of publication of this document[1] Amendments and/or interpretations:		
Amendment to IAS 1 Classification of liabilities as current or non-current and classification of non-current liabilities with covenants	Clarifications regarding presentation of liabilities as current or non-current.	1 January 2024
Amendment to IFRS 16 Lease liabilities in a sale with subsequent leasing	This amendment clarifies the subsequent accounting for lease liabilities arising from transactions for sale with subsequent leasing.	1 January 2024
Amendment to IFRS 7 and IAS 7 Financing agreements with suppliers	This amendment introduces breakdown requirements for specific information relating to financing agreements with suppliers and their effects on company liabilities and cash flows, including liquidity risk and the management of associated risks.	1 January 2024
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-current assets sold or contributed to an associate or joint venture constitute a "business".	Pending approval

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

b) Comparison of information

The information contained in these condensed consolidated interim financial statements corresponding to the first half of financial year 2022 are presented solely and exclusively for the purpose of comparing information on the six month period ending 30 June 2023 for the condensed consolidated income statements, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement.

In 2022, the Group decided to make several changes to the presentation of the financial statements with the intention of presenting more relevant information and make it easier to understand them. The Group therefore chose to present the consolidated income statements and the consolidated statement of comprehensive income (which includes conversion differences and actuarial gains on pension plans) in two different sections.

The Group also decided to change the grouping of items in the financial statements affecting the condensed consolidated statement of financial position, consolidated statement of profit/(loss) and consolidated statement of changes in equity. These changes occurred without undermining the information shown and making the changes needed to the details included in the report, as well as in the comparative information, in the event that it was necessary.

In this respect, it is worth pointing out the change in the presentation of equity, where it was decided to regroup the parent company's profit/(loss) for previous years and the retained earnings for the remaining companies included within the scope of consolidation by the various consolidation methods, from when they were incorporated into it, under the “retained earnings” entry. Furthermore, the presentation of headings on the consolidated income statements was changed, creating headings that add relevant information for analysis of the Group’s evolution.

c) Seasonality of group transactions

Given the activities in which the Group companies are engaged, the Group's transactions are slightly cyclical or seasonal. Historically, the months with the greatest hotel sales are those of March to June and of September to November. On the other hand, the seasonality of holiday hotels varies in the months of December to April and July to August, when sales are greater.

d) Accounting correction

No error corrections were made in the condensed consolidated interim financial statements for the six month period ending 30 June 2023.

e) Accounting criteria change

No accounting criteria changes were made in the condensed consolidated interim financial statements for the six month period ending 30 June 2023.

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 consolidated interim financial statements.

The preparation of these condensed consolidated interim financial statements for the Group has required the application of relevant accounting estimates and judgements, estimates and hypotheses to be made when applying the accounting policies of the NH Group and assessing the assets, liabilities and profits and losses. The estimates refer to those indicated in Note 2.7 on the consolidated annual accounts corresponding to financial year 2022.

The corporation tax for the six month period ending 30 June 2023 is calculated by applying the nominal rate in each country to the estimated accounting profit (taxable base).

In spite of the fact that these estimates were carried out using the best information available at 30 June 2023 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 statement of cash flow

The following expressions with their corresponding explanation are used in the consolidated statement of cash flow prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operational activities: the typical activities of the entities forming the consolidated group, along with other activities that cannot be classified as investing or financing activities. The group presents confirming activities for trade payables as an operational activity.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

h) Contingent assets and liabilities

Note 22 of the report on the consolidated annual accounts of the Group corresponding to the financial year ending 31 December 2022 provides information on the contingent assets and liabilities at that date. Note 13 of these condensed consolidated interim financial statements for the six month period ending 30 June 2023 details the most significant changes to the contingent assets and liabilities in that period.

i) Going concern

As a result of applying the IFRS 16 accounting standard, 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 2023, amounted to 258,738 thousand euros (253,620 thousand euros at 31 December 2022), meaning that, at 30 June 2023, in part, current liabilities are 320,400 thousand euros higher than current assets (279,676 thousand euros at December 2022).

Excluding this effect on grounds of a purely accounting focus (non-financial) (Note 10), the current liabilities are higher than the current assets of 61,662 thousand euros, which is mainly explained by the early, voluntary repayment of 200,000 thousand euros of the Syndicated ICO backed loan during 2022 and 50,000 thousand euros of the same loan in January 2023, which was made with the Group's available cash (Note 10), and by the increase in current liabilities as a result of the increase in debts becoming due in 2023. This does not involve any impediment to normal business development due to the consequent cash generation and that, in turn, the Group has credit lines available for a total of 280,661 thousand euros.

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

j) Significant changes to the composition of the group and other sales of holdings

The company NH Marbella Hotel, S.L. was purchased in the first half of 2023. This company is not currently trading.

The companies Mateo, Gmbh; Aldon, Gmbh and Mateo Hotel Savona S.a.S. were purchased in the first half of the year, tied to the purchase of the NH Savona hotel (see Note 4.1)

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:

	30/06/2023	30/06/2022
Net Profit/(Loss) for the year (thousands of euros)	45,043	(15,349)
Weighted average number of shares in circulation (thousands of	435,652	435,639
Basic and diluted Earnings/(Losses) per share in euros	**0.103**	**(0.035)**

4. PROPERTY, PLANT AND EQUIPMENT

4.1 Movement in the period

The additions occurring during the six month period ending 30 June 2023 amounted to 66.6 million euros and mainly correspond to hotel refurbishment and the opening of new hotels. Highlights in Southern Europe are - in Spain - the work on the Avani Alonso Martínez Madrid (1.7 million euros); and - in France - on the NH Lyon Airport (2.9 million euros) and the opening of the Anantara Plaza Nice Hotel (2 million euros). In Italy, the refurbishment of the Anantara Convento di Amafi Grand Hotel (5 million euros), NH Trieste (2.5 million euros), NH Spezia (2.1 million euros), NH Collection Milano Touring (1.1 million euros) and acquisition of the building that houses the NH Savona Darsena, previously operated under a lease. In Benelux, the refurbishment of NH Amsterdam Leidseplein (4.4 million euros). In Central Europe, the opening in Germany of NH Collection Frankfurt Spin Tower (3.9 million euros) in February 2023 and refurbishment of the NH Collection Heidelberg (1.3 million euros) are highlights. In Latin America, mainly the refurbishment of the NH Collection Monterrey San Pedro (2 million euros) and Hilton Aeropuerto (2 million euros), both in Mexico.

Amortisations amounting to 45.4 million euros have been recorded in the first half of the financial year 2023. The remainder of the movement in the period can be explained by the effect of conversion differences, the application of IAS 29 and the transfer of certain assets, such as NH Santo Stefano (in Italy) and NH Magdeburg (in Germany).

4.2 Impairment losses

No impairment losses have been recorded during the first six months of 2023.

4.3 Property, plant and material procurement commitments

At 30 June 2023, firm investment undertakings amounted to 29.4 million euros, the investments for which will take place between 2023 and 2024.

4.4 Insurance policy

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

5. LEASES

The breakdown and movements under this heading in the first half of 2023 were as follows:

	Thousands of euros		
	Real estate	Premiums for contracts and other rights	Total
Cost	4,154,490	73,267	4227,757
Accumulated amortisation and Impairment losses	(2,591,601)	(52,545)	(2,644,146)
Net Book Value at 1 January 2023	**1,562,889**	**20,722**	**1,583,611**
Cost			
Additions	138,292	—	138,292
Transfers	(24)	—	(24)
Currency translation difference	(5,674)	—	(5,674)
Accumulated amortisation and Impairment losses			
Additions	(91,376)	(1,170)	(92,546)
Transfers	24	—	24
Currency translation difference	9,133	—	9,133
Net Book Value at 30 June 2023	**1,613,264**	**19,552**	**1,632,816**
Cost	4,287,084	73,267	4,360,351
Accumulated amortisation and Impairment losses	(2,673,820)	(53,715)	(2,727,535)
Net Book Value at 30 June 2023	**1,613,264**	**19,552**	**1,632,816**

	Balance at 1/1/2023	Expenses for interest	Changes	Rent payments	Exchange rate	Balance at 30/6/2023
Lease liabilities	1,895,592	42,606	138,292	(135,609)	2,768	1,943,649

The main recognitions for the year are due to the opening of several hotels on a lease basis. In this regard, it is worth noting the opening of NHC Frankfurt Spin Tower in Germany and Tivoli Portopiccolo Sistiana Resort in Italy. There were no significant closures in the year.

The amounts recorded as right-of-use assets correspond to properties where the Group is a lessee for its operation as a hotel.

The movement of both right-of-use assets and lease liabilities does not principally imply a cash outflow given that assets are amended according to the changes occurring to the liabilities, either due to changes in the payments structure of the contract or to updates based on benchmark rent rates.

6. GOODWILL

The balance included under this item corresponds to the net goodwill arising from the acquisition of businesses of certain companies, and breaks down as follows:

	Thousands of euros	
	30/06/2023	31/12/2022
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	55,921	55,921
Grupo Royal	22,494	19,427
Boscolo Hotels	11,650	10,920
Others	3,380	3,220
Total	**93,445**	**89,488**

The policies on impairment analysis applied by the Group to its intangible assets and its goodwill in particular are described in Notes 4.2, 4.4 and 10 of the consolidated annual accounts for the financial year ending 31 December 2022.

The change to the goodwill of Hoteles Royal, S.A., Boscolo Hotels and Others stems from the exchange rate effect.

7. OTHER INTANGIBLE ASSETS

The additions in this financial year amounted to 5.5 million euros, the most significant of which were made in Spain (5.3 million euros) as a result of the investment made in digitalization and optimisation of operating processes to gain sustainability, mobility and improve customer service.

In addition, amortisations amounting to 7 million euros have been recorded. All other changes mainly correspond to conversion differences.

8. FINANCIAL ASSETS

8.1 Composition and breakdown

Below there is a breakdown of the financial assets by nature and category for assessment purposes:

	Thousands of euros	
	30/06/2023	
Financial Assets: Nature / Category	Financial Assets at Fair Value with change in profit/loss	Other Financial Assets at Amortised Cost
Equity instruments	1,340	—
Debt securities	—	33,436
Derivatives	—	—
Other financial assets	—	881
Long-term / non-current	**1,340**	**34,317**
Equity instruments	—	—
Debt securities	—	—
Derivatives	—	—
Other financial assets	—	—
Short-term / Current	**—**	**—**
Total	**1,340**	**34,317**

	Thousands of euros	
	31/12/2022	
Financial Assets: Nature / Category	Financial Assets at Fair Value with change in profit/loss	Other Financial Assets at Amortised Cost
Equity instruments	1,340	—
Debt securities	—	34,444
Derivatives	—	—
Other financial assets	—	998
Long-term / non-current	**1,340**	**35,442**
Equity instruments	—	—
Debt securities	—	—
Derivatives	—	—
Other financial assets	—	—
Short-term / Current	**—**	**—**
Total	**1,340**	**35,442**

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

8.2 Trade debtors and other receivables

This item reflects different accounts receivable from the Group's operations. Its detail is as follows:

	Thousands of euros	
	30/06/2023	31/12/2022
Trade receivables for services provided	148,398	110,290
Less: impairment on accounts receivable	(4,754)	(4,398)
Trade receivables	**143,644**	**105,892**
Other non-trade debtors	**20,486**	**24,385**
Public authority debtors	**32,102**	**33,343**
Accounts receivable from related entities (Note 15)	**3,112**	**2,414**
Total	**199,344**	**166,034**

As a general rule, these receivables do not accrue interest and are due at less than 90 days with no restrictions on how they may be availed.

8.3 Cash and cash equivalents

The breakdown of this heading is as follows:

	Thousands of euros	
	30/06/2023	31/12/2022
Cash and banks	98,673	183,111
Current deposits maturing in under three months	193,753	118,652
Total	**292,426**	**301,763**

These assets are recognised at their fair value.

The Group's liquidity position at 30 June 2023 is based on the following points:

- The group had cash and cash equivalents amounting to 292,426 thousand euros (broken down above).
- Available undrawn credit facilities of 280,661 thousand euros (Note 10).

There are no restrictions on how cash may be used. There are 3,352 thousand euros reserved in accordance with a firm commitment to the co-owners of Hoteles Royal in Colombia and Ecuador for future investments in the hotels (3,432 thousand euros at December 2022).

9. EQUITY

9.1 Share capital

NH Hotel Group, S.A. share capital at 30 June 2023 comprised 435,745,670 fully subscribed and paid up bearer shares with a nominal 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 Commission, the most significant shareholdings at 30 June 2023 and 31 December 2022 were as follows:

	30/06/2023	31/12/2022
Minor International Public Company Limited (“MINT”)	95.87%	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.

In addition, on 8 May 2023, MINT announced its decision to begin a purchase process in the market for shares in NH Hotel Group over a period of 30 days. As a result, between 10 May and 8 June 2023, MINT purchased 7,544,225 shares and increased its position in NH Hotel Group to 417,728,222 representative shares or 95.87% of the share capital of NH Hotel Group.

9.2 Share premium

The Capital Companies Act expressly permits the use of the share premium to increase share capital and does not establish any specific restrictions as to its use.

9.3 Other Reserves

This solely relates to the legal reserve accrued in accordance with article 274 of the Recast Text of the Companies Act, which provides that, in all cases, a figure equal to 10% of the profit for the financial year must be allocated to it until it reaches at least 20% of the share capital.

It may not be distributed and, if it is used to offset losses, in the event that there are no other reserves that are sufficient for that purpose, it must be replenished with future profits.

At 30 June 2023 and 31 December 2022, the Parent Company had not allocated the minimum limit provided for in the Recast Text of the Companies Act to this reserve.

9.4 Treasury shares

At 30 June 2023, the Group had 90,587 treasury shares, compared to 92,915 treasury shares at 31 December 2022. The reduction in treasury shares over the period can be explained by the following movement:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract at 30 June 2023 is 90,587 shares and the current amount allocated to the cash account is 332,432 euros. At 31 December 2022, the number of shares allocated to the liquidity contract was 92,915 shares. The negative effect on reserves recorded for operations carried out in 2023 was (114 thousand euros negative).

9.5 Retained Earnings

This heading includes the parent company's profit/(loss) for previous years and the retained earnings for the remaining companies included within the scope of consolidation by the various consolidation methods, from when they were incorporated.

The movement under this heading in the first half of 2023 mainly related to an increase of 98 million euros due to the distribution of results in the previous year (150 million euros loss in 2022).

9.6 Currency translation difference

Conversion differences include the following equity effects: the equity effect caused when converting their respective financial statements to Euros using the exchange rate conversion at the end of the period (14,767 thousand euros) and the re-expression of the financial statements of group Companies operating in hyperinflationary economies due to inflation in the first half of the year (3,178 thousand euros negative).

9.7 Non-controlling interests

The movements under this heading during the first six months of 2023 and financial year 2022 are summarised below:

	Thousands of euros	
	30/06/2023	31/12/2022
Opening balance	53,157	48,998
Profit (Loss) for the year	3,314	4,475
Dividends paid to non-controlling interests	(1,607)	—
Other movements	(55)	(316)
Closing balance	**54,809**	**53,157**

The “Dividends paid to non-controlling interests” item recorded in the first half of the financial year 2023 mainly corresponds to dividends distributed by the company NH Las Palmas, S.A. amounting to 885 thousand euros and NH Marin, S.A. amounting to 620 thousand euros.

10) FINANCIAL LIABILITIES

10.1. Bond issue debt and bank borrowings

The list of bank borrowings and debt instruments and other marketable securities at 30 June 2023 and at 31 December 2022 is as follows:

At 30/06/23				Maturity schedule					
Figures in thousands of euros	Limit	Available	Disposed	Year 1	Year 2	Year 3	Year 4	Year 5	Remainde
Mortgage loans	**21,924**	**—**	**21,924**	**6,433**	**1,334**	**1,222**	**825**	**917**	**11,193**
Fixed rate	18,981	—	18,981	5,776	648	673	758	842	10,284
Variable interest	2,943	—	2,943	657	686	549	67	75	909
Subordinated loans	**40,000**	**—**	**40,000**	**—**	**—**	**—**	**—**	**—**	**40,000**
Variable interest	40,000	—	40,000	—	—	—	—	—	40,000
Guaranteed senior notes mat. in 2026	**400,000**	**—**	**400,000**	**—**	**—**	**—**	**400,000**	**—**	**—**
Fixed rate	400,000	—	400,000	—	—	—	400,000	—	—
Unsecured loans	**72,837**	**—**	**72,837**	**56,060**	**9,516**	**6,161**	**1,100**	**—**	**—**
Fixed rate	6,001	—	6,001	2,029	1,888	1,922	162	—	—
Variable interest	66,836	—	66,836	54,031	7,628	4,239	938	—	—
Secured syndicated credit line	**242,000**	**242,000**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Variable interest	242,000	242,000	—	—	—	—	—	—	—
Credit lines	**42,000**	**38,661**	**3,339**	**3,339**	**—**	**—**	**—**	**—**	**—**
Variable interest	42,000	38,661	3,339	3,339	—	—	—	—	—
Borrowing at 30/06/2023	**818,761**	**280,661**	**538,100**	**65,832**	**10,850**	**7,383**	**401,925**	**917**	**51,193**
Arrangement expenses	(7,284)	—	(7,284)	(2,306)	(2,401)	(2,256)	(38)	(30)	(253)
IFRS 9	81	—	81	48	25	8	—	—	—
Borrowing costs	9,407	—	9,407	9,407	—	—	—	—	—
Adjusted total debt at 30/06/2023	**820,965**	**280,661**	**540,304**	**72,981**	**8,474**	**5,135**	**401,887**	**887**	**50,940**
Adjusted total debt at 31/12/2022	**877,677**	**267,000**	**610,677**	**78,479**	**18,473**	**7,865**	**454,029**	**855**	**50,976**

At 30 June 2023, the average cost of the gross drawdown amount of the Group was 4.4% (4.2% in December 2022).

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

	Total liabilities	Year 1	Year 2	Year 3	Year 4	Year 5	Remainder
Gross lease payments 30/06/2023	2,776,757	263,492	253,466	237,281	216,331	189,245	1,616,942
Gross lease payments 31/12/2022	2,698,525	258,657	244,428	226,713	210,891	182,315	1,575,521

Group financing is remunerated at a fixed rate for 79% of all consolidated debt, including the secured senior bonds maturing in 2026 that accrue a nominal interest rate of 4%.

Secured senior bonds maturing in 2026

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

After the issue was paid up and closed on 28 June 2021, using the funds received from the issue, the Parent Company paid off the total guaranteed senior notes (the "Bonds") in the amount of 356,850 thousand euros maturing in 2023 early, with a payment of 100.938% of the nominal value of the Bonds subject to repayment.

The outstanding nominal amount at 30 June 2023 was 400,000 thousand euros.

Secured syndicated credit line

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

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

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

At 30 June 2023, the total amount of 242,000 thousand euros of this financing was available.

Unsecured loans

- Syndicated ICO backed loan maturing in 2026

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

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

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

In August and December 2022, the Parent Company requested voluntary early repayments of 100,000 thousand euros each. Finally, in January 2023, the Parent Company requested voluntary and final repayment of 50,000 thousand euros, leaving the loan repaid in full. The three repayments were made using cash available at the company.

- Other non-guaranteed loans

    - In May 2020, the Parent Company signed a bilateral loan for 10,000 thousand euros over 2 years, within the legal framework provided by the Spanish state to mitigate the economic impact of COVID-19 and thus receiving the ICO guarantee. In May 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of May 2025. At 30 June 2023, the outstanding nominal amount of this financing was 6,667 thousand euros.

    - In July 2020, the Parent Company signed a bilateral loan for 7,500 thousand euros over 3 years, within the legal framework provided by the Spanish state to mitigate the economic impact of COVID-19 and thus receiving the ICO guarantee. In April 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of July 2026. At 30 June 2023, the outstanding nominal amount of this financing was 5,827 thousand euros.

    - In October 2020, the Italian subsidiary NH Italia Spa signed a bilateral loan for 15,000 thousand euros over 6 years, within the legal framework provided by the Italian state to mitigate the economic impact of COVID-19 and thus receiving the state guarantee (SACE). At 30 June 2023, the outstanding nominal amount of this financing was 12,188 thousand euros.

    - Furthermore, various bilateral loans were agreed between June and September 2020 in different regions (Portugal and Chile) to mitigate the economic impact of the pandemic. At 30 June 2023, the total amount drawn down from these loans was 1,729 thousand euros.

Other subsidiaries of the Parent Company have other unsecured bilateral loans, including a loan of the American subsidiary for 50,000 thousand dollars (46,015 thousand euros at June 2023) signed in 2018, fully drawn down at 30 June 2023 and maturing in July 2023. These funds were used to finance the New York hotel's capex. The remaining unsecured bilateral loans are distributed among the companies in Colombia and, at 30 June 2023, the amount drawn down was 411 thousand euros.

Subordinated loan

One loan amounting to 40,000 thousand euros, fully drawn at 30 June 2023 and with a single maturity and repayment date at the end of its term, in 2037, is included in this item. The interest rate on this loan is the 3-month Euribor plus a spread.

Mortgage loans

No changes have occurred in the mortgage loans and credit facilities in the first half of 2023. The amount at 30 June 2023 was 21,924 thousand euros.

Bilateral credit lines

At 30 June 2023, the balances under this item include the amount drawn down from credit facilities. The joint limit of those credit facilities at 30 June 2023 amounted to 42,000 thousand euros, of which 3,339 thousand euros had been drawn down at that date.

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

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

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

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

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

Until 31 December 2022, the Parent Company had a waiver on compliance with the financial covenants for the syndicated credit line and the syndicated ICO-backed loan, despite the fact that, at 31 December 2022, the Parent Company was already complying with those financial ratios.

At 30 June 2023, the Parent Company estimates compliance with the financial covenants.

In January 2023, the syndicated ICO backed loan was fully amortised as previously explained in this Note.

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

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

The net book value of the assets granted as mortgage security against the syndicated credit line (242,000 thousand euros fully available at 30 June 2023) and secured senior bonds amounting to 400,000 thousand euros, maturing in 2026, can be broken down as follows:

	Thousands of euros
	Net Book value
NH Conference Centre Leeuwenhorst	53,228
NH Conference Centre Koningshof	36,294
NH Conference Centre Sparrenhorst	6,166
NH Zoetermeer	6,989
NH Capelle	6,123
Total	**108,800**
Net book value of assets assigned as mortgage collateral	**108,800**
Value of guaranteed debt	**400,000**
Fixed interest	**400,000**
Variable interest	—

Limitation on the distribution of Dividends

The secured senior bonds maturing in 2026, the revolving syndicated credit line maturing in 2026 and the ICO backed syndicated loan and bilateral loan amortised in 2023 and maturing in 2026 described above contain clauses limiting the distribution of dividends.

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

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

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

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

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

All these metrics are calculated using consolidated data

10.2 Other non-current liabilities

The details under the “Other non-current liabilities” heading were as follows:

	Thousands of euros	
	30/06/2023	31/12/2022
Capital subsidies	1,388	1,496
Investment acquisition liability	3,150	3,150
Other liabilities	16,796	18,047
Total	**21,334**	**22,693**

“Other liabilities” includes the deferral of various long-term commitments to public authorities for 11,041 thousand euros (12,556 thousand euros in December 2022).

10.3 Trade and other payables

This item in the consolidated statement of financial position is as follows:

	Thousands of euros	
	30/06/2022	31/12/2022
Trade and other payables	293,250	264,546
Advance payments from customers	71,545	42,891
Accounts payable from related entities (Note 15)	4,422	2,027
Public authority creditors	51,431	37,925
Total	**420,648**	**347,389**

"Commercial Creditors and Other Accounts Payable" covers the accounts payable derived from commercial activity typical of the Group.

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

10.4 Other current liabilities

At 30 June, this item is broken down as follows:

	Thousands of euros	
	30/06/2023	31/12/2022
Outstanding remuneration	55,066	60,911
Sundry creditors	18,449	15,241
Other liabilities	67	118
Total	**73,582**	**76,270**

Outstanding remuneration mainly includes the accrual of fixed and variable salaries which are unpaid, as well as provisions for holidays not taken.

11. TAX NOTE

The companies that make up NH Hotel Group have calculated a provision for Corporate Income Tax at 30 June 2023 by applying current regulations in each country where they operate and, specifically with regard to those companies based in Spain, by applying the rules contained in Law 27/2014, of 27 November.

In the first half of the financial year 2023, the net impact from the movement of credits from tax losses is the consumption thereof as reflected in the statement of profit and loss via a spending of 10.8 million euros.

Pillar 2 Directive

On December 15th 2022, the Pillar 2 Directive was adopted (Directive UE2022/2523), which means that large multi-nationals with an overall turnover of more than 750 million euros in two of the four previous financial years will have to pay a minimum level of taxation of 15% in any territory they are located in. At this time, the Directive is pending transposition in member states. The first period affected by this Directive is expected to be the period starting January 1st, 2024. The Group is evaluating the future potential impacts of this directive, however, given that it is awaiting transposition, no quantitative information is included in this regard

12. PROVISIONS

The breakdown of Provisions and the main movements recognised is as follows:

	Thousands of euros	
	30/06/2023	31/12/2022
Non-current provisions:		
Provision for long-term incentives for staff	6,006	3,612
Provision for pensions and similar obligations	20,261	20,511
Other claims	14,041	17,880
	40,308	**42,003**
Current provisions:		
Other Provisions	1,189	7,339
	1,189	**7,339**
Total	**41,497**	**49,342**

Long-Term Incentive Plan

The Company introduced its Long-Term Incentive Plan 2022-2025 (“Performance Cash Plan”) in 2022, under which a cash amount is to be paid out when certain established targets are met.

The plan has a duration of five years and is divided into three cycles, with each cycle lasting as follows:

- First cycle 2022-2023, payment of which will occur in 2024.
- Second cycle 2022-2024, payment of which will occur in 2025.
- Third cycle 2023-2025, payment of which will occur in 2026.

The third cycle of the plan was proposed to, and approved by, the Board on 22 February 2023.

These plans consist of the promise to provide a cash amount to the beneficiaries. The final amount to be provided is conditional on the level of compliance with the EBITDA / Recurring Net Profit in each year of the plan.

The degree to which the EBITDA/Net Profit targets are achieved for each cycle is calculated as follows:

- If the degree to which the EBITDA/Recurring Net Profit targets for the Group are achieved falls below 90%, no long-term incentive amount will be paid.
- If the degree to which the EBITDA/Recurring Net Profit targets for the Group are achieved is between 90% and 100%, 100% of the long-term incentive amount will be paid.
- If the degree to which the EBITDA/Recurring Net Profit targets for the Group are achieved is 120% or higher, a maximum of 120% of the long-term incentive amount will be paid.

The Plan is aimed at approximately 100 beneficiaries.

Other claims

This includes provisions for disputes and risks that the Group considers likely to occur. Among the most significant are the provisions created for claims received in relation to the termination of certain lease contracts where certain amounts are claimed (Note 13). The most significant decrease stems from the agreement reached to put an end to a claim that arose in the first quarter of 2023.

13. CLAIMS IN PROCESS

Note 22 of the report on the consolidated annual accounts corresponding to the financial year ending 31 December 2022 describes the guarantees provided to third parties and the main litigation of a fiscal and legal nature affecting the Group at that date. Updates are included below on the information provided in those consolidated annual accounts:

- As regards the legal action brought against a Group company in Germany claiming damages as a result of the termination of a lease agreement, an agreement was reached between the parties to end the claim.
- As regards the legal action brought against a Group company in Italy due to the early termination of a lease agreement, a ruling was issued that wholly dismisses the appeal that was brought, confirming the ruling in favour of the company's interests.
- As regards the legal action brought against a Group company in Italy claiming damages under a service contract, the appeal lodged to the contrary was dismissed, confirming the ruling issued at first instance in favour of the company's interests, although this ruling has yet to become final.
- As regards the legal action brought against a Group company for damages in the context of a corporate relationship, which was wholly dismissed on appeal, a further appeal has been lodged which has yet to be heard.
- On 4 January 2023, the tax act for 5.791 thousand euros with agreement signed with the Dutch tax authority was paid (see Note 22 of the Consolidated annual accounts for 2022).

The aforementioned updates have been recorded in the condensed consolidated income statement at 30 June 2023.

At 30 June 2023, the Directors of the Parent Company considered that the hypothetical loss incurred by the Group as a result of the ongoing litigation will not significantly affect its equity.

14. INCOME AND EXPENSES

14.1 Income

The breakdown of these headings in the consolidated income statements is as follows:

	Thousands of euros	
	30/06/2023	30/06/2022
Hotel occupancy	750,179	525,669
Catering	182,091	128,787
Function rooms and others	67,129	48,236
Rentals and other services	26,107	18,585
Revenue	**1,025,506**	**721,277**
Operating subsidies	(986)	17,704
Other operating income	2,539	2,426
Other income	**1,553**	**20,130**
Net gains on disposal of non-current assets	**354**	**1,377**
Total	**1,027,413**	**742,784**

The increase in net turnover arose from the recovery of business after the COVID-19 pandemic, mainly in the first quarter of the period when compared with the previous year.

Aid received of 3.8 million euros has been recorded under the Operating subsidies line, subsidies received from the German and Italian governments to offset the drop in sales caused by COVID-19. Nonetheless, a reversion of 4.8 million euros has been recorded, which corresponds to the adjustment made to the estimated aid to have been received from the Austrian government. Said government is conducting a review of the accounts justifying the requested financial aid and the amounts recorded cannot therefore be considered final until that process is complete.

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

14.2 Profit/loss from operations

Staff costs

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

	Thousands of euros	
	30/06/2023	30/06/2022
Wages, salaries and similar	195,063	152,851
Social security contributions	47,353	37,177
Severance payments	1,005	(81)
Contributions to pension plans and similar	6,334	5,547
Other social expenses	8,100	5,524
Total	**257,855**	**201,018**

The increase in staff costs can be explained by the increased activity in its hotel business. In addition, a saving is registered under the heading of wages, salaries and similar owing to the subsidies and tax credits received from governments amounting to 6.8 million euros (11.6 million euros at 30 June 2023).

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in the year broken down by professional category was as follows:

	30/06/2023	30/06/2022
Group's general management	9	8
Managers and heads of department	1,517	1,437
Technical staff	1,013	869
Sales representatives	824	647
Administrative staff	137	135
Rest of workforce	8,459	7,300
Total	**11,959**	**10,396**

In calculating the average number of employees, the Group has not taken into account employees whose contracts have a duration of less than two days. The increase in the average number of employees is explained by the reactivation of the business after COVID-19.

The breakdown of personnel at 30 June 2023 and in 2022 by gender and professional category is as follows:

	30/06/2023		30/06/2022	
	Males	Females	Males	Females
Group's general management	7	2	7	2
Managers and heads of department	881	681	818	627
Technical staff	530	553	464	422
Sales representatives	270	627	209	497
Administrative staff	49	94	47	85
Rest of workforce	4,707	4,918	3,845	3,974
Total	**6,444**	**6,875**	**5,390**	**5,607**

The average number of people with disabilities equivalent to or greater than 33%, directly employed by the Parent Company and fully consolidated companies in Spain, broken down by professional category, is as follows:

	30/06/2023	30/06/2022
Group's general management	—	—
Managers and heads of department	5	—
Technical staff	17	9
Sales representatives	2	2
Administrative staff	5	10
Rest of workforce	87	64
Total	**116**	**85**

Other operating expenses

The composition of this consolidated income heading is as follows:

	Thousands of euros	
	30/06/2023	30/06/2022
Leases	93,859	58,084
Outsourcing of services	71,993	52,319
Commissions and bonuses for customers	62,378	44,457
Supplies	48,592	32,954
Maintenance and cleaning	27,572	22,487
Laundry and related costs	23,385	16,447
Costs associated with information technologies	20,191	18,878
Marketing and merchandising	15,320	9,322
Taxes, insurance and levies	19,288	17,769
Advisory services	8,487	7,641
Other external services	51,133	42,610
Total	**442,198**	**322,968**

In the first half of 2023, the Group experienced an improvement to the level of activity in its hotel business, which led to an increase in some operational expenses directly related to the level of activity, such as the supplies, maintenance and cleaning and laundry service, among others. Also, the increase recorded in income from accommodation explains the increase in associated agency commission expenses and the cost of leases associated with variable rents.

15. 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 are stated below, distinguishing between major shareholders, members of the Board of Directors and Directors of the Parent Company and other parties that were related during the year even though they are no longer a shareholder at year end. The conditions of the related-party transactions are equivalent to those of transactions carried out under market conditions:

	Thousands of euros		
	30/06/2023		
Income and Expenses	Significant shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	1,558	—	1,558
Other expenses	1,277	—	1,277
	2,835	**—**	**2,835**
Income:			
Provision of services	101	—	101
Management or cooperation agreements	386	934	1,320
Other income	1,242	—	1,242
	1,729	**934**	**2,663**

	Thousands of euros		
	30/06/2023		
Income and Expenses	Significant shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	91	—	91
Other expenses	948	—	948
	1,039	**—**	**1,039**
Income:			
Management or cooperation agreements	1,612	700	2,312
Other income	377	—	377
	1,989	**700**	**2,689**

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 financial year by virtue of the hotel management agreement signed with the Minor Group.

Related party balances

	Thousands of euros	
	30/06/2023	31/12/2022
Accounts receivable from significant shareholders	2,153	2,414
Accounts receivable from associated companies (short term)	959	1,285
Loans to associates	—	10,969
Less: impairment	—	(9,502)
Total Assets	**3,112**	**5,166**

	Thousands of euros	
	30/06/2023	31/12/2022
Accounts payable to significant shareholders	(3,468)	(2,027)
Accounts payable to associate companies	(954)	(152)
Total	**(4,422)**	**(2,179)**

At 30 June 2023, the Group has a net balance pending payment of 1,315 thousand euros with the Minor Group (2,153 thousand euros recorded as an account receivable and 3,468 thousand euros as accounts payable). At 31 December 2022, the Group had a net balance pending receipt of 387 thousand euros with the Minor Group (2,414 thousand euros recorded as an account receivable and 2,027 thousand euros as accounts payable).

16. INFORMATION BY SEGMENTS

Note 26 of the report on the consolidated annual accounts of the Group corresponding to the financial year ending 31 December 2022 lists the criteria used by the Group to define its operational segments. There have been no changes to the segmentation criteria.

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

Thousands of euros	30/06/2023						
	BUSE		BUNE		BUAM	Central Services	TOTAL
	Italy	Southern Europe and USA	Central Europe	Benelux			
Revenue	216,823	298,477	219,511	220,569	70,004	122	1,025,506
Other income	1,455	400	(2,193)	405	166	1,320	1,553
Net Profits/(Losses) from asset impairment	—	2	—	—	—	—	2
Depreciation	(26,423)	(40,873)	(42,522)	(20,555)	(6,075)	(8,580)	(145,028)
Financial income	3	432	163	15	3,144	1,498	5,255
Financial expenses	(9,814)	648	(28,502)	(11,891)	(5,458)	(17,236)	(72,253)
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	890	—	890
Share of profit/(Loss) from entities accounted for the equity method	—	—	—	—	489	178	667
Income tax	(12,353)	(13,137)	645	(5,498)	(2,904)	2,995	(30,252)

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

	Thousands of euros						
	30/06/2023						
	TOTAL	BUSE		BUNE		BUAM	Central Services
		Italy	Southern Europe and USA	Central Europe	Benelux		
OTHER INFORMATION							
Inclusions of tangible fixed assets and other intangibles	72,105	24,377	11,318	10,838	13,613	6,389	5,570
Depreciation	(145,028)	(26,423)	(40,873)	(42,522)	(20,555)	(6,075)	(8,580)
Profits/(Losses) from asset impairment	2	—	2	—	—	—	—
STATEMENT OF FINANCIAL POSITION							
ASSETS							
Assets by segments	4,168,709	739,049	952,173	1,031,660	887,468	369,090	189,269
Investments accounted for using the equity method	46,070	—	928	—	—	5,559	39,583
Total consolidated assets	**4,214,779**	**739,049**	**953,101**	**1,031,660**	**887,468**	**374,649**	**228,852**
LIABILITIES							
Liabilities and equity by segments	4,214,779	739,049	953,101	1,031,660	887,468	374,649	228,852
Total Consolidated Liabilities and Equity	**4,214,779**	**739,049**	**953,101**	**1,031,660**	**887,468**	**374,649**	**228,852**

	Thousands of euros						
	31/12/2022						
	TOTAL	BUSE		BUNE		BUAM	Central Services
		Italy	Southern Europe and USA	Central Europe	Benelux		
OTHER INFORMATION							
Inclusions of tangible fixed assets and other intangibles	55,368	10,809	9,727	11,436	10,797	6,571	6,028
Depreciation	(277,323)	(49,437)	(80,922)	(77,984)	(41,157)	(11,430)	(16,393)
Profits/(Losses) from asset impairment	6,815	6,812	4,330	1,875	6,936	(13,138)	—
STATEMENT OF FINANCIAL POSITION							
ASSETS							
Assets by segments	4,067,364	702,788	828,081	1,069,082	861,060	339,742	266,611
Investments accounted for using the equity method	41,935	—	929	—	—	4,620	36,386
Total consolidated assets	**4,109,299**	**702,788**	**829,010**	**1,069,082**	**861,060**	**344,362**	**302,997**
LIABILITIES							
Liabilities and equity by segments	4,109,299	702,788	829,010	1,069,082	861,060	344,362	302,997
Total Consolidated Liabilities and Equity	**4,109,299**	**702,788**	**829,010**	**1,069,082**	**861,060**	**344,362**	**302,997**

17. REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Note 27 of the report on the consolidated annual accounts of the Group corresponding to the financial year ending 31 December 2022 lists the existing agreements on remuneration and other benefits to the members of the Board of Directors of the Parent Company and to Senior Management.

Below is a summary of the most significant information regarding such remuneration and benefits corresponding to the six month periods ending 30 June 2023 and 2022:

	Thousands of euros	
	30/06/2023	30/06/2022
Fixed remuneration	761	550
Short-term variable remuneration	416	318
Long-term variable remuneration	—	265
Parent Company: allowances	—	2
Parent Company: attendance allowances	144	170
Transactions in shares and other financial instruments	—	—
Others	20	15
Remuneration item	**1,341**	**1,320**
Life insurance premiums	6	5
Other benefits	**6**	**5**
Member of the Board of Directors:	**1,347**	**1,325**
Total remuneration received by executives	1,227	1,301
Others	368	294
Senior Management excluding Members of the Board:	**1,595**	**1,595**

Calculation of the amounts indicated in the Senior Management section has considered the remuneration (on a duly pro-rata basis) of the six people (excluding the Executive Director, Chief Operations Officer and Chief Assets and Development Officer) that provided their services to the Company as members of Senior Management at 30 June 2023. The heading of Senior Management remuneration includes the economic evaluation of the remuneration in kind and the accrual at 100% of the variable remuneration corresponding to the first half of 2023. The heading of Others considers the objective long-term remuneration accrued during the first half of 2023.

At 30 June 2023, there are six members of Senior Management, including the new Chief Strategy Officer appointed on 1 January 2023. The CEO, Chief Operations Officer and Chief Assets and Development Officer are not included as members of Senior Management due to their status as Executive Directors.

On 29 June 2023, following a proposal from the Appointments, Remuneration and Corporate Governance Committee and in light of the three vacancies arising from Members of the Board stepping down after the Ordinary General Shareholders Meeting held on the same day, the Board of Directors approved the co-opted appointment of three new Independent Members of the Board. This brings the final total number of members at 30 June to ten people, seven men and three women.

The remuneration in kind (vehicles and health insurance) of Members of the Board is included under “Others”.

18. SUBSEQUENT EVENTS

In July 2023, the Parent Company faced the natural maturity of a bilateral loan amounting to 50,000 thousand dollars that was signed in 2018 and the funds from which were used to undertake the refurbishment of the hotel NH Collection New York Madison Avenue in New York (Note 10).

Consolidated interim management report on the six month period ending 30 June 2023

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 351 hotels and 55,529 rooms in 30 countries, and has a significant presence in Europe.

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

This flexible operational and financial structure has enabled the Group to overcome the huge challenges of previous years due to the low level of demand. In the medium term, the Group will continue to benefit from brand recognition, its excellent locations and strong market positioning in Europe. It should be pointed out that in 2023, according to the Brand Finance Hospitality study, we were recognised as the highest-value Spanish brand, the sixth in Europe and among the top 25 worldwide.

The recovery that began in 2021 after the economic crisis caused by the Covid-19 pandemic was consolidated during 2022. Thus, the world economy grew by +3.4%, compared to +6.3% growth in the previous year[1].

The measures to combat high inflation, the Russian war in Ukraine and the resurgence of COVID-19 in China slowed down worldwide economic activity in 2022, and the first two factors continue to do so in 2023.

The global economy seems to be on the verge of a gradual recovery following the tough blows of the pandemic and the war in Ukraine. China is bouncing back strongly since the reopening of its economy. Supply chain disruptions are dissipating, while distortions in energy and food markets caused by the war are abating. At the same time, the important and synchronised contraction of monetary policy undertaken by most of the world's central banks should begin to show results and inflation should ease towards target levels.

The growth rates in 2022 of the four countries that bring the greatest proportion of the Group's sales and profits were: Spain (+5.5% in 2022 vs. +5.5% in 2021), the Netherlands (+4.5% in 2022 vs. +4.9% in 2021), Germany (+1.8% in 2022 vs. +2.6% in 2021), and Italy (+3.7% in 2022 vs. +7% in 2021). On the other hand, growth in Latin America was +4% in 2022 vs. +7% in 2021.

Inflation is proving to be more rigid and persistent than anticipated. Even though global inflation has fallen, this is mainly due to a fall in energy and food prices. Core inflation, however, which excludes such volatile components as energy and food, has yet to reach its peak in many countries. It is forecast that worldwide inflation will decrease from 8.9% in 2022 to 6.1% in 2023 and to 4.1% in 2024, levels which are far higher than the target and still higher than those seen prior to the pandemic (2017-2019) of around 3.5%.

Therefore, the estimate is for +2.8% growth in world economic activity in 2023 (+3.4% in 2022 vs. +6.3% in 2021). More specifically, in the Eurozone, +0.8% growth is estimated in 2023 (+3.5% in 2022 vs. +5.4% in 2021).

The latest UNWTO World Tourism Barometer indicates that recovery by the sector will remain rapid in 2023. According to the WTO, international arrivals reached 80% of pre-pandemic levels in the first quarter of 2023. It is estimated that, in these three first months, 235 million tourists made international trips; more than double the figure from the same period of 2022. According to the data reviewed for 2022, there were more than 960 million international tourist journeys last year; that is, two-thirds (66%) of the pre-pandemic figures. Europe reached 90% of the pre-pandemic level thanks to strong intra-regional demand, while the Americas reached 85% of the levels recorded in 2019. In terms of the income from European tourism, this reached 87% of the pre-pandemic figure while a level of 68% was reached in the Americas.

The rapid recovery in the Group's results should be noted. This can be explained by the operational and financial transformation undertaken in the years prior to the pandemic, as well as the measures adopted during the pandemic.

The excellent performance of the group in the years prior to the pandemic is the result of a complete transformation, particularly brand segmentation, portfolio optimisation, significant investment in repositioning and systems, the focus on efficiency and cost control, and the reduction of financial indebtedness.

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

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

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

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

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

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

In 2021, in order to adapt to the new trends among business travellers, 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 focus on the corporate segment towards SMEs, which were the first to resume business and have enabled us to extend this segment of corporate customers.

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

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

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

Furthermore, NH Hotel Group proactively implemented a series of initiatives in 2021 to boost the Group’s capital structure. These included a share capital increase, the refinancing and extension of interest-bearing debt maturity and the divestment of an important asset via a sale & leaseback operation. These milestones have enabled a recovery by the sector to be approached from the best possible financial position and have led to a rapid reduction in the financial borrowing that began in 2021 and continued until 2023.

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

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

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

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

In its use of quality indicators, the NH Hotel Group focuses on measuring quality using new sources of information and surveys with a significant increase in the volume of reviews and number of assessments received. The average score on TripAdvisor in the first six months of 2023 was 8.5, compared with 8.4 in December 2022. Additionally, the average Google Reviews score was 8.8, compared with 8.7 in December 2022. These average scores demonstrate the high levels of quality perceived by customers of NH Hotel Group.

On the other hand, the Group began operating five new hotels in 2023; in Bern, Coimbra, Alvor, Frankfurt and Trieste, adding 1,237 more rooms. The Group, therefore, reached a total of 351 hotels with 55,529 rooms at 30 June 2023. In addition, one hotel in Trieste with a total of 131 rooms was added in the first six months of 2023.

Revenues in the first half of 2023 totalled 1,025.5 million euros, an increase of 42% (+721.3 million euros). The Profit for the year attributable to the Parent Company Shareholders was 45 million euros, compared with (15.3) million euros in the first half of 2022.

Gross borrowing this year decreased from 610.7 million euros in December 2022 to 540.3 million euros in June 2023. At 30 June 2023, cash and cash equivalents amounted to 292.4 million euros (301.8 million euros at 31 December 2022). Furthermore, this liquidity is complemented by the syndicated credit facility for 242 million euros (fully available at June 2023 and at year-end 2023) and some available credit facilities at June 2023 for 38.7 million euros (25 million euros available at December 2022).

As a result of the business' strong recovery since the first part of financial year 2022, and the improvement to the financial position, NH Hotel Group's credit rating has been favourably revised by the rating agencies. On 29 March 2023, Moody's improved this credit rating from "B3" to "B2" with a stable outlook. In addition, on 27 April 2023, Fitch improved its stable outlook to positive, revising the individual rating of NH from "B" to "B+". 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 and the 30-day share purchase process in the market that concluded on 8 June 2023, Minor currently owns 417,728,222 shares in NH Hotel Group, S.A. representing 95.87% of its share capital. Since 2018, the two companies have begun to explore joint value creation opportunities for the coming years.

ETHICS

Compliance System

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

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

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

Code of Conduct.

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

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

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

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

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

The Code of Conduct is periodically reviewed by the Compliance Office in order to adapt and update its content in the event this is necessary. In 2022, the Company's Board of Directors approved an update to the Code of Conduct to adapt the Code to the recent legislative developments, observe the new legal requirements and follow the standards and best practices, with whistleblower anonymisation options being a highlight. The head of Internal Audit manages the confidential and anonymous Reporting Channel. The procedure for managing complaints received via the reporting channel is specified in detail in the Code of Conduct and published on the corporate website. This procedure guarantees confidentiality and respect in every phase, and protects against retaliation.

So far in 2023, there have been 17 reports of alleged breaches of the Code of Conduct received, all of which were investigated, with appropriate disciplinary measures being taken in the two cases received.

Compliance Committee

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

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

The Company has set up local Compliance Committees at the business units in those countries where it has the strongest presence and business. Furthermore, NH Hotel Group began to implement its own compliance programme in Portugal and Colombia in 2022.

So far in 2023, there have been two meetings of the Compliance Committee (in April and July).

Compliance Office

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

Anti-Corruption and Fraud Policy

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

- Zero tolerance of bribery and corruption in the private and public sectors
- Behaviour must be appropriate and legal
- Transparency, integrity and accuracy in financial information
- Regular internal control

- Local legislation shall take precedence if stricter

Anti-money laundering policy

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

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

RISK MANAGEMENT

Risk management governance

The Company's Board of Directors is responsible for overseeing the risk management system, in line with the provisions of Article 5 of the Regulation of the Board of Directors. As regulated by Section 3 of article 25 b) of the Regulation of the Company's Board of Directors, the Audit and Control Committee supports the Board of Directors in supervising the effectiveness of the internal control, internal audit and the risk management systems, including tax risks. In that regard, during 2023, a control and monitoring process of the Company's main risks has been carried out.

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

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

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

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

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

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

Risk management model

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

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

1. To adopt adequate governance in relation to the Company's risk management, as well as promoting an appropriate risk management culture.
2. To ensure that the Company's defined objectives are aligned with its strategy and risk profile.

3. To identify, evaluate and prioritise the most significant risks that could affect achievement of strategic objectives. To identify measures to mitigate these risks, as well as establish action plans based on the Company's tolerance to risk.

4. To follow-up on the action plans established for the main risks, within a continuous improvement model framework.

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. In 2023, the Company has updated its risk catalogue (78 risks) and the Board of Directors is expected to revise and approve the updated corporate risk map at its meeting on 15 November 2023.

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

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

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

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

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

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

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

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

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

Apart from this classification, the Company has identified emerging risks and ESG risks that it particularly monitors (described in the annual non-financial information report). In 2023, NH Hotel Group reviewed its Human Rights, Environment and Fraud risks analysis that was carried out in early 2022.

SUSTAINABLE BUSINESS STRATEGY

In order to focus the business model on a hotel model that is committed to sustainable development, NH Hotel Group is using its Sustainable Business Strategy to create value for the various stakeholders wherever it does business.

The fight against climate change is a fundamental strategic value for the Company and, in order to make progress on defining its climate strategy, an analysis has been conducted to determine where the Company stands regarding the recommendations from the TCFD (*Task Force on Climate-related Financial Disclosures*). Furthermore, regarding the ambition to operate in a decarbonised world, NH Hotel Group has redefined its carbon emissions reduction target throughout its value chain in order to bring it into line with the global ambitions to keep temperature rises below 1.5 ºC. To that end, the Company has set up an "SBT 2030" task force involving all the areas with a key role in reducing carbon emissions by the company.

Against this backdrop, the Company has an impact and influence capacity on a total of 11 Sustainable Development Goals, focusing the strategy on two of them: SDG 11 on sustainable cities and communities; and SDG 8 on *decent work and economic growth*.

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

UP FOR PLANET

The Company's environmental strategy is channelled through UP FOR PLANET, in which a roadmap is defined to comply with the commitments made to fight climate change and advance towards decarbonisation, efficient management and responsible consumption, and to circulate resources and develop more sustainable products.

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

• SUSTAINABLE PRODUCTS AND ASSETS

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

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

• OPERATIONAL PROCESSES AND STANDARDS

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

It is worth highlighting that during FY22 the ratio of energy consumption per occupancy and the ratio of water use per occupancy decreased by 35% and 25%, respectively, when compared to the previous year.

• SUSTAINABLE PURCHASING

With this pillar, NH Hotel Group strengthens its sustainable value chain, prioritising key alliances, increasing consumption from local suppliers and responsible organisations. NH Hotel Group's relationship with its suppliers is based on communication and transparency to promote the development of innovative, sustainable solutions.

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

UP FOR PEOPLE

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

Commitments from three stakeholders are managed under this pillar: *team members*, customers and communities.

• EMPLOYEES

The Company considers its team members 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.

Key projects are being worked on at present in line with the strategic plan for the People pillar, laying the foundations to launch strategic initiatives that are grouped into four main pillars:

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

It is noteworthy that, in Q4 FY22, the Company conducted the climate survey, talent calibrations, recognition programmes, and training and in-house development programmes, among other things. With all this, NH Hotel Group has continued to look after its teams and has given them tools to manage the uncertainty of past years, focussing on identifying, developing and retaining talent.

In the first half of 2023, the number of FTEs at the Parent Company and consolidated companies was 11,959, located in 28 countries, where 51.6% are women and 48.4% are men.

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

In addition, the Company will continue to strengthen its commitment to its *team members* by creating optimal working environments to maximise its *team members'* contribution.

- **CUSTOMERS**

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

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

– FASTPASS, incorporating new technologies that enable services like biometrics and facial recognition.

– Tablets in reception, offering the best services to customers, enabling check-in and check-out using a tablet connected to a PMS.

– Chromecast: enables the customer to send content from their mobile, tablet or PC to the room's television.

– Mobile Guest Service: digitises information services and functions of the stay at the hotel.

– Sustainable product: alternative sustainable ideas for all the elements defined in our hotels' standards.

- **COMMUNITIES**

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

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

In 2022, with these projects, NH Hotel Group has benefited more than 60,700 people.

These actions and commitments allow the NH Hotel Group to position itself as a sustainable Company that respects the surroundings in which it operates, in terms of both social and environmental matters, thereby increasing the value of its brands.

Sustainable Business Governance

The NH Hotel Group Board of Directors is responsible for overseeing the Sustainable Business Strategy, defined as one of the pillars upholding the Company's strategy.

Furthermore, the Company has a Sustainability Executive Committee that supports the Board of Directors in its duty to supervise the Sustainable Business strategy. This Committee is co-chaired by the Chief Assets & Development Officer and the Chief People & Sustainable Business Officer, and it is made up of members of the Company from different key areas with a direct impact on the NH Hotel Group strategy execution.

Sustainability recognitions

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

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

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

Finally, it should be noted that the NH Hotel Group has been listed in the FTSE4GOOD index since 2013 and renews its presence year after year thanks to the responsible management of the business and the improvements implemented.

SHARES AND SHAREHOLDERS

The share capital of NH Hotel Group, S.A. at the close of June 2023 comprised 435,745,670 fully subscribed and paid up bearer shares with a nominal 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 Commission before the end of every financial year, the most significant shareholdings at 30 June 2023 and 31 December 2022 were as follows:

	30/6/2023	31/12/2022
Minor International Public Company Limited ("MINT")	95.87%	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.

In addition, on 8 May 2023, MINT announced its decision to begin a purchase process in the market for shares in NH Hotel Group over a period of 30 days. As a result, between 10 May and 8 June 2023, MINT purchased 7,544,225 shares and increased its position in NH Hotel Group to 417,728,222 representative shares or 95.87% of the share capital of NH Hotel Group.

The average share price of NH Hotel Group, S.A. in the first half of 2023 was 4.21 euros per share (3.25 euros in the first half of 2022). The lowest share price of 2.96 euros per share (2.94 euros in March 2022) was recorded in January and the highest share price of 4.84 euros per share in June (4.03 euros in June 2022). The market capitalisation of the Group at the close of June 2023 stood at 1,919.46 million euros.

At 30 June 2023, the Group had 90,587 treasury shares (all referring to the liquidity contract), compared to 92,915 treasury shares at 31 December 2022. The movement in treasury shares in the period is wholly explained by the liquidity contract operation.

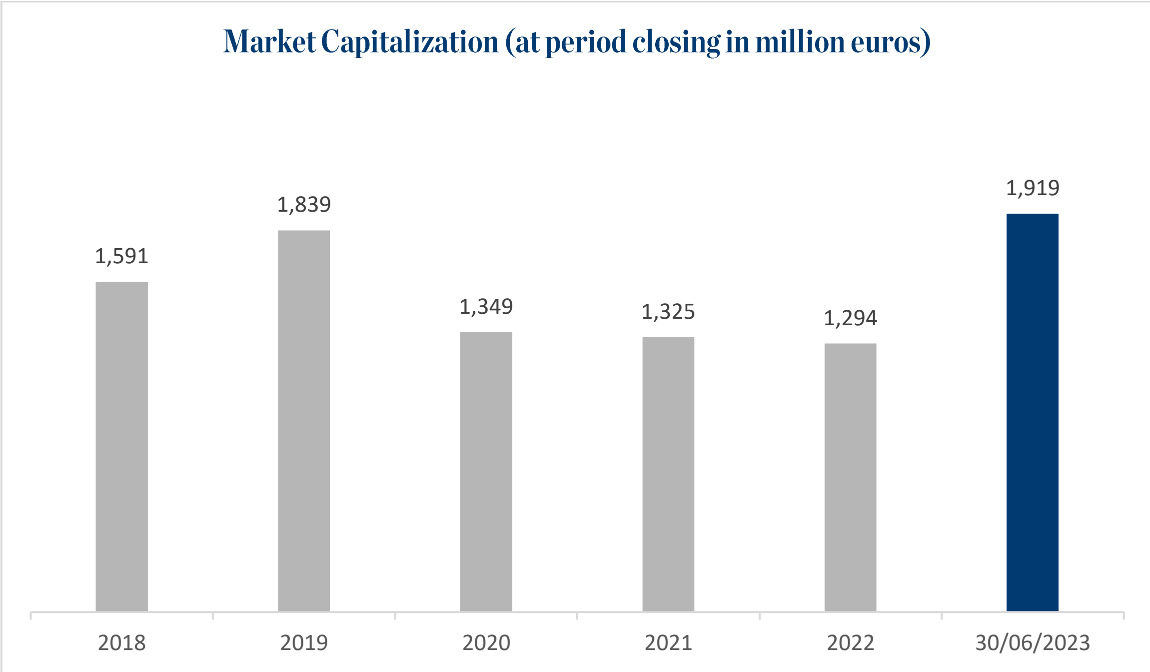
Liquidity contract for treasury shares management

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

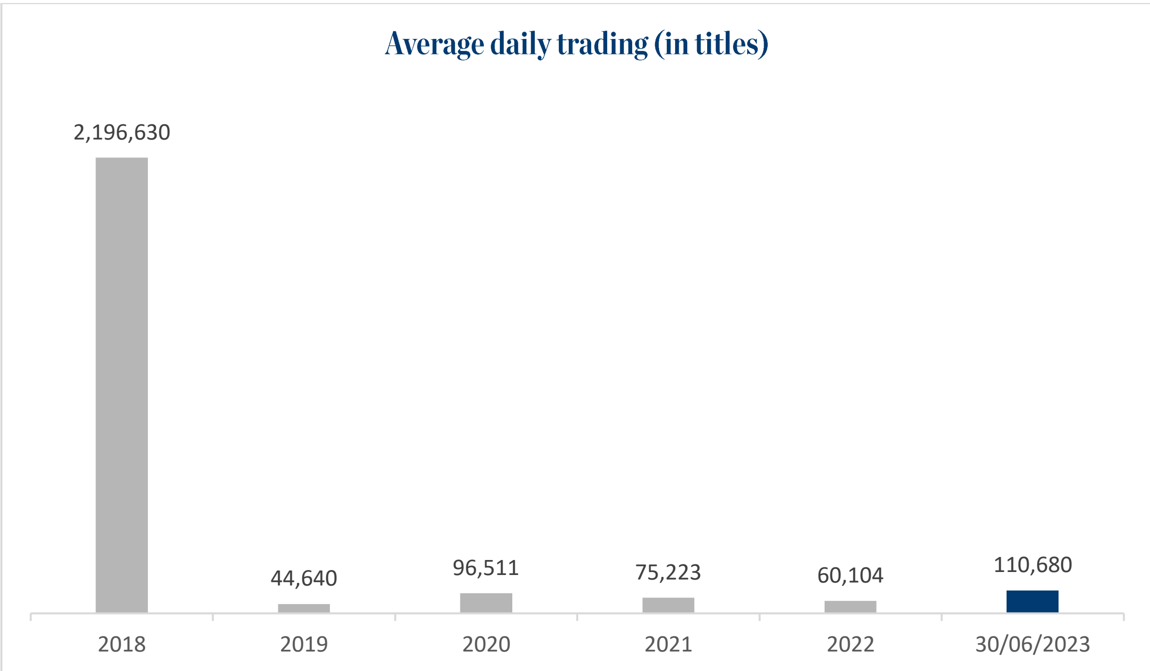
This contract is in accordance with the liquidity contract model in Circular 1/2017 of 26 April from the National Securities Market Commission on liquidity contracts for the purpose of its acceptance as a market practice.

The total number of shares allocated to the securities account associated with the Liquidity Contract at 30 June 2023 is 90,587 shares and the amount allocated to the cash account is 332,432 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.



In the first half of 2023, 13,945,799 shares in NH Hotel Group, S.A. were traded on the Continuous Market (7,957,162 shares in the first half of 2022) with average daily share trading on the Continuous Market of 110,680 shares (62,654 shares in the first half of 2022).



EVOLUTION NH HOTEL GROUP vs. IBEX 35

1 JANUARY 2018 - 30 JUNE 2023

FUTURE OUTLOOK

There are indications that the tightening of monetary policy is starting to cool off demand and inflation, but the full impact will probably not materialise before 2024.

It is anticipated that world growth, which was estimated at 3.4% in 2022, will fall to 2.8% in 2023 and later bounce back to 3% in 2024, lower than the pre-pandemic annual average of 3.8%.

The prognosis for slower growth in 2023 is due to the central banks' interest rate rises to combat inflation - particularly in advanced economies - and the war in Ukraine. The forecast bounceback in 2024 reflects the gradual recovery from the effects of the war in Ukraine and inflation being brought under control.

In the first quarter of 2023, international inbound tourist levels have recovered to between 80% and 95% of the corresponding pre-pandemic levels. The WTO believes that the high season (May to August) will produce good results in the northern hemisphere. This is also reflected in the latest Confidence Index, which heralds even better results than in 2022 for this period.

That said, the recovery in tourism faces a number of challenges. According to the WTO Expert Group, the main factor weighing on a real recovery in international tourism in 2023 is an economic situation affected by persistent inflation, high interest rates and high oil prices, leading to increased transport and accommodation costs.

EVENTS AFTER THE REPORTING PERIOD

In July 2023, the Parent Company faced the natural maturity of a bilateral loan amounting to 50,000 thousand dollars that was agreed in 2018 and the funds from which were used to undertake the refurbishment of the hotel NH Collection New York Madison Avenue in New York.

NH HOTEL GROUP, S.A. and Subsidiaries

DIRECTORS' DECLARATION OF RESPONSIBILITY FOR THE PURPOSES OF THE PROVISIONS OF ARTICLE 100 OF SPANISH LAW 6/2023, OF 17 MARCH, ON STOCK MARKETS AND INVESTMENT SERVICES.

The Directors of NH HOTEL GROUP, S.A. state that, to the best of their knowledge, the Condensed Consolidated Interim Financial Statements and their explanatory Notes and the Consolidated Interim Management Report corresponding to the six-month period ending 30 June 2023 for NH HOTEL GROUP, S.A. and Subsidiaries, drafted at the meeting of the Board of Directors held on 26 July 2023 and prepared in accordance with applicable accounting principles, offer a true and fair image of the assets, the financial situation and the results of NH HOTEL GROUP, S.A. and the companies included in the scope of consolidation overall, and that the Consolidated Interim Management Report includes a true and fair analysis of the information required.

As a result, the Directors of NH HOTEL GROUP, S.A. sign the Condensed Consolidated Interim Financial Statements and their explanatory Notes and the Consolidated Interim Management Report corresponding to the six-month period ending 30 June 2023 for NH HOTEL GROUP, S.A. and Subsidiaries.

Mr. EMMANUEL JUDE DILLIPRAJ RAJAKARIER

Mr. RAMÓN ARAGONÉS MARÍN

Mr. KOSIN KENNETH CHANTIKUL

Mr. STEPHEN ANDREW CHOJNACKI

Ms. MIRIAM GONZÁLEZ-AMÉZQUETA LÓPEZ

Mr. WILLIAM ELLWOOD HEINECKE

Ms. LAIA LAHOZ MALPARTIDA

Mr. TOMÁS LÓPEZ FERNEBRAND

Mr. RUFINO PÉREZ FERNÁNDEZ

Ms. MARIA SEGIMÓN DE MANZANOS

NOTE added by the Secretary to the Board of Directors, to record that the Declaration of Responsibility above has been signed by all members of the Board of Directors in accordance with the Condensed Consolidated Interim Financial Statements and their explanatory Notes and the Consolidated Interim Management Report of NH HOTEL GROUP, S.A. and Subsidiaries, corresponding to the six-month period ending 30 June 2023, which were drawn up at the meeting of the Board of Directors held on 26 July 2023, the signature of the signing Director appearing together with his or her respective name and surnames. It is hereby stated that (i) Mr. Ramón Aragonés Marín affixes his signature in the name and on behalf of the Directors Mr. Emmanuel Jude Dillipraj Rajakarier, Mr. Kosin Chantikul, Mr. Stephen Andrew Chojnacki and Mr. William Ellwood Heinecke, and (ii) Ms María Segimón de Manzanos affixes her signature in the name and on behalf of the Director Mr. Tomas López Fernebrand.

Mr. Stephen Andrew Chojnacki and Mr. Tomas López Fernebrand delegated their representation and vote in the aforementioned Board of Directors, respectively, to Mr. Emmanuel Jude Dillipraj Rajakarier and María Segimón de Manzanos, by virtue of express delegation. Mr. Emmanuel Jude Dillipraj Rajakarier, Mr. Kosin Chantikul and Mr. William Ellwood Heinecke attended personally by videoconference, expressly authorising Mr. Ramón Aragonés Marín during the session of the Board of Directors to sign as many documents as necessary for the purpose of drafting the Condensed Consolidated Interim Financial Statements.

Of all this, I attest.

Madrid, 26 July 2023.

Carlos Ulecia Palacios
Secretary to the Board of Directors