

## **NH Hotel Group, S.A. and Subsidiaries**

Audit Report,  
Consolidated Annual Accounts and  
Consolidated Management Report  
at 31 December 2021



*Free translation of the independent auditor's report on the consolidated annual accounts originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.*

## **Audit report on the consolidated annual accounts issued by an independent auditor**

To the shareholders of NH Hotel Group, S.A

### **Report on the consolidated annual accounts**

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#### **Opinion**

We have audited the consolidated annual accounts of NH Hotel Group, S.A (the parent company) and subsidiaries (the Group), consisting of the consolidated balance sheets at 31 December 2021, the consolidated comprehensive profit and loss statement, the consolidated statement of changes in shareholders equity, the consolidated cash flow statement and the notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the Group's consolidated equity and financial position at 31 December 2021 and the consolidated results of its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

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#### **Basis for opinion**

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under these regulations are described below in the section *Responsibilities of the auditor in relation to the audit of the consolidated annual accounts*.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, applicable to our audit of the consolidated annual accounts in Spain, as required by auditing regulations. In this respect, we have not provided any services other than audit services, nor have any situations or circumstances arisen that, in accordance with those regulations, might have undermined said independence.

We consider that the audit evidence obtained provides a sufficient and appropriate basis for our opinion.

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#### **Key audit matters**

Key audit matters are those that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts for the current period. These matters have been addressed in the context of our audit of the consolidated annual accounts as a whole and in the preparation of our opinion thereon, and we do not express a separate opinion on these matters.

Key audit matters	How the matters were addressed in the audit
<b>Recoverability of assets associated with the hotel business</b>	
<p>The Group carries out its business through 353 hotels. All assets associated with the hotel business include goodwill, right-of-use assets, property, plant and equipment and other intangible assets whose carrying amounts at 31 December 2021 total EUR 96 million (note 9), EUR 1,592 million (note 8), EUR 1.519 million (Note 7) and EUR 127 million (note 10), respectively, representing 81% of total assets.</p>	<p>Our audit procedures included, among others</p> <p>Understanding the methodology employed and evaluation of the controls in place in the Group's asset recovery analysis processes.</p>
<p>The Group assesses its assets for signs of a decline in value each year and if they exist, and in any event, with respect the recoverability of goodwill, it assesses whether there is impairment requiring the write-down of the carrying amounts of the assets, calculated as described in notes 4.2 and 4.4 to the consolidated annual accounts.</p>	<p>Obtaining from management of the impairment tests carried out, to which we applied the following procedures, assisted by our internal experts:</p>
<p>Group management considers when estimating the recoverable amount of each cash generating unit (CGU) the higher of fair value less costs to sell and value in use; value in use is calculated based on expected future cash flows applying expected discount and growth rates, in accordance with the business plans approved by management.</p>	<ul style="list-style-type: none"> <li>• Verification of the reasonableness of the procedures and methods used to perform the impairment tests.</li> <li>• Assessment of the reasonableness of the key assumptions and estimates included in the model in relation both to future cash flow forecasts and the key aspects included in the estimation of the cash flows, such as the method applied by management to estimate the discount rates within an acceptable range.</li> <li>• Arithmetic verification of the calculations taken into consideration in the impairment test and assessment of the sensitivity analyses, including the ranges within which the key model assumptions should fluctuate in order to give rise to the impairment of assets or the reversal of existing provisions.</li> <li>• Evaluation of the sufficiency of the related information disclosed in the consolidated annual accounts.</li> </ul>
<p>As recognised in the consolidated comprehensive profit and loss statement, the Group has recognised a net reversal of impairment losses amounting to EUR 2.1 million (note 11.3).</p>	<p>The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.</p>
<p>In view of the significance of the judgements made by the group and the significant estimates carried out to perform such calculations, taking into account the quantitative relevance of such assets, and the existing health crisis caused by COVID-19 and its impacts, we consider that assessing the recoverability of the assets associated with the hotel business is a key audit matter (notes 1 and 2.7).</p>	

Key audit matters	How the matters were addressed in the audit
Recoverability of deferred tax assets	
<p>As recognised in the accompanying consolidated balance sheets, at 31 December 2021 deferred tax assets amount to EUR 294 million, of which, according to note 18 to the accompanying consolidated annual accounts, EUR 163 million relates to available tax credits.</p>	<p>Our audit procedures included, among others</p> <p>Gaining an understanding of the methodology employed and the evaluation of the controls in place in the Group's deferred tax asset recovery analysis processes.</p>
<p>When assessing whether the amount recognised in the consolidated annual accounts for these assets is recoverable, Group management takes into account, as mentioned in notes 4.10 and 18, forecasts of future tax profits, using the method defined to analyse the recovery of its assets, based on the assessment of the estimates of the results of each entity or tax group in accordance with the Group's strategic direction.</p>	<p>Obtaining the deferred tax asset recovery plans, to which we applied the following procedures:</p> <ul style="list-style-type: none"> <li>• Analysis, with the support of our tax experts, of the recoverability plans for such assets and obtaining evidence of the reasonableness of the projections and tax results for future years budgeted and included in recoverability plans.</li> </ul>
<p>In view of the significance of the judgements made by the Group and the significant estimates carried out to perform these calculations, taking into account the quantitative relevance of such assets, and the existing health crisis caused by COVID-19 and its impacts, we consider that assessing the recoverability of deferred tax assets is a key audit matter (notes 1 and 2.7).</p>	<ul style="list-style-type: none"> <li>• Evaluation of the sufficiency of the related information disclosed in the consolidated annual accounts.</li> </ul> <p>The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.</p>

#### Other information: Consolidated management report

Other information refers exclusively to the consolidated management report for 2021, the preparation of which is the responsibility of the parent company's directors, and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the consolidated management report, in accordance with prevailing audit legislation consists of:

- a) Solely verifying that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Director Compensation Report, referred to in the Audit Act, have been provided as established in applicable legislation and, if not, disclosing this fact.
- b) Assessing and reporting on the consistency of the other information included in the consolidated management report with the consolidated annual accounts, based on our knowledge of the Group obtained during the audit of the accounts, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated management report are consistent with applicable legislation. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) is provided in the manner stipulated in applicable legislation and the other information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2021 and its content and presentation comply with applicable legislation.

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**Responsibility of the directors and the Audit and Control Committee in relation to the consolidated annual accounts**

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The directors of the parent company are responsible for the preparation of the accompanying consolidated annual accounts such that they present fairly the Group's consolidated equity, financial situation and results in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for the internal control which they consider necessary to enable the preparation of consolidated annual accounts free from material misstatements, due to fraud or error.

In preparing the consolidated annual accounts, the parent company's directors are responsible for assessing the Group's capacity to continue as a going concern, disclosing, as appropriate, any going concern issues and applying the going-concern accounting principle, unless the directors intend to wind up the Group or cease trading, or have no realistic alternative but to do so.

The parent company's Audit and Control Committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

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**Responsibilities of the auditors in relation to the audit of the consolidated annual accounts**

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Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report containing our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated annual accounts.

As part of an audit conducted in accordance with prevailing auditing standards in Spain, we apply our professional judgement and maintain an attitude of professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated annual accounts whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.
- We assess whether the accounting policies applied are appropriate and the reasonableness of the accounting estimates and the related disclosures by the parent company's directors.

- We conclude on the appropriateness of the parent company's directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and assess whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and adequate evidence in relation to the financial information of the companies or the business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for managing, overseeing and carrying out the Group's audit. We are the solely responsible for our audit opinion.

We communicate with the parent company's audit and control committee in relation to, among other matters, the planned scope and timing of the audit and the significant audit findings, as well as any major internal control weakness that we identify in the course of our audit.

We also provide the parent company's audit and control committee with a statement to the effect that we have complied with applicable ethical requirements, including those of independence, and we have notified the Audit Committee of any issues that could reasonably pose a threat to our independence and, if appropriate, the relevant safeguards.

Among the matters notified to the parent company's audit and control committee, we determine those that have been of the greatest significance in the audit of the consolidated annual accounts for the current period and which therefore are key audit matters.

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

## **Report on other legal and regulatory requirements**

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### **European single electronic format**

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We have examined the digital files of the European Single Electronic Format (ESEF) of NH Hotel Group, S.A. and subsidiaries for 2021, consisting of the XHTML file, which includes the consolidated annual accounts for the year and the XBRL files with the entity's labels, which will form part of the annual financial report.

The directors of NH Hotel Group S.A are responsible for presenting the annual financial report for 2021 in accordance with the format and markup requirements contained in EU Delegated Regulation 2019/815 of 17 December 2018 of the European Commission (hereinafter ESEF). In this regard, the Annual Corporate Governance Report and Annual Director Compensation Report have been included as a reference in the consolidated management report.

Our responsibility consists of examining the digital files prepared by the parent company's directors, in accordance with prevailing audit legislation in Spain. Such legislation requires that we plan and carry out our audit procedures in order to verify whether the content of the consolidated annual accounts included in such digital files fully agrees with the consolidated annual accounts that we have audited and whether the format and markups of such consolidated annual accounts and files agree, in all material respects, with ESEF requirements.



NH Hotel Group, S.A. and subsidiaries

In our opinion, the digital files examined fully agree with the audited consolidated annual accounts and these are presented and marked up, in all material respects, in accordance with ESEF requirements .

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**Additional report for the parent company's audit and control committee**

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The opinion expressed in this report is consistent with the content of our additional report for the company's audit and control committee dated 24 February 2022.

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**Term of engagement**

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We were appointed auditors of the Group for a three-year period at the annual general meeting of shareholders held on 13 May 2019, that is, as from the year ended 31 December 2019.

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**Services provided**

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Non-audit services provided to the Group are detailed in note 25.4 to the accompanying consolidated annual accounts.

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PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Mariano Cortés Redín (21829)

24 February 2022

# **NH Hotel Group, S.A. and Subsidiaries**

Audit Report,  
Consolidated Annual Accounts and  
Consolidated Management Report  
at 31 December 2021

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## **NH Hotel Group, S.A. and Subsidiaries**

Consolidated Financial Statements for 2021 drawn up in accordance with the International Financial Reporting Standards adopted by the European Union.

**NH HOTEL GROUP, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS AT 31 December 2021 AND 31 December 2020**  
(Thousands of euros)

ASSETS	Note	31/12/2021	31/12/2020	NET ASSETS AND LIABILITIES	Note	31/12/2021	31/12/2020
<b>NON-CURRENT ASSETS:</b>				<b>EQUITY:</b>			
Property, plant and equipment	7 and 11	1,518,859	1,615,924	Share capital	16	871,491	784,361
Right-of-use assets	8 and 11	1,592,345	1,693,820	Reserves of the parent company	16.1	723,963	933,173
Investment Property		2,905	2,950	Reserves of fully consolidated companies		(555,894)	(349,898)
Goodwill	9 and 11	96,127	101,069	Reserves of companies consolidated using the equity method		(25,644)	(18,176)
Other intangible assets	10	126,948	128,137	Conversion differences		(147,865)	(162,932)
Deferred tax assets	18	294,005	273,013	Treasury shares and shareholdings	16.4	(308)	(367)
Investments accounted for using the equity method	12	40,922	41,773	Consolidated Profit/(Loss) for the period		(133,667)	(437,159)
Financial assets at fair value with change in profit/loss	13.1	2,334	1,985	<b>Equity attributable to the shareholders of the Parent Company</b>		<b>732,076</b>	<b>749,002</b>
Other financial assets at amortised cost	13.2	27,872	35,664	Non-controlling interests	16.5	48,998	49,582
<b>Total non-current assets</b>		<b>3,702,317</b>	<b>3,894,335</b>	<b>Total equity</b>		<b>781,074</b>	<b>798,584</b>
				<b>NON-CURRENT LIABILITIES:</b>			
				Debt instruments and other marketable securities	17	395,020	349,062
				Bank borrowings	17	389,943	623,011
				Leasing liabilities	8	1,673,018	1,809,120
				Deferred tax liabilities	18	186,359	171,519
				Other financial liabilities		504	904
				Other non-current liabilities	19	21,360	10,601
				Non-current liabilities	20	44,061	47,255
				<b>Total non-current liabilities</b>		<b>2,710,265</b>	<b>3,011,472</b>
				<b>CURRENT LIABILITIES:</b>			
<b>CURRENT ASSETS:</b>				Trade and other payables	21	256,676	188,493
Inventories		9,576	7,957	Accounts payable from related entities	26	824	613
Other current assets		13,228	5,383	Tax payables	18	32,140	22,589
Trade receivables	14	48,964	29,937	Bank borrowings	17	21,281	25,927
Other non-trade debtors	25.1	50,340	19,952	Leasing liabilities	8	252,335	250,619
Tax receivables	18	35,772	50,547	Debt instruments and other marketable securities	17	6,803	143
Accounts receivable from related entities	26	1,185	955	Other financial liabilities		63	105
Cash and cash equivalents	15	243,930	320,851	Other current liabilities	22	40,376	25,095
<b>Total current assets</b>		<b>402,995</b>	<b>435,582</b>	Current liabilities	20	3,475	6,277
<b>TOTAL ASSETS</b>		<b>4,105,312</b>	<b>4,329,917</b>	<b>Total current liabilities</b>		<b>613,973</b>	<b>519,861</b>
				<b>NET ASSETS AND LIABILITIES</b>		<b>4,105,312</b>	<b>4,329,917</b>

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated balance sheet at 31/12/2021. The consolidated balance sheet at 31/12/2020 is presented solely for the purposes of comparison.

**NH HOTEL GROUP, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT FOR THE YEARS 2021 AND 2020**  
(Thousands of euros)

	Note	2021	2020
Revenues	25.1	746,484	536,150
Other operating income	25.1	86,940	7,852
Net gains on disposal of non-current assets	7, 8, 10 and 25.1	65,108	(475)
Procurements		(32,073)	(25,378)
Staff costs	25.3	(268,614)	(268,174)
Amortisation of right of use	8	(172,774)	(186,310)
Depreciation on tangible fixed assets and intangible assets	7 and 10	(107,454)	(116,167)
Net Profits/(Losses) from asset impairment	7, 8, 9, 10 and 11	2,131	(76,258)
Other operating expenses	25.4	(318,597)	(249,481)
Gains on financial assets and liabilities and other		(966)	(222)
Profit (Loss) from entities valued through the equity method	12	(1,447)	(7,468)
Financial income	25.2	3,411	1,716
Change in fair value of financial instruments		1,815	323
Financial expenses on leases	25.5	(83,048)	(94,106)
Other financial expenses	25.5	(69,324)	(41,439)
Results from exposure to hyperinflation (IAS 29)	25.6	3,151	796
Net exchange differences (Income/(Expense))		703	(3,774)
Impairment on financial investments	12 and 26	(703)	6,926
<b>PROFITS / (LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>(145,257)</b>	<b>(515,489)</b>
Corporation tax	18	9,327	75,154
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES</b>		<b>(135,930)</b>	<b>(440,335)</b>
<i>Profit (loss) for the year from discontinued operations net of tax</i>		—	(66)
<b>PROFIT / (LOSS) FOR THE PERIOD</b>		<b>(135,930)</b>	<b>(440,401)</b>
Conversion differences		(2,857)	(21,799)
<b>Income and expenses recognised directly in equity</b>		<b>(2,857)</b>	<b>(21,799)</b>
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS)</b>		<b>(138,787)</b>	<b>(462,200)</b>
Profit/(Loss) for the year attributable to:			
<i>Parent Company Shareholders</i>		<i>(133,667)</i>	<i>(437,159)</i>
<i>Non-controlling interests</i>		<i>(2,263)</i>	<i>(3,242)</i>
Comprehensive Profit / (Loss) attributable to:			
<i>Parent Company Shareholders</i>		<i>(136,063)</i>	<i>(456,829)</i>
<i>Non-controlling interests</i>	16	<i>(2,724)</i>	<i>(5,371)</i>
<b>Profit / (Loss) per share in euros (basic and diluted)</b>	5	<b>(0.331)</b>	<b>(1.115)</b>

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated comprehensive profit and loss statement for 2021. The Consolidated Comprehensive Profit and Loss Statement for 2020 is presented solely for the purposes of comparison.

# NH HOTEL GROUP, S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2021 AND 2020 (Thousands of euros)

	Share Capital	Reserves of the parent company			Reserves in companies consolidated using		Conversion differences	Treasury shares and shareholdings	Results attributable to Parent Company	Total	Non-controlling interests	Total Shareholders
		Share Premium	Legal reserve	Other reserves	Full consolidation	the equity method						
<b>Balance at 1 January 2020</b>	<b>784,361</b>	<b>756,990</b>	<b>74,853</b>	<b>(54,754)</b>	<b>(278,348)</b>	<b>(18,198)</b>	<b>(134,967)</b>	<b>(1,647)</b>	<b>89,964</b>	<b>1,218,254</b>	<b>57,239</b>	<b>1,275,493</b>
Net profit (Loss) for the year	—	—	—	—	—	—	—	—	(437,159)	(437,159)	(3,242)	(440,401)
Conversion differences	—	—	—	—	—	—	(19,670)	—	—	(19,670)	(2,129)	(21,799)
<b>Recognised income and expenses for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(19,670)</b>	<b>—</b>	<b>(437,159)</b>	<b>(456,829)</b>	<b>(5,371)</b>	<b>(462,200)</b>
Capital increase	—	—	—	—	—	—	—	—	—	—	—	—
Distribution of earnings:												
- To Reserves	—	—	15,894	143,046	(68,998)	22	—	—	(89,964)	—	—	—
Remuneration Scheme in shares	—	—	—	(2,724)	—	—	—	1,525	—	(1,199)	—	(1,199)
Adjustment application of IAS 29	—	—	—	—	—	—	(8,295)	—	—	(8,295)	(1,383)	(9,678)
Distribution of dividends	—	—	—	—	—	—	—	—	—	—	(1,179)	(1,179)
Other movements	—	—	—	(132)	(2,552)	—	—	(245)	—	(2,929)	276	(2,653)
<b>Balances at 31 December 2020</b>	<b>784,361</b>	<b>756,990</b>	<b>90,747</b>	<b>85,436</b>	<b>(349,898)</b>	<b>(18,176)</b>	<b>(162,932)</b>	<b>(367)</b>	<b>(437,159)</b>	<b>749,002</b>	<b>49,582</b>	<b>798,584</b>
<b>Initial balance adjusted 01 January 2021</b>	<b>784,361</b>	<b>756,990</b>	<b>90,747</b>	<b>85,436</b>	<b>(349,898)</b>	<b>(18,176)</b>	<b>(162,932)</b>	<b>(367)</b>	<b>(437,159)</b>	<b>749,002</b>	<b>49,582</b>	<b>798,584</b>
Net profit (Loss) for the year	—	—	—	—	—	—	—	—	(133,667)	(133,667)	(2,263)	(135,930)
Conversion differences	—	—	—	—	—	—	(2,396)	—	—	(2,396)	(461)	(2,857)
<b>Recognised income and expenses for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(2,396)</b>	<b>—</b>	<b>(133,667)</b>	<b>(136,063)</b>	<b>(2,724)</b>	<b>(138,787)</b>
Capital increase	87,130	19,462	—	(153)	—	—	—	—	—	106,439	—	106,439
Distribution of earnings:												
- To Reserves	—	—	—	(226,164)	(203,527)	(7,468)	—	—	437,159	—	—	—
Remuneration Scheme in shares	—	—	—	(2,286)	—	—	—	759	—	(1,527)	—	(1,527)
Adjustment application of IAS 29	—	—	—	—	—	—	17,463	—	—	17,463	3,280	20,743
Distribution of dividends	—	—	—	—	—	—	—	—	—	—	(166)	(166)
Other movements	—	—	—	(69)	(2,469)	—	—	(700)	—	(3,238)	(974)	(4,212)
<b>Balances at 31 December 2021</b>	<b>871,491</b>	<b>776,452</b>	<b>90,747</b>	<b>(143,236)</b>	<b>(555,894)</b>	<b>(25,644)</b>	<b>(147,865)</b>	<b>(308)</b>	<b>(133,667)</b>	<b>732,076</b>	<b>48,998</b>	<b>781,074</b>

Notes 1 to 31 set forth in the Consolidated Annual Report and Appendices I/II form an integral part of the statement of changes in equity for the year 2021. The statement of changes in equity for the year 2020 is presented for comparison.

**NH HOTEL GROUP, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED CASH FLOW STATEMENT FOR 2021 AND 2020**

(Thousands of euros)

	Note	2021	2020
<b>1. OPERATING ACTIVITIES</b>			
Consolidated profit (loss) before tax and discontinued operations:		(145,257)	(515,489)
<b>Adjustments:</b>			
Amortisation of use rights (+)	8	172,774	186,310
Depreciation of tangible and intangible fixed assets (+)	7 and 10	107,454	116,167
(Profits)/Losses for impairment (net) (+/-)	7, 8, 9 and 10	(2,131)	76,258
Gains/Losses on the sale of tangible and intangible assets (+/-)	7, 8, 10 and 25.1	(65,108)	475
Gains/Losses on investments valued using the equity method (+/-)	12	1,447	7,468
Financial income (-)	25.2	(3,411)	(1,716)
Change in fair value of financial instruments		(1,815)	(323)
Financial expenses (+)	25.5	152,372	135,545
Results from exposure to hyperinflation (IAS 29)	25.6	(3,151)	(796)
Net exchange differences (Income/(Expense))		(703)	3,774
Profit (loss) on disposal of financial investments		966	222
Impairment on financial investments (+/-)	12	703	(6,926)
Other non-monetary items (+/-)		(48,701)	(47,047)
<b>Adjusted profit (loss)</b>		<b>165,439</b>	<b>(46,078)</b>
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		(1,619)	3,410
(Increase)/Decrease in trade debtors and other accounts receivable		(1,538)	70,024
(Increase)/Decrease in other current assets		13,757	(28,015)
Increase/(Decrease) in trade payables		71,328	(68,586)
Increase/(Decrease) in other current liabilities		10,780	(30,875)
Increase/(Decrease) in inventories		(10,031)	(2,579)
(Increase)/Decrease in non-current assets		(312)	254
Increase/(Decrease) in non-current liabilities		436	518
Income tax paid		444	7,834
<b>Total net cash flow from operating activities (I)</b>		<b>248,684</b>	<b>(94,093)</b>
<b>2. INVESTMENT ACTIVITIES</b>			
<b>Other interest/dividends received</b>		<b>816</b>	<b>155</b>
Investments (-):			
Group companies, joint ventures and associates	6	—	(64,057)
Tangible and intangible assets and investments in property	7 and 10	(36,837)	(105,464)
Financial investments and other current financial assets		(7,527)	—
		<b>(44,364)</b>	<b>(169,521)</b>
Disinvestment (+):			
Group companies, joint ventures and associates	2.9.5 and 12	—	26,918
Tangible and intangible assets and investments in property		128,160	4,798
Other assets		7,415	—
		<b>135,575</b>	<b>31,716</b>
<b>Total net cash flow from investment activities (II)</b>		<b>92,027</b>	<b>(137,650)</b>
<b>3. FINANCING ACTIVITIES</b>			
Dividends paid out (-)		(143)	(1,176)
Interest paid on debts (-)		(55,888)	(34,250)
Interest paid by means of payment		(7,929)	(6,459)
Interest paid by financing and other		(47,959)	(27,791)
Variations in (+/-):			
Equity instruments:			
- Capital	16.1	5,094	—
- Share premium	16.1	1,224	—
- Treasury shares	16.4	(770)	(298)
Debt instruments:			
- Bonds and other tradeable securities (+)		400,000	—
- Bonds and other tradeable securities (-)		(356,850)	—
- Loans from credit institutions (+)		2,484	821,700
- Loans from credit institutions (-)	17	(241,355)	(278,900)
Borrowings from associate companies (+)	16.1 and 17	100,000	—
- Principal elements on payment for leasing (-)	8	(271,847)	(244,785)
- Other financial liabilities (+/-)		(102)	(79)
<b>Total net cash flow from financing activities (III)</b>		<b>(418,153)</b>	<b>262,212</b>
<b>4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)</b>		<b>(77,442)</b>	<b>30,469</b>
<b>5. Effect of exchange rate variations on cash and cash equivalents (IV)</b>		<b>521</b>	<b>(1,726)</b>
<b>6. Effect of variations in the scope of consolidation (V)</b>	6 and 2.9.5	<b>—</b>	<b>2,763</b>
<b>7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)</b>		<b>(76,921)</b>	<b>31,506</b>
<b>8. Cash and cash equivalents at the start of the financial year</b>		<b>320,851</b>	<b>289,345</b>
<b>9. Cash and cash equivalents at end of year</b>		<b>243,930</b>	<b>320,851</b>

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated cash flow statement for 2021.

The consolidated cash flow statement for 2020 is presented for the purposes of comparison

# **NH Hotel Group, S.A. and Subsidiaries**

## **Explanatory notes on the Consolidated Financial Statements for 2021**

### **1.- ACTIVITY AND COMPOSITION OF THE PARENT COMPANY**

NH HOTEL GROUP, S.A. (hereinafter the Parent Company) was incorporated as a public limited company in Spain on 23 December 1881 under the trade name “Material para Ferrocarriles y Construcciones, S.A.”, which was subsequently changed to “Material y Construcciones, S.A.” (MACOSA) and later to “Corporación Arco, S.A.”

In 1992, Corporación Arco, S.A. took over Corporación Financiera Reunida, S.A. (COFIR), while at the same time adopting the trade name of the company taken over and amending its corporate purpose to the new activity of the Parent Company, which focused on the management of its shareholding portfolio.

During 1998, Corporación Financiera Reunida, S.A. (COFIR) merged with Grupo Catalán, S.L. and its subsidiaries and Gestión NH, S.A. through the absorption of these companies by the former. Subsequently, Corporación Financiera Reunida, S.A. (COFIR) took over NH Hoteles, S.A., adopted its trade name and broadened its corporate purpose to allow for the direct performance of hotel activities, activities in which it had already been engaged indirectly through its subsidiaries.

Information on these mergers can be found in the financial statements of the years in which said transactions took place.

The General Shareholders' Meeting of 21 June 2014 agreed to change the company's name from “NH Hoteles, S.A.” to “NH Hotel Group, S.A.”

The Parent Company heads up a group of subsidiary companies which, together with NH Hotel Group, S.A., make up the NH Hotel Group (hereinafter, the “Group” - see Appendices I and II) which is dedicated to running hotels, on its own, either owning or leasing the hotels, or via third parties, with management, offering a wide range of functions from its corporate head office and regional offices.

On 11 June 2018, MHG Continental Holding (Singapore) Pte Ltd made a public offer to acquire 100% of the shares making up NH Hotel Group, S.A.'s company capital, the result of which was that Minor International Public Company Limited (“MINT”) acquired shares representing 94.13% of the share capital of NH Hotel Group, S.A., via its wholly owned subsidiary, MHG Continental Holding (Singapore) Pte. Ltd.

At the end of the financial year, the Group was operating hotels in 30 countries, with 353 hotels and 55,063 rooms, of which around 72% are located in Spain, Germany, Italy and the Benelux countries.

NH Hotel Group, S.A. has its registered address at Calle Santa Engracia, 120 - 7th floor, Madrid, Spain. Furthermore, the name of the Parent Company did not change in this financial year or in the previous one.

### **Impact of COVID-19**

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

The gradual reopening of hotels was made possible by the flexible costing structure and began in the middle of 2020, progressively, depending on recovery of domestic demand and with a focus on optimising profitability.

With the gradual roll out of vaccines since the beginning of 2021, a turning point was beginning to be seen that – together with the progressive lifting of restrictions in some European countries – allowed a faster reopening of the portfolio once again. Therefore, at the end of 2021, around 90% of the hotels were open, compared to 60% at the beginning of the year..

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

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

### ***Contingency Plan***

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

The following costs discipline and control measures to ensure minimisation of operational costs and preserve liquidity continue to be implemented:

- Personnel (Note 25.3): The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons. Some of these processes continued during 2021. In addition, a collective redundancy process was carried out in Central Services in Spain as part of a global plan pursuant to local legislation.
- Operational costs (Note 25.4):
  - Negotiations with suppliers to reduce purchase costs, seek alternative, cheaper products and attain improvements to payment terms.
  - Suspension of non-priority third party advisory services.
  - Significant reduction in marketing and advertising costs despite the need to boost income.
- Leasing (Note 8): The temporary reduction in fixed leases continued during the first part of 2021 and, to a lesser extent, during the second half of the year, after recovery began.
- CapEx: Capex decreased by more than 50% during 2020, and during 2021 it has continued to be limited to a figure of around 36.8 million euros.
- Strengthening liquidity: during 2021 NH Hotel Group proactively carried out a battery of initiatives to reinforce the Group's capital structure:

- In May a €100 million capital investment was agreed by Minor International through an unsecured subordinated loan that was drawn down in May and capitalised in September 2021 through a capital increase process directed towards all shareholders. This agreement provided immediate liquidity and demonstrated the support of the main shareholder in the recovery. The capital increase to offset the shareholder loan was approved at the Shareholders' meeting held on 30 June. At the same time as the capital increase, the Board started up the cash capital increase under the same economic conditions and with preferential subscription rights for the other shareholders to prevent diffusive effects in the shareholdings (Note 16.1).
- In addition, during April, in order to continue to optimise the debt profile, the expiry of the ICO syndicated loan of 250 million euros was extended from 2023 to 2026 (Note 17). Furthermore, the waiver on compliance with financial covenants was extended for the whole of 2022.
- In June, NH Hotel Group successfully launched a senior bonds issue on the market, guaranteed for the amount of 400 million euros and maturing in July 2026. The funds obtained have been used to repay the senior bond for 357 million euros expiring in 2023. The new issue, which was significantly oversubscribed, has an annual interest of 4% (Note 17).
- Furthermore, NH Hotel Group has agreed to extend its revolving syndicated credit facility (RCF) for 242 million euros, which will now expire in March 2026, instead of March 2023. It is worth pointing out the support shown by the loan institutions taking part in this financing, with the extension of the waiver on the financial covenants during all of 2022 (Note 17).
- On 30 June 2021, the sale & leaseback transaction on the NH Collection Barcelona Gran Hotel Calderón was announced, which was sold for 125.5 million euros with a linked 20 year lease agreement, with NH having the option to exercise additional extensions. With this transaction, the Group has generated a net book gain of 46.7 million euros and net cash, after paying the taxes on the sale, of 113 million euros.

For more information on the Contingency Plan, see the section "Impacts of COVID-19 and the measures implemented" of the Consolidated Management Report for the financial year ended 31 December 2021.

These consolidated annual accounts include the impact arising from the situation described above, with particular relevance to the impairment analyses carried out by the group during the financial year and the resulting recorded results (Note 11), activation of tax credits based on their recovery (Note 18), and the description and analysis made by directors and their conclusion on business continuity and drawing up the relevant as a going concern (Note 2.8).

These consolidated annual statements should be read taking into account that assessment and breakdown.

## **2.- BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATION PRINCIPLES**

### **2.1 Basis of presentation of the Consolidated Financial Statements**

The consolidated annual accounts were prepared using the accounting records of NH Hotel Group, S.A. and the consolidated entities. The consolidated annual accounts for the 2021 financial year were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), other provisions within the financial reporting standards framework which are applicable and with the requirements for format and framework provided for in the Delegated Regulation EU 2018/815 of the European Commission, Regulation (EC) No. 1606/2002 of the European Parliament and by Law 62/2003, of 30 December on tax, administrative and social measures, as well as the applicable rules and circulars of the National Securities Market Commission and the other Spanish accounting regulations that may be applicable, with the purpose of showing a true image of NH Hotel Group, S.A. and its subsidiaries' consolidated equity and consolidated financial position at 31 December 2021, and the consolidated financial performance, consolidated cash flows and consolidated changes in equity for the financial year ended on that date.

The Group adopted the IFRS-EU on 1 January 2004 and, on that date, applied IFRS 1 "First-time adoption of International Financial Reporting Standards".

The Directors of the Parent company consider that the consolidated annual accounts for the 2021 financial year, which were drawn up on 24 February 2022, will be approved by the General Shareholders Meeting without amendment. The consolidated financial statements for 2020 were approved by the shareholders at the Annual General Meeting held on 30 June 2021 and filed with the Companies Registry of Madrid.

Since the accounting standards and valuation criteria applied in the preparation of the Group's consolidated financial statements may differ from those used by some of its component companies, the necessary adjustments and reclassifications have been made to standardise them and adapt them to the EU-IFRS.

### **2.2 Standards and interpretations effective in this period**

During the year, new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements, but which did not give rise to a change in the Group's accounting policies:

**(1) New obligatory regulations, amendments and interpretations for the year commencing 01 January 2021:**

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Approved for use in the European Union		
Amendments and/or interpretations		
Amendments to IFRS 9, IFRS 7, IFRS 4, IFRS 16 and IAS 39 Reform of the Benchmark Interest Rate (Phase 2)	Amendments to IFRS 9, IFRS 4, IFRS 16 and IFRS 7 and IAS 39 related to the reform of benchmark indices (Phase 2).	01 January 2021
Amendment to IFRS 4 Deferment of application of IFRS 9.	Deferment of application of IFRS 9 until 2023.	01 January 2021
Amendment to IFRS 16 Leases - Rent concessions.	Amendment to extend the application period for the practical solution in IFRS 16 provided for rent concessions related to COVID-19.	01 April 2021*

\* Early application allowed.

These amendments have been applied to these consolidated financial statements with no significant impacts on either the reported figures or the presentation and breakdown of the information, except for the application of the amendment to IFRS 16. See breakdown of impacts in the following section.

**(2) Amendment to IFRS 16:**

An amendment to IFRS 16 was approved by the IASB on 28 May 2020 to help accounting for changes in leases resulting from the pandemic caused by Covid-19. In March 2021, the IASB approved an amendment that extends the application period of the aforementioned practical option of IFRS 16 "Leases" by one year.

In this sense, the new wording extends the term that may be affected by the income reductions that could qualify for the exemption, putting back the deadline from 30 June 2021 to 30 June 2022. The Group has chosen to use the practical solution, by which rental concessions that comply with that set out above have generated less expenditure on rent of 28,625 thousand euros (Notes 8 and 25.4).

**(3) New regulations, amendments and interpretations which will be obligatory in the years following the year commencing 01 January 2021**

The following standards and interpretations had been published by the IASB on the date the consolidated financial statements were drawn up but had not yet entered into force, either because the date of their entry into

force was subsequent to the date of these consolidated financial statements or because they had not yet been adopted by the European Union:

<b>Approved for use in the European Union</b>		
<b>Amendments and/or interpretations</b>		
Amendment to IFRS 3 Definition of Business.	Clarifications to the definition of business.	01 January 2022
Amendment to IAS 16 Income obtained prior to the intended use.	This prohibits deduction of any proceeds from the sale of articles produced from the cost of a tangible fixed asset while the entity is preparing the asset for its intended use. Income from the sale of such samples, along with production costs, is now recognised in profit and loss.	01 January 2022
IAS 37 Onerous contracts: costs of performing a contract.	The amendment explains that the direct cost of fulfilling a contract includes the incremental costs of performing that contract and an allotment of other costs that are directly related to the performance of contracts.	01 January 2022
Improvements to IFRS 2018-2020 cycle	Minor amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41	01 January 2022

<b>Awaiting approval for use in the European Union as of the date of publication of this document (1)</b>		
<b>New Standards:</b>		
IFRS 17 Insurance contracts	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	01 January 2023

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

<b>Amendments and/or interpretations</b>		
Amendment to IAS 1: Classification of Liabilities as Current or Non-current.	Clarifications regarding presentation of liabilities as current or non-current.	01 January 2023
Amendment to IAS 1 Breakdown of accounting policies	IAS 1 has been amended to improve breakdowns of accounting policies so that they provide more useful information to investors and other main users of the financial statements.	01 January 2023
Amendment to IAS 8 Definition of accounting estimates	Amendments and clarifications on what should be understood to be a change in accounting estimates.	01 January 2023
Amendment to IAS 12 Deferred tax relating to assets and liabilities from a single transaction	Clarifications on how entities should record the deferred tax generated in transactions such as leases and decommissioning obligations.	01 January 2023
Amendment to IFRS 17 Insurance contracts and IFRS 9 Comparative information	Amendment to the IFRS 17 transition requirements for insurance companies applying IFRS 17 and IFRS 9 for the first time, simultaneously.	01 January 2023
Amendment to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associates or joint ventures	<p>These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will rest on if the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet said definition, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture.</p> <p>Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB made the decision to postpone the effective date (without setting a new specific date) as it is planning a broader review that could result in simplifying the accounting of these transactions and other aspects of the accounting of associates and joint ventures.</p>	Pending approval

### 2.3 Accounting correction

During 2021, there were no corrections of errors.

### 2.4 Accounting criteria change

In 2021 there were no significant changes in accounting criteria.

## **2.5 Comparison of information**

As required by IAS 1, the information on 2020 contained in this consolidated annual report is presented for solely comparative purposes with the information on 2021 and consequently does not in itself constitute the Group's consolidated financial statements for 2020.

## **2.6 Foreign currency transactions and balances**

### **2.6.1 Functional currency and presentation currency**

The consolidated annual accounts are presented in thousands of euros, rounded to the nearest thousand, which is the Parent company's working and presentation currency.

### **2.6.2 Foreign currency transactions, balances and cash flows**

Transactions in foreign currencies are converted to the functional currency using the exchange rates for the functional currency and the foreign currency on the dates on which the transactions are carried out.

Cash assets and liabilities in foreign currencies have been converted into euros using the rate at the end of the financial year, while non-cash valued at historic cost are converted using the exchange rates applicable on the date the transaction took place. The conversion to euros of non-cash assets which are valued at fair value has been carried out using the exchange rate on the date when they were quantified.

In the presentation of the consolidated cash flow statements, the flows from transactions in foreign currencies were converted to euros using the exchange rates on the date they occurred. The effect of exchange rate change on cash and other cash equivalents in foreign currency is presented separately in the cash flow statement as "The effect of exchange rate differences on cash".

The differences appearing in settling transactions in foreign currency and the conversion of foreign currency cash assets and liabilities to euros is recognised in profit and loss. Nevertheless, exchange rate differences occurring in cash entries forming a part of the net business investment abroad are recorded as conversion differences in other global profit and loss.

Losses or gains from exchange rate differences relating to foreign currency cash financial assets or liabilities are also recognised in profit and loss.

The exchange rates for the euro (EUR) for the main Group company currencies at 31 December 2021 and 2020 were as follows:

	<b>31/12/2021</b>		<b>31/12/2020</b>	
	Closing rate	Accumulated average rate (1)	Closing rate	Accumulated average rate (1)
US dollar (USD)	1.13	1.18	1.23	1.14
Argentine peso (ARS)	116.82	116.82	102.88	102.88
Uruguayan peso (UYU)	50.84	51.52	51.98	47.98
Chilean peso (CLP)	970.87	900.90	869.57	900.90
Mexican peso (MXN)	23.14	23.99	24.41	24.52
Colombian peso (COP)	4,545.45	4,347.83	4,166.67	4,166.67
Czech koruna (CZK)	24.86	25.64	26.24	26.45
Hungarian florin (HUF)	369.00	358.42	363.64	350.88

<sup>(1)</sup> In Argentina the closing exchange rate is used as a result of Argentina being considered to be a hyper-inflationary economy.

### 2.6.3 Conversion of business abroad

The following criteria have been different applied for converting into euros the different items of the consolidated balance sheet and the consolidated comprehensive profit and loss statement of foreign companies included within the scope of consolidation:

- Assets and liabilities have been converted by applying the effective exchange rate prevailing at year-end.
- Equity has been converted by applying the historical exchange rate. The historical exchange rate existing at 31 December 2003 of any companies included within the scope of consolidation prior to the transitional date has been considered as the historical exchange rate.
- The consolidated comprehensive profit and loss statement was translated at the average exchange rate for the year, except for the companies in Argentina whose economy was declared hyperinflationary and therefore, in accordance with IAS 29, their consolidated comprehensive profit and loss statement was translated at the year-end exchange rate.

Any difference resulting from the application these criteria have been included in the “Translation differences” item under the “Equity” heading.

Any adjustments arising from the application of IFRS at the time of acquisition of a foreign company with regard to market value and goodwill are considered as assets and liabilities of such company and are therefore converted using the exchange rate prevailing at year-end.

### 2.6.4 Foreign operations in hyper-inflationary economies

In 2018, Argentina was declared a hyperinflationary economy due, among other causes, to the fact that the accumulated inflation rate of its economy exceeded 100% over a continuous period of three years.

As a result, the Group began to apply IAS 29 to the financial statements of Argentine companies with retroactive effect from 1 January 2018. Applying the standard involves the following exceptions:

- Adjusting the historical cost of non-monetary assets and liabilities and the different equity items from the acquisition date or inclusion on the consolidated balance sheet until year-end to reflect the changes in currency's purchasing power resulting from the inflation.
- Reflecting the loss or gain corresponding to the impact of inflation for the year on the net monetary position in the profit and loss account.
- Adjusting the various items of the profit and loss account and the cash flow statement for the inflationary index since its generation, with a counterpart in financial results and in a reconciliation item on the cash flow statement, respectively.
- Converting all components of the financial statements of Argentine companies at the closing exchange rate; the exchange rate at 31 December 2021 was 116.82 pesos per euro (102.88 pesos per euro at 31 December 2020).

## **2.7 Responsibility for the information, estimates made and sources of uncertainty**

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

Estimates made by the management of the Group and of the consolidated entities have been used in preparing the Group's consolidated financial statements to quantify some of the assets, liabilities, revenue, expenses and undertakings recognised. These estimates essentially refer to:

- The useful life of the tangible and intangible assets. The Group increases the amount for depreciation/amortisation when service lives are less than those previously estimated, and will cancel or reduce the value of obsolete assets which have been abandoned or sold (Note 4.1 and 4.3).
- The assessment of possible impairment losses on certain non-financial assets that require an estimate of the future evolution of business and the most suitable discount rates. The Group considers that its estimates in this area are appropriate and coherent with the current economic climate and reflect its plans for growth based on the sector's recovery. It considers that its discount rates reflect the risks relating to each cash generating unit appropriately (Note 4.4).
- The estimates for impairment to accounts receivable are based on the expected losses model in IFRS 9 (Note 4.6).
- The market value of specific assets.
- The valuation of consolidation goodwill.
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce; The Group has made certain assumptions to calculate the liability arising from commitments to employees (Note 4.11 and 4.13).

- Calculation of provisions and evaluation of contingencies. To do so, the Group assesses certain legal, tax or other types of proceedings that are not closed off at the date the Consolidated Annual Statements are drawn up (Note 4.15).
- For the calculation of corporation tax, the Group is subject to it in various jurisdictions. To calculate the provision at worldwide scale, issue of significant judgments is required (Note 4.10).
- The recoverability of capitalised tax credits. The Group only recognises deferred tax assets in as far as their future realisation or use is sufficiently guaranteed. As future circumstances are unsure and partially escape the Group's control, assumptions must be made to estimate future taxable benefits and the period in which deferred tax is recovered (Note 4.10).

The Group's strategy takes into account the targets set in relation to climate change (Note 29), for which reason they are also taken into account when preparing these consolidated annual statements. Therefore, in the context of preparing these consolidated annual statements, the effect of the commitments taken on by the Group was taken into account when calculating the service life of assets, closing costs and analysing impairment to non-financial assets.

In spite of the fact that these estimates were carried out using the best information available at 31 December 2021 on events analysed, it is possible that events may take place in the future which compel their amendment (upwards or downwards) in years to come. This will be done in accordance with the provisions of IAS 8, prospectively.

## **2.8 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 31 December 2021, amounted to 252,335 thousand euros (250,619 thousand euros at December 2020) meaning that, at 31 December 2021, current liabilities are 210,978 thousand euros higher than current assets (84,279 thousand euros at December 2020). Given that this effect is caused by a purely accounting (non-financial) approach, this does not prevent the business's normal development. It is noteworthy that in December 2020 the syndicated credit line for 236 million euros was fully drawn down. This was repaid in 2021, given the improvement to the Group's liquidity position (Note 17).

As a consequence of the situation caused by Covid-19, government measures taken worldwide to mitigate the spread of the pandemic have had a significant impact on the Group. These measures resulted in the temporary closure of establishments in the majority of its locations for a period of time, in both the 2020 and 2021 financial years, as well as significant falls in the business's operations and the uncertainties associated with how the situation evolves. These consolidated annual accounts have been prepared in accordance with the going concern principle as the Group has implemented crisis management organisational and liquidity strengthening measures to ensure business continuity, both individually (management of contagion or isolation situations), and collectively (Note 1).

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

Furthermore, in order to strengthen liquidity, during 2021 NH Hotel Group proactively carried out a battery of initiatives to reinforce the Group's capital structure: Amongst these, a highlight was the receipt from the majority shareholder, Minor International, of a subordinated loan convertible into shares for 100 million euros, which was capitalised with a capital increase for all shareholders in September 2021; the extension of the ICO syndicated loan for 250 million euros from 2023 to 2026; the issue of senior bonds, guaranteed for 400 million

euros and maturing in July 2026 with the relevant amortisation of the senior bond for 357 million euros, maturing in 2023; and the extension to the revolving credit facility (RCF) for 242 million euros until March 2026, which, at the end of the 2021 financial year, is not totally drawn down (Note 18).

Therefore, assuming a gradual reactivation of the business and scientific progress in relation to COVID-19 that facilitates a gradual return to normality during 2022 and subsequent years, the Group considers it has sufficient resources to meet future obligations in the next 12 months.

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

## **2.9 Consolidation principles applied**

### **2.9.1 Subsidiaries (Appendix I)**

Subsidiaries are considered as any company included within the scope of consolidation in which the Parent Company directly or indirectly controls their management due to holding the majority of voting rights in the governance and decision-making body, with the ability to exercise control. This ability is shown when the Parent Company has the power to direct an investee entity's financial and operating policy in order to obtain profits from its activities. Subsidiaries are consolidated from the date control is transferred to the group and they cease to be consolidated from the date on which control ceases.

The purchase method of accounting is used by the group to account for business combinations.

The financial statements of subsidiaries are consolidated with those of the Parent Company by applying the full consolidation method. Consequently, all significant balances and effects of any transactions taking place between them have been eliminated in the consolidation process. If necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those used by the Group.

Non-controlling interests on the subsidiaries' profit and loss and equity are shown separately on the consolidated comprehensive profit and loss statement, the consolidated comprehensive statement of changes in equity and on the consolidated financial statement, respectively.

The profit or loss of any subsidiaries acquired or disposed of during the financial year are included in the consolidated comprehensive profit and loss statement from the effective date of acquisition or until to the effective date of disposal, as appropriate.

### **2.9.2 Business combinations**

The Group applied the exception contemplated in IFRS 1 "First-time adoption of International Financial Reporting Standards", so that only business combinations carried out from 1 January 2004—the transition date to IFRS-EU—have been recorded using the acquisition method. Acquisitions of entities prior to that date were recorded in accordance with the previous Generally Accepted Accounting Principles, taking the necessary corrections and adjustments on the transition date into account.

The Group has applied IFRS 3 "Business Combinations"—revised in 2008—to transactions carried out from 1 January 2010.

The acquisition date is the date on which the Group gains control of the acquired business.

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the purchase of a subsidiary includes:

- the fair value of the assets transferred
- the liabilities incurred with the previous owners of the business acquired
- the holdings in the equity issued by the group
- the fair value of any asset or liability arising from a contingent consideration agreement, and
- the fair value of any prior holding in the subsidiary's equity.

The identifiable assets acquired, the liabilities and the contingent liabilities assumed in a business combination are, with limited exceptions, initially valued at their fair value on the acquisition date. The group recognises any non-controlling interest in the entity acquired on a basis of acquisition at fair value, or by the proportional part of the non-controlling interest of the net identifiable assets of the entity acquired.

The costs relating to the acquisition are recognised as expenses when they are incurred.

The excess of:

- the consideration transferred
- the amount of any non-controlling interest in the entity acquired, and
- the fair value of any prior holding in the equity of the entity acquired on the acquisition date

over the fair value of the net identifiable assets acquired is recorded as goodwill. If these amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is directly recognised in profit and loss as a bargain purchase.

When payment of any part of the consideration in cash is deferred, the amounts payable in the future are discounted at their actual value on the exchange date. The discount rate used is the entity's incremental borrowing rate of interest, being the rate at which a similar loan may be obtained from an independent financier under comparable terms and conditions.

The contingent consideration is classified as equity or a financial liability. The amounts classified as a financial liability are subsequently revalued at fair value with the changes in fair value being recognised in profit and loss.

If the business combination is carried out in stages, the book value at the date of acquiring the previously held equity holding is revalued at fair value on the acquisition date, and any gain or loss is recognised in profit and loss.

### **2.9.3 Non-controlling interests**

Non-controlling interests in subsidiaries acquired after 1 January 2004 are recorded by the percentage holding at the acquisition date at the fair value of the net identifiable assets. Non-controlling interests in subsidiaries acquired prior to the transition date are recognised by the percentage holding in their equity on the date of first consolidation.

Excess losses attributable to non-controlling interests prior to 1 January 2010 but not allotted to them as they exceeded the total amount of the holding in the equity of the subsidiary, are recorded as a decrease in equity attributable to the Parent Company shareholders, except in cases where the non-controlling interests have a binding obligation to assume a part or all of the losses and they have the capacity to make the necessary additional investment. Profit obtained in subsequent financial years is allotted to the equity attributable to Parent Company shareholders until the total losses absorbed in previous accounting period relating to non-controlling interests are recovered.

From 1 January 2010, profit and loss and each item on the other comprehensive results, are allotted to equity attributable to the Parent Company shareholders and the non-controlling interests in proportion to the holding, even if this involves a debtor balance for non-controlling interests. Agreements entered into between the Group and the non-controlling interests are recognised as a separate transaction.

#### **2.9.4 Associates (Appendix II)**

Associates are considered as any companies in which the Parent Company has the ability to exercise significant influence, though it does not exercise either control or joint control. In general terms, it is assumed that significant influence exists when the percentage stake (direct or indirect) held by the Group exceeds 20% of the voting rights, as long as it does not exceed 50%.

Associates are valued using the equity method in the consolidated annual accounts.

The profit (loss) net of tax of the associate companies is included in the Group's consolidated comprehensive profit and loss statement, in the item "Profit (Loss) from entities valued through the equity method", according to the percentage of the Group's stake.

If, as a result of the losses incurred by an associate company, its equity was negative, in the Group's consolidated balance sheet it would be nil; unless there were an obligation on the part of the Group to support it financially.

At each year-end, the existence of indicators of a potential impairment of the investment in the associate is assessed in order to recognise the related impairment loss, where appropriate. In order to calculate the fair value of investments in companies whose sole asset is property stock, valuations have been obtained from an independent expert. For the remaining companies, cash flow discount valuations made in-house have been used, similar to those described in Note 4.4.

#### **2.9.5 Changes in the scope of consolidation**

##### **Additions to the scope of consolidation**

During the 2021 financial year the company Grupo Operadores de Hoteles Santa Fe, S.A. de C.V. was incorporated. This company is not currently trading.

On 7 September 2020, the Group acquired 100% of the shares of the Boscolo Hotels Group, which runs eight luxury hotels in prime areas of Rome, Florence, Venice, Prague, Nice and Budapest (Note 6, Business combinations).

Moreover, during 2020 the company NH Strandgade APS was incorporated in Copenhagen, along with two companies in Italy: NH Italia Real Estate, S.r.l. and NH Holding Srl. These companies' purpose is to be hotel operators.

## Disposals

During 2021, there were no disposals.

In December 2020 the Group sold 100% of its investment in the company Onroerend Goed Beheer Maatschappij Bogardeind Geldrop B.V., owner of the NH Geldrop hotel in Holland. The sale involved a cash entry of 6,359 thousand euros. The sale did not have a significant impact on the profit (loss) for the year.

On 1 July 2020 the Group sold 100% of its investment in the company Onroerend Goed Beheer Maatschappij Mass Best B.V., owner of the NH Best hotel in Holland. The sale involved a cash entry of 3,262 thousand euros. The sale did not have a significant impact on the profit (loss) for the year.

## Mergers and divisions

During 2021, there were no mergers or divisions.

To simplify the group's corporate structure, in April 2020 the Argentine company Latina de Gestión Hotelera, S.A. absorbed Inmobiliaria y Financiera Aconcagua, S.A., Edificio Metro, S.A., Polis Corporación, S.A. and Blacom, S.A. Latina de Gestión Hotelera also spun off its investment in the Chilean company Latina Chile, S.A. to the new company Latina Holding S.A.U.

In December 2020, on the other hand, the Colombian company Hoteles Royal, S.A. spun off the investments it had in Chile in the companies Eurotels Chile, S.A., Inmobiliaria Royal, S.A., Royal Santiago Hotel, S.A. and the investment it had in the United States to the new company Inversiones Chilenas, S.A.

Hoteles Royal, S.A. also absorbed: Hoteles la Boheme LTDA, Hotel Hacienda Royal LTDA, Hotel Andino Royal, S.A., Hotel Pavillon Royal LTDA, Sociedad operadora Urban Royal Calle 26, S.A.S., Sociedad Operadora calle 100 Royal S.A.S, Hotel Pacifico Royal LTDA, Hotel Parque Royal S.A.S, Sociedad Hotelera Calle 74 LTDA, Sociedad operadora Barranquilla Royal S.A.S, Sociedad Operadora Cartagena Royal SAS and Hotel Medellin Royal LTDA, with the aim of simplifying the Group's company structure in Colombia.

## 3.- PROPOSED DISTRIBUTION OF PROFITS

The proposed distribution of the profit (loss) for the year prepared by the Parent Company's Directors and that will be submitted for approval by the Shareholders at the General Shareholders' Meeting is as follows (in thousands of euros):

	2021
To legal reserve	16,806
To Prior years' profits (losses)	151,257
<b>Total</b>	<b>168,063</b>

## 4.- VALUATION STANDARDS

The main principles, accounting policies and valuation standards applied by the Group to draw up these consolidated financial statements, which comply with IFRS in force on the date of the relevant financial statements, have been the following:

#### 4.1 Property, plant and equipment

Tangible fixed assets are valued at their original cost. They are subsequently valued at their reduced cost resulting from cumulative depreciation and, as appropriate, from any impairment losses they may have suffered.

Due to the transition to IFRS, the Group reappraised the value of some land to its market value on the basis of appraisals made by an independent expert for a total amount of 217 million euros. The reappraised cost of such land was considered as a cost attributed to the transition to the IFRS. The Group followed the criterion of not re-valuing any of its tangible fixed assets at subsequent year-ends.

Enlargement, modernisation and improvement costs entailing an increase in productivity, capacity or efficiency or a lengthening of the assets' useful life are recognised as increases in the cost of such assets. Conservation and maintenance costs are charged against the consolidated comprehensive profit and loss statement for the year in which they are incurred.

Withdrawn assets and items, whether arising as a result of a modernisation process or due to any other cause, are accounted for by derecognising the balances presented in the corresponding cost and accumulated depreciation accounts.

The Group depreciates its property, plant and equipment following the straight line method, distributing the cost of the assets over their estimated useful lives, in accordance with the following table:

	<u>Estimated years of useful</u>
Buildings	33-50
Plant and machinery	10-30
Other plant, fixtures and furniture	5-10
Other fixed assets	4-5

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

The profit or loss resulting from the disposal or withdrawal of an asset is calculated as the difference between the profit from the sale and the asset's book value, and is recognised in the consolidated comprehensive profit and loss statement.

#### 4.2 Goodwill

Goodwill is determined from the criteria set out in the section on business combinations.

Goodwill is not amortised, but its impairment is checked annually or earlier if there are indications of a potential loss in asset value. For these purposes, the goodwill resulting from the business combination is assigned to each of the Group's cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the combination and have the criteria referred to in section 4.4 (impairment) applied. After initial recognition, goodwill is valued at cost less accumulated impairment losses.

At the time of the disposal of a subsidiary or jointly controlled entity, the amount attributable to the goodwill is included when determining the profits or losses arising from the disposal.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is valued in the functional currency of the acquired company, with the conversion to euros being made at the exchange rate prevailing at the balance sheet date.

Internally generated goodwill is not recognised as an asset.

#### **4.3 Other intangible assets**

Other intangible assets are considered to be any specifically identifiable non-monetary assets which have been acquired from third parties or developed by the Group. Only those whose cost can be estimated in an objective way and from which future economic profits are expected are recognised.

Other intangible assets are initially recognised at acquisition or production cost and are subsequently measured at cost less, as appropriate, their accumulated amortisation and any impairment losses they have suffered.

Any assets deemed to contribute indefinitely to the generation of profits are considered to have an indefinite useful life. The remaining intangible assets are considered have a “finite useful life”.

Other intangible assets with an indefinite useful life are not amortised and are hence subjected to the “impairment test” at least once a year (Note 4.4).

Other intangible assets with a finite useful life are amortised according to the straight-line method on the basis of the estimated years of useful life of the asset in question.

The following are the main items recognised under the “Other intangible assets” heading:

- i. **Usufruct Rights:** As a consequence of entering into the consolidation of Hoteles Royal, S.A., the Group recognised operating rights of the hotel portfolio for 35 years within this concept. Furthermore, in the 2020 financial year, with the entry of Boscolo Hotels into the scope of consolidation, operating rights of the hotels where operation has commenced with this business combination were recognised lasting 31 years.
- ii. **Concessions, patents and trademarks:** basically reflect the disbursements made by Gran Círculo de Madrid, S.A. for the refurbishment and remodelling of the building where the Casino de Madrid is located. The amortisation of such works is calculated on a straight-line basis by taking into account the term of the concession for operating and managing the services provided in the building where the Casino de Madrid is located, which finalises on 1 January 2037. Furthermore, this item includes the brands of the Grupo Royal with a useful life of 20 years.
- iii. **Computer applications:** include the costs incurred by the Group Companies in the acquisition and development of various computer software programmes acquired by the different consolidated companies. The amortisation of software applications is performed using the straight-line method at a rate of 20-25% per year.
- iv. **Other rights:** include rights relating to lease agreements as a result of business combinations.

#### **4.4 Impairment to non-financial assets subject to amortisation or depreciation**

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

The recoverable value of the assets is the greater of their fair value less the costs of transfer or disposal by another means and their value in use.

Moreover, and regardless of the existence of any indication of impairment, the Group, at least once a year, checks potential impairment that may affect goodwill.

The recoverable value should be calculated for an individual assets, unless the asset does not generate cash entries which are, by and large, independent of those relating to other assets or groups of assets. If this is the case, the recoverable value is calculated for the Cash-Generating Unit (CGU) it belongs to. As a general rule, the Group has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

If there are signs of impairment in a CGU that goodwill could not be allotted to goodwill, the Group checks, in the first place, the impairment to the CGU, without including goodwill and recognises, as appropriate, the impairment loss at the level of the CGU. Subsequently, the Group checks the impairment in the group of CGUs to which goodwill was allotted and recognises, as appropriate, the impairment loss at the level of the groups of CGUs.

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

In 2020, with the acquisition of the Boscolo Hotels Group, goodwill was generated which was allotted to a single cash generating unit that relates to the entire Group.

The operating result for each CGU is obtained at the end of the year without taking non-recurring results (if any) or financial results into account. Once the operating result is obtained for each CGU, the impairment test is performed for those in which there are indications of impairment. Among others, the Group considers that a CGU has indications of impairment if it meets the following conditions: it has negative operating results and its business is stable (it has been open for 3 years).

Losses due to impairment of the CGU initially, if appropriate, reduce the value of the goodwill allotted to it, and subsequently to the CGU's other assets, pro rata depending on the book value of each one of the assets, with the limit for each one of them of the greater of their fair value less the costs of disposal and its value in use.

On each closing date the Group assesses whether there are any indications that impairment losses recognised in previous years no longer exist, or may have decreased. Impairment losses relating to goodwill are not reversible. Impairment losses on the remaining assets are only reversed if a change has occurred in the calculations used to determine the asset's recoverable value. Reversal of the impairment loss is recorded as a credited to profit and loss.

As an exception, given the current economic situation as a result of the pandemic caused by Covid-19, analyses have continued to be carried out to determine if there is any impairment to the CGUs as a whole in the 2021 financial year, in the same way as in the 2020 financial year.

In this financial year, the Group carried out a valuation of the greater part of the hotel assets in ownership. They were valued by a global firm specialising in valuation and consultancy services. The valuation of the assets at 31 December 2021 covered 70 assets. In order to calculate the value of the assets, the most used valuation criteria was discounted cash flow, due to the fact that the hotel investments are valued depending on their potential future income.

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

## 4.5 Leases

At the beginning of a contract, the Group assesses whether it contains a lease. A contract is, of contains, a lease if it gives the right to control the use of the asset identified during a period of time in exchange for a consideration. Leases are recognised as a right-of-use asset and the corresponding liability on the date the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially valued based on their present value. Leasing liabilities include the net present value of the following leasing payments:

- Fixed payments (including fixed payments in essence), less any lease incentive collectable.
- Variable payments for leases that reply on an index or rate, initially valued according to the index or rate on the start date.
- Amounts expected to be paid by the group for residual value guarantees.
- The price to exercise a purchase option if the group is reasonably certain that it will exercise that option.
- Penalty payments terminating the lease if the term of the lease reflects the group exercising that option.

In order to determine the term of the lease contracts, the Group has taken as non-cancellable the initial term of each contract, taking the possible unilateral extensions at the option of the Group only in those cases in which it has been reasonably considered certain that they will be exercised, and only the cancellation options whose exercise has been reasonably considered certain have been taken into account.

The general determination of not including unilateral extension of contracts as a part of their term, is based on the Group's historical experience. The windows for renewal have historically been used as renegotiation windows, unless the market situation was clearly favourable for the Group. Therefore, given that hotel rental agreements are normally signed with a first term that is higher than a macroeconomic cycle (5 years), our experience shows that is it highly probable that some unknown event may occur on the date the agreement is signed, and which may significantly affect such judgment. The attacks in Europe, in Brussels or in Nice, serve as an example, as does the actual pandemic, as they changed the economic paradigm and affected the frameworks for negotiating rent. Furthermore, to determine the term for lease agreements, the term for recovering the investments made in it are taken into account.

To determine lease terms, there are no penalties for not exercising the extensions mentioned above, nor have early terminations with penalties been included.

Contracts may contain leasing and non-leasing components. The Group assigns the consideration in the contract to the leasing and non-leasing components based on their relative independent prices. For real estate leases in which the Group cannot separate the leasing and non-leasing components, it accounts for them as a single leasing component.

Leasing payments are discounted using the implicit interest rate in the lease. If this rate cannot be easily determined, which is generally the case for the group's leases, the incremental interest rate is used. The incremental interest rate is the interest rate that the lessee would incur at the commencement of the lease if it borrowed, over a period of time, with similar guarantees and in a similar economic environment. The interest was calculated as a combination of the following elements:

- CDS curve of the economic environment

- Euribor Swap Rate Curve.
- Synthetic NH CDS curve.

These elements were combined to obtain an interest rate curve for each contract based on its geoeconomic specificities and from which the calculation process consists of bringing each of the discounted flows to the present value at the interest rate corresponding to each maturity within said curve and calculating which single equivalent rate would be used to discount said flows.

Potential future increases in variable payments for leases based on an index or rate are not included in leasing liabilities until they take effect. When the adjustments to the leasing payments based on an index or rate take effect, the leasing liability is assessed again and set against the asset for right of use.

Leasing payments are allocated between principal and financial cost. The financial cost is charged to profit/ (loss) during the leasing period in a manner that creates a periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets are valued at cost that comprises the following:

- The initial valuation amount of the leasing liability.
- Any leasing payment made on or before the state date, less any incentive to lease received.
- Any initial indirect cost.
- Restoration costs.
- Incentives to lease received from the lessor.
- Provision on onerous contracts

In application of IFRS 16, all rent that does not come under the definition of fixed payments in substance and, therefore, is outside the Group's maximum compulsory commitment, as they are not inevitable, is recorded as an operational expense for the year.

Therefore, the Group records variable rent that is linked to exploitation of the underlying assets as an expense, along with those arising from percentages of sales and other similar reference points. Moreover, all rent that, in application of IFRS 16, are outside the Group's maximum compulsory commitment are recorded as an operational expense for the year.

Variable rents that are not, in essence, fixed and the way in which they may involve a liability for the Group would be that the flows arising from exploitation of the CGU are estimated to be negative and, therefore, the Group would be obliged to record a provision for onerous contracts.

An amendment to IFRS 16 was approved by the IASB on 28 May 2020, extended to 30 August 2021, to help accounting for changes in leases resulting from the pandemic caused by Covid-19. The amendment establishes an exemption in which rental concessions caused by Covid-19 may not be recorded as amendments to the lease (Note 2.2.2).

## 4.6 Financial Instruments

### 4.6.1 Financial assets

Financial assets are recognised in the consolidated balance sheet when they are acquired and initially recognised at their fair value. The financial assets held by Group companies are classified as follows:

- Financial assets at fair value through profit or loss are those assets acquired by the companies with the objective of obtaining the contractual flows and selling them; or those assets that do not consist exclusively of the payment of the principal and interest and the management model is the sale of the same, in general terms, practically all of the variation in the fair value of the Group's financial assets are recorded with a charge to the consolidated statement of changes in equity. Interest income, exchange rate differences and impairment losses are recognised in the income statement and other gains or losses are recognised in "Other comprehensive profit and loss" in equity. Any cumulative gain or loss recognised in equity is reclassified to profit or loss at the time of derecognition.

- Financial assets at amortised cost: assets whose contractual cash flows consist exclusively of principal and interest payments and, if the management model of such assets is to hold them to obtain the contractual flows. In this case, the Group records any changes in value with a charge to the consolidated comprehensive profit and loss statement.

Transaction costs at the time of acquisition are recognised as an increase in acquisition cost or as an expense, depending on whether the financial asset being transacted is considered at fair value through profit or loss.

Fair value of a financial instrument on a given date is construed as the amount for which it could be bought or sold on that same date by two knowledgeable parties acting freely and prudently under conditions of mutual independence.

Interest accrued on financial assets at amortised cost is recognised in the consolidated comprehensive profit and loss statement on the basis of the effective interest rate. Amortised cost is construed as the initial cost minus any collections or amortisation of the principal, taking into account any potential reductions based on expected loss.

As regards valuation corrections made to trade and other accounts receivable in particular, the criterion used by the Group to calculate the corresponding valuation corrections, if any, generally consists of provisioning according to the expected loss based on the credit risk of the customer portfolio.

The Group derecognises financial assets when the cash flow rights of the corresponding financial asset have expired or have been transferred and the risks and rewards incidental to its ownership have been substantially all transferred.

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

## **Trade debtors and other receivables**

Accounts receivable arising from trading operations are initially recorded at their transaction price and, subsequently, a value correction is made for expected credit losses. Expected credit losses—due to the fragmentation of the Group's trade debtors—are estimated taking the history of losses due to non-payment with respect to the Group's sales and open items into account. For the value correction, in the current situation of uncertainty caused by Covid-19, a detailed analysis is being carried out. To do so, all entries considered to be at risk are being monitored and plans for collecting their payment are being made, or provisions being made for those considered to be at risk of recovery.

Furthermore, the group's credit risk tools are being used, with a default insurance policy for the clients included in the policy, and for which, in the event of there not being certainty about payment, the requirements of the policy to claim the amounts as an "incident" are being followed.

### **4.6.2 Cash and cash equivalents**

"Cash and Cash Equivalents" in the consolidated balance sheet includes cash, demand deposits and other short-term, highly liquid investments that can be realised in cash quickly and are not subject to a risk of changes in value.

### **4.6.3 Financial liabilities**

#### **Issues of bonds and other securities**

Debt issues are initially recognised at the fair value of the consideration received, less the costs directly attributable to the transaction. They are subsequently valued at their amortised cost using the effective interest rate method. Bonds with a maturity date greater than twelve months are classified under non-current liabilities, while those with a maturity date of less than twelve months are included in current liabilities.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

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

#### **Bank loans**

Loans received from banking institutions are recognised at the amount received, net of costs incurred in the transaction. They are subsequently valued at amortised cost. These costs incurred in the transaction and the financial expenses are recognised on an accrual basis in the consolidated comprehensive profit and loss statement using the effective interest rate method, and their amount is added to liabilities to the extent to which they are not settled in the period they were produced.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

## **Trade and other payables**

Trade accounts payable are initially recognised at fair value and are subsequently valued at amortised cost using the effective interest rate method.

The Group has contracted confirming operations with various financial entities to manage the payment to suppliers. Trade payables whose payment is managed by financial entities are shown under the entry for trade creditors and other accounts payable, in as far as the Group has only assigned payment management to the financial entities and remains primarily obliged to pay the debt to trade creditors.

## **Valuation techniques and assumptions applying to the measurement of fair value**

The fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities under standard terms and conditions which are traded in active liquid markets are based on market prices.
- The fair value of other financial assets and liabilities (excluding derivatives) is determined in accordance with generally accepted valuation models on the basis of discounted cash flow using the price of observable market transactions and contributor listings of similar instruments.
- In order to determine the fair value of interest rate derivatives, cash flow discounting is used based on the implicit flow determined by the interest rate curve according to market conditions. In order to determine the fair value of options, the Group uses the Black-Scholes valuation model and its variants, using for this purpose market volatilities for the strike and maturity prices of said options.

Any financial instruments valued after their initial recognition at fair value are classified as level 1 to 3 based on the extent to which fair value can be observed:

- Level 1: includes any instruments indexed to listed prices (without adjustment) of identical assets or liabilities in active markets.
- Level 2: includes any instruments indexed to other observable inputs (which are not the listed prices included under Level 1) for assets or liabilities, be it directly (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3: includes any instruments indexed to valuation techniques, which include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

### **4.6.4 Equity instruments**

An equity instrument represents a residual interest in the equity of the Parent Company once all its liabilities are subtracted.

Equity instruments issued by the Parent Company are recognised in equity for the amount received, net of the issue expenses.

#### **4.7 Classification of financial assets and debts into current and non-current**

In the attached consolidated balance sheet, financial assets and debts are classified on the basis of their maturity; in other words, those with a maturity date equivalent to or less than twelve months are classified as current and those with a maturity date exceeding this are non-current.

#### **4.8 Income and expenses**

Income and expenses are recognised on an accrual basis, i.e. when the control of goods and services they represent has been transferred, irrespective of the moment when the monetary or financial flows deriving from them arise.

More specifically, income is calculated at the fair value of the consideration to be received and represents the amounts to be collected for the goods and services delivered within the ordinary framework of operations, subtracting any discounts and taxes.

##### **Sale of rooms and other related services**

Income from the sale of rooms and other related services is recognised daily based on the services provided by each hotel, including customers who are still staying at the hotel at the close of each day. In this respect, the Group recognises the income when the service is considered to be provided and, therefore, fulfils the obligation for performance assumed on check-in. Due to this, for example, in the case of an accommodation service that covers several nights, the income is recognised on a daily basis for each one of the overnight stays.

The consideration received is distributed among the contracted services. These include direct services such as room, food, drink and other consumption, and others related to banquets, events and the rental of spaces. Therefore, the obligations are completely separate and they are recorded at the time they occur.

In the case of the sale of several services together, such as, for example, an accommodation service with one for breakfast, the Group, when it makes the offer, sets the price for each one of the obligations assumed, for which reason at the time the services is considered to be provided the income is recorded at the price set beforehand. Solely in the case of promotions where the service is provided “free-of-charge” with the other one, the Group applies a methodology where the consideration is divided using a ratio calculated by hotel based on the costs of the service at that hotel plus an additional margin.

##### **Provision of services**

The Group recognizes the income from its hotel management contracts in the year in which the services are provided, based on the evolution of the variables that determines this income and which are mainly the total income and the gross operating profit of each hotel managed by the Group.

##### **Loyalty programme**

With regarding to the accounting treatment of the “NH Rewards” customer loyalty programme, we consider that if awarding points gives a significant right to the customer, then it effectively pays the company for future goods or services in advance, and the company should recognise the income from ordinary activities when the points are redeemed or when they expire.

Therefore, when the significant right is generated, the Group records a provision for the estimated equivalent value, partly lowering the income from the sale coupled with the issue of the right. When points are redeemed the income from the transaction is recorded and the provision is derecognised.

The estimated value of the significant right is calculated, showing the discount the customer would receive when exercising the option (one Euro for each point the customer has collected) and taking the two following aspects into account:

- any discount the customer may receive without exercising the option; and
- the probability that the option will be exercised.

The amount of the provision relating to the loyalty programme is recorded in current liabilities on the consolidated balance sheet.

#### **4.9 Official subsidies**

Group companies follow the criteria set out below in recognising official subsidies:

- Non-reimbursable capital subsidies (connected with assets) are valued at the amount granted, recognised as deferred income and taken into profit and loss in proportion to the depreciation of the assets financed by such subsidies during the financial year.
- Operating subsidies are recorded depending on the grounds for them being granted, either as a reduction in the expenses they finance, or as other operating income.

#### **4.10 Corporation tax**

The cost of the year's corporation tax is calculated through the sum of the current tax resulting from applying the tax rate to the taxable income for the year and then applying the relevant tax adjustments according to the law plus any changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities include temporary differences, being any amounts expected to be payable or recoverable due to differences between the carrying amounts of the assets and liabilities and their tax value, as well as tax loss carry-forwards and any credits resulting from unapplied tax deductions. Said amounts are recognised by applying to the relevant temporary difference or credit the tax rate at which they are expected to be recovered or settled.

In some countries, the tax rate varies depending on whether a transfer of assets is made. In these cases, the Group's policy consists of applying the effective tax rate at which they are expected to be recovered or settled. In the opinion of the Parent's Directors, the deferred tax thus calculated covers the amount which may eventually be settled, if any, in the foregoing case.

Deferred tax liabilities for all taxable temporary differences are recognised, except for those in which the temporary difference arises from the initial recognition of goodwill amortisation of which is not tax-deductible or the initial recognition of other operating assets and liabilities which do not affect either the tax or accounting result.

Deferred tax assets identified as temporary differences are recognised only if it is deemed probable that the consolidated entities will make sufficient tax profits in the future to realise them and they do not come from the initial recognition of other assets and liabilities in a transaction which does not affect either the tax or accounting result. Other deferred tax assets (tax loss carry-forwards and tax credits) are recognised only if it is likely that the consolidated companies will make sufficient tax profits in the future to be able to apply them.

At each year-end, deferred taxes (both assets and liabilities) are reviewed in order to verify that they remain in force and the relevant corrections are made in accordance with the outcome of the analyses conducted.

#### **4.11 Obligations to employees**

Spanish hotel companies are obliged to make a specific number of monthly salary payments to those employees who leave the company due to retirement, permanent disability or upon reaching a certain age and having a certain number of years of service and fulfilling certain pre-established requirements.

In this regard and in compliance with Royal Decree-Law 16/2005, the Group has outsourced its pension obligations for its employees' pension plans.

Also, in accordance with Italian law, employees of Italian companies have the right to compensation if they resign or are dismissed.

Its obligations to personnel also include those arising from contracting pension funds for certain employees, which in the Group, mainly affects the business units of Italy and the Netherlands.

Therefore, to provide for these obligations to future payments to personnel, the Group has recognised a liability under "Provisions" (Note 20).

#### **4.12 Onerous contracts**

The Group considers onerous agreements to be those in which the inevitable costs of fulfilling the obligations they entail exceed the economic benefits expected from them.

The Group follows the principle of recording a provision at the present value of the aforementioned differences between the costs and benefits of the contract, or the compensation foreseen for abandonment of the contract, if such is decided.

#### **4.13 Share-based Remuneration Schemes**

These schemes, which are settled in shares, are valued at the time of granting, using a financial method based on a binomial model which takes into consideration the strike price, volatility, the exercise period, the expected dividends, the risk-free interest rate and the assumptions made concerning the financial year.

In accordance with IFRS 2, the above-mentioned valuation is recognised in profit or loss under personnel expenses during the period established as a requirement for the employee to remain in the company before exercising the option. Said value is recognised on a straight-line basis in the consolidated comprehensive profit and loss statement from the date the option is granted until the date on which it is exercised.

On each subsequent closing date, the Group reviews the estimates regarding the number of options expected to be exercisable, adjusting the equity figure if necessary.

#### **4.14 Treasury shares**

Pursuant to IAS 32, treasury shares are presented by reducing the Group's equity. Treasury shares are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the consolidated comprehensive profit and loss statement.

#### **4.15 Provisions for risks and charges**

The Group follows the policy of provisioning for the estimated amounts arising from ongoing litigation, indemnities or obligations, as well as for any sureties or guarantees granted by Group companies which could involve the Group in a payment obligation (either legal or implicit), provided the amount can be reliably estimated.

Provisions are quantified based on the best information available on the position and evolution of the events that cause them and are re-estimated at the end of each reporting period, being totally or partially reversed when these obligations cease to exist or decrease.

Contingent liabilities, except in business combinations, are not recognised in the consolidated financial statements, but are reported in the notes to the financial statements, in accordance with the requirements of IAS 37.

#### **4.16 Environmental policy**

Investments arising from environmental activities are valued at their original cost and capitalised as increases in the cost of fixed assets or inventory in the financial year in which they are incurred.

Any expenses arising from environmental protection and improvement are recognised in the consolidated comprehensive profit and loss statements for the year in which they are incurred, irrespective of the moment when the cash or financial flows deriving from them arise.

Provisions for likely or certain liabilities, ongoing litigation and outstanding indemnities or obligations of an indeterminate amount connected with the environment and not covered by the insurance policies taken out are established at the time the liability or obligation linked to the indemnities or payment arises.

#### **4.17 Consolidated cash flow statements**

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

## 5.- 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:

	31.12.2021	31.12.2020
Net Profit/(Loss) for the year (thousands of euros)	(133.667)	(437.159)
Weighted average number of shares in circulation (in thousands)	403.288	391.965
<b>Basic and diluted Earnings/(Losses) per share in euros</b>	<b>(0,331)</b>	<b>(1,115)</b>

## 6. BUSINESS COMBINATIONS

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

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

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

The amount of the initial consideration for the acquisition of the Boscolo Group was 50,491 thousand euros, to which 2,147 thousand euros was added relating to the net working capital position at the integration date. Both amounts were wholly paid up at the time of acquisition. After a subsequent review of the net working capital position and the additional agreement with the vendor, the Group recorded an account receivable with the vendor of 6,008 thousand euros, recorded under the "Other trade receivables" heading.

The consideration, the final fair values of the assets and liabilities identified at the time of acquisition and the final goodwill, whose valuation was finalised in the 2021 financial year, are set out below:

Item	Thousands of euros
Other intangible assets (Note 10)	51,187
Property, plant and equipment (Note 7)	850
Right-of-use assets (Note 8)	52,629
Deferred tax assets (Note 18)	5,610
Other non-current assets	150
Cash and cash equivalents	2,722
Other current assets	3,535
Leasing liabilities (Note 8)	(52,629)
Provisions for contingencies and costs (Note 20)	(4,562)
Deferred tax liabilities (Note 18)	(11,458)
Other current liabilities	(12,854)
<b>Fair value of the acquired entity's net assets</b>	<b>35,180</b>
<b>Net Consideration</b>	<b>46,630</b>
<b>Goodwill (Note 9)</b>	<b>(11,450)</b>

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

## 7.- PROPERTY, PLANT AND EQUIPMENT

The breakdown and movements in the year were as follows (in thousands of euros):

	Thousands of euros				
	Land and buildings	Plant and machinery	Other fixtures, tools, furniture and others	Property, plant and equipment in progress	Total
Cost, allotted cost, revalued cost	1,608,309	850,825	447,447	85,586	2,992,167
Accumulated depreciation	(394,347)	(555,660)	(331,215)	—	(1,281,222)
Impairment losses	(73,568)	(14,451)	(7,002)	—	(95,021)
<b>Net Book Value at 01 January 2021</b>	<b>1,140,394</b>	<b>280,714</b>	<b>109,230</b>	<b>85,586</b>	<b>1,615,924</b>
<b>Cost, allotted cost, revalued cost</b>					
Inclusions	699	11,361	5,930	10,019	28,009
Retirements	(54,696)	(28,068)	(13,597)	(2,132)	(98,493)
Transfers	41,594	23,201	12,310	(80,946)	(3,841)
Exchange differences and IAS 29 impact	23,490	12,570	4,180	5,231	45,471
<b>Accumulated depreciation</b>					
Inclusions	(19,372)	(43,461)	(29,664)	—	(92,497)
Retirements	7,093	17,281	12,771	—	37,145
Transfers	—	(30)	(36)	—	(66)
Exchange differences and IAS 29 impact	(5,744)	(7,532)	(3,455)	—	(16,731)
<b>Impairment losses</b>					
Reversal/(Allotment) of impairment losses recognised in profit and loss (Note 11)	138	2,892	854	—	3,884
Transfers	(4,609)	2,476	2,133	—	—
Exchange differences and IAS 29 impact	62	—	(8)	—	54
<b>Balance at 31 December 2021</b>	<b>1,129,049</b>	<b>271,404</b>	<b>100,648</b>	<b>17,758</b>	<b>1,518,859</b>
Cost, allotted cost, revalued cost	1,619,396	869,889	456,270	17,758	2,963,313
Accumulated depreciation	(412,370)	(589,402)	(351,599)	—	(1,353,371)
Impairment losses	(77,977)	(9,083)	(4,023)	—	(91,083)
<b>Net Book Value at 31 December 2021</b>	<b>1,129,049</b>	<b>271,404</b>	<b>100,648</b>	<b>17,758</b>	<b>1,518,859</b>

	Thousands of euros				
	Land and buildings	Plant and machinery	Other fixtures, tools, furniture and others	Property, plant and equipment in progress	Total
Cost, allotted cost, revalued cost	1,647,261	838,501	452,211	74,286	3,012,259
Accumulated depreciation	(381,829)	(540,355)	(336,278)	—	(1,258,462)
Impairment losses	(27,472)	(8,570)	(4,632)	—	(40,674)
<b>Net Book Value at 01 January 2020</b>	<b>1,237,960</b>	<b>289,576</b>	<b>111,301</b>	<b>74,286</b>	<b>1,713,123</b>
<b>Cost, allotted cost, revalued cost</b>					
Inclusions	1,740	39,076	23,276	31,953	96,045
Retirements	(8,869)	(28,224)	(37,013)	(1,601)	(75,707)
Business combinations (Note 6)	—	171	472	207	850
Changes in the scope of consolidation	(13,618)	(649)	(222)	154	(14,335)
Transfers	(5,975)	6,803	12,418	(13,149)	97
Transfers of assets held for sale and disposable groups of items	10,495	—	—	—	10,495
Exchange differences and IAS 29 impact	(22,725)	(4,853)	(3,695)	(6,264)	(37,537)
<b>Accumulated depreciation</b>					
Inclusions	(23,297)	(45,652)	(31,119)	—	(100,068)
Retirements	3,607	23,719	35,785	—	63,111
Changes in the scope of consolidation	2,344	306	657	—	3,307
Transfers	—	2,427	(2,443)	—	(16)
Exchange differences and IAS 29 impact	4,828	3,895	2,183	—	10,906
<b>Impairment losses</b>					
Impairment losses recognised in profit and loss	(48,252)	(6,105)	(2,370)	—	(56,727)
Transfers	2,156	84	—	—	2,240
Exchange differences and IAS 29 impact	—	140	—	—	140
<b>Balance at 31 December 2020</b>	<b>1,140,394</b>	<b>280,714</b>	<b>109,230</b>	<b>85,586</b>	<b>1,615,924</b>
Cost, allotted cost, revalued cost	1,608,309	850,825	447,447	85,586	2,992,167
Accumulated depreciation	(394,347)	(555,660)	(331,215)	—	(1,281,222)
Impairment losses	(73,568)	(14,451)	(7,002)	—	(95,021)
<b>Net Book Value at 31 December 2020</b>	<b>1,140,394</b>	<b>280,714</b>	<b>109,230</b>	<b>85,586</b>	<b>1,615,924</b>

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

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

The effect on the profit and loss account of assets de-recognised, replaced or disposed of to third parties outside the Group was a profit of 66,402 thousand euros (a loss of 1,668 thousand euros in 2020), recognised under "Profit/(loss) on the disposal of non-current assets" in the 2021 consolidated comprehensive profit and loss statement.

The net entries for the 2020 financial year included in the “Changes in the scope of consolidation” and “Business combinations” rows come, on the one hand, from the sales of the companies Onroerend Goed Beheer Maatschappij Maas Best, B.V., owner of the NH Best hotel, and Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V., owner of the NH Geldrop hotel, both in Holland (Note 2.9.5), and the acquisition of the Boscolo Hotels Group comes under business combinations (Note 6).

At 31 December 2021, there were mortgages on tangible fixed asset elements with a net book value of 158 million euros (208 million euros in 2020) (Note 17).

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.

At 31 December 2021, firm investment undertakings amounted to 26.8 million euros. These investments will be made between 2022 and 2023 (17.3 million euros in 2020).

## 8.- LEASES

The breakdown and movements under this heading were as follows (in thousands of euros):

	Thousands of euros		
	Real estate	Premiums for contracts and other rights	Total
Cost	4,132,468	73,267	4,205,735
Accumulated amortisation	(2,460,615)	(46,969)	(2,507,584)
Impairment losses	(4,331)	—	(4,331)
<b>Net Book Value at 01 January 2021</b>	<b>1,667,522</b>	<b>26,298</b>	<b>1,693,820</b>
<b>Cost</b>			
Inclusions	91,743	—	91,743
Retirements	(98,521)	—	(98,521)
Reclassifications	3,631	—	3,631
Currency translation difference	6,548	—	6,548
<b>Accumulated Amortisation</b>			
Inclusions	(169,825)	(2,949)	(172,774)
Retirements	72,998	—	72,998
Currency translation difference	(5,505)	—	(5,505)
<b>Impairment</b>			
Reversal/(Allotment) of impairment losses recognised in profit and loss (Note 11)	424	—	424
Currency translation difference	(19)	—	(19)
<b>Balance at 31 December 2021</b>	<b>1,568,996</b>	<b>23,349</b>	<b>1,592,345</b>
Cost	4,135,869	73,267	4,209,136
Accumulated amortisation	(2,562,947)	(49,918)	(2,612,865)
Impairment losses	(3,926)	—	(3,926)
<b>Net Book Value at 31 December 2021</b>	<b>1,568,996</b>	<b>23,349</b>	<b>1,592,345</b>

	Thousands of euros		
	Real estate	Premiums for contracts and other rights	Total
Cost	4,032,889	73,267	4,106,156
Accumulated amortisation	(2,361,264)	(43,393)	(2,404,657)
Impairment losses	—	—	—
<b>Net Book Value at 01 January 2020</b>	<b>1,671,625</b>	<b>29,874</b>	<b>1,701,499</b>
<b>Cost</b>			
Inclusions and Retirements	61,673	—	61,673
Business combinations (Note 6)	52,629	—	52,629
Transfers	(3,629)	—	(3,629)
Conversion differences	(11,094)	—	(11,094)
<b>Accumulated Amortisation</b>			
Inclusions	(182,734)	(3,576)	(186,310)
Retirements	71,720	—	71,720
Transfers	4,037	—	4,037
Currency translation difference	7,626	—	7,626
<b>Impairment</b>			
Reversal/(Allotment) of impairment losses recognised in profit and loss (Note 11)	(4,333)	—	(4,333)
Conversion differences	2	—	2
<b>Balance at 31 December 2020</b>	<b>1,667,522</b>	<b>26,298</b>	<b>1,693,820</b>
Cost	4,132,468	73,267	4,205,735
Accumulated amortisation	(2,460,615)	(46,969)	(2,507,584)
Impairment losses	(4,331)	—	(4,331)
<b>Net Book Value at 31 December 2020</b>	<b>1,667,522</b>	<b>26,298</b>	<b>1,693,820</b>

	Balance at 01/01/2021	Expenses for interest	Business combinations (Note 6)	Changes	Rent payments	Exchange rate differences	Balance at 31/12/2021
<b>Leasing liabilities</b>	2,059,739	83,048	—	53,832	(271,847)	581	1,925,353

	Balance at 01/01/2020	Expenses for interest	Business combinations (Note 6)	Changes	Rent payments	Exchange rate differences	Balance at 31/12/2020
<b>Leasing liabilities</b>	2,067,369	94,106	52,629	94,215	(244,785)	(3,795)	2,059,739

The main movements mainly correspond to the closure of four hotels under leases, as well as the amendment to the term of some contracts and the change to the essentially fixed component in various contracts with a variable structure. During the financial year, NH Collection Venezia Palazzo Barocci and NH Firenze Anglo American in Italy, NH Cornellá and NH Ciudad de Almería and NH Sant Boi in Spain were closed, NH Hannover in Germany and NH Collection Copenhagen in Denmark were opened and NH Collection Barcelona Gran Hotel Calderón in Spain was sold and subsequently leased.

Likewise, the business combination includes the acquisition of the Boscolo Hotels Group in 2020 through the companies Roco Hospitality Group S.R.L., New York Palace, Kft. and Agaga, S.R.O.; hotel leasing operators in Italy, Hungary and the Czech Republic (Note 6).

The main impacts on the statement on the consolidated comprehensive profit and loss statement related to the application of IFRS 16 are a higher financial expense of 83,048 thousand euros (94,106 thousand euros in 2020), a net loss on the disposal of non-current assets of 1,294 thousand euros (a gain of 624 thousand euros in 2020), due mainly to cancellations of contracts that had no cash impact and a reversal for asset impairment of 424 thousand euros (allotment for impairment of 4,333 thousand euros in 2020).

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

Short-term leases and low-value leases are recognised as an expense in the consolidated comprehensive profit and loss account on a straight line basis. A short-term lease contract is one where the period is less than or equal to 12 months. A “low value contract” is one whose underlying asset assigned in use would have a new value of under 5 thousand euros. The impact recorded on the attached consolidated comprehensive profit and loss statements for the leases totals an income of 16,692 thousand euros (31,374 thousand euros income in 2020) (Note 25.4). This income is a result of applying the exemption introduced in IFRS 16 on 28 May 2020, and extended until 30 August 2021, which meant the Group recorded savings of 28,625 thousand euros (46,195 thousand euros in 2020) (Note 2.2).

Furthermore, in the lease agreements, there are no restrictions or imposed clauses and no sales transactions with subsequent leasing were carried out during the financial year.

Future cash output that the lessee is potentially exposed to, and which are not shown in the valuation of leasing liabilities, exclusively relate to payments for variable leasing.

Therefore, future gross payments estimated for the next 5 years total 664 million euros. Nevertheless, these expenses will result in higher income and produce higher profits.

The Group has not granted any options to extend and terminate, or guarantees of residual value. There do exist leases that have not commenced, for which the Group has undertaken gross lease payments of 39,276 thousand euros in a period of 1 to 5 years, and 198,715 thousand euros in a period of over 5 years.

## 9.- 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):

	2021	2020
NH Hoteles Deustchland, GmbH y NH Hoteles Austria, GmbH	58,888	61,114
Grupo Royal	22,494	24,539
Boscolo Hotels (Note 6)	11,571	11,554
Others	3,174	3,862
	<b>96,127</b>	<b>101,069</b>

The movements in this heading of the consolidated balance sheet in the financial year were as follows (in thousands of euros):

Company	Goodwill at 01/01/2021	Conversion differences	Business combinations (Note 6)	Impairment (Note 11)	Goodwill at 31/12/2021
NH Hoteles Deutschland, GmbH y NH Hoteles Austria, GmbH	61,114	—	—	(2,226)	58,888
Grupo Royal	24,539	(2,045)	—	—	22,494
Boscolo Hotels	11,554	25	(8)	—	11,571
Others	3,862	2	—	(690)	3,174
<b>Total</b>	<b>101,069</b>	<b>(2,018)</b>	<b>(8)</b>	<b>(2,916)</b>	<b>96,127</b>

Company	Goodwill at 01/01/2020	Conversion differences	Business combinations (Note 6)	Impairment (Note 11)	Goodwill at 31/12/2020
NH Hoteles Deutschland, GmbH y NH Hoteles Austria, GmbH	75,212	—	—	(14,098)	61,114
Grupo Royal	27,607	(3,068)	—	—	24,539
Boscolo Hotels	—	96	11,458	—	11,554
Others	3,758	104	—	—	3,862
<b>Total</b>	<b>106,577</b>	<b>(2,868)</b>	<b>11,458</b>	<b>(14,098)</b>	<b>101,069</b>

	Thousands of euros	
	2021	2020
Grupo Royal CGUs	22,494	24,539
Group CGUs (Boscolo Hotels)	11,571	11,554
CGU 6	13,587	13,587
CGU 21	9,929	9,929
CGU 12	6,272	6,272
CGU 5	2,996	4,325
CGU 13	5,624	5,624
CGU 2	5,023	5,023
CGUs with goodwill allocated individually < €4 M	18,631	20,216
	<b>96,127</b>	<b>101,069</b>

## 10.- OTHER INTANGIBLE ASSETS

The breakdown and movements under this heading were as follows (in thousands of euros):

	Thousands of euros				
	Usufruct Rights	Concessions, patents and trademarks	Software applications	Other rights	Total
Cost, allotted cost, revalued cost	84,215	37,489	101,118	17,039	239,861
Accumulated amortisation	(6,458)	(26,527)	(67,627)	—	(100,612)
Impairment losses	—	(8,316)	—	(2,796)	(11,112)
<b>Net Book Value at 01 January 2021</b>	<b>77,757</b>	<b>2,646</b>	<b>33,491</b>	<b>14,243</b>	<b>128,137</b>
<b>Cost, allotted cost, revalued cost</b>					
Inclusions	9,848	155	4,397	—	14,400
Retirements	(20)	(460)	(309)	—	(789)
Transfers	—	—	275	—	275
Exchange differences and IAS 29 impact	(1,751)	(370)	3	—	(2,118)
<b>Accumulated amortisation</b>					
Inclusions	(2,468)	(502)	(11,939)	—	(14,909)
Retirements	—	299	223	—	522
Transfers	—	(120)	120	—	—
Exchange differences and IAS 29 impact	442	249	—	—	691
<b>Impairment losses</b>					
Reversal/(Allotment) of impairment losses recognised in profit and loss (Note 11)	—	—	—	739	739
<b>Balance at 31 December 2021</b>	<b>83,808</b>	<b>1,897</b>	<b>26,261</b>	<b>14,982</b>	<b>126,948</b>
Cost, allotted cost, revalued cost	92,292	36,814	105,484	17,039	251,629
Accumulated amortisation	(8,484)	(26,601)	(79,223)	—	(114,308)
Impairment losses	—	(8,316)	—	(2,057)	(10,373)
<b>Net Book Value at 31 December 2021</b>	<b>83,808</b>	<b>1,897</b>	<b>26,261</b>	<b>14,982</b>	<b>126,948</b>

	Thousands of euros				
	Usufruct Rights	Concessions, patents and trademarks	Software applications	Other rights	Total
Cost, allotted cost, revalued cost	33,976	38,322	90,212	17,039	179,549
Accumulated amortisation	(5,483)	(26,392)	(53,920)	—	(85,795)
Impairment losses	—	(7,171)	—	(2,776)	(9,947)
<b>Net Book Value at 01 January 2020</b>	<b>28,493</b>	<b>4,759</b>	<b>36,292</b>	<b>14,263</b>	<b>83,807</b>
<b>Cost, allotted cost, revalued cost</b>					
Inclusions	2,574	108	11,019	—	13,701
Retirements	(34)	(394)	(131)	—	(559)
Business combinations (Note 6)	50,815	—	372	—	51,187
Transfers	—	(36)	(60)	—	(96)
Exchange differences and IAS 29 impact	(3,116)	(511)	(294)	—	(3,921)
<b>Accumulated amortisation</b>					
Inclusions	(1,515)	(974)	(13,511)	—	(16,000)
Retirements	3	366	64	—	433
Transfers	—	331	(316)	—	15
Exchange differences and IAS 29 impact	537	142	56	—	735
<b>Impairment losses</b>					
Reversal/(Allotment) of impairment losses recognised in profit and loss (Note 11)	—	(1,140)	—	(20)	(1,160)
Transfers	—	(5)	—	—	(5)
<b>Balance at 31 December 2020</b>	<b>77,757</b>	<b>2,646</b>	<b>33,491</b>	<b>14,243</b>	<b>128,137</b>
Cost, allotted cost, revalued cost	84,215	37,489	101,118	17,039	239,861
Accumulated amortisation	(6,458)	(26,527)	(67,627)	—	(100,612)
Impairment losses	—	(8,316)	—	(2,796)	(11,112)
<b>Net Book Value at 31 December 2020</b>	<b>77,757</b>	<b>2,646</b>	<b>33,491</b>	<b>14,243</b>	<b>128,137</b>

## 10.1 Usufruct Rights

The main additions in this financial year occurred in the Netherlands (9.8 million euros), as a result of the improvements investment within the framework of the NH Collection Amsterdam Grand Hotel Krasnapolsky management contract .

The net additions in the 2020 financial year in the row "Business combinations" come from the purchase of Boscolo Hotels (Note 6).

## 10.2 Software applications

The most significant additions in this financial year were a result of investments made in digitisation and improvement to the customer journey experience, and digitisation and optimisation of operating processes to gain sustainability, mobility and include customer care.

## 10.3 Other rights

Other rights, include rights relating to lease agreements as a result of business combinations in Italy.

## 11.- IMPAIRMENT

The Group evaluates the possible existence of a loss of value each year that would oblige it to reduce the carrying amounts of its tangible and intangible assets or reverse them, if appropriate. A loss is deemed to exist when the recoverable value is less than the carrying amount. The recoverable value of the assets is the greater of their fair value less the costs of transfer or disposal by another means (mainly used for hotel assets in ownership) and their value in use.

As an exception, given the current economic situation as a result of the pandemic caused by Covid-19, analyses have continued to be carried out to determine if there is any impairment to the CGUs as a whole in the 2021 financial year, in the same way as in the 2020 financial year.

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

For the purposes of determining fair value for the owned hotels in this financial year, the Group made a valuation of the greater part of the hotel assets in ownership. The valuation was made by a global firm specialising in valuation and consultancy services. The valuation of the assets at 31 December 2021 covered 70 assets. In order to calculate the value of the assets, the most used valuation criteria was discounted cash flow, due to the fact that the hotel investments are valued depending on their potential future income.

### 11.1 Key assumptions used

The evolution of the key assumptions in the analysed hotels has taking the business knowledge of Group Management into account as well as the expected recovery of the sector after the COVID-19 pandemic. In this regard, the assumed projections are based on the use of the Management's budget for 2022, which assumes a dramatic recovery in revenues compared to 2021, but still lower than those in 2019 due to the negative effect that the COVID-19 pandemic has had on tourism over the past two years. Recovery to pre-COVID-19 levels is calculated in the comparable hotels over the next few years, once mobility restrictions decrease and, therefore, consumer confidence is recovered. The Group's strong positioning in the countries where it operates, the good locations of the portfolio and the high recognition of its brands are key factors in the assumed recovery period. This recovery scenario calculates reaching pre-pandemic figures in the comparable hotels, which are those for 2019, between 2023 and 2024.

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

- Estimate of external sources specialising in the hotel sector, along with investment banks with reference to the recovery of the hotel sector.
- Estimate of GDP (Gross Domestic Product) growth issued by the International Monetary Fund (IMF) in its report published in October of each year for the next five years.
- Knowledge of the business/asset/local situation of the local Management of each Business Unit to which each CGU belongs.
- Historical results obtained by the CGUs.
- Investments in repositioning the CGUs.

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

- Income from accommodation is projected as the product of percentage occupation, and average rate per room (“ADR” Average Daily Rate: is the ratio of the total income from rooms in a specific period divided by the rooms sold in that specific period) and the total rooms available per year.
- The other revenues are projected based on the average of the relationship between the revenue from accommodation and those revenues.
- Personnel expenses are calculated on the basis of the average cost for personnel plus the relevant increase in each country referenced to the collective employment agreement for each year.
- Direct expenses are directly associated with each of the revenues and are projected on the basis of an average ratio, while undistributed expenses are projected based on the average ratio between these and direct expenses.
- For its part, tax is calculated from the tax rates applicable in each country.

The discount rates were calculated by a third party using the Weighted Average Cost of Capital (WACC) methodology: Weighted Average Cost of Capital (WACC), as follows:

$$WACC = K_e * E / (E + D) + K_d * (1 - T) * D / (E + D)$$

Where:

Ke: Cost of Equity  
Kd: Cost of Financial Debt  
E: Own Funds  
D: Financial Debt  
T: Tax Rate

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

The main variables used by a third party to calculate the discount rate are as follows:

- Risk-free rate: the WACC calculation is based on an increased risk-free rate. The risk-free rate is standardised to show the average sustainable performance of the long-term bonds issued by governments and considered to be “safe” (usually those classified as AAA by the main ratings agencies).
  - For European countries, a rate of 0% was taken into account as the performance of German government bonds at 20 years, on the valuation date, showed negative performance from December 2021 and a 1.5% standardisation was extended.
  - For Latin American countries, American sovereign debt was taken into account, which oscillates between 1.8% (performance at the Valuation Date) and 2.5% (standardised value). In these countries, the differential of inflation to the USA is also applied.
  - For the United Kingdom, the performance of British government bonds at 20 years was taken into account, which oscillates between 1.2% (performance at the Valuation Date) and 2.5% (standardised value).
- Market risks premium: defined at 5.5% for rates in EUR and USD and 5.0% for GBP, based on a wide range of financial information, multiple methodologies and economic and financial market conditions at December 2021.
- Beta or systematic risk: Using a sample of listed companies whose businesses are comparable, the sector’s risk differential is estimated in relation to the average risk on the global market. To calculate

the WACC for hotels being leased, a comparative of a sample of traditional hotel companies is taken into account. Furthermore, to this group, and to calculate the WACC for owned hotels, a sample of property investment funds (REITs) is also included in order to show the real estate contribution to the business. Bloomberg's historic betas were taken as a reference (monthly data at 5 years). Given that these betas are leveraged, they have been de-leveraged taking into account the average historical debt/capital structure for each company over 5 years.

- The capital structure applied was estimated on the basis of the capital structure of the comparable companies, taking the proportion of debt with interest, preferential capital and ordinary capital of these companies that are listed on the stock exchange into consideration. The average capital structure applied is 59.5% Own Funds and 40.5% Debt for the group of comparables for owned hotels, and 58.1% Own Funds and 41.9% Debt for the group of comparables for leased hotels.
- In addition, the local rate for corporation tax on the valuation date in each country was considered.
- To calculate the Cost of the debt, a 2.9% debt differential is applied, based on the spot rate of German bonds at 20 years and applying the credit rating differential for the comparable companies of reference.

Below are the pre-tax discount rates of the major countries:

	Discount rate before taxes:				
	Germany	Netherlands	Italy	Spain	Colombia
2021	6,36% - 8,73%	6,17% - 8,35%	8,24% - 10,47%	7,61% - 9,86%	15,02% - 15,98%
2020	11,2%	9,6%	12,12%	10,6%	13,6%

The evolution of the key assumptions in hotels with indications of impairment at 31 December in the major countries in euros was as follows:

	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Germany		Netherlands		Italy		Spain		Colombia	
Post-tax WACC	4,5% - 6,0%	7,54%	4,5% - 6,25%	7,79%	6,25% - 8,0%	8,12%	5,75% - 7,5%	8,14%	10,8% - 11,3%	10,57%
Growth rate (g)	2,03%	1,97%	1,90%	1,70%	1,39%	1,35%	1,70%	1,69%	2,91%	2,91%
Average ADR (years of projection)	104,2	100,8	65,6	59,5	136,7	133,5	97,2	92,5	58,9	62,1
Average Occupancy Rate (years of projection)	72,1%	65,0%	64,4%	54,3%	70,7%	65,1%	73,9%	66,2%	67,2%	61,5%

The after-tax discount rates used by the Group for these purposes range in Europe from 4.5% to 10.25% (7.5% and 8.1% in 2020) and in Latin America from 9.00% to 14.5% (10.6% and 16.2% in 2020) without taking into account Argentina, whose after-tax discount rate has been calculated taking into account its hyperinflationary economic situation and varies between 52.50% in 2022 and 33.25% in 2026, and standardised to 18.5% for the perpetuity calculation based on the estimate of inflation. In this regard, the cash flows resulting from the impairment tests were also calculated after tax. In addition, the book value to which the value-in-use is compared does not include any deferred tax liabilities which could be associated with the assets.

Using a post-tax discount rate and post-tax cash flows is consistent with paragraph 51 of IAS 36, which states that "estimated future cash flows will reflect assumptions that are consistent with the manner of determining the discount rate". In addition, the result of the post-tax flows updated at a post-tax discount rate would obtain

uniform results with respect to the impairment test if a pre-tax rate were used and, therefore, the impairment and reversion accounting records would be uniform.

## 11.2 Sensitivity analysis

Furthermore, the Group has carried out a sensitivity analysis for each of the CGUs, and for the groups of CGUs where goodwill is allotted.

For each scenario, each hypothesis has been considered individually, recording the impact on impairment for each of them. Scenario 1 is a negative one where the discount rate is raised 100 b.p. above the rate used in the test and a growth rate lower by 100 b.p., i.e. with minimum growth, and falls in occupancy of 100 b.p. and ADR of 1% which would lead to additional impairment to that registered in 2020.

In the case of Scenario 2, this is a positive one where the discount rate is 100 b.p. below the rate used in the test, a growth rate of 100 b.p., with increases in occupancy of 100 b.p. and ADR of 1% which would lead to lower impairment to that registered in 2020.

A sensitivity analysis of the results of the impairment analysis given variations in the following scenarios, including the impacts that the amendment of each scenario would have without affecting the rest, for the main goodwill, is set out below:

NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH					
	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	4,20%-6,50%	5,20% - 7,50%	(960)	3,20% - 5,50%	815
Growth rate	1%-3%	0% - 2%	(789)	3% - 4%	620
Occupancy rate	77.5%	76.5%	(552)	78.5%	552
ADR (euros)	125.50	124.3	(690)	126.8	690

Royal Group					
	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	11,25%-14,5%	12,25% - 15,5%	—	—	—
Growth rate	1,00% - 3,00%	0,00% - 2,00%	—	—	—
Occupancy rate	67.0%	66.0%	—	—	—
ADR (euros)	85.52	84.7	—	—	—

Boscolo Hotels					
	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	7,76%	6,76%	—	—	—
Growth rate	1,39%	0,39%	—	—	—
Occupancy rate	72.3%	71.3%	—	—	—
ADR (euros)	199.82	197.8	—	—	—

In addition, a sensitivity analysis of the results of the impairment analysis of the most significant CGUs that have associated property, plant and equipment, intangible assets and rights of use is set out below:

Sensitivity analysis of tangible and intangible assets and rights of use					
	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	4,4% - 52,5%	5,4% - 53,5%	(30,406)	3,5% - 51,5%	25,865
Growth rate	1,0% - 5,5%	0,0% - 4,5%	(11,920)	2,0% - 6,5%	13,708
Occupancy rate	72.3%	71.3%	(6,993)	73.3%	4,293
ADR (euros)	135,1	134.1	(6,779)	136.1	6,350

### 11.3 Impairment losses

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

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

The Group recognised a net reversal of impairment losses of 2,131 thousand euros (76,758 thousand euros allotment for impairment in 2020) as summarised below:

- Property, plant and equipment: impairment amounting to 26,998 thousand euros was recognised in 2021 for certain tangible assets; this impairment mainly corresponds to real estate and is a result of the worsening of future expectations of cash flows for different reasons, including the opening of competitors' hotels or the loss of an important customer and the worsening of the outlook due to the Covid-19 situation. (61,250 thousand euros in 2020). On the other hand, there was a reversal of 30,882 thousand euros resulting from the improvement in expectations, recorded under the heading "Gains/ (Net losses) from asset impairment" on the consolidated comprehensive income statement for 2020 (4,523 thousand euros in 2020).
- Right-of-use assets: an impairment reversal was recorded for Rights of use of 1,834 thousand euros and an allotment to impairment of 1,410 thousand euros (allotment of 4,333 thousand euros in 2020) (Note 8).
- Goodwill: the Group recognised an impairment loss of 2,916 thousand euros on goodwill for NH Hoteles Deutschland, GmbH, NH Hoteles Austria, GmbH and others (14,098 thousand euros in 2020).

This impairment arises from their worsening expectations of future cash flows mainly due to the opening of competitor hotels and the worsening of the outlook due to the Covid-19 situation.

- Other intangible assets: reversals of impairment losses of 739 thousand euros (impairment losses of 1,497 thousand euros and reversals of 337 thousand euros in 2020) were recognised under "Net Gains/(Losses) on asset impairment" of the consolidated comprehensive income statement

The balance of impairment to property, plant and equipment at 31 December is as follows (in thousands of euros):

	2021	2020
Spain	5,129	6,600
Italy	45,831	68,639
Germany	15,759	7,199
Benelux	17,860	10,057
Latin America	6,438	2,526
Others	66	—
<b>Total impairment</b>	<b>91,083</b>	<b>95,021</b>

The recoverable amount of the CGUs subject to impairment or reversal (not the entire portfolio of the Group) is as follows

Million euros	2021
	Recoverable amount
<b><u>TOP 10</u></b>	
CGU 35	73.4
CGU 25	54.4
CGU 26	36.6
CGU 4	28.5
CGU 29	26.6
CGU 31	24.9
CGU 30	23.0
CGU 32	18.5
CGU 33	16.9
CGU 34	16.1
<b><i>Subtotal</i></b>	<b><i>318.9</i></b>
<b><u>Other CGUs by country</u></b>	
Spain	12.3
Italy	62.5
Benelux	16.5
Germany	47.1
LatAm	40.6
Other Countries	7.2
<b><i>Subtotal</i></b>	<b><i>186.2</i></b>
<b>Total</b>	<b>505.1</b>

## 12.- INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The associated companies in the year and the amount recognised on the books (in thousands of euros) are listed below:

Company	Activity centre	Share percentage	Relationship nature	Book value	
				2021	2020
Mil Novecientos Doce, S.A. de C.V.	CDMX, México	25%	Associate	2,000	1,900
Consorcio Grupo Hotelero T2, S.A. de C.V.	CDMX, México	10%	Associate	1,567	1,413
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla, México	17%	Associate	—	1,100
Hotelera del Mar, S.A.	Mar de Plata, Argentina	20%	Associate	645	702
Borokay Beach, S.L.	Madrid, Spain	50%	Associate	929	929
Kensington Hotel Value Added I, Ltd	London, UK	30%	Associate	—	—
Sotocaribe, S.L.	Madrid, Spain	36%	Associate	35,781	35,729
<b>Total</b>				<b>40,922</b>	<b>41,773</b>

The impact recorded on the consolidated comprehensive profit and loss statement for the financial year due to consolidation of these holdings was losses of 1,447 thousand euros (7,468 thousand euros loss in 2020), recorded under the heading "Gain/(Loss) from entities valued using the equity method". In addition, these holdings increased in 2021 by 596 thousand euros due to the effect of the exchange differences (they decreased by 2,575 thousand euros in 2020).

The Group's policy on holdings in associated companies consists of ceasing to book losses in these companies if the associated company's consolidated losses attributable to the Group are equivalent to or exceed the cost of its holding in them, provided there are no additional contingencies or guarantees connected with existing losses.

The balance sheet of these key companies accounted for using the equity method at year-end is as follows (in thousands of euros):

Company	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Net Profit (Loss)
Mil Novecientos Doce, S.A. de C.V.	7,884	—	—	—	7,884	(11)
Consorcio Grupo Hotelero T2, S.A. de C.V.	15,661	—	—	—	15,661	738
Inmobiliaria 3 Poniente, S.A. de C.V.	801	10,808	782	4,468	6,359	(561)
Hotelera del Mar, S.A.	694	3,462	480	750	2,926	—
Borokay Beach, S.L.	963	1,104	95	115	1,857	—
Sotocaribe, S.L.	9,162	245,639	29,301	50,036	175,463	(371)

### 13.- NON-CURRENT FINANCIAL INVESTMENTS

#### 13.1 Financial assets at fair value with change in profit/loss

The breakdown of this heading is as follows:

	Thousands of euros	
	2021	2020
NH Panamá, S.A.	3,767	3,767
Other investments	757	408
Provisions	(2,190)	(2,190)
<b>Total</b>	<b>2,334</b>	<b>1,985</b>

In regard to the fair value of financial assets, it does not differ significantly from its cost.

#### 13.2 Other financial assets at amortised cost

The breakdown of this heading is as follows

	Thousands of euros	
	2021	2020
Subordinated loans to companies owning hotels operated by the Group through leases	13,038	20,793
Loans to associates (Note 26)	148	140
Long-term deposits and sureties	12,843	12,835
Others	1,843	1,896
<b>Total</b>	<b>27,872</b>	<b>35,664</b>

The “Subordinated loans to companies owning hotels operated by the Group through leases” item includes a series of loans granted by the Group to companies which own hotels in countries such as Germany, Austria, the Netherlands, Italy and Spain, and which are operated by the Group under a leasing agreement.

The main features of these agreements are as follows:

- Hotel rentals are not subject to evolution of the inflation rate or to that of any other index.
- The aforementioned subordinated loans accrue interest at a fixed rate of 3% per annum.
- Lease agreements establish a purchase right on properties subject to agreements that, as a general rule, may be executed in the fifth, tenth and fifteenth year from the entry into force of the agreement.
- The model used for these lease agreements has been analysed and independent experts consider them to be operating leases. These hotels are covered by the scope of IFRS 16 and, therefore, from the transition date involve recording a right of use asset and a leasing liability.

#### 14.- TRADE RECEIVABLES

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

	Thousands of euros	
	2021	2020
Trade receivables for services provided	56,283	38,962
Provision for bad debts	(7,319)	(9,025)
<b>Total</b>	<b>48,964</b>	<b>29,937</b>

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.

Movements in the provision for insolvencies during the year were as follows::

	Thousands of euros	
	2021	2020
Balance at 1 January	9,025	7,100
Conversion differences	70	(74)
Additions	1,390	5,889
Applications	(3,166)	(3,890)
<b>Balance at 31 December</b>	<b>7,319</b>	<b>9,025</b>

The analysis of the ageing of financial assets in arrears but not considered impaired in the financial year is as follows

	Thousands of euros	
	2021	2020
Less than 30 days	2,618	4,646
From 31 to 60 days	3,002	3,008
More than 60 days	3,217	3,630
<b>Total</b>	<b>8,837</b>	<b>11,284</b>

In this regard, the provisions recorded take into account all the expected losses on the balances of trade receivables on the balance sheet.

#### 15.- CASH AND CASH EQUIVALENTS

"Cash and Cash Equivalents" largely includes the Company's cash position and bank deposits maturing in three months or less. These assets are recognised at their fair value.

The Group's liquidity position at 31 December 2021 is based on the following points:

- The group had cash and cash equivalents amounting to 243,930 thousand euros.
- Available undrawn credit facilities of 267,000 thousand euros (Note 17).

There are no restrictions on how cash may be used. There are 2,424 thousand euros reserved in accordance with a firm commitment with the co-owners of Hoteles Royal (2,057 thousand euros in 2020) for future investments in the hotels.

As a result of the enactment of Royal Decree 1558/2012 of 15 November, of Article 42 bis of Royal Decree 1065/2007 of 27 July, approving the General Regulations on tax management, inspection and procedures, and implementing the common rules of the procedures for applying taxes, which establishes certain reporting obligations with regard to overseas assets and rights, among others, it is disclosed that some members of the NH Hotel Group S.A. Board of Directors have the right, as representatives or authorised officials, to dispose of bank accounts located abroad, which are in the name of Group companies. The reason certain Board members have the right to dispose of overseas bank accounts is that they are directors or board members of said subsidiaries.

NH Hotel Group S.A. holds other accounting documents, namely the consolidated annual accounts, from which sufficient data can be extracted in relation to the aforementioned accounts.

## **16.- EQUITY**

### **16.1 Capital**

At 31 December 2021, the share capital of NH Hotel Group, S.A. was represented by 435,745,670 fully subscribed and paid up bearer shares each with a par value of €2 (392,180,243 shares at 31 December 2020). All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

The Company increased its share capital and premium by 106.6 million euros in the 2021 financial year with the offset of loans from the main shareholder and preferential subscription rights for the other shareholders, by virtue of the resolutions of the General Shareholders' Meeting held on 30 June 2021.

According to the most recent notifications received by the Parent Company and the communications submitted to the Spanish National Securities Market Commission (CNMV) prior to the end of each reporting period, the main shareholdings at 31 December were as follows:

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

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

### **16.2 Dividends**

In 2021, as mentioned in note 3, and in 2020 the Parent Company did not distribute dividends.

### **16.3 Parent Company Reserves**

#### **Legal reserve**

i) The legal reserve is allotted in accordance with article 274 of the Consolidated Text of the Capital Companies Act, which provides that, in all cases, a figure equal to 10% of the profit for the financial year must go into 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 31 December 2021 and 2020 the Parent Company had not allotted the minimum limit provided for in the Consolidated Text of the Capital Companies Act to this reserve.

ii) Share premium

This reserve is freely distributable.

### **16.4 Treasury shares**

At 31 December 2021, the Group had 96,246 own shares, compared to 103,947 own shares at 31 December 2020. The reduction in treasury shares over the period can be explained by the following movement:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract at 31 December 2021 is 96,246 shares and the current amount allocated to the cash account is 333,543 euros. At 31 December 2020, the number of shares assigned to the liquidity contract was 103,947 shares. The negative effect recorded in reserves for operations carried out in 2021 was 700 thousand euros.
- In the 2021 financial year, the second cycle of the second long-term incentive plan was settled (Note 24). Settlement of the second cycle was made with a purchase of 189,962 treasury shares, with this amount matching the total number of shares handed over. The total recorded positive impact of these movements on equity was 759 thousand euros.

## 16.5 Non controlling interests

The movements under this heading during the financial year are summarised below:

	Thousands of euros	
	2021	2020
<b>Opening balance</b>	<b>49,582</b>	<b>57.239</b>
Application of IAS 29	3,280	(1.383)
Comprehensive profit (loss) attributable to non-controlling interests	(2,724)	(5.371)
Dividends paid to non-controlling interests	(166)	(1.179)
Other movements	(974)	276
<b>Closing balance</b>	<b>48,998</b>	<b>49,582</b>

The 2021 "Dividends paid to non-controlling interests" item reflects the dividends of 166 thousand euros paid out by the company NH Lagasca, S.A. Dividends paid out by the following companies were recorded in 2020: NH Marín, S.A. amounting to 1,150 thousand euros and NH Las Palmas, S.A. amounting to 29 thousand euros.

## 17.- DEBT IN RESPECT OF BOND ISSUES AND BANK BORROWINGS

The balances of the “Bonds and other negotiable securities” and “Debts with credit institutions” items for the financial year were as follows:

	Thousands of euros			
	2021		2020	
	Long-term	Short-term	Long-term	Short-term
Guaranteed senior notes	400,000	—	356,850	—
Borrowing costs	—	8,089	—	3,308
Arrangement expenses	(4,980)	(1,286)	(4,885)	(1,751)
Effect of renegotiation of debt IFRS 9	—	—	(2,903)	(1,414)
<b>Debt instruments and other marketable securities</b>	<b>395,020</b>	<b>6,803</b>	<b>349,062</b>	<b>143</b>
Guaranteed syndicated credit line	—	—	236,000	—
Unsecured loans	326,119	5,089	320,742	9,177
Subordinated loans	40,000	—	40,000	—
Mortgages	20,363	3,071	23,854	2,398
Credit lines	5,000	12,000	5,000	12,000
Arrangement expenses	(5,108)	(1,356)	(2,585)	(1,696)
Effect of renegotiation of debt IFRS 9	3,569	1,047	—	—
Borrowing costs	—	1,430	—	4,048
<b>Bank borrowings</b>	<b>389,943</b>	<b>21,281</b>	<b>623,011</b>	<b>25,927</b>
<b>Total</b>	<b>784,963</b>	<b>28,084</b>	<b>972,073</b>	<b>26,070</b>

The effect of debt movement on the Group's cash flows as reflected in the cash flow statement is affected by non-cash movements generated by exchange rate differences as the group has debts in currencies other than the euro.

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

- In April 2021 the extension for an additional period of 3 years was formalised for the syndicated loan of 250,000 thousand euros with a partial guarantee from the Instituto de Crédito Oficial (ICO), taking its original expiry date of 2023 to 2026. Furthermore, the waiver on compliance with financial covenants was extended for the whole of 2022.
- In May 2021, the Parent Company received a loan convertible into shares of 100,000 thousand euros from its majority shareholder, Minor International, which was capitalised with a capital increase for all the shareholders in September 2021 (Note 16).
- In June 2021, the renegotiation of the syndicated credit facility (RCF) was formalised, increasing its total from 236,000 thousand euros to 242,000 thousand euros and extending its expiry from 2023 to 2026. Furthermore, the waiver on compliance with financial covenants was extended for the whole of 2022.
- In June 2021, the Parent Company placed a senior bonds issue on the market, guaranteed for a total of 400,000 thousand euros maturing in 2026, the funds from which were mainly used to repay senior bonds guaranteed for a total of 356,850 thousand euros maturing in 2023.

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

### **Secured senior bonds maturing in 2026**

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

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

The outstanding nominal amount at 31 December 2021 was 400,000 thousand euros.

### **Secured credit line**

On 22 September 2016, the Parent Company and NH Finance, S.A. entered into a revolving business credit with credit institutions amounting to 250,000 thousand euros ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior notes maturing in 2019. As a consequence of the refinancing 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 8 July 2021 the amount drawn down from this syndicated credit facility was reduced from 236,000 thousand euros to 36,000 thousand euros. On 8 December 2021, the amount of 36,000 thousand euros drawn down was completely cut.

At 31 December 2021, the entire 242,000 thousand euros of this financing were available.

### **Subordinate loan convertible into shares**

On 24 May 2021, the Parent Company received a loan convertible into shares of 100,000 thousand euros from its majority shareholder, Minor International, which was capitalised with a capital increase for all the shareholders in September 2021 (Note 16.1).

### **Unsecured loans**

#### **— Syndicated ICO backed loan maturing in 2026**

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

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

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

At 31 December 2021, this financing was available in full.

— **Other non-guaranteed loans**

In addition to the ICO backed syndicated loan for 250,000 thousand euros, as a result of the crisis caused by COVID-19, throughout 2020 the Parent Company and its subsidiaries took advantage of government aid in the various countries to take out several loans. Throughout 2021 extensions to their terms were agreed, with the grant of a guarantee from the Spanish State:

- In May 2020, the Parent Company signed a bilateral loan for 10,000 thousand euros over two years, within the legal framework established by the Spanish state to mitigate the economic impact of COVID-19 and thus receiving the ICO guarantee. In May 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of May 2025.
- In July 2020, the Parent Company signed a bilateral loan for 7,500 thousand euros over three years, within the legal framework established by the Spanish state to mitigate the economic impact of COVID-19 and thus receiving the ICO guarantee. In April 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of July 2026.
- In October 2020 the Italian subsidiary NH Italia Spa signed a bilateral loan for 15,000 thousand euros over 6 years, within the legal framework provided by the Italian state to mitigate the economic impact of COVID-19 and, in this way, receiving the State guarantee (SEPE).
- Furthermore, various bilateral loans were signed between June and September 2020 in different regions (Portugal, Argentina and Chile) to mitigate the economic impact of the pandemic. At 31 December 2021 the total amount drawn down from these loans was 3,199 thousand euros.

Subsidiaries of the Parent Company have other unsecured bilateral loans, including a loan from the American subsidiary of 50,000 thousand dollars (44,146 thousand euros at December 2021) signed in 2018, fully drawn down at 31 December 2021 and maturing in July 2023. These funds were used to finance the New York hotel's capex. The remaining bilateral loans are distributed amongst the companies in Colombia and, at 31 December 2021, the amount drawn down was 1,363 thousand euros.

**Subordinated loan**

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

## Mortgages

The detail of the mortgage loans and credits is as follows (in thousands of euros):

	Mortgaged asset	Fixed rate	Variable interest	Total	Net book value of the mortgaged asset
Spain	Wilan Ander	3,714	—	3,714	4,668
	Wilan Huel	2,661	—	2,661	4,985
	NH Palacio de la Merced	—	2,620	2,620	15,243
<b>Total Spain</b>		<b>6,375</b>	<b>2,620</b>	<b>8,995</b>	<b>24,896</b>
Chile	NH Plaza de Santiago	14,439	—	14,439	14,346
<b>Total Other</b>		<b>14,439</b>	<b>—</b>	<b>14,439</b>	<b>14,346</b>
<b>Total</b>		<b>20,814</b>	<b>2,620</b>	<b>23,434</b>	<b>39,242</b>

## Bilateral credit lines

At 31 December 2021, the balances under this item include the amount drawn down from credit facilities. The joint limit of these loan agreements and credit facilities at 31 December 2021 amounted to 42,000 thousand euros, of which 17,000 thousand euros had been drawn down at that date.

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

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

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

The maximum permitted LTV at 31 December 2021 is 70%.

At 31 December 2021, the Parent Company has a waiver on compliance with the financial covenants for the syndicated credit line and the syndicated loan with the ICO guarantee for the whole of 2022.

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

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

The net book value of the assets granted as mortgage security against the syndicated credit line (242,000 thousand euros fully drawn down at 31 December 2021) and guaranteed senior notes in the amount of 400,000 thousand euros, maturing in 2026, can be broken down as follows (in thousands of euros):

	Mortgaged asset	Net book value of mortgaged assets
	NH Conference Centre Leeuwenhorst	55,871
	NH Conference Centre Koningshof	39,473
	NH Conference Centre Sparrenhorst	6,286
	NH Zoetermeer	7,189
	NH Naarden	3,854
	NH Capelle	6,082
Total		118,755
<b>Net value of assets assigned as mortgage collateral</b>		<b>118,755</b>
<b>Value of guaranteed debt</b>		<b>400,000</b>
<b>Fixed interest</b>		<b>400,000</b>
<b>Variable interest</b>		—

## Limitation on the distribution of Dividends

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

In the case of the senior bonds maturing in 2026, in general, distribution of dividends is allowed as long as (a) there is no current non-compliance and one is not produced as a result of the distribution; (b) the interest coverage ratio pro forma taking into account the planned distribution would be  $> 2.0x$ ; and (c) the total restricted payments (including, amongst others, certain restricted investments, early repayments of subordinated debt, share buy-backs, payments in cash for subordinated debt to controlling shareholders, or persons associated with them, and other forms of remuneration to shareholders in their position as such) made from the offer date (14 June 2021) must be lower than the total of, amongst other entries, (i) 50% of NH Group's consolidated net income from the first day of the full quarter immediately prior to the offer date up to the date of the full quarter nearest to the distribution date for which the quarterly accounts are available, although when calculating the net income, 100% of the consolidated net losses for that period must be deducted, with the exception of losses prior to 31 March 2022 (this is what is known as the "CNI builder basket"), and (ii) 100% of the net contributions to NH Group's capital since the offer date.

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

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

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

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

All these metrics are calculated using consolidated data.

At 31 December 2021, the requirements for the distribution of dividends that year were not met.

## Detail of current and non-current payables

The detail, by maturity, of the items included under “Non-Current and Current Payables” is as follows (in thousands of euros):

A 31/12/2021	Maturity schedule								
Figures in thousands of euros	Limit	Available	Disposed	Year 1	Year 2	Year 3	Year 4	Year 5	Remainde
<b>Mortgages</b>	<b>23,434</b>	—	<b>23,434</b>	<b>3,070</b>	<b>2,007</b>	<b>5,919</b>	<b>1,237</b>	<b>767</b>	<b>10,434</b>
Fixed rate	20,814	—	20,814	2,469	1,396	5,299	608	608	10,434
Variable interest	2,620	—	2,620	601	611	620	629	159	—
<b>Subordinated loans</b>	<b>40,000</b>	—	<b>40,000</b>	—	—	—	—	—	<b>40,000</b>
Variable interest	40,000	—	40,000	—	—	—	—	—	40,000
<b>Guaranteed senior notes</b>	<b>400,000</b>	—	<b>400,000</b>	—	—	—	—	<b>400,000</b>	—
Fixed rate	400,000	—	400,000	—	—	—	—	400,000	—
<b>Unsecured loans</b>	<b>331,208</b>	—	<b>331,208</b>	<b>5,090</b>	<b>54,391</b>	<b>9,712</b>	<b>7,855</b>	<b>254,160</b>	—
Fixed rate	8,112	—	8,112	1,057	2,151	1,872	1,905	1,127	—
Variable interest	323,096	—	323,096	4,033	52,240	7,840	5,950	253,033	—
<b>Secured credit line</b>	<b>242,000</b>	<b>242,000</b>	—	—	—	—	—	—	—
Variable interest	242,000	242,000	—	—	—	—	—	—	—
<b>Credit lines</b>	<b>42,000</b>	<b>25,000</b>	<b>17,000</b>	<b>12,000</b>	<b>3,000</b>	—	<b>2,000</b>	—	—
Variable interest	42,000	25,000	17,000	12,000	3,000	—	2,000	—	—
<b>Borrowing at</b>	<b>1,078,642</b>	<b>267,000</b>	<b>811,642</b>	<b>20,160</b>	<b>59,398</b>	<b>15,631</b>	<b>11,092</b>	<b>654,927</b>	<b>50,434</b>
Arrangement expenses	(12,730)	—	(12,730)	(2,642)	(2,744)	(2,861)	(2,974)	(1,212)	(297)
IFRS 9	4,616	—	4,616	1,047	1,059	1,071	1,080	359	—
Borrowing costs	9,519	—	9,519	9,519	—	—	—	—	—
<b>Adjusted total debt at 31/12/2021</b>	<b>1,080,047</b>	<b>267,000</b>	<b>813,047</b>	<b>28,084</b>	<b>57,713</b>	<b>13,841</b>	<b>9,198</b>	<b>654,074</b>	<b>50,137</b>
<b>Adjusted total debt at 31/12/2020</b>	<b>1,023,143</b>	<b>25,000</b>	<b>998,143</b>	<b>26,070</b>	<b>7,860</b>	<b>891,306</b>	<b>10,239</b>	<b>7,472</b>	<b>55,196</b>

At 31 December 2021, the average cost of the gross drawdown amount of the Group was 3.5%.

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

	Total liabilities	Maturities						
		2021	2022	2023	2024	2025	2026	Resto
Gross lease payments 31/12/2021	2,728,005	—	250,149	236,321	222,303	206,872	191,944	1,620,416
Gross lease payments 31/12/2020	3,001,150	261,034	248,745	237,466	225,081	209,655	196,174	1,622,995

## Net Debt

The detail of net debt at 31 December is as follows (in thousands of euros):

Net Debt	2021	2020
Cash and cash equivalents	243,930	320,851
Financial debt (Long and short term)	(813,047)	(998,143)
Leasing liabilities (Note 8)	(1,925,353)	(2,059,739)
<b>Net Debt</b>	<b>(2,494,470)</b>	<b>(2,737,031)</b>
<b>Cash and liquid investments</b>	<b>243,930</b>	<b>320,851</b>
Gross debt – fixed interest rates	(2,355,153)	(2,448,192)
Gross debt – variable interest rates	(383,247)	(609,690)

## 18.- TAX NOTE

### Tax consolidation scheme

The Group operates in many countries and is therefore subject to the regulations of different tax jurisdictions regarding taxation and corporate income tax.

NH Hotel Group, S.A. and the companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2021 tax period are subject to the tax consolidation scheme governed by Title VII, Chapter VI of Law 27/2014 on Corporate Income Tax.

The companies belonging to the tax group have signed an agreement to share the tax burden. Hence, the Parent Company settles any credits and debts which arise with subsidiary companies due to the negative and positive tax bases these contribute to the tax group.

The companies that make up the tax consolidation group are the following:

NH Hotel Group, S.A.	NH Europa, S.L.
Latinoamericana de Gestión Hotelera, S.L.	NH Atardecer Caribeño, SA.
NH Central Reservation Office, S.A.	Gestora Hotelera del Siglo XXI, S.A.
NH Hoteles España, S.A.	Nuevos Espacios Hoteleros, S.A.
NH Hotel Ciutat De Reus, S.A.	Coperama Holding, S.L.
Gran Círculo de Madrid, S.A.	Coperama Spain, S.L.
Iberinterbrokers, S.L.	NH Las Palmas, S.A.
Wilan Ander, S.L.	NH Lagasca, S.A.
Palacio de la Merced, S.A.	Wilan Huel S.L.
NH Cash Link, S.L.U.	

Corporation tax is calculated on the financial or accounting profit or loss resulting from the application of generally accepted accounted standards in each country, and does not necessarily coincide with the tax result, this being construed as the tax base.

In 2021, Spanish companies pay taxes at the general tax rate of 25% irrespective of whether they apply the consolidated or separate taxation schemes. The foreign companies are subject to the prevailing tax rate in the countries where they are domiciled. In addition, taxes are recognised in some countries at the estimated minimum profit on a complementary basis to Corporation Tax.

The prevailing corporation tax rates applicable to Group companies in the different jurisdictions where the Group has significant operations are as follows:

Country	Nominal Rate	Country	Nominal Rate
Argentina	25%-35%	Italy	24%
Austria	25%	Luxembourg	26%
Belgium	25%	Mexico	30%
Brazil	34%	Netherlands	26%
Chile	27%	Poland	19%
Colombia	31%	Portugal	21%
Czech Rep	19%	Romania	16%
Dominican Rep.	27%	South Africa	28%
Ecuador	25%	Spain	25%
France	26.5%	Switzerland	9%
Germany	30%	United Kingdom	19%
Hungary	9%	Uruguay	25%
Ireland	12.5%	USA	21%

#### Financial years subject to tax inspection

In accordance with Spanish tax legislation, the years open for review to the Consolidated Tax Group are:

Tax	Tax loss Carryforwards
Corporation	2017 a 2020
VAT	2018 a 2021
IRPF (personal income tax)	2018 a 2021
Non-resident Income Tax	2018 a 2021

In Germany, an inspection procedure has been opened which is reviewing the amount of negative tax bases still to be offset by the companies. Furthermore, a verification file is open for all the taxes in some of the German companies which covers the 2015 to 2018 financial years.

In Switzerland, during 2021, a Corporation Tax verification file was opened for the 2016 to 2020 financial years.

Finally, an inspection procedure has been opened in Colombia focused on the deductions of certain Corporation Tax expenses.

The Group's Directors do not expect any significant contingencies to arise from the conclusions of the inspections.

Regarding the financial years open to inspection in the rest of the group, contingent liabilities not susceptible to objective quantification may exist, which are not significant in the opinion of the Group's Directors. Moreover, the Company considers that there are no significant uncertain tax positions.

### Balances with Public Administrations

The composition of the debit balances with Public Administrations at 31 December is as follows:

	Thousands of euros	
	2021	2020
<b>Deferred tax assets</b>		
Tax credits	162,789	132,377
Tax assets due to asset impairment	46,205	41,854
Tax withholdings of workforce	2,647	2,778
Other prepaid taxes	1,346	1,584
IFRS16	81,018	94,420
	<b>294,005</b>	<b>273,013</b>

	Thousands of euros	
	2021	2020
<b>Short-term taxes receivable</b>		
Corporation tax	4,740	13,026
Value Added Tax	27,504	30,977
Other tax receivables	3,528	6,544
<b>Total</b>	<b>35,772</b>	<b>50,547</b>

The movements of the "Deferred tax assets" heading in the year were as follows:

	Thousands of euros	
	2021	2020
<b>Opening balance</b>	<b>273,013</b>	<b>220,040</b>
Asset impairment	4,350	10,012
Generation of assets due to tax losses	27,006	48,998
Settlements of assets due to tax losses	(1,897)	(605)
Activation of deductions	—	103
Business combinations (Note 6)	—	5,610
IFRS 16 (Note 8)	(13,402)	(1,366)
Others	4,935	(9,779)
<b>Total</b>	<b>294,005</b>	<b>273,013</b>

All these impacts have had an effect on the Consolidated Profit and Loss Statement except for some non-significant impacts that have resulted in changes to the consolidated statement of changes in equity.

The increase in deferred tax assets is mainly due to the generation of assets due to tax losses. Furthermore, in 2020, under the business combinations heading, a balance of 5,303 thousand euros was reported for tax loss assets of the companies within the NH Group as a result of the Boscolo Hotels business combination. In 2021, this balance was reported as a tax credits asset.

At 31 December 2021, the Group had assets resulting from tax losses and deductions amounting to 162,789 thousand euros (132,377 thousand euros in 2020). Out of the total tax credits, 77,170 thousand euros (79,067 thousand euros in 2020) relate to credits activated in Spain.

In the 2021 financial year, the movement of tax credit assets impacting the consolidated comprehensive profit and loss statement was 25,109 thousand euros. The increase in tax credits was due to the activation of the loss for the financial year, mainly in Holland (12,568 thousand euros), Italy (8,134 thousand euros), Portugal (2,358 thousand euros) and Latin America (2,153 thousand euros). To record these credits, the relevant plans for tax credit recovery were prepared to support their activation. Furthermore, in Spain tax credits of 1,897 thousand euros were derecognised.

At 31 December 2021, the Group had tax loss and non-deductible financial expenses carryforwards worth 204,723 thousand euros (168,533 thousand euros at 31 December 2020) and deductions amounting to 2,823 thousand euros (29,136 thousand euros in 2020) that had not been entered in the accompanying consolidated balance sheet because the Directors considered they did not meet accounting standard requirements. These assets are grouped as follows (rate amount):

	Thousands of euros	
	2021	2020
Non-deductible financial expenses in Spain	58,558	51,334
Negative tax bases generated by the Spanish entities before their inclusion in the Spanish consolidation group	25,703	25,703
Spanish consolidation group tax loss carryforwards	33,845	33,582
Negative tax bases generated in Belgium	6,242	2,646
Negative tax bases generated in Luxembourg	10,664	10,746
Negative tax bases generated in Germany	34,697	19,986
Negative tax bases generated in Austria	10,204	8,037
Negative tax bases generated in Switzerland	1,886	—
Negative tax bases generated in Latin America	4,545	3,288
Negative tax bases USA	8,817	8,817
Negative tax bases France	5,058	3,814
Other negative tax bases	4,504	580
<b>Total Credit for negative tax bases and financial expenses</b>	<b>204,723</b>	<b>168,533</b>
Deductions generated in Spain	2,823	29,136
<b>Total deductions</b>	<b>2,823</b>	<b>29,136</b>
<b>Total non-activated tax credits</b>	<b>207,546</b>	<b>197,669</b>

The amount of credit for finance costs, which are not considered deductible in the Spanish corporate income tax when exceeding 30% of the operating revenue of the tax group calculated in accordance with Article 16 of Law 27/2014 of 27 December, on Corporate Income Tax, amounted to 58,558 thousand euros at 31 December 2021 (51,334 thousand euros in 2020). There is no deadline for offsetting non-deductible finance costs.

The change to the credits that were not recorded in the 2021 financial year is mainly due to the increase in credits for non-deductible financial expenses in Spain (7,224 thousand euros) and negative tax bases in Germany, Austria, Switzerland, the Czech Republic and Hungary (20,132 thousand euros), Benelux (3,514 thousand euros), Italy (2,239 thousand euros) and Latin America (1,257 thousand euros) which are, in part, offset by the reduction in deductions in Spain (26,313 thousand euros), mainly produced by the expiry of the term for their application.

The composition of the creditor balances with Public Administrations at 31 December is as follows:

	Thousands of euros	
	2021	2020
<b>Deferred tax liabilities</b>		
Revaluation of assets and other valuation differences	186,359	171,519
<b>Total</b>	<b>186,359</b>	<b>171,519</b>

	Thousands of euros	
	2021	2020
<b>Short-term taxes payable</b>		
Corporation tax	1,361	3,517
Value Added Tax	1,538	441
Personal Income Tax	4,544	3,813
Tax on Income from Capital	1,129	1,025
Social Security	7,783	3,756
Others	15,785	10,037
<b>Total</b>	<b>32,140</b>	<b>22,589</b>

The movements in deferred tax liabilities during the year were as follows:

	Thousands of euros	
	2021	2020
<b>Opening balance</b>	<b>171,519</b>	<b>180,082</b>
IAS 29 Hyperinflationary economies	5,435	(651)
Update rate change in Argentina	9,915	—
Business combinations (Note 6)	—	11,458
Others	(510)	(19,370)
<b>Closing balance</b>	<b>186,359</b>	<b>171,519</b>

The increase in deferred tax liabilities is mainly due to the update of deferred tax liabilities in Argentina as a result of the tax rate increase (from 25% to 35%) with effect for the 2021 financial year. The total effect for this item was 9.915 thousand euros.

The impacts have had an effect on the Consolidated Profit and Loss Statement except for an amount of 5,354 thousand euros that has resulted in changes to the consolidated statement of changes in equity.

The detail, by country and item, of these deferred taxes is as follows:

	2021			
	Thousands of euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	77,170	32,670	109,840	20,041
Benelux	21,703	27,521	49,224	18,768
Italy	27,337	15,139	42,476	91,855
Germany	22,729	44,027	66,756	3,023
Others	13,850	11,859	25,709	52,672
<b>TOTAL</b>	<b>162,789</b>	<b>131,216</b>	<b>294,005</b>	<b>186,359</b>

	2020			
	Thousands of euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	79,067	33,245	112,312	25,509
Benelux	7,343	27,363	34,706	18,253
Italy	14,659	26,374	41,033	85,353
Germany	22,729	42,959	65,688	2,904
Others	8,579	10,695	19,274	39,500
<b>TOTAL</b>	<b>132,377</b>	<b>140,636</b>	<b>273,013</b>	<b>171,519</b>

## Reconciliation of the accounting result to the tax result

The reconciliation between the consolidated comprehensive profit or loss statements, the corporation tax base, current and deferred tax for the year, is as follows:

	2021						2020		
	Thousands of euros						Thousands of euros		
	Central Services/ Southern Europe and USA	Italy	Benelux	Central Europe	Latin America	TOTAL	Spanish Companies	Other Companies	TOTAL
<b>Consolidated comprehensive profit and loss statements before taxes</b>	<b>(34,586)</b>	<b>7,051</b>	<b>(67,426)</b>	<b>(29,235)</b>	<b>(21,061)</b>	<b>(145,258)</b>	<b>(120,933)</b>	<b>(394,622)</b>	<b>(515,555)</b>
<u>Adjustments to consolidated comprehensive profit and loss:</u>	—	—	—	—	—	—	—	—	—
Accounting consolidation adjustments	—	—	—	—	—	—	—	—	—
Due to permanent differences	64,374	13,236	60,243	26,473	12,640	176,966	121,151	283,121	404,272
Due to temporary differences	(4,070)	(20,499)	8,503	5,950	10,161	45	(225)	72,988	72,763
<b>Tax base (Taxable profit or loss)</b>	<b>25,718</b>	<b>(212)</b>	<b>1,320</b>	<b>3,188</b>	<b>1,739</b>	<b>31,753</b>	<b>(7)</b>	<b>(38,513)</b>	<b>(38,520)</b>
Current taxes to be refunded / (to pay)	859	271	(845)	(261)	3,355	3,379	7,708	1,801	9,509
Total current tax income / (expense)	(6,376)	51	(340)	(620)	(486)	(7,771)	2	9,352	9,354
Total deferred tax income / (expense)	6,750	(6,186)	14,202	459	2,034	17,259	591	65,722	66,313
Total other income / (expense)	(89)	—	87	(104)	(55)	(161)	(357)	(156)	(513)
<b>Total Corporation Tax income / (expense)</b>	<b>285</b>	<b>(6,135)</b>	<b>13,949</b>	<b>(265)</b>	<b>1,493</b>	<b>9,327</b>	<b>236</b>	<b>74,918</b>	<b>75,154</b>

## Deductions generated by the consolidated tax group of the Parent Company

At 31 December 2021, the Tax Group held the following tax credits carryforward (thousand euros):

<b>Year Of origin</b>	<b>Deduction pending application</b>	<b>Amount</b>
2007 to 2011	Deduction to encourage certain activities	867
2014 to 2020	IT Deduction	1.585
2019 and 2020	Investment deduction in the Canary Islands	631
2013 to 2014	Other	925
		<b>4.008</b>

## 19.- OTHER NON-CURRENT LIABILITIES

The breakdown of the “Other non-current liabilities” item in the accompanying consolidated balance sheets is as follows:

	Thousands of euros	
	2021	2020
<b>At amortised cost:</b>		
Capital subsidies	1,689	2,151
Investment acquisition liability	3,150	3,150
Other liabilities	16,521	5,300
	<b>21,360</b>	<b>10,601</b>

“Other liabilities” includes the deferral of various long-term commitments to public authorities for 10,915 thousand euros.

## 20.- PROVISIONS

The breakdown of “Provisions” for the financial year, together with the main movements recognised were as follows:

	Thousands of euros					
	Balance at 01/01/2021	Additions	Applications/ Reversals	Business combinations (Note 6)	Transfers and other changes	Balance at 31/12/2021
<b>Provision for risk and non-current expenses:</b>						
Provision for pensions and similar obligations	29,224	2,907	(4,327)	—	228	28,032
Other claims	18,031	1,374	(3,376)	—	—	16,029
	<b>47,255</b>	<b>4,281</b>	<b>(7,703)</b>	<b>—</b>	<b>228</b>	<b>44,061</b>
<b>Provision for risk and current expenses:</b>						
Other claims	6,277	3,781	(6,207)	(148)	(228)	3,475
	<b>6,277</b>	<b>3,781</b>	<b>(6,207)</b>	<b>(148)</b>	<b>(228)</b>	<b>3,475</b>
<b>Total</b>	<b>53,532</b>	<b>8,062</b>	<b>(13,910)</b>	<b>(148)</b>	<b>—</b>	<b>47,536</b>

	Thousands of euros				
	Balance at 01/01/2020	Additions	Applications/ Reversals	Business combinations (Note 6)	Balance at 31/12/2020
<b>Provision for risk and non-current expenses:</b>					
Provision for pensions and similar obligations	28,919	1,014	(709)	—	29,224
Other claims	19,322	1,623	(2,914)	—	18,031
	<b>48,241</b>	<b>2,637</b>	<b>(3,623)</b>	<b>—</b>	<b>47,255</b>
<b>Provision for risk and current expenses:</b>					
Other claims	5,021	1,395	(4,849)	4,710	6,277
	<b>5,021</b>	<b>1,395</b>	<b>(4,849)</b>	<b>4,710</b>	<b>6,277</b>
<b>Total</b>	<b>53,262</b>	<b>4,032</b>	<b>(8,472)</b>	<b>4,710</b>	<b>53,532</b>

#### Provision for pensions and similar obligations

The “Provisions for pensions and similar obligations” account mainly includes the pension fund of a certain number of employees of the Netherlands business unit, and the T.F.R. “Trattamento di fine rapporto” in Italy, an amount paid to all workers in Italy at the moment they leave the company for any reason. This is another remuneration element, whose payment is deferred and annually allocated in proportion to fixed and variable remuneration both in kind and in cash, which is valued on a regular basis. The annual amount to be reserved is equivalent to the remuneration amount divided by 13.5. The annual cumulative fund is reviewed at a fixed interest rate of 1.5% plus 75% of the increase in the consumer price index (CPI).

This section also includes various retirement, performance related and/or long-stay awards considered in the Collective Bargaining Agreements that are applicable in Spain.

At the end of 2021, the liabilities entered against this item were of 28,032 thousand euros (29,224 thousand euros at 31 December 2020).

The breakdown of the main assumptions used to calculate actuarial liabilities is as follows:

	2021		2020	
	Netherlands	Italy	Netherlands	Italy
Discount rates	1.0%	0.0% -0.2471%	0.60%	0.0%-0.0736%
Expected annual rate of salary rise	0.50%	2.0%	0.50%	1.90%
Expected return from assets allocated to the plan	0.18%	1.6%	0.23%	1.6%

	2021	2020
	Spain	Spain
Discount rates	0.39%- 0.76%	0.32%- 0.57%
Expected annual rate of salary rise	1.2%	1.2%

### Other claims

The "Other claims" item includes provisions for disputes and risks that the Group considers likely to occur. Among the most significant are the provisions created on the basis of the action brought in the proceedings claiming breach of contract in a property development, as well as other claims received in relation to the termination of certain leases where certain amounts are claimed (Note 23).

## 21.- TRADE AND OTHER PAYABLES

The breakdown of this item in the consolidated balance sheet at 31 December is as follows (thousands of euros):

	Thousands of euros	
	2021	2020
Trade and other payables	230,640	164,564
Advance payments from customers	26,036	23,929
	<b>256,676</b>	<b>188,493</b>

The heading "Commercial Creditors and Other Accounts Payable" covers the accounts payable derived from commercial activity typical of the Group. This heading includes 37,460 thousand euros (27,989 thousand euros at 31 December 2020) coming from creditors for confirming transactions.

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

### INFORMATION ON DEFERRED PAYMENTS TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DUTY TO REPORT" OF ACT 11/2013 OF 26 JULY

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified according to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

	2021	2020
	Days	
<b>Average period for payment to suppliers</b>	<b>96</b>	<b>82</b>
Ratio of paid transactions	97	82
Ratio of transactions pending payment	80	96
	Amount (thousands of euros)	
Total payments made	271,179	194,915
Total payments pending	20,018	10,226

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

The average period for payment to suppliers has been calculated using the weighted average of the two ratios explained below:

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

The maximum period for payment to suppliers of the Company has been higher than the legal period established of 60 days due to the impact of COVID-19 pandemic on hotel demand. This situation is remediable as long as several measures are taken focused on temporary resizing of existing resources, such as renegotiation of rent contracts and other different actions focused on minimizing COVID-19 impacts, which jointly with the progressive recovery of hotel activity will contribute to meet the established legal ratio.

## 22.- OTHER CURRENT LIABILITIES

At 31 December, this item is broken down as follows:

	Thousands of euros	
	2021	2020
Outstanding remuneration	28,695	19,175
Other creditors	11,681	5,920
	<b>40,376</b>	<b>25,095</b>

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

## 23.- THIRD-PARTY GUARANTEES AND CLAIMS IN PROCESS

At 31 December 2021, the Group had a total of 44,715 thousand euros in economic or financial bank guarantees issued by various banks (34,052 thousand euros in 2020).

The increase in balance for bank bonds at 31 December 2021, compared to the balance at 31 December 2020, is mainly due to the issue of a bond as a rent guarantee for a new hotel in Denmark and those issued in favour of Social Security for the deferral of social security payments by several group companies applied for at the beginning of 2021.

Of the 44,715 thousand euros in bank guarantees, 38,300 thousand euros guarantee leasing contract obligations and others related to the Group's usual operations in various countries, and 6,415 thousand euros issued in relation to public bodies.

At 31 December 2021, the Group had taken out insurance policies to cover risks arising from damage to material goods, loss of profits and third-party liability. The capital insured sufficiently covers the assets and risks mentioned above.

### **Commitments to third parties**

- On 10 March 2006, the partnership agreement of the company which owns a hotel in the United Kingdom was signed, of which a group company is a shareholder, under which, if the company were to receive a purchase offer for 100% of its shares at market price, the Group company could be required to transfer the shares. However, the group company will have preferential acquisition rights over the shares. At the close of the financial year, the group company had granted its shareholder an option to purchase shares representing up to 8.36 % of the company capital of the company owning the hotel.
- Within the framework of new development projects in the normal course of business, in which Grupo NH subsidiaries act as lessees or operators, the Group's parent company gives personal guarantees in favour of third parties to secure its contractual obligations, often issue promissory notes in payment of said obligations and agrees penalty clauses in case of breach of contract.
- Likewise, within the framework of the group's financing, personal and real guarantees have been granted to fulfil the obligations guaranteed under the financing agreements (Note 17).

### **Claims in process**

The Group's main contingent assets and liabilities on the date these consolidated financial statements were drawn up, are set out below:

- The owner of four properties in the Netherlands has claimed in court the payment of compensation to a Dutch subsidiary because there was allegedly a change of the control situation in the year 2014, which supposedly entitles him to claim a fine, according to the lease. The claim filed by the owner, both in the first instance and on appeal, was dismissed in full. The same owner has instituted fresh court proceedings alleging a change of control situation in 2018, with an agreement being reached between the parties to put an end to the claim.
- A claim has been filed against a Group company in Germany due to the termination of two lease agreements and claiming specific amounts, including damages.
- A claim has been filed against a Group company in Italy due to the early termination of a lease agreement; the ruling was favourable to the company's interests in the appeal, although it is in judicial review currently in progress.
- A Group company in Italy has been sued for damages under a service provision contract, with the claim being dismissed in the first instance. It is currently at the appeal stage.
- A Group company in South Africa has been sued for damages as a result of the termination of a lease agreement.
- A claim has been filed against two of the Group's companies seeking payment fees to rights management from 1 January 2008 to 31 May 2013, in addition to an unspecified amount corresponding to the period thereafter until a judgment is issued, plus interest and costs. The procedure from both first instance and appeal has been resolved by setting an amount lower than the one claimed, however, a judicial review has been filed, which is pending a hearing.
- A claim has been filed against a Group company claiming payment in relation to the payment of a management entity's fees for the years 2018, 2019, et seq, which is currently being processed.
- A claim has been filed against a Group company for damages within the framework of a corporate relationship, which has been partially admitted. It is currently at the appeal stage.

- Claims have been submitted in claim for payment, within the framework of the various rent renegotiation processes the Company is in. These are currently being processed.
- On the occasion of the agreements reached in 2014 for the sale of the shares held by NH Hotel Group, S.A in the company Sotogrande, S.A., the Group agreed to subrogate to the position of Sotogrande, S.A. for certain claims assuming all rights and obligations relating thereto, and are summarised as follows:
  - Plaintiff in the proceedings against construction agents for construction defects in twenty-five homes and contractual liability.
  - Respondent in the process of claiming amounts from a real estate development due to construction defects.
- A former shareholder of the Group has requested the annulment of certain resolutions adopted by the Board of Directors, and the proceedings are currently in progress.
- As part of the contractual liability assumed by the Group in a hotel purchase contract in Holland, the buyers informed the Group of the requirement to pay the Dutch Capital Transfer Tax. At 31 December 2021, the total amount of this tax, plus the corresponding default interest, was 12,654 thousand euros. The purchasers submitted an appeal to the Dutch Treasury that was rejected and an appeal has been filed with the Courts that is still pending resolution. The Group and the purchasers reached an agreement whereby NH assumed control of the judicial procedure. In March 2021, a judgment issued by the Court of First Instance was received rejecting the Group's claim, with which the Group does not agree, so a new appeal will be filed before the second judicial instance on 14 June 2021.

The Directors of the Parent Company consider that the hypothetical loss incurred by the Group as a result of such actions would not significantly affect the equity of the Group.

## **24.- LONG TERM INCENTIVE PLAN**

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

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

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

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

The Plan targeted approximately 100 beneficiaries.

The current cycles at 31 December 2021 are:

	Assigned at the start of each cycle (Thousands)	No. of live shares at 31.12.2021 (Thousands)	Value of the allocation (Euros)
The first cycle began on 1/1/2017 (delivery in 2020 (concluded))	720.87	—	3.80
The second cycle began on 01/01/2018 (delivery in 2021 (concluded))	517.96	—	5.96
The third cycle began on 01/01/2019 (delivery in 2022 (in force))	879.25	711.35	3.96

The difference between the total shares assigned at the beginning of each cycle and the live shares at 31 December 2021 correspond to beneficiaries who left between the launch up to the final third cycle (31 December 2021).

The second cycle (2018-2020) of the second long-term incentive plan was settled in the first half of 2021 with the delivery of 189,962 net shares at a fair value per unit of 4.28 euros. The settlement of this Plan was made net of taxes.

At the date of publication of this report, all the cycles – in force or ended – had been approved by the Board of Directors.

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

The effect of these items on the consolidated comprehensive profit and loss statement for 2021 was 958 thousand euros (no impact was recorded in 2020).

## 25.- INCOME AND EXPENSES

### 25.1 INCOME

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

	Thousands of euros	
	2021	2020
Hotel occupancy	522,778	348,180
Catering	146,680	111,175
Meeting rooms and others	52,169	47,088
Rentals and other services	24,857	29,707
<b>Revenues</b>	<b>746,484</b>	<b>536,150</b>
Operating subsidies	82,690	36
Other operating income	4,250	7,816
<b>Other operating income</b>	<b>86,940</b>	<b>7,852</b>
<b>Net gain (loss) on disposal of assets</b>	<b>65,108</b>	<b>(475)</b>

Aid received of 82.7 million euros has been recorded under the Operating subsidies line, which mainly relates to subsidies received from the German government to offset the drop in sales caused by COVID-19. Out these subsidies, 39,020 thousand euros recorded under the “Other non-trade debtors” are currently pending receipt.

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

The breakdown of net turnover by geographical markets is as follows:

	Thousands of euros	
	2021	2020
Italy	159,542	83,111
Southern Europe and USA	263,988	158,320
Central Europe	148,584	142,184
Benelux	128,777	122,458
Latin America	45,532	29,927
Central Services	61	150
	<b>746,484</b>	<b>536,150</b>

## 25.2 Financial Income

The breakdown of the amount of financial income is:

	Thousands of euros	
	2021	2020
Interest income	854	951
Other financial income	2,557	765
	<b>3,411</b>	<b>1,716</b>

Interest income corresponds to loans valued at amortised cost.

## 25.3 Personal expenses

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

	Thousands of euros	
	2021	2020
Wages, salaries and similar	191,794	188,430
Social security contributions	48,802	54,986
Severance payments	9,941	7,521
Contributions to pension plans and similar	10,188	10,342
Other social expenses	7,889	6,895
	<b>268,614</b>	<b>268,174</b>

The saving recorded in 2021, as a result of the subsidies or allowances received from Governments to offset the restrictive measures taken, was 42,302 thousand euros in wages and salaries and 26,849 thousand euros in social security contributions (36,932 and 15,795 thousand euros in 2020, respectively)..

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:

	2021	2020
Group's general management	8	8
Managers and heads of department	1,433	1,483
Technical staff	880	988
Sales representatives	631	816
Administrative staff	144	180
Rest of workforce	6,976	7,637
	<b>10,072</b>	<b>11,112</b>

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 decrease in the average number of people employed can be

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

The breakdown of the personnel at 31 December, by sex and professional category, is as follows:

	31/12/2021		31/12/2020	
	Males	Females	Males	Females
Group's general management	7	1	7	1
Managers and heads of department	807	612	801	609
Technical staff	456	410	482	466
Sales representatives	169	438	202	526
Administrative staff	48	79	62	104
Rest of workforce	3,552	3,630	3,374	3,498
	<b>5,039</b>	<b>5,170</b>	<b>4,928</b>	<b>5,204</b>

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 in the year, broken down by professional category, is as follows:

	2021	2020
Managers and heads of department	—	2
Technical staff	9	9
Sales representatives	2	2
Administrative staff	10	10
Rest of workforce	64	66
	<b>85</b>	<b>89</b>

The average age of the Group's workforce was approximately 41.1 and average seniority in the Group was 10.5 years (39.7 years and 9.4 years respectively in 2020).

## 25.4 Other operating expenses

The composition of this consolidated comprehensive income heading is as follows:

	Thousands of euros	
	2021	2020
Leasing (Note 8)	(16,692)	(31,374)
Outsourcing of services	57,063	42,234
Commissions and bonuses for customers	46,013	27,260
Supplies	48,182	42,856
Maintenance and cleaning	32,586	28,111
Laundry and related costs	19,152	14,840
Costs associated with information technologies	32,410	33,085
Marketing and merchandising	11,055	9,692
Taxes, insurance and levies	27,867	24,439
Advisory services	13,779	11,667
Other external services	47,182	46,671
	<b>318,597</b>	<b>249,481</b>

In 2021, the Group experienced an improvement to the level of activity in its hotel business, which led to an increase in some operational expenses directly related to the level of activity, such as the supplies and laundry service, among others. Also, the increase recorded in revenue per available room explains the increase in associated agency commission expenses. Nevertheless, and in spite of the improvement to business, the Group has, since the start of the pandemic, a contingency plan in place to reduce fixed and variable costs directly related to the level of activity.

On the other hand, during 2021, the Group managed to reach agreements with the vast majority of landlords, which has made it possible to obtain rent concessions to significantly mitigate the impact of the pandemic. In this sense, as a result of applying the IFRS 16 amendment published on 30 August 2021, the Group recorded savings of 28,625 thousand euros relating to rent concessions achieved in the aforementioned negotiations carried out as a result of Covid-19 (Note 2.2). In addition, as a result of the drop in business and renegotiations and write-offs, expenses for variable rents, as well as those which are not subject to IFRS 16, were reduced.

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

During 2021 and 2020, the fees for account auditing and other services provided by the auditor of the Group's consolidated annual accounts and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	Thousands of euros	
	2021	2020
Auditing services	548	553
Other verification services	435	214
Total auditing and related services	983	767
Tax consulting services	—	—
Other services	61	243
Total other services	61	243
<b>Total professional services</b>	<b>1,044</b>	<b>1,010</b>

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

	Thousands of euros	
	2021	2020
Auditing services	1,244	1,170
Other verification services	209	215
Total auditing and related services	1,453	1,385
Tax consulting services	254	289
Other services	312	53
Total other services	566	342
<b>Total</b>	<b>2,019</b>	<b>1,727</b>

During 2021, other auditing firms apart from the auditor of the consolidated annual accounts or entities associated with this company by control, shared ownership or management, have provided account auditing services to the companies making up the Group, for fees totalling 99 thousand euros (46 thousand euros in 2020). The fees accrued in 2021 by these firms for tax advice services were 468 thousand euros (366 thousand euros in 2020) and for other services, 242 thousand euros (54 thousand euros in 2020).

## 25.5 Financial cost

The breakdown of this chapter in the consolidated comprehensive income statement is as follows:

	Thousands of euros	
	2021	2020
Expenses for interest	39,530	28,021
Financial expenses for means of payment	7,928	6,459
Financial effect relating to restatement of provisions and other financial liabilities	9,633	1,271
Amortisation of debt arrangement expenses	12,233	5,688
<b>Other Financial expenses</b>	<b>69,324</b>	<b>41,439</b>
<b>Interest on leases (Note 8)</b>	<b>83,048</b>	<b>94,106</b>
<b>Financial Expenses</b>	<b>152,372</b>	<b>135,545</b>

The increase in the “Financial effect relating to restatement of provisions and other financial liabilities” line is explained by recognition at fair value of the extension, for an additional three-years period, of the syndicated loan for 250,000 thousand euros with a partial guarantee from the Official Credit Institution (ICO) and the settlement of the senior bonds guaranteed for a total of 356,850 thousand euros maturing in 2023.

Furthermore, the increase in the "Amortisation of debt arrangement expenses" line is due to early amortisation of the debt arrangement expenses associated with the financial liabilities cancelled during the 2021 financial year (Note 17).

The expenses for interest correspond to debts valued at amortised cost.

## 25.6 Results from exposure to hyperinflation

This heading includes the net effect recognised in the consolidated comprehensive profit and loss statement arising from the application of accounting standards to the financial statements of Argentine subsidiaries from the date of first application since 2018 (Note 2.6.4).

## 26.- RELATED PARTY TRANSACTIONS

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

Transactions carried out by the Group with its related parties during the year 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 there 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:

Income and Expenses	Thousands of euros		
	2021		
	Significant shareholders	Associates or companies of the Group	Total
<b>Expenses:</b>			
Financial Expenses	1,838	—	1,838
Reception of services	959	—	959
Other expenses	1,225	—	1,225
	<b>4,022</b>	<b>—</b>	<b>4,022</b>
<b>Income:</b>			
Financial income	—	351	351
Management or cooperation agreements	1,480	877	2,357
Other income	744	—	744
	<b>2,224</b>	<b>1,228</b>	<b>3,452</b>

Income and Expenses	Thousands of euros		
	2020		
	Significant shareholders	Associates or companies of the Group	Total
<b>Expenses:</b>			
Reception of services	832	—	832
Other expenses	1,528	—	1,528
	<b>2,360</b>	<b>—</b>	<b>2,360</b>
<b>Income:</b>			
Financial income	—	346	346
Management or cooperation agreements	666	516	1,182
Other income	578	22	600
	<b>1,244</b>	<b>884</b>	<b>2,128</b>

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

***Related party balances***

	Thousands of euros	
	31/12/2021	31/12/2020
Accounts receivable from related entities	1,185	955
Accounts receivable from associated companies (long term) (Note 13)	148	140
Accounts receivable from associated companies (short term)	418	841
Loans to associates	10,543	10,114
Provision for impairment	(9,502)	(9,502)
<b>Total Assets</b>	<b>2,792</b>	<b>2,548</b>

	Thousands of euros	
	31/12/2021	31/12/2020
Accounts payable from related entities	(824)	(613)
Accounts payable from associated companies	(9)	—
<b>Total Liabilities</b>	<b>(833)</b>	<b>(613)</b>

At 31 December 2021, the NH Hotel Group has a net balance pending collection of 361 thousand euros with the Minor Group (1,185 thousand euros recorded as an account receivable and 824 thousand euros as accounts payable).

## 27.- INFORMATION BY SEGMENTS

In order to improve and simplify business processes during 2021, the Group revised its organisational structure, causing a change in the organisation of segments and, therefore, eliminating the Property segment as it was not significant. In this way, operational segments are not aggregated as reporting segments.

The Management Committee is the body responsible for making decisions on the Group's segments. The Management Committee monitors operational results on the basis of three geographical regions in order to make decisions on the allotment of resources and performance assessments. Each one of the geographical regions is led by its own Managing Director, who reports to the Management Committee.

The way of managing the three geographical regions coming under corporate services, defines the Group's geographical segments:

- BUSE (Southern Europe): includes Italy, Spain, Portugal, France, Andorra, Tunisia and the USA. Within the segment, the information used for Management to manage it is presented separating Italy from the other countries.
- BUNE: within the segment, management information is grouped between Central Europe (which includes: Germany, Austria, Czech Republic, Hungary, Poland, Romania, Slovakia and Switzerland) and Benelux (which includes: Holland, Belgium, Luxembourg, Ireland and the United Kingdom).
- BUAM (Latin America, which includes: Argentina, Brazil, Chile, Colombia, Cuba, Ecuador, Haiti, Mexico and Uruguay).

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

	Thousands of euros (2021)						
	Italy	Southern Europe	Central Europe	Benelux	Latin America	Corporate Services	TOTAL
Revenues	159,542	263,988	148,584	128,777	45,532	61	<b>746,484</b>
Other operating income	532	1,282	79,402	4,069	122	1,533	<b>86,940</b>
Depreciation	(48,142)	(79,230)	(79,697)	(44,700)	(10,719)	(17,739)	<b>(280,227)</b>
Net profit (loss) for asset deterioration	23,367	2,070	(11,730)	(7,603)	(3,973)	—	<b>2,131</b>
Financial Income	35	62	335	134	308	2,537	<b>3,411</b>
Financial Expenses	(19,097)	(27,659)	(39,279)	(23,462)	(6,100)	(36,774)	<b>(152,371)</b>
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	3,151	—	<b>3,151</b>
Profit (Loss) from entities valued through the equity method	—	—	—	—	(1,025)	(422)	<b>(1,447)</b>
Corporation tax	(6,135)	9,963	(265)	13,949	1,493	(9,678)	<b>9,327</b>

	Thousands of euros (2020)						
	Italy	Southern Europe	Central Europe	Benelux	Latin America	Corporate Services	TOTAL
Revenues	83,111	158,320	142,184	122,458	29,927	150	<b>536,150</b>
Other operating income	673	1,999	429	2,795	132	1,824	<b>7,852</b>
Depreciation	(53,111)	(83,879)	(84,746)	(50,434)	(10,317)	(19,990)	<b>(302,477)</b>
Net profit (loss) for asset deterioration	(47,370)	(4,257)	(20,531)	(3,180)	(972)	52	<b>(76,258)</b>
Financial Income	30	6	273	84	429	893	<b>1,715</b>
Financial Expenses	(19,737)	(27,702)	(37,452)	(31,476)	(5,137)	(14,040)	<b>(135,544)</b>
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	796	—	<b>796</b>
Profit (Loss) from entities valued through the equity method	—	—	—	—	(542)	(6,926)	<b>(7,468)</b>
Corporation tax	29,115	4,016	22,647	17,461	3,402	(1,487)	<b>75,154</b>
Profit (loss) for the year from discontinued operations net of tax	—	—	—	(66)	—	—	<b>(66)</b>

## 2021

	Thousands of euros						
	31/12/2021						
	Total	Italy	Southern Europe	Central Europe	Benelux	Latin America	Corporate Services
<b>OTHER INFORMATION</b>							
Inclusions of tangible fixed assets and other intangibles	42,409	5,806	2,010	8,209	18,132	2,226	6,026
Depreciation	(280,227)	(48,142)	(79,230)	(79,697)	(44,700)	(10,719)	(17,739)
Net profit (loss) for asset	2,131	23,367	2,070	(11,730)	(7,603)	(3,973)	—
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
Assets by segments	4,064,391	710,942	793,029	1,038,647	1,002,412	309,521	209,840
Shareholdings in associated	40,922	—	929	—	—	4,212	35,781
<b>Total consolidated assets</b>	<b>4,105,313</b>	<b>710,942</b>	<b>793,958</b>	<b>1,038,647</b>	<b>1,002,412</b>	<b>313,733</b>	<b>245,621</b>
<b>LIABILITIES</b>							
Liabilities and equity by	4,105,313	710,942	793,958	1,038,647	1,002,412	313,733	245,621
<b>Total Consolidated Liabilities and Equity</b>	<b>4,105,313</b>	<b>710,942</b>	<b>793,958</b>	<b>1,038,647</b>	<b>1,002,412</b>	<b>313,733</b>	<b>245,621</b>

## 2020

	Thousands of euros						
	31/12/2020						
	Total	Italy	Southern Europe	Central Europe	Benelux	Latin America	Corporate Services
<b>OTHER INFORMATION</b>							
Inclusions of tangible fixed assets and other intangibles	109,746	29,088	12,500	20,387	29,757	6,701	11,313
Depreciation	(302,477)	(53,111)	(83,879)	(84,746)	(50,434)	(10,317)	(19,990)
Net profit (loss) for asset deterioration	(76,258)	(47,370)	(4,257)	(20,531)	(3,180)	(972)	52
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
Assets by segments	4,288,145	747,933	819,574	1,004,569	1,154,305	288,575	273,189
Shareholdings in associated companies	41,773	—	929	—	—	5,116	35,728
<b>Total consolidated assets</b>	<b>4,329,918</b>	<b>747,933</b>	<b>820,503</b>	<b>1,004,569</b>	<b>1,154,305</b>	<b>293,691</b>	<b>308,917</b>
<b>LIABILITIES</b>							
Liabilities and equity by segments	4,329,918	747,933	820,503	1,004,569	1,154,305	293,691	308,917
<b>Total Consolidated Liabilities and Equity</b>	<b>4,329,918</b>	<b>747,933</b>	<b>820,503</b>	<b>1,004,569</b>	<b>1,154,305</b>	<b>293,691</b>	<b>308,917</b>

## 28.- REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Management Bodies of the Parent Company have the following composition at 31 December:

- Board of Directors: 9 members (9 members at 31 December 2020),
- Audit and Control Committee: 3 members (3 members at 31 December 2020),
- Appointments and Remuneration Committee: 3 members (3 members at 31 December 2020).

### 28.1 Remuneration of the Board of Directors

The amount accrued during the year by the members of the Parent Company's Board of Directors in relation to the remuneration of the Executive Directors, by law stipulated directors' fees and attendance fees and other items, is as follows:

Remuneration item	Thousands of	
	2021	2020
Fixed remuneration	1,003	807
Variable remuneration	—	—
Parent Company: allowances	3	3
Parent Company: attendance allowances	291	221
Transactions in shares and other financial instruments	190	257
Life insurance premiums	49	33
Others	20	20
<b>Total</b>	<b>1,556</b>	<b>1,341</b>

At 31 December 2021, the Board of Directors had 9 members, all male (the same data as in 2020).

Due to the situation caused by COVID-19, the members of the Board voluntarily waived 20% of their remuneration from January to April 2021 and 100% of it in May and June 2021 (in 2020 the board members voluntarily waived 50% of their retribution since 1 March).

Furthermore, the Executive Directors saw their fixed remuneration decrease by 20% from January to June and their variable remuneration accrued and received for 2021 was 0.

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

Further information in the directors' Annual Remuneration Report.

## 28.2 Remuneration of senior management

The remuneration of members of the Management Committee during the year, excluding those who simultaneously held office as members of the Board of Directors (whose remuneration has been set out above), is detailed below:

	Thousands of	
	2021	2020
Pecuniary remuneration	1,504	1,277
Remuneration in kind	120	98
Others	230	462
<b>Total</b>	<b>1,854</b>	<b>1,837</b>

There were six members of Senior Management at 31 December 2021 (six members at 31 December 2020) excluding the CEO and the Chief Operations Officer due to their status as executive directors.

During 2021, as a result of the crisis arising from COVID-19, the members of the Management Committee saw their fixed remuneration crease by 20% from January to June 2021. Furthermore, the variable remuneration accrued in 2021 was 0. This gives rise to a total decrease in their remuneration in 2021 vs their target remuneration of 38%. During 2020 the members of the Management Committee saw their annual remuneration for 2020 decrease by more than 50%.

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

The heading "Other" takes the long-term objective remuneration accrued in 2021 into consideration.

## 28.3 Information on conflicts of interest on the part of Directors

During 2021, Minor International Public Company Limited ("Minor"), an indirect majority shareholder of the Group (94.132%) and represented on the Board by four proprietary Directors, and the Group signed a series of Related Party Transactions, which are broken down in the Audit and Control Committee's Annual Report, as well as in Note 26 of this Report. These Related Party Transactions have always been executed in strict compliance with the rules established in the applicable regulations and the Procedure for Conflicts of Interest and Related Party Transactions with Significant Shareholders, Directors and Senior Management of NH Hotel Group, S.A. approved by the Board of Directors on 11 November 2021. All transactions signed with Minor (and/or its group of companies) have counted on a report from the Audit and Control Committee, have been signed under market conditions and with the participation of external advisors, and in compliance with the provisions in the Framework Agreement signed between the parties on 7 February 2019, which regulates, among others, the scope of action of the respective hotel groups headed by the Group and Minor through the identification of preferred geographic areas or zones, the mechanisms necessary to prevent and deal with possible conflicts of interest, as well as to carry out operations with related parties and develop business opportunities. The aforementioned Framework Agreement was duly communicated to the Market via a Relevant Fact and is published in full on the Company's website.

During all Board Meetings dealing with issues related to Minor, the Proprietary Directors were absent when dealing with said matters and therefore did not participate in the adoption of the corresponding agreement.

## 29.- ENVIRONMENTAL, SOCIAL AND GOVERNMENTAL RISKS

The Parent Company's Board of Directors is the body responsible for supervision of the risk management system, and the Audit and Control Committee supports the Board in supervising the effectiveness of the internal control, internal audit and the risk management systems.

The governing bodies receive information about the main risks the Group is exposed to and the capital resources available to face up to them at least every quarter, along with information about compliance with the limits set in the risk appetite.

Therefore, as in previous years, in 2021 the Audit and Control Committee supervised and validated the Risk Map update and the correct implementation of the action plans that fully or partially contribute to mitigating the main risks.

An analysis was carried out on the 78 risks appearing in the Group's risk catalogue for 2021 to identify those relating to ESG (Environmental, Social and Governance) criteria. The result was that 35% of all the risks identified were classified as such.

*More information about the Group's risk management model in the Risk Management section of the 2021 Consolidated Non-Financial Information Statement.*

The Group is a company that is committed to the well-being of its guests and to efficient management of the resources available in the environment its hotels are in. The Group is aware of the effects of its activity on the environment and works to prevent and anticipate possible environmental contingencies, as well as to integrate sustainability into all its processes. It is constantly working on reducing their impact.

The Group's environmental management is based on identification and annual review of the main environmental impacts that it may cause using the environmental and climate risk map. Although there is a specific process for assessing environmental risks, the methodology followed is consistent with the corporate risk management model and, in addition, it is those that are most critical, included in the Group's risk catalogue, that become a part of the corporate risk map update.

*More information about the Group's environmental and climate management in the NH Room4 Planet - Commitment to the fight against Climate Change and progress towards decarbonisation section in the 2021 Consolidated Non-financial Information Statement.*

### NH ROOM4 Sustainable Business

The Group performs its hotel activity with the ambition of leading responsible behaviours, and creating shared value at an economic, social and environmental level wherever it operates. The strategic vision of NH ROOM4 Sustainable Business is based on three fundamental management levers: NH ROOM4 People, NH ROOM4 Planet and NH ROOM4 Responsible Shared Success, all of which are framed under the same premise of sustainable and ethical principles, responsible culture and spirit of citizenship.

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

Furthermore, the Group carries out a process to determine material matters annually, with the aim of:

- Complying with the requirements of the non-financial information directive.
- Determining relevant aspects to guide the Sustainability strategy.

- Giving a response to the Global Reporting Initiative (GRI) requirements for reporting sustainability and those of the United Nations 2030 Agenda.

Their relevance is determined by the impact that each one may have, whether on the Group's business itself, or on its main stakeholders, as well as the possible evolution of the impact in the medium and long term.

*More information about this Model and its performance in 2021 is available in the NH ROOM4 Sustainable Business section in the 2021 Consolidated Non-financial Information Statement.*

### **30.- EXPOSURE TO RISK**

Group financial risk management is centralized in the Corporate Finance Division in accordance with the policies approved by the Board of Directors. This Division has put the necessary measures in place to control exposure to changes in interest and exchange rates on the basis of the Group's structure and financial position, as well as credit and liquidity risks. If necessary, hedges are made on a case-by-case basis. The main financial risks faced by the Group's policies are described below:

#### **Credit risk**

The Group main financial assets include cash and cash equivalents (Note 15), as well as trade and other accounts receivable (Note 14). In general terms, the Group holds its cash and cash equivalents in entities with a high credit rating and part of its trade and other accounts receivable are guaranteed by deposits, bank guarantees and advance payments by tour operators.

The Group has no significant concentration of third-party credit risk due to the diversification of its financial investments as well as to the distribution of trade risks with short collection periods among a large number of customers.

The Group has formal procedures for detecting objective evidence of impairment in trade receivables for the provision of services. As a result of these, significant delays in payment terms and the methods to be followed in estimating the impairment loss based on individual analyses are identified. Impairment of trade receivables from customers for the provision of services at 31 December 2021 amounted to 7,319 thousand euros (9,025 thousand euros at 31 December 2020) (Note 14) and customer balances not included in this provision have sufficient credit quality and, therefore, with this provision, the credit risk of these trade receivable is considered covered.

#### **Interest rate risk**

The Group's financial assets and liabilities are exposed to fluctuations in interest rates, which may have an adverse effect on its results and cash flows. In order to mitigate this risk, the Group has established policies and has part of its debt at fixed interest rates through the issue of guaranteed convertible senior bonds. At 31 December 2021, approximately 53% of the gross borrowings drawn down was tied to fixed interest rates (excluding leasing liabilities).

In accordance with reporting requirements set forth in IFRS 7, the Group has conducted a sensitivity analysis on possible interest-rate fluctuations in the markets in which it operates, based on these requirements.

Through the sensitivity analysis, taking as a reference the outstanding amount of that financing that has variable interest, we estimated the increase in the interest that would arise in the event of a rise in the reference interest rates.

- In the event that the increase in interest rates were 25 b.p., the financial expense would increase by 0.957 thousand euros plus interest.

- In the event that the increase in interest rates were 50 b.p., the financial expense would increase by 1,914 thousand euros plus interest.
- In the event that the increase in interest rates were 100 b.p., the financial expense would increase by 3,828 thousand euros plus interest.

The results in equity would be similar to those recorded in the income statement but taking into account their tax effect, if any.

Lastly, the long-term financial assets set out in Note 13 of this annual report are also subject to interest-rate risks.

### Exchange rate risk

The Group is exposed to exchange-rate fluctuations that may affect its sales, results, equity and cash flows. These mainly arise from:

- Investments in foreign countries (essentially Mexico, Argentina, Uruguay, Colombia, Chile, Ecuador, the Dominican Republic, Brazil, Panama and the United States).
- Transactions made by Group companies operating in countries whose currency is other than the euro (essentially Mexico, Argentina, Uruguay, Colombia, Chile, Ecuador, the Dominican Republic, Venezuela, Brazil, the United States and the United Kingdom).

In this respect, the detail of the effect on the currency translation difference of the main currencies in 2020 was as follows:

	Thousands of euros	
	translation difference	Changes with respect to 2020
Uruguayan peso	(4,655)	(8)
Mexican peso	(20,052)	2,155
Colombian peso	(37,533)	(4,543)

The changes in the currency translation difference of the above currencies was mainly due to the movements in exchange rates between 31 December 2021 and 31 December 2020:

Year-end euro reference exchange rate	2021	2020	Change
Uruguayan peso	50.84	51.98	2.19%
Mexican peso	23.14	24.41	5.21%
Colombian peso	4,545.45	4,166.67	(9.09)%

As can be observed in the table, the movements in the exchange rate of the currencies with respect to the end of the previous year is in line with the changes in equity associated with these currencies.

Below is a detail of the movements in the average exchange rate of the aforementioned currencies:

Average euro reference exchange rate in the year	2021	2020	Change
Uruguayan peso	51,52	47,98	(7.37)%
Mexican peso	23,99	24,52	2.16%
Colombian peso	4.347,83	4.166,67	(4.35)%

For these currencies an analysis was carried out to determine if it would be better to apply a monthly average or cumulative average exchange rate, and no significant difference resulted from this analysis.

### **Liquidity risk**

Exposure to adverse situations in debt or capital markets could hinder or prevent the Group from meeting the financial needs required for its operations and for implementing its Strategic Plan.

Furthermore, the continuous concentration in the banking system may make access to financial instruments, bank guarantees and financing working capital more difficult.

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

The Group's liquidity position at 31 December 2021 is based on the following points:

- The group had cash and cash equivalents amounting to 243,930 thousand euros.
- Available undrawn credit facilities of 267,000 thousand euros (Note 17).

The Group also has 45,400 thousand euros in confirming lines that it uses to manage part of its payments to trade creditors. These lines are spread amongst various banks and give coverage to trade suppliers in various countries in Europe (Spain, Germany, Holland, Italy, Belgium, Austria and Luxembourg).

The capacity of the business units to generate positive cash flows from operations.

Lastly, the Group makes cash flow forecasts on a systematic basis for each business unit and geographical area in order to assess their needs. This Group liquidity policy ensures payment undertakings are fulfilled without having to request funds at onerous conditions and allows its liquidity position to be monitored on a continuous basis.

### **31.- EVENTS AFTER THE REPORTING PERIOD**

The Company is planning to put the 2022-2027 Long-Term Incentive Plan ("Performance Cash Plan") in place in 2022. This grants a cash amount payable in the event of fulfilling the targets set for that purpose. The Plan is explained in an annual report on listed public company directors' remuneration, prepared by the Board of Directors on 24 February 2022, which is presented as a separate report, forming part of the Management Report attached to these consolidated annual statements.

## APPENDIX I: SUBSIDIARIES

The data on the Parent company's subsidiaries at 31 December 2021 are presented below:

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee	% of voting rights controlled by parent
Airport Hotel Frankfurt-Raunheim, GmbH & Co. KG	Frankfurt	Real Estate	94%	94%
Artos Beteiligungs, GmbH	Munich	Holding	100%	100%
Astron Immobilien, GmbH	Munich	Holding	100%	100%
Astron Kestrell, Ltd.	Plettenberg Bay	Hotel Business	100%	100%
Atlantic Hotel Exploitation, B.V.	Den Haag	Hotel Business	100%	100%
Chartwell de México, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Chartwell Inmobiliaria de Coatzacoalcas, S.A. de C.V.	Coatzacoalcas	Hotel Business	100%	100%
City Hotel, S.A.	Buenos Aires	Hotel Business	50%	50%
Columbia Palace Hotel, S.A.	Montevideo	Hotel Business	100%	100%
Flow London, Ltd.	Londres	Servicios a empresas	100%	100%
Coperama Holding, S.L.	Madrid	Central de Compras	100%	100%
DAM 9 B.V.	Amsterdam	Servicios a empresas	100%	100%
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	100%	100%
Desarrollo Inmobiliario Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	50%	50%
Grupo Operador de hoteles Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	50%	50%
Exploitiemaatschappij Hotel Best B.V.	Best	Sin actividad	100%	100%
Exploitiemaatschappij Hotel Doelen, B.V.	Amsterdam	Hotel Business	100%	100%
Exploitiemaatschappij Hotel Naarden, B.V.	Naarden	Hotel Business	100%	100%
Exploitiemaatschappij Hotel Schiller, B.V.	Amsterdam	Hotel Business	100%	100%
Exploitiemaatschappij Caransa Hotel, B.V.	Amsterdam	Sin actividad	100%	100%
Franquicias Lodge, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Gran Círculo de Madrid, S.A.	Madrid	Restauración	99%	99%
Grupo Hotelero Monterrey, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Grupo Hotelero Querétaro, S.A. de C.V.	Querétaro	Hotel Business	69%	69%
Heiner Gossen Hotelbetrieb, GmbH (*)	Berlin	Hotel Business	100%	100%
The Marker Anantara Ltd.	Dublin	Holding	100%	100%
GCS Hotel Ltd.	Dublin	Hotel Business	100%	100%
NH Cash Link, S.L.	Madrid	Financiera	100%	100%
Hotel Exploitiemaatschappij Atlanta Rotterdam B.V.	Rotterdam	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Epen Zuid-Limburg B.V.	Den Haag	Hotel Business	100%	100%

(\*) The companies belonging to the German consolidated group made use of the exemption provided in Section 264, Paragraph 3 of the Commercial Code (HGB) in 2021.

(\*\*) The companies belonging to the German consolidated group made use of the exemption provided in Section 264, Paragraph 3 of the Commercial Code (HGB) and Section 291, paragraph 1, of the Commercial code (HGB) in 2021.

<b>Investee company</b>	<b>Registered address of investee company</b>	<b>Main activity of the investee company</b>	<b>Parent company's % stake in investee</b>	<b>% of voting rights controlled by parent</b>
Hotel Exploitiemaatschappij Forum Maastricht, B.V.	Maastricht	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Jaarbeursplein Utrecht, B.V.	Utrecht	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Janskerkhof Utrecht B.V.	Utrecht	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Flowermarket Amsterdam B.V.	Amsterdam	Sin actividad	100%	100%
Hotel Exploitiemaatschappij Onderlangs Amhem, B.V.	Amhem	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Spuistraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Stadhouderskade Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Van Alphenstraat Zandvoort, B.V.	Hilversum	Hotel Business	100%	100%
Highmark Geldrop, B.V.	Geldrop	Sin actividad	100%	100%
Highmark Hoofddorp, B.V.	Hoofddorp	Hotel Business	100%	100%
Hispana Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	50%	50%
Hotel Aukamm Wiesbaden, GmbH & Co. KG	Munich	Real Estate	94%	94%
Hotel de Ville, B.V.	Groningen	Hotel Business	100%	100%
Hotel Expl. Mij Amsterdam Noord, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij Leijenberglaan Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel expl. mij. Capelle a/d IJssel, B.V.	Capelle a/d IJssel	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Danny Kayelaan Zoetermeer B.V.	Zoetermeer	Hotel Business	100%	100%
Hotel expl. mij. Stationsstraat Amersfoort, B.V.	Amersfoort	Hotel Business	100%	100%
Hoteling Onroerend Goed d'Vijff Vlieghe B.V.	Amsterdam	Sin actividad	100%	100%
Hotelera de la Parra, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Hotelera Lancaster, S.A.	Buenos Aires	Hotel Business	50%	50%
Hotelera de Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Inversiones Chilenas, S.A.S	Bogotá	Hotel Business	98%	98%
Gestora hotelera del siglo XXI, S.A.	Barcelona	Hotel Business	100%	100%
Hoteldexploitiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotels Bingen & Viernheim, GmbH & Co. KG	Munich	Real Estate	94%	94%
Inmobiliaria y financiera Chile S.A.	Santiago de Chile	Real Estate	100%	100%
Jan Tabak, N.V.	Bussum	Hotel Business	83%	83%
Jolly Hotels Belgio S.A.	Bruselas	Real Estate	100%	100%
Jolly Hotels Deutschland GmbH (*)	Berlin	Hotel Business	100%	100%

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<b>Investee company</b>	<b>Registered address of investee company</b>	<b>Main activity of the investee company</b>	<b>Parent company's % stake in investee</b>	<b>% of voting rights controlled by parent</b>
Jolly Hotels Holland N.V.	Amsterdam	Holding	100%	100%
JH USA, Inc.	Wilginton	Hotel Business	100%	100%
Koningshof, B.V.	Veldhoven	Hotel Business	100%	100%
Krasnapolsky Belgian Shares, B.V.	Hoofddorp	Holding	100%	100%
COPERAMA Benelux, B.V.	Amsterdam	Central de Compras	100%	100%
Krasnapolsky Hotels & Restaurants, N.V.	Amsterdam	Holding	100%	100%
Krasnapolsky Hotels, Ltd.	Somerset West	Hotel Business	100%	100%
Krasnapolsky ICT, B.V.	Hoofddorp	Sin actividad	100%	100%
Krasnapolsky International Holding, B.V.	Hoofddorp	Holding	100%	100%
Latina Holding S.A.U.	Buenos Aires	Holding	100%	100%
Latina Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Latina de Gestión Hotelera, S.A.	Buenos Aires	Hotel Business	100%	100%
Latinoamericana de Gestión Hotelera, S.L.	Madrid	Holding	100%	100%
Leeuwenhorst Congres Center, B.V.	Noordwijkerhout	Hotel Business	100%	100%
Liberation Exploitation, B.V.	Sprang Capelle	Hotel Business	100%	100%
Marquette Beheer, B.V.	Hoofddorp	Holding	100%	100%
Museum Quarter, B.V.	Amsterdam	Hotel Business	100%	100%
Nacional Hispana de Hoteles, S.A.	México D.F.	Hotel Business	100%	100%
Aguamarina S.A.	Rep. Dominicana	Servicios a empresas	100%	100%
NH Atardecer Caribeño, S.A.	Madrid	Servicios a empresas	100%	100%
NH Belgium, cvba	Diegem	Holding	100%	100%
NH Caribbean Management, B.V.	Hilversum	Management	100%	100%
NH Central Europe Management, GmbH (*)	Berlin	Hotel Business	100%	100%
NH Central Europe, GmbH & Co. KG (**)	Berlin	Hotel Business	100%	100%
NH Central Reservation Office, S.A.	Madrid	Call Center	100%	100%
NH Finance, S.A.	Luxemburgo	Financiera	100%	100%
NH Financing Services S.a r.l.	Luxemburgo	Financiera	100%	100%
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel Business	90%	90%
NH Europa, S.A.	Barcelona	Hotel Business	100%	100%
NH Hotelbetriebs.-u. Dienstleistungs, GmbH (*)	Berlin	Hotel Business	100%	100%

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Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee	% of voting rights controlled by parent
NH Hotelbetriebs- und Entwicklungs, GmbH (*)	Berlin	Hotel Business	100%	100%
NH Hoteles Austria, GmbH	Viena	Hotel Business	100%	100%
NH Hoteles Deutschland, GmbH (**)	Berlin	Hotel Business	100%	100%
NH Hoteles España, S.A.	Barcelona	Hotel Business	100%	100%
NH Hoteles France S.A.S.U.	Francia	Hotel Business	100%	100%
NH Hoteles Switzerland GmbH	Zurich	Hotel Business	100%	100%
NH Hotels Czequia, s.r.o.	Praga	Hotel Business	100%	100%
NH Hotels Polska, Sp. Z o.o.	Poznan	Hotel Business	100%	100%
NH Hotels USA, Inc.	Houston	Hotel Business	100%	100%
NH Hungary Hotel Management, Ltd.	Budapest	Hotel Business	100%	100%
NH Lagasca, S.A.	Madrid	Hotel Business	75%	75%
NH Las Palmas, S.A.	Gran Canaria	Hotel Business	75%	75%
NH Marin, S.A.	Barcelona	Hotel Business	50%	50%
NH Private Equity, B.V.	Hoofddorp	Holding	100%	100%
NH Hotel Rallye Portugal, Lda.	Portugal	Hotel Business	100%	100%
NH The Netherlands, B.V.	Hoofddorp	Holding	100%	100%
Nhow Rotterdam, B.V.	Rotterdam	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Diegem N.V.	Diegem	Hotel Business	100%	100%
Hotel Exploitiemaatschappij Eindhoven B.V.	Hilversum	Hotel Business	100%	100%
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	100%	100%
Hotel Leipzig-Messe, GmbH & Co. KG	Munich	Real Estate	94%	94%
Olofskapel Monumenten, B.V.	Amsterdam	Sin actividad	100%	100%
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.	Capelle a/d IJssel	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V.	Naarden	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Sin actividad	100%	100%
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Sin actividad	100%	100%
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real Estate	100%	100%

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(\*\*) The companies belonging to the German consolidated group made use of the exemption provided in Section 264, Paragraph 3 of the Commercial Code (HGB) and Section 291, paragraph 1, of the Commercial code (HGB) in 2021.

<b>Investee company</b>	<b>Registered address of investee company</b>	<b>Main activity of the investee company</b>	<b>Parent company's % stake in investee</b>	<b>% of voting rights controlled by parent</b>
Operadora Nacional Hispana, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Palatium Amstelodamum, N.V.	Amsterdam	Hotel Business	100%	100%
Restaurant D'Vijff Vlieghen, B.V.	Amsterdam	Restauración	100%	100%
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Servicios Corporativos Chartwell Monterrey, S.A. de C.V.	Monterrey	Hotel Business	100%	100%
Servicios Corporativos Hoteleros, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	México D.F.	Hotel Business	100%	100%
Nhow Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Torale, S.A.	Montevideo	Hotel Business	100%	100%
Vela Secunda Onnium Primum VIII B.V.	Groningen	Hotel Business	50%	50%
NH Wilhelminakade Holding B.V.	Hoofddorp	Sin actividad	100%	100%
Coperama Spain, S.L.	Madrid	Central de Compras	100%	100%
Hoteles Royal, S.A.	Bogota	Holding	98%	98%
Eurotels Chile S.A.	Chile	Holding	98%	98%
Hotel Pavillon Royal Ltda.	Bogota	Hotel Business	98%	98%
Hotelera Norte Sur S.A.	Chile	Real Estate	98%	98%
Hoteles Royal del Ecuador S.A. Horodelsa	Quito	Hotel Business	55%	55%
IIR Quántica SAS	Bogota	Hotel Business	51%	51%
Inmobiliaria Royal S.A.	Chile	Real Estate	66%	67%
Promotora Royal S.A.	Bogota	Real Estate	97%	97%
Royal Hotels Inc.	USA	Sin actividad	98%	98%
Royal Hotels International Latin América Inc	USA	Sin actividad	98%	98%
Royal Santiago Hotel S.A.	Chile	Hotel Business	66%	67%
Sociedad Hotelera Cien Internacional S.A.	Bogota	Hotel Business	64%	64%
Sociedad Hotelera Cotopaxi S.A.	Quito	Hotel Business	55%	55%
Sociedad Operadora Nh Royal Panama S.A.	Ciudad de Panamá	Hotel Business	98%	98%
NH Italia, S.p.A.	Milan	Hotel Business	100%	100%
Immo Hotel Bcc N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Belfort N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Brugge N.V.	Diegem	Real Estate	100%	100%

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee	% of voting rights controlled by parent
Immo Hotel Diegem N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Gent N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Gp N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Stephanie N.V.	Diegem	Real Estate	100%	100%
Immo Hotel Mechelen N.V.	Diegem	Real Estate	100%	100%
NH Management Black Sea Srl	Bucarest	Hotel Business	100%	100%
NII Brasil Abrasil Administracao De Hoteis E Participadas Ltda.	Villa Olimpica	Servicios a empresas	100%	100%
Capredo Investments, GmbH	Sniza	Holding	100%	100%
Palacio de la Merced, S.A.	Burgos	Hotel Business	88%	88%
Latinoamericana Curitiba Administracao De Hoteis Ltda	Curitiba	Hotel Business	100%	100%
NII Italia Real Estate, S.r.l.	Milano	Real Estate	100%	100%
NH Holding, S.r.l.	Milano	Holding	100%	100%
Coperama Italia S.r.l.	Milano	Central de Compras	100%	100%
Coperama Central Europe GmbH (*)	Berlin	Central de Compras	100%	100%
Coperama Portugal, Unipessoal Lda	Portugal	Central de Compras	100%	100%
Iberinterbrokers, S.L.	Barcelona	Servicios a empresas	75%	75%
Coperama Colombia, S.A.S	Bogotá	Central de Compras	100%	100%
Coperama Mexico S.A. de C.V.	México D.F.	Central de Compras	100%	100%
Wilan Ander, S.L.	Madrid	Real Estate	100%	100%
Wilan Huel, S.L.	Madrid	Real Estate	100%	100%
NH Strandgade APS	Copenhagen	Hotel Business	100%	100%
NH Italia Real Estate, S.r.l.	Italia	Real Estate	100%	100%
NII Holding Srl	Italia	Holding	100%	100%
New York Palace KFT	Budapest	Hotel Business	100%	100%
Italian OpCo Roco Hospitality Group, S.R.L.	Italia	Hotel Business	100%	100%
AGAGA, s.r.o.	Chequia	Hotel Business	100%	100%

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## APPENDIX II: ASSOCIATED COMPANIES

<b>Investee company</b>	<b>Registered address of investee company</b>	<b>Main activity of the investee company</b>	<b>Parent company's % stake in investee</b>	<b>% of voting rights controlled by parent</b>
Borokay Beach, S.L.	Madrid	Hotel Business	50%	50%
Consorcio Grupo Hotelero T2, S.A. de C.V.	México D.F.	Hotel Business	10%	10%
Servicios Corporativos T2, S.A. DE C.V	México D.F.	Hotel Business	10%	10%
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel Business	17%	17%
Gente con actitud de servicios gecase, S.A. De C.V.	Puebla	Hotel Business	27%	27%
Mil Novecientos Doce, S.A. de C.V.	México	Hotel Business	25%	25%
Servicios Corporativos 1912, S.A. DE C.V	México	Hotel Business	25%	25%
Inversiones Hoteleras SPA	Chile	Hotel Business	10%	10%
Kensington Hotel Value Added I, Ltd	Londres	Hotel Business	30%	30%
Sotocaribe, S.L.	Madrid	Holding	36%	36%
Hotelera del Mar, S.A.	Mar de Plata	Hotel Business	20%	20%

## **CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDED 31 December 2021**

### **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 353 hotels and 55,063 rooms in 30 countries, and has a significant presence in Europe.

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

This flexible operational and financial structure has enabled the Group to overcome the huge challenges of the past two years. Although the challenges will continue in the first months of 2022, the Group will benefit from brand recognition, excellent locations and strong market positioning in Europe in the medium and long term.

During 2021, as a result of the start of recovery after the economic crisis caused by the COVID-19 pandemic, the global economy increased by +5.9%, compared to a decrease of -3.1% in the previous year (Data and estimates from IMF "World Economic Outlook", January 2022). GDP growth in 2021 was in line with expectations, showing continuous adaptation of economic activity to the pandemic and its associated restrictions, as well as continuous support from institutions in many countries. However, the continuous recovery was weakened during the year, hindered by the increase of infections from new strains and interruptions to the supply chains. At the end of the year, as a result of the omicron strain, many countries went back into partial lockdown which had an impact on global economic recovery.

The four countries that bring the greatest proportion of the Group's sales and profits show rates of decline in 2021: Spain (+4.9% in 2021 vs. -10.8% in 2020), Holland (+4.5% in 2021 vs. -3.8% in 2020), Germany (+2.7% in 2021 vs. -4.6% in 2020), and Italy (+6.2% in 2021 vs. -8.9% in 2020). On the other hand, growth in Latin America is expected to be +6.8% in 2021 (vs. -6.9% in 2020) as all the economies as a whole have continued to suffer the consequences created by COVID-19.

For the global economy, 2022 began with some uncertainty in the short term. As the new omicron variant of the COVID-19 virus advances, countries have once again imposed restrictions on mobility. Due to the rising price of energy and disruptions to supplies, inflation is higher and more generalised than forecast. The unforeseen sluggishness of private consumption recovery has limited the prospects for growth.

Therefore, the estimate is for +4.4% growth of world economic activity in 2022 (+5.9% in 2021 vs. -3.1% in 2020). More specifically, in the Euro zone growth of +3.9% is forecast in 2022 (+5.2% in 2021 vs. -6.4% in 2020).

Global tourism experienced an increase of 4% in 2021 compared to 2020 (415 million against 400 million). Nevertheless, international tourist arrivals (visitors who stay overnight) remained 72% lower than in 2019, the year prior to the pandemic, according to the OMT's preliminary estimates. These figures follow those in 2020, the worst year in the history of tourism, when a 73% decrease in international arrivals was recorded.

The speed of recovery continues to be slow and inconsistent in the various regions of the world, due to the different levels of mobility restrictions, the vaccination rates and traveller confidence. Europe and the Americas recorded a significant improvement in 2021 compared to 2020 (+19% and +17%, respectively), but both are still

at 63% below pre-pandemic levels. By sub-regions, Mediterranean Southern Europe (+57%) and Central and Eastern Europe (+18%), Central America (+54%) and North America (+17%) also surpassed 2020 levels.

The first publication of the OMT World Tourism Barometer indicates that, in 2022, the increase in the vaccination rate, combined with the decrease in travel restrictions due to better cross border coordination and new protocols, have helped to liberate the suppressed demand. International tourism moderately upturned in the second half of 2021, with arrivals in the third and fourth quarters being 62% lower than those before the pandemic. According to limited data, international tourist arrivals in December were 65% lower than in 2019. The true impact of the omicron strain and the wave of infections with COVID-19 remains to be seen.

The recent increase in cases of COVID-19 and the omicron strain are going to disrupt recovery and affect confidence until the beginning of 2022, as some countries have reintroduced travel prohibitions and restrictions for certain markets. At the same time, vaccination roll outs continue to be inconsistent. A difficult economic environment may place additional pressure on the effective recovery of international tourism, with the rises in petrol prices, increased inflation, the possible rise in interest rates, high volumes of debt and continuous interruption to the supply chains. However, the recovery of tourism that is occurring in many markets, above all in Europe and the Americas, along with the general roll out of vaccinations and a significant coordinated lifting of travel restrictions, could contribute to reinstating consumer confidence and accelerating the recovery of international tourism in 2022.

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

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

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

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

The embodiment of an NH Hotel Group value proposition based on the improvement of quality, experience and brand architecture with the NH Collection, NH Hotel and nhow brands are a reality today in the Group. With the integration of the Minor Hotels commercial brands, NH Hotel Group is currently operating hotels in Europe under the Tivoli, Anatara and Avani flags.

During the first part of 2021, and in order to adapt to the new trends in business 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 corporate segment focus on SMEs, which are the first to restart their activity.

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

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 therefore has been to centralise all its properties and functions into a single integrated system. This allows the NH Hotel Group to have a fully-integrated digital platform: NH Digital Core Platform. A pioneering technological solution in the sector that has allowed all the Group's hotel's systems to be integrated which has become the basis for the NH Hotel Group to expand its customer knowledge, maximise its efficiency and innovate on a large scale in all its value areas.

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

In its use of quality indicators, the NH Hotel Group focuses on measuring quality using new sources of information and surveys with a significant increase in the volume of reviews and number of assessments received. Its average score on TripAdvisor in 2021 was 8.4, compared to 8.5 in December 2020. Additionally, its average Google Reviews score was 8.7, compared with 8.7 in December 2020. These average scores demonstrate the high levels of quality perceived by customers and the positive growth trend that the NH Hotel Group has had throughout the year.

The NH Rewards loyalty programme had more than 10 million members in 2021 and is one of the most comprehensive rewards schemes worldwide. With four categories (Blue, Silver, Gold and Platinum), the Company's programme recognised and rewards its habitual customers' loyalty for each stay, with benefits from earning points - equivalent to euros - which are redeemable, with no date restrictions, for free nights or extra services at the hotel. NH Rewards also always gives flexibility in paying with points and cash, special pricing, exclusive privileges when booking on the web site, etc, as well as a series of differential services enriching the experience in all brands of the NH Hotel Group's hotels.

NH Rewards is an important commercial lever, as members contribute 32% of the total nights at the Company, and have been the loyal, repeat customers who, during the pandemic, contributed most to the recover of booking numbers. The incentive of earning extra points stimulates bookings on direct channels, up to the point that more than 69.4% of the bookings on the NH web site are made by NH Rewards members, who also spend and visit more than guests who are not members.

During 2021, NH Hotel Group announced it was joining the Global Hotel Alliance (GHA), which runs the award winning Discovery loyalty programme for multi-brand hotels. As a part of the agreement, NH Rewards will take part in GHA's GHA Discovery programme in 2022, with it becoming one of the ten largest loyalty programmes in the hotel sector, with more than 900 hotels taking part and accessing new source markets. Minor's hotels are already members of this alliance.

On the other hand, in 2021, the Group started operating 3 new hotels in Hannover, Murano and Copenhagen with 589 rooms. The Group, therefore, reached a total of 353 hotels with 55,063 rooms at 31 December 2021.

The Group also signed-up 2 new hotels with 145 bedrooms in 2021. These sign ups were on an under management basis in Santiago del Estero and in Cali. Both sign ups were under the NH brand.

Revenues in 2021 totalled 746.5 million euros, an increase of 39.2% (+210.3 million euros). The Profit for the year attributable to the Parent was -133.7 million euros compared with -437.2 million euros in 2020. This increase is explained by the increase in activity after the impact of COVID-19 during 2021.

In this year gross borrowing decreased from 998.1 million euros in December 2020 to 813.0 million euros in December 2021. At 31 December 2021, cash and cash equivalents amounted to 243.9 million euros (320.9 million euros at 31 December 2020). Furthermore, this liquidity is complemented by the syndicated credit line for 242.0 million euros (fully drawn down at the close of the 2020 financial year) and some credit lines at the close of the 2021 financial year of 25.0 million euros, against 25.0 million euros at 31 December 2020.

In June 2021, the rating agencies confirmed NH Hotel Group's rating within the issue of the new bond for 400 million euros maturing in 2026 which occurred in June. On 14 June 2021, Fitch confirmed NH Hotel Group's rating at 'B-' with a negative outlook. On 15 June 2021, Moody's confirmed NH Hotel Group's corporate rating at 'B3' with a negative outlook. It should be noted that both agencies have stated that NH is managing the recovery with satisfactory financial flexibility and deleveraging capacity, with a significant portfolio of owned assets. In turn, Moody's reconfirmed NH Hotel Group's corporate rating at "B3", with a negative outlook, in its last publication on 29 December 2021.

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

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

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

### **COVID-19 impact and the measures implemented**

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

The gradual reopening of hotels was made possible by the flexible costing structure and began in the middle of 2020, progressively, depending on recovery of domestic demand and with a focus on optimising profitability.

With the gradual roll out of vaccines since the beginning of 2021, a turning point was beginning to be seen that – together with the progressive lifting of restrictions in some European countries – allowed a faster reopening of the portfolio once again. Therefore, at the end of 2021, around 90% of the hotels were open, compared to 60% at the beginning of the year.

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

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

### Contingency Plan

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

The following costs discipline and control measures to ensure minimisation of operational costs and preserve liquidity continue to be implemented:

- Personnel: The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons. Some of these processes continued during 2021. In addition, a collective redundancy process was carried out in Corporate Services in Spain as part of a global plan.
- Operational costs:
  - Negotiations with suppliers to reduce purchase costs, seek alternative, cheaper products and attain improvements to payment terms.
  - Suspension of non-priority third party advisory services.
    - Significant reduction in marketing and advertising costs despite the need to boost income.
- Leases: The temporary reduction in fixed leases continued during the first part of 2021 and, to a lesser extent, during the second half of the year, after recovery began.
- CapEx: Capex decreased by more than 50% during 2020, and during 2021 continued to be limited to a figure of around 36.8 million euros.
- Strengthening liquidity: during 2021 NH Hotel Group proactively carried out a battery of initiatives to reinforce the Group's capital structure:
  - In May 2021 a €100 million capital investment was agreed by Minor International (94% shareholding) through an unsecured subordinated loan that was drawn down in May and capitalised in September 2021 through a capital increase process directed towards all shareholders. This agreement provided immediate liquidity and demonstrated the support of the main shareholder in the recovery. The capital increase was approved at the Shareholders' meeting held on 30 June. At the same time as the capital increase, the Board started up the cash capital increase under the same economic conditions and with preferential subscription rights for the other shareholders to prevent diffusive effects in the shareholdings.
  - In addition, during April, in order to continue to optimise the debt profile, the expiry of the ICO syndicated loan of 250 million euros was extended from 2023 to 2026. Furthermore, the waiver on compliance with financial covenants was extended for the whole of 2022.
  - In June, NH Hotel Group successfully launched a senior bonds issue on the market, guaranteed for the amount of 400 million euros and maturing in July 2026. The funds obtained

have been used to repay the senior bond for 357 million euros expiring in 2023. The new issue, which was significantly oversubscribed, has an annual interest of 4%.

- Furthermore, NH Hotel Group has agreed to extend its revolving syndicated credit facility (RCF) for 242 million euros, which will now expire in March 2026, instead of March 2023. It is worth pointing out the support shown by the loan institutions taking part in this financing, with the extension of the waiver on the financial covenants during all of 2022.
- On 30 June 2021, the sale & leaseback transaction on the NH Collection Barcelona Gran Hotel Calderón was announced, for 125.5 million euros with a linked 20 year lease agreement, with NH having the option to exercise additional extensions. The Group generated a book net capital gain of 46.7 million euros with this transaction.

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

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

The recovery stage, which began in the second half of 2021, was initially driven by European domestic demand, as international mobility continued to be low in this first stage. The smaller business and corporate segment began to recover after the summer months, although it was still affected by the macroeconomic environment and social distancing restricting the size of events.

During 2022, once the Company has a better view of how demand recovers, a long-term strategic planning process will be addressed. The Company's excellent performance over the past few years (pre-covid) was the result of a process of deep transformation of the Group. In the first stage of this transformation, which began in 2014, the strategic plan focussed on brand segmentation, portfolio optimisation, heavy investment in repositioning and systems and an updated pricing policy. This led NH Hotel Group to a second phase, which began in 2017, based on the Company's strengths and boosting the key drivers in creating value in the business. This Plan prioritised boosting the Company's income, increasing its efficiency and, at the same time, taking advantage of its strengths for new repositioning opportunities and organic expansion as an additional path to growth.

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

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

- Integrate Tivoli operations in Europe under NH management.
- Contact the best teams, driving an exchange of talent.

## **ETHICS**

### ***Compliance System***

Since 2014, NH Hotel Group has boosted the Compliance function, not just with the implementation of its Code of Conduct and the Criminal Risk Prevention Plan, but also with continuous implementation of corporate measures, processes and policies to foster and place value on compliance culture and the importance of consolidating an ethical business culture. It promotes awareness amongst all its employees about the importance of compliance, not just with applicable regulations but also to behave ethically and in accordance with the company's principles and values.

### ***Code of conduct***

In line with its ethics commitment and Corporate Government best practices, NH Hotel Group has carried out communication, awareness and training campaigns on Compliance, with the aim that all NH Hotel Group employees are aware of the content of the Code of Conduct and the company's main value and principles. The Group's Board of Directors is responsible for approving the Code of Conduct.

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

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

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

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

The head of Internal Audit manages the Channel for Complaints. The procedure for managing complaints received via the complaints channel are specified in detail in the Code of Conduct. This procedure guarantees confidentiality and respect in every phase, and protects against retaliation. NH Hotel Group has also defined an internal process for notification and processing possible breaches and complaints under the Code of Conduct. The procedure includes the principles governing the Channel, the description of the parties involved in the complaint, deadlines and the penalty proceedings. In 2021, NH Hotel Group also approved the recruitment of an external platform to ensure compliance with Directive (EU) 2019/1937 of the European Parliament and of the Council, of 23 October 2019, on protection of people who report breaches of Union Law, known as the "Whistleblower" directive.

In 2021 there were 47 reports of alleged breaches of the Code of Conduct, all of which were investigated, with appropriate disciplinary measures being taken in the 69 cases received.

### ***Compliance Committee***

NH Hotel Group's Compliance Committee is made up of members of the Management Committee and senior management 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 management of the Compliance Office and is empowered to impose disciplinary measures on employees in matters within its scope. In the course of 2021, there were 3 meetings of the Compliance Committee, in accordance with the planned schedule.

The Company has decided to initiate development and roll out of its crime prevention plan in other countries (Germany, Holland, Belgium, United Kingdom, Colombia, Mexico and Argentina) and, as a result, has set up Compliance Committees in the Business Units covering those countries. The Compliance Committees that are already set up are called on to ensure effective roll out of the crime prevention plan in the countries they are responsible for.

### ***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 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 in May 2019. In 2021 the corporate anti-money laundering and the financing of terrorism policy was amended and updated. In November 2021 the update was approved by the Board of Directors, after it was reviewed and validated by the Compliance Committee and the Audit and Control Committee.

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.

### ***Environmental policy and Human Rights policy***

In 2020 NH Hotel Group's Board of Directors approved an environmental policy that included the company's commitments to preventing and anticipating possible environmental contingencies, integrating sustainability in all its processes in order to reduce its impact and incorporating environmental aspects into the company's decision making process.

Furthermore, in 2020, the Company's Board of Directors approved the Human Rights policy, in order to reflect that respect for, and protection of, human rights are principles that are ingrained into NH Hotel Group's culture and applicable to all the activities carried out by the group's professionals, regardless of the country or region. The Company is committed to complying with Human Rights at the highest internationally recognised levels and standards, in order to protect, respect and correct (prevention and management) risks associated with breach of those rights.

## **RISK MANAGEMENT**

### ***Risk management governance***

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

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

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

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

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

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

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

### ***Risk management model***

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

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

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

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

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

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

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

- a. Financial Risks: events that affect financial variables (interest rates, exchange rates, inflation, liquidity, debt, credit, etc.).
- b. Compliance Risks: arising from possible regulatory changes as well as non-compliance with internal and external regulations.
- c. Business Risks: generated by inadequate management of procedures and resources, whether human, material or technological.
- d. Risks from External Factors: arising from natural disasters, pandemics, political instability or terrorist attacks.

- e. Systems Risks: events that could affect the integrity, availability or reliability of operational and financial information (including cyber).
- f. Strategic Risks: produced by difficulty accessing markets and difficulties in asset disinvestment.

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

### ***Data protection plan***

Due to the mandatory application of the General Data Protection Regulation (GDPR) in the European Union from May 2018, together with the later approval at national level of Organic Law 3/2018 of 5 December on data protection and the guarantee on digital rights, the NH Hotel Group implemented a plan to guarantee compliance with the regulation, included in and aligned with the Transformation Plan.

This new plan includes general privacy measures by default and from the design of any activity carried out by NH Hotel Group, so that all the company's activities, applications, processes, and projects will take privacy matters and their compliance into account. The plan includes key initiatives such as integration of privacy principles by design and by default, effective management of personal data breaches, explicit consent from the data subject for data gathering and use, and the legality of the different data processing carried out, and a physical and virtual data destruction policy. It also includes management of the data protection rights that may be requested by the data subjects, and training employees so that they are aware of the protection policies set up and how to process personal data. The plan already includes the post of Data Protection Officer (DPO) within NH Hotel Group, who is duly declared at the various Data Protection Agencies where NH Hotel Group operates.

## **NH ROOM 4 SUSTAINABLE BUSINESS**

The NH Hotel Group performs its hotel activity with the ambition of leading responsible behaviours, and creating shared value at an economic, social and environmental level wherever it operates. With this philosophy, in 2021 the Company continued with its strategy, in which one of the pillars is NH ROOM4 Sustainable Business; a key part of the Company's global strategy.

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

A noteworthy milestone for NH Hotel Group was obtaining Bronze Class recognition in "The Sustainability Yearbook 2022", consolidating it as the third most sustainable hotel chain in the world, after been assessed by the sustainable investment agency at Standard & Poor's, which assesses companies on the Dow Jones Sustainability Index.

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

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

As a demonstration of its commitment to gender equality, NH Hotel Group has been included on the Bloomberg gender equality index for the third time in 2022 and is the only Spanish hotel group on the index. The Company has achieved its best results in the cornerstone of wages equality and parity, due to its remuneration policies based on gender equality and the fight against the wage gap.

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

#### **NH ROOM4 PEOPLE: Employees**

NH Hotel Group looks after its employees and seeks their commitment and involvement in the Company's sustainable business, in such a way that this is an integral part of their daily work. This is achieved with fluid communication and recognition of their responsible commitment.

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

In 2021, within a particularly sensitive context regarding the health and economy circumstances, the Company focussed on three fundamental aspects within team member management:

- Connect with them, keeping them informed about the company's reality at all times and ensuring two-way communication via the Managers.
- Care for and ensure their safety, health and well-being.
- Give a response to business demands as a business partner.

Along this line, the leaders of the various areas worked with their teams on adaptation to the various circumstances that arose during 2021, including the transition to re-joining on-site, managing their emotions, commitment and performance, and trying to respond to the various personal and professional realities.

During 2021 the Company had to make adjustment its staff at global level, to adapt to the reality in each country and business operation, retaining the maxim of protecting employment in the long term as far as possible and adjusting staff costs to the Company's reality. The departure processes were notified individually, in an attempt to listen to each employee actively, respecting and valuing the work done during their time at NH Hotel Group. The Human Resources department also carried out a "reboarding" for employees who stayed at the Company, encouraging active listening and empathy in such difficult times, working to foster good adaptation to the new reality.

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

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

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

- Maximum performance and better workplaces: All employees are encouraged to develop and do their best, where high performance is differentiated, recognised and rewarded. Making our employees our best brand ambassadors.
- Transformation and reinvention: develop our working environment to make it increasingly agile, connected and productive. All this, with clear policies and processes, meeting commitments proactively, supporting, developing and implementing the Company's operational model.

With this working framework, this year NH Hotel Group continued with its "With You" initiative to care for its employees in these challenging times. Using "With You", and amongst other actions, NH employees have received content aimed at stress management, have accessed digital kiosks free-of-charge, have had language classes within reach, have been able to collect office material to improve their remote working experience.

It is worth pointing out that in 2021 the Company has resumed some highly important processes within the People strategy, which had come to a halt due to the pandemic, such as the MBO and Time for You, as well as talent calibrations and recognition and training programmes which are all adapted to the Company's new reality.

In this way, NH Hotel Group has continued to care for its teams, giving them tools to manage the stress and uncertainty brought by the pandemic during 2021 as best as possible, by focussing on identifying, developing and retaining talent and continue to strengthen commitment, creating optimal workplaces to maximised its employees contribution.

### **Our human capital**

The average number of employees belonging to the Parent Company and consolidated companies at the close on 31 December 2021 was 10,072 employees. The corporate culture of the NH Hotel is also based on the cornerstones of diversity, equality and inclusion. Therefore, employees are 133 different nationalities and 51% of all staff were women.

Also, the average age of employees is 41.1 years old, and their average time with the company is 10.5 years.

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

The policies and actions for recruiting, employing, training and internal promotion of employees are based on criteria of ability, skills and professional merit., In 2021 2,936 new staff were recruited, of which 66% are employees under 35 years old and 53% are women.

### **NH ROOM4 PLANET**

NH Hotel Group is a company that is committed to the well-being of its guests and to efficient management of the resources available in the environment the Group's hotels are in. The Company is aware of the effects of its activity on the environment and works to prevent and anticipate possible environmental contingencies, as well as to integrate sustainability into all its processes. It is constantly working on reducing their impact.

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

Fight against climate change is a fundamental strategic value. In order to progress the definition of its climate strategy, an analysis was made during the year to determine where the Company is in relation to the TCFD (Task Force on Climate-Related Financial Disclosures) recommendations and what steps should be taken to be in line with it in 2023.

NH Hotel Group hotels have and ISO 14001 environmental management system and an ISO 50001 energy efficiency system, certified for accommodation, catering, meetings and events services. At the close of 2021, 47% of the hotels in Germany, Spain and Italy already had ISO 14001 - a total of 96 hotels - and/or ISO 50001 certification - 30 hotels. There are Group hotels that also have other environmental certifications, such as: BREEAM, LEED, Green Key, Hoteles+Verdes. The aim is to have an increasingly large number of hotels with globally recognised environmental certifications and approved by the Global Sustainable Tourism Council, the most important body of reference.

As a demonstration of our environmental commitment, 163 hotels in the portfolio have obtained the Green Leaders mark on TripAdvisor, with 46% of the Company's hotels having this recognition. In addition, during the year 294 of the company's hotels achieved the environmental distinction on Booking and the entire portfolio got the GreenStay from HRS. It is worth pointing out that, in September 2021, NH Hotel Group signed an alliance with Bioscore for independent classification of the behaviour of all the hotels in the portfolio on six pillars (emissions, energy, water, waste, catering and social responsibility).

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

## SHARES AND SHAREHOLDERS

NH Hotel Group, S.A. share capital at the end of 2021 comprised 435,745,670 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2021 and 2020 were as follows:

	2021	2020
Minor International Public Company Limited ("MINT")	94.13%	94.13%

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

The average share price of NH Hotel Group, S.A. in 2021 was 3.61 euros per share (3.58 euros in 2020). The lowest share price of 2.82 euros per share (2.10 euros in October 2020) was recorded in December and the highest share price of 4.35 euros per share in February (5.34 euros in January 2020). The market capitalisation of the Group at the close of 2021 stood at 1,324.66 million euros.

At 31 December 2021, the Group had 96,246 own shares (all referring to the liquidity contract), compared to 103,947 own shares at 31 December 2020. The reduction 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 31 December 2021 is 96,246 shares and the current amount allocated to the cash account is 333,543 euros.

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

### Average period for payment to suppliers

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified according to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

	2021	2020
	Days	
<b>Average period for payment to suppliers</b>	<b>96</b>	<b>82</b>
Ratio of paid transactions	97	82
Ratio of transactions pending payment	80	96
	Amount (thousands of euros)	
Total payments made	271,179	194,915
Total payments pending	20,018	10,226

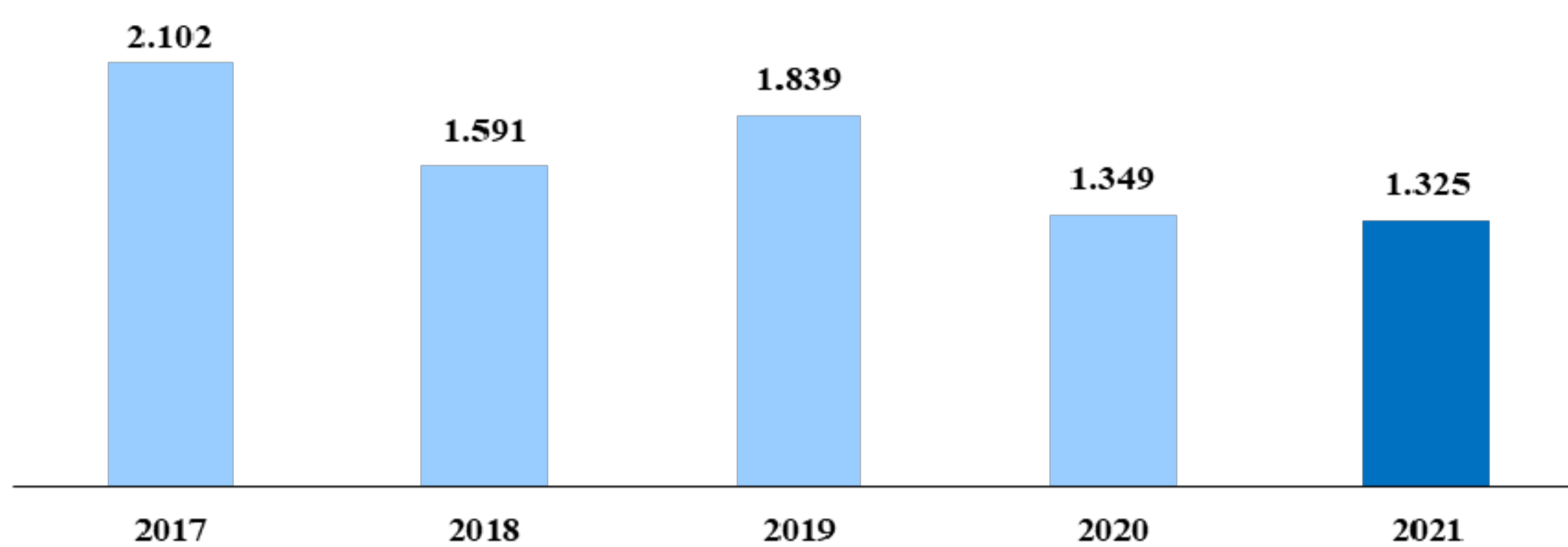
The above information on payments to suppliers of Spanish companies refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Commercial Creditors and Other Accounts Payable" item in current liabilities of the consolidated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

The average period for payment to suppliers has been calculated using the weighted average of the two ratios explained below:

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

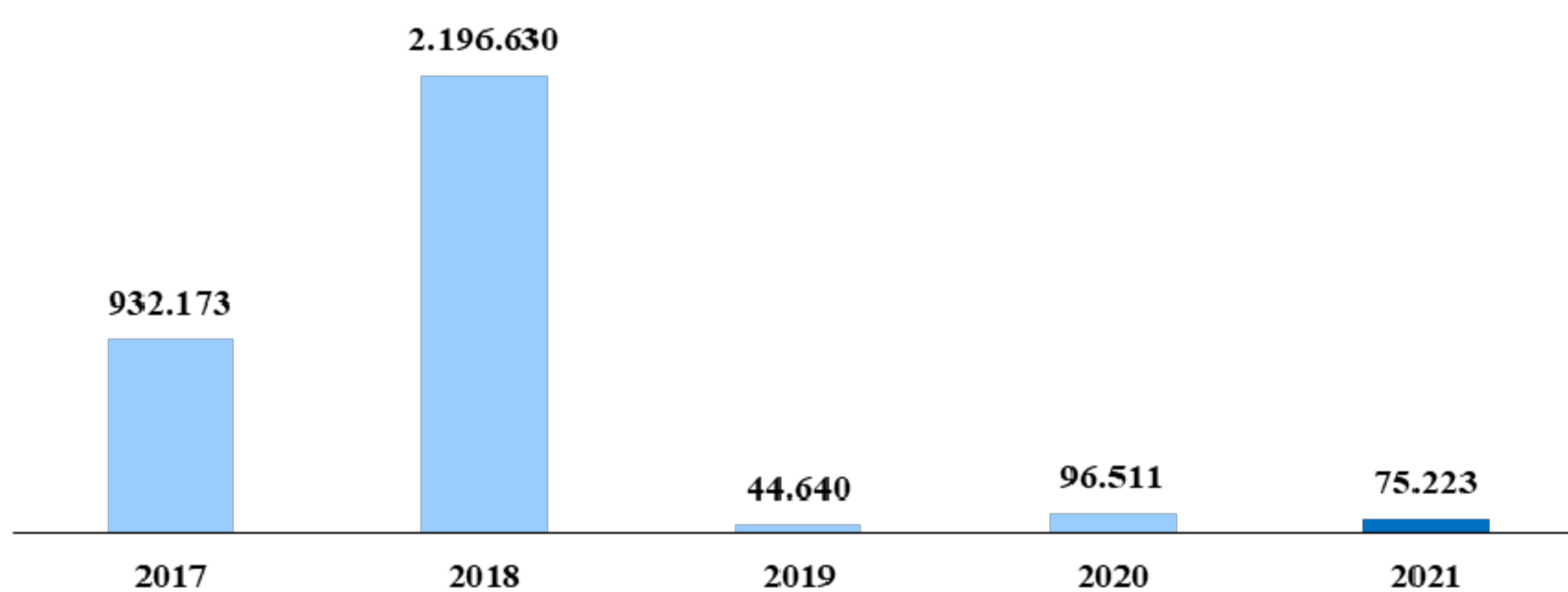
The maximum period for payment to suppliers of the Company has been higher than the legal period established of 60 days due to the impact of COVID-19 pandemic on hotel demand. This situation is remediable as long as several measures are taken focused on temporary resizing of existing resources, such as renegotiation of rent contracts and other different actions focused on minimizing COVID-19 impacts, which jointly with the progressive recovery of hotel activity will contribute to meet the established legal ratio.

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

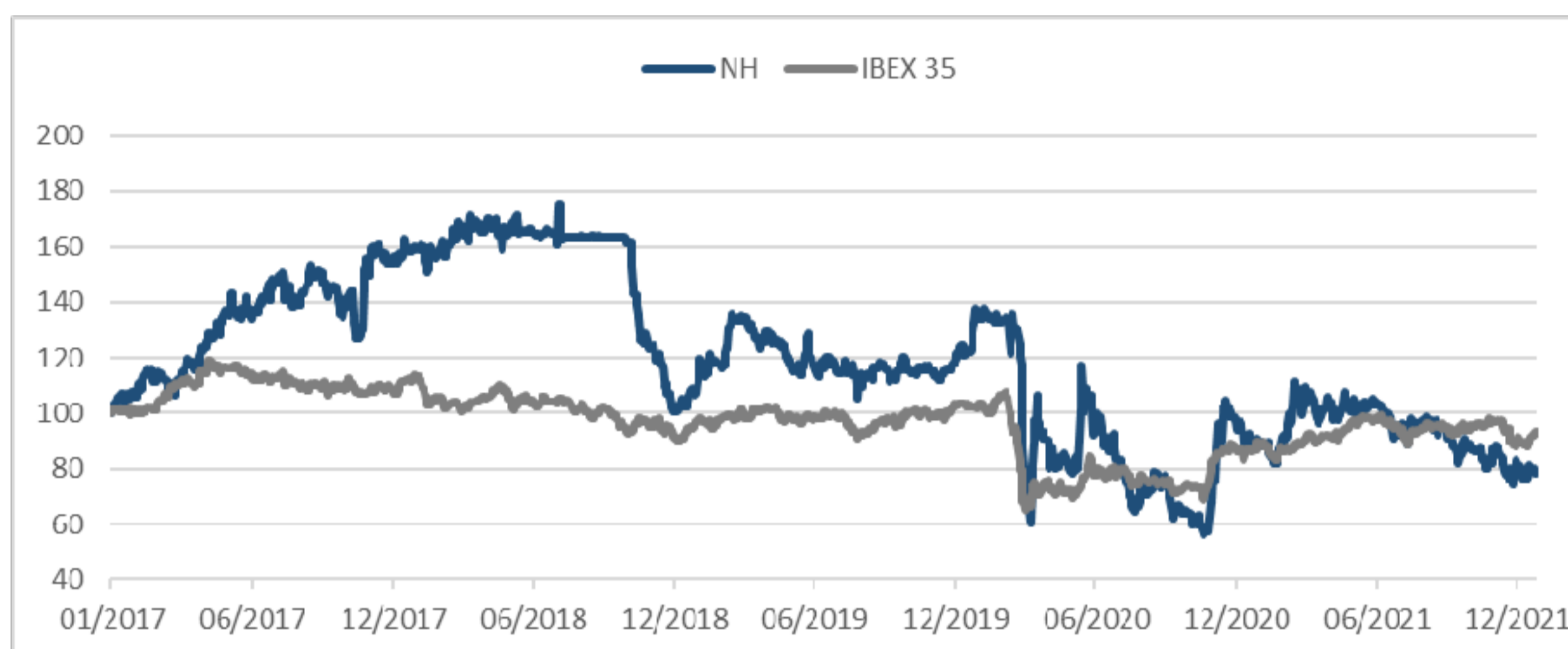


During 2021, 19,257,219 shares in NH Hotel Group, S.A. were traded on the Continuous Market. (24,706,896 shares in 2020), with an average daily share trading on the Continuous Market of 75,223 shares (96,511 shares in 2020).

#### AVERAGE DAILY TRADING (in shares)



### EVOLUTION NH HOTEL GROUP vs. IBEX 35 1 JANUARY 2017 - 31 DECEMBER 2021



### FUTURE OUTLOOK

It is forecast that high inflation may continue for longer than expected and that the cuts in the supply chains and high energy prices will persist in 2022. It is expected that inflation should decrease little by little as the imbalance between supply and demand dissipate in 2022 and that the monetary policy of the large economies responds.

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

According the OMT's last Group of Experts, the majority of tourism professionals (61%) see better prospects for 2022. While 58% expect an upturn in 2022, above all in the third quarter, 42% only foresee a possible upturn in 2023. A majority of experts (64%) now expect that international arrivals will not return to 2019 levels until 2024, or later, as against 45% in the September survey.

The OMT's Confidence Index shows a slight drop in January-April 2022. A rapid, more generalised roll out of vaccinations, followed by a significant lifting of travel restrictions, along with better coordination and clearer information on travel protocols, are the main factors indicated by the experts for effective recovery of international tourism.

The OMT scenarios show that international tourist arrivals may grow between 30% and 78% compared to 2021. Nevertheless, these are percentages that are still 50% and 63% lower than the levels prior to the pandemic.

### Non-financial Information Statement

The 2021 consolidated Non-Financial Information Statement, issued by the Board of Directors on 24 February 2022, contains all the non-financial information required by Law 11/2018 of 28 December 2018. This document is presented as a separate report, is part of this Consolidated Management Report and is available on the

corporate website of the NH Group (<https://www.nh-hoteles.es/corporate>), within the section on Annual reports included in financial information in the shareholders and investors section and as an annex to this document.

### **Annual Corporate Governance report**

The Annual Corporate Governance report, which is a part of this consolidated management report, was prepared according to the provisions of article 49.4 of the Commercial Code. In addition, the report will be available from publication of these accounts on NH Group's corporate web site (<https://www.nh-hoteles.es/corporate/es>) and on the CNMV web site ([www.cnmv.es](http://www.cnmv.es)).

### **Annual directors' remuneration report**

The annual directors' remuneration report for 2021, prepared by the Board of Directors on 24 February 2022, is presented as a separate report, forms a part of this Consolidated Management Report and is available as an annex to this document as required by article 538 of the Royal Legislative Decree 1/2010 of 2 July 2010.

### **SUBSEQUENT EVENTS**

The Company is planning to put the 2022-2027 Long-Term Incentive Plan ("Performance Cash Plan") in place in 2022. This grants a cash amount payable in the event of fulfilling the targets set for that purpose. The Plan is explained in an annual report on listed public company directors' remuneration, prepared by the Board of Directors on 24 February 2021, which is presented as a separate report, forming part of the Management Report in the Consolidated Annual Statements.

## **NH HOTEL GROUP, S.A. and Subsidiary Companies**

DECLARATION OF LIABILITY OF THE DIRECTORS FOR THE PURPOSES OF THE PROVISIONS OF ARTICLE 118.2 OF ROYAL LEGISLATIVE DECREE 4/2015, octOBER 23, WHICH APPROVES THE CONSOLIDATED TEXT OF THE SECURITIES MARKET LAW.

The Directors of NH HOTEL GROUP, SA, declare that, to the best of their knowledge, the consolidated Annual Accounts and the consolidated Management Report, which includes the Annual Corporate Governance Report, the Annual Report on the Remuneration of the Directors and the State of Consolidated Non-Financial Information (which are presented by reference in a separate document), formulated at the meeting of the Board of Directors held on February 24, 2022, prepared in accordance with the applicable accounting principles, offer a true image of equity, of the financial situation and results of NH HOTEL GROUP, SA, and of the companies included in the consolidation taken as a whole and that the Management Report includes a faithful analysis of the required information.

In compliance with the provisions of article 253 of the Consolidated Text of the Capital Companies Law, the Directors of NH HOTEL GROUP, SA, proceed to sign the Annual Accounts and Management Report, corresponding to the year ended December 31 of 2021 of NH HOTEL GROUP, SA and Subsidiary Companies.

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**D. ALFREDO FERNÁNDEZ AGRAS**

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**D. RAMÓN ARAGONÉS MARÍN**

.....  
**D. JOSE MARÍA CANTERO DE MONTES-JOVELLAR**

.....  
**D. KOSIN KENNETH CHANTIKUL**

.....  
**D. STEPHEN ANDREW CHOJNACKI**

.....  
**D. WILLIAM ELLWOOD HEINECKE**

.....  
**D. FERNANDO LACADENA AZPEITIA**

.....  
**D. RUFINO PÉREZ FERNÁNDEZ**

.....  
**D. EMMANUEL JUDE DILLIPRAJ RAJAKARIER**

DILIGENCE issued by the Secretary of the Board of Directors, to record that the previous Declaration of Responsibility has been signed by all the members of the Board of Directors in accordance with the Annual Accounts corresponding to the 2021 financial year of NH HOTEL GROUP, S.A. and Dependent Companies, which have been formulated at the Board of Directors meeting held on February 24, 2022, including the stamping of the signature together with the respective name and surname of the signing Director. It is hereby stated that Mr. Ramón Aragonés Marín affixes his signature in the name and on behalf of the Directors Mr. William Ellwood Heinecke, Mr. Emmanuel Jude Dillipraj Rajakarier, Mr. Kosin Chantikul and Mr. José María Cantero de Montes-Jovellar.

Mr. William Ellwood Heinecke, Mr. Emmanuel Jude Dillipraj Rajakarier, Mr. Kosin Chantikul and Mr. José María Cantero de Montes-Jovellar attended personally by videoconference, expressly authorizing Mr. Ramón Aragonés Marín during the Board of Directors session to sign as many documents as necessary in the framework of the preparation of the Annual Accounts.

I trust all of this.

Madrid, February 24, 2022.

Carlos Ulecia-Palacios  
Secretary of the Board of Directors