

NH Hotel Group, S.A.

Audit Report,
Annual Accounts and 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 annual accounts issued by an independent auditor

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

Report on the Annual Accounts

Opinion

We have audited the annual accounts of NH Hotel Group, S.A. (the Company), consisting of the balance sheet at 31 December 2021, the income statement, the statement of changes in equity, the cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the Company's equity and financial position as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with applicable financial reporting regulations (itemised in note 2 to the annual accounts) and, specifically, the accounting principles and criteria contained therein.

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 annual accounts*.

We are independent of the Company in accordance with the ethical requirements, including independence, which are applicable to the audit of the annual accounts in Spain, as required by prevailing 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.

Key audit matters

Key audit matters are those that, in our professional judgement, were of most significance in the audit of the annual accounts for the current period. These matters have been addressed in the context of our audit of the 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

Recoverability of equity investments in group companies and associates

As indicated in Note 8.1 to the accompanying annual accounts, the Company records in the heading Non-current investments in Group companies and associates an amount of EUR 1,973 million relating to investments representing 62.2% of total assets

The Company analyses these assets each year for impairment and, where there is objective evidence of impairment, determines the recoverable amount of the assets' carrying amount using the present value of the future cash flows to be generated by the assets according to management's business plans (note 4.f).

Based on the above, determining the recoverable amounts and any value adjustments that may be applicable, taking into account the context of the health crisis caused by Covid-19 and its impacts require the application of significant judgements and estimates when determining future cash flows and related assumptions, such as the application of discount rates and expected growth rates, among others (notes 1 and 2.e).

The above-mentioned aspects lead us to consider the recoverability of equity investments in Group companies and associates a key audit matter

Recoverability of deferred tax assets

As recognised in the accompanying balance sheet, at 31 December 2021 deferred tax assets amount to EUR 33 million, of which, EUR 24 million relates to available tax credits, according to Note 13 to the accompanying annual accounts.

How the matters were addressed in the audit

Our audit procedures included the following:

Gaining an understanding of the methodology employed and the evaluation of the controls in place in the Company's equity investment recovery analysis processes.

Obtaining from management the cash flow projections used to measure the investments, on which we have carried out the following procedures, assisted by our internal experts:

- Verification of the reasonableness of the procedures and methods used to perform the impairment tests.
- 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 calculation of the cash flows, such as the method applied by management to calculate the discount rates and the resulting value within an acceptable range
- Arithmetic verification of the calculations taken into consideration in the impairment test and assessment of the sensitivity analyses performed by management, including the ranges within which the key model assumptions should fluctuate in order to trigger impairment of investments or the reversal of existing provisions.
- Evaluation of the sufficiency of the related information disclosed in the annual accounts.

The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Our audit procedures included, among others

Understanding the methodology employed and evaluation of the controls in place in the Company's deferred tax asset recovery analysis processes.

Key audit matters

As indicated in notes 4.o and 13, when assessing whether the amount recognised in the annual accounts in respect of these assets is recoverable, the Company takes into account the forecast 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 its tax group in accordance with the strategic direction taken into account therein.

In view of the significance of the judgements made by the Company 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.e).

How the matters were addressed in the audit

Obtaining the deferred tax asset recovery plans, to which we applied the following procedures:

- 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.
- Evaluation of the sufficiency of the related information disclosed in the annual accounts.

The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Other information: Management Report

Other information refers exclusively to the 2021 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the annual accounts.

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

- a) Solely verifying that the 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 management report with the annual accounts, based on our knowledge of the company obtained during the audit of the accounts, as well as evaluating and reporting on whether the content and presentation of this part of the 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 management report is consistent with that of the annual accounts for 2021 and its content and presentation comply with applicable legislation.

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

The directors are responsible for the preparation of the accompanying annual accounts such that they present fairly the Company's equity, financial position and performance in accordance with the financial reporting framework applicable to the entity in Spain, and the internal control considered necessary to permit the preparation of annual accounts that are free from material misstatement, due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to wind up the Company or to cease trading, or have no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the preparation and presentation of the annual accounts.

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

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement whether due to fraud or error and to issue an auditors' report that includes 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 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 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 for the purpose of expressing an opinion on the effectiveness of the entity'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 directors.
- We conclude on the appropriateness of the 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 Company'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 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 Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and assess whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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 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 and control 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 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

European single electronic format

We have examined the digital file in the European Single Electronic Format (ESEF) of NH Hotel Group, S.A. for 2021, consisting of an XHTML file, with the annual accounts for the year 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 management report.

Our responsibility consists of examining the digital file prepared by the 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 that the content of the annual accounts included in that file fully agrees with the annual accounts that we have audited and their format agrees, in all material respects, with ESEF requirements.

In our opinion, the digital file examined fully agrees with the audited annual accounts and these are presented, in all material respects, in accordance with ESEF requirements.

Additional report for the audit and control committee

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.

Term of engagement

We were appointed auditors 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.

Services provided

Non-audit services provided to the audited entity and its subsidiaries are detailed in note 17.d to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

NH Hotel Group, S.A.

Annual Accounts and Management Report FY 2021

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NH Hotel Group, S.A.

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NH Hotel Group, S.A.
BALANCE SHEET AT 31 December 2021
(Thousands of euros)

ASSETS	Note	2021	2020	LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2021	2020
NON-CURRENT ASSETS:				EQUITY:			
Intangible assets	Note 5	27,001	35,555	Capital		871,491	784,361
Property, plant and equipment	Note 6	64,830	104,111	Share premium		848,394	828,932
Investment property		2,905	2,950	Reserves		514,799	516,936
Non-current investments in Group companies and associates		2,633,233	2,520,537	<i>Legal and statutory reserves</i>		90,749	90,749
<i>Equity instruments</i>	Note 8.1	1,937,412	1,775,614	<i>Other reserves</i>		424,050	426,187
<i>Loans to companies</i>	Note 16.1	695,821	744,923	Prior years' losses		(226,164)	—
Non-current financial assets	Note 8.2	1,370	1,360	Treasury shares		(308)	(367)
Deferred tax assets	Note 13	33,111	34,279	Profit (Loss) for the year		168,063	(226,164)
Total non-current assets		2,762,450	2,698,792	Total Equity	Note 10	2,176,275	1,903,698
				NON-CURRENT LIABILITIES			
				Long-term provisions	Note 11	3,094	2,281
				Long-term debts		704,028	894,849
				<i>Debt instruments and other marketable securities</i>	Note 12.1	395,020	351,991
				<i>Bank borrowings</i>	Note 12.1	304,968	539,377
				<i>Other financial liabilities</i>	Note 12.2	4,040	3,481
				Long-term debts with group and associate companies	Note 16.1	8,430	7,289
				Deferred tax liabilities	Note 13	4,735	4,906
				Total non-current liabilities		720,287	909,325
CURRENT ASSETS:				CURRENT LIABILITIES:			
Inventories		147	134	Short-term provisions	Note 11	53	—
Trade and other receivables		5,049	21,103	Short-term debts		20,784	21,686
<i>Trade accounts receivable for sales and services</i>		948	797	<i>Debt instruments and other marketable securities</i>	Note 12.1	6,803	1,555
<i>Sundry debtors</i>		2,284	6,900	<i>Bank borrowings</i>	Note 12.1	13,981	20,131
<i>Current tax assets</i>	Note 13	657	7,810	Short-term debts with group and associate companies	Note 16.1	160,668	145,163
<i>Other tax receivables</i>	Note 13	1,160	5,596	Trade creditors and other accounts payable		35,342	23,196
Short-term investments in group companies and associates	Note 16.1	319,276	269,584	<i>Suppliers</i>	Note 14.1	24,800	15,561
Short-term financial investments		7,553	26	<i>Other creditors</i>	Note 14.1	8,294	5,939
Short-term accruals		2,178	2,528	<i>Personnel</i>		611	294
Cash and cash equivalents	Note 9	16,756	10,901	<i>Other taxes payable</i>	Note 13	1,637	1,402
Total current assets		350,959	304,276	Total current liabilities		216,847	190,045
TOTAL ASSETS		3,113,409	3,003,068	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,113,409	3,003,068

The accompanying Notes 1 to 20 are an integral part of the balance sheet at 31 December 2021.

The balance sheet at 31 December 2020 is presented for comparison purposes only.

NH Hotel Group, S.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(Thousands of euros)

	Note	2021	2020
Revenues	Note 17.a	20,914	15,381
Sales		20,914	15,381
Procurements		308	455
Work carried out by the company for its assets		1,533	1,825
Other operating income	Note 16.2	38,574	27,502
Non-core and other current operating income		38,574	27,502
Staff costs	Note 17.b	(26,516)	(24,800)
Wages, salaries and similar		(21,466)	(18,494)
Social security contributions		(5,050)	(6,306)
Other operating expenses		(39,253)	(35,064)
External services	Note 17.c	(22,807)	(22,751)
Taxes		(2,875)	(2,311)
Losses on, impairment of and changes in allowances for trade receivables		(83)	52
Other current operating expenses		(13,488)	(10,054)
Depreciation and amortisation charge	Notes 5 & 6	(18,606)	(21,181)
Impairment and gains or losses on disposals of non-current assets		87,295	208
Impairments and other losses	Notes 5 & 6	52	91
Income from disposals and other	17.e	87,243	117
PROFIT/LOSS FROM OPERATIONS		64,249	(35,674)
Financial income		24,835	19,648
From securities held for trading and other financial instruments			
Group companies and associates	Note 16.2	22,985	18,755
Third parties		1,850	893
Financial expenses		(48,530)	(30,511)
On debts to Group companies and associates	Note 16.2	(2,846)	(1,282)
On debts to third parties	Note 17.f	(45,684)	(29,229)
Exchange rate differences		(616)	370
Impairment and gains or losses on disposals of financial instruments	Note 8.1	143,622	(179,757)
FINANCIAL PROFIT/LOSS		119,311	(190,250)
PROFIT/LOSS BEFORE TAX		183,560	(225,924)
Income tax	Note 13	(15,497)	(240)
PROFIT/LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		168,063	(226,164)
PROFIT (LOSS) FOR THE YEAR		168,063	(226,164)

The accompanying Notes 1 to 20 are an integral part of the income statement for 2021.

The income statement for 2020 is presented for comparison purposes only.

NH Hotel Group, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE

	Thousands of euros	
	2021	2020
PROFIT/LOSS AS PER INCOME STATEMENT (I)	168,063	(226,164)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)	—	—
TOTAL TRANSFERS TO PROFIT OR LOSS (III)	—	—
TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)	168,063	(226,164)

The accompanying Notes 1 to 20 are an integral part of the statement of recognised income and expense for 2021.

The statement of recognised income and expense for the year ended 31 December 2020 is presented for comparison purposes only.

NH HOTEL GROUP, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

B) STATEMENTS OF CHANGES IN TOTAL EQUITY

	Own Funds						Total Shareholders' Equity (Note 10)
	Share capital (Note 10)	Share premium (Note 10)	Reserves (Note 10)	Treasury Shares and Shareholdings (Note 10)	Prior years' profits (losses) (Note 10)	Profit (Loss) for the Year (Note 10)	
Balance at 01 January 2020	784,361	828,932	360,906	(1,647)	—	158,940	2,131,492
<i>I. Total recognised income / (expense)</i>	—	—	—	—	—	(226,164)	(226,164)
<i>II. Transactions with shareholders or owners</i>	—	—	—	—	—	—	—
1. Distribution of dividends	—	—	—	—	—	—	—
<i>III. Other changes in equity</i>	—	—	156,030	1,280	—	(158,940)	(1,630)
1. Transfers between equity items	—	—	158,940	—	—	(158,940)	—
2. Remuneration scheme in shares	—	—	(2,724)	1,525	—	—	(1,199)
3. Other movements	—	—	(186)	(245)	—	—	(431)
Balances at 31 December 2020	784,361	828,932	516,936	(367)	—	(226,164)	1,903,698
Balance at 01 January 2021	784,361	828,932	516,936	(367)	—	(226,164)	1,903,698
<i>I. Total recognised income / (expense)</i>	—	—	—	—	—	168,063	168,063
<i>II. Transactions with shareholders or owners</i>	87,130	19,462	(153)	—	—	—	106,439
1. Transactions with treasury shares (net)	87,130	19,462	(153)	—	—	—	106,439
<i>III. Other changes in equity</i>	—	—	(1,984)	59	(226,164)	226,164	(1,925)
1. Transfers between equity items	—	—	—	—	(226,164)	226,164	—
2. Remuneration scheme in shares	—	—	(1,942)	759	—	—	(1,183)
3. Other movements	—	—	(42)	(700)	—	—	(742)
Balances at 31 December 2021	871,491	848,394	514,799	(308)	(226,164)	168,063	2,176,275

The accompanying Notes 1 to 20 are an integral part of the statement of changes in total equity for the year 2021.

The statement of changes in equity for the year 2020 is presented for comparison only.

NH Hotel Group, S.A.

CASH FLOW STATEMENT FOR THE YEAR ENDED

31 DECEMBER 2021

(Miles de Euros)

	Notes to the Financial statements	2021	2020
A) CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit (Loss) for the year before tax		183,560	(225,924)
2. Adjustments for:		(188,402)	212,443
a) Depreciation and amortisation charge (+)	Notes 5 & 6	18,606	21,181
b) Impairment losses (+/-)	Notes 5 & 6	(52)	(91)
c) Changes in provisions (+/-)		998	(268)
d) Gains/Losses on derecognition and disposal of non-current assets (+/-)	Note 17.e	(87,243)	(117)
e) Gains/Losses on derecognition and disposal of financial instruments (+/-)	Note 8.1	(143,622)	179,757
f) Finance income (-)		(24,835)	(19,648)
g) Finance costs (+)		48,530	30,511
h) Exchange rate differences (+/-)		616	(370)
i) Other income and expenses (-/+)		(1,400)	1,488
3. Changes in working capital		21,298	(27,812)
a) Inventories (+/-)		(13)	80
b) Trade and other receivables(+/-)		9,137	(1,768)
c) Other current assets (+/-)		350	(369)
d) Trade and other payables (+/-)		11,299	(20,512)
e) Other current liabilities (+/-)		—	(2)
f) Provisions for contingencies and charges (+/-)		(24)	(5,279)
g) Other non-current assets and liabilities (+/-)		549	38
4. Other cash flows from operating activities:		(38,142)	(23,378)
a) Interest paid (-)		(40,844)	(23,667)
b) Interest received (+)		—	547
c) Income tax refunded (paid) (+/-)		2,702	(258)
5. Cash flows from investment activities (+/-1+/- 2+/-3+/-4)		(21,686)	(64,671)
B) CASH FLOWS FROM INVESTMENT ACTIVITIES			
6. Payments due to investment		(38,610)	(449,864)
a) Group companies and associates		(17,928)	(430,872)
b) Tangible fixed assets		(13,155)	(18,980)
c) Other financial assets		(7,527)	(12)
7. Proceeds from disposal (+):		154,069	2,895
a) Group companies and associates		27,285	—
b) Tangible fixed assets		126,784	2,895
8. Cash flows from investment activities (7-6)		115,459	(446,969)
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Equity instruments receivables and (payables):		5,548	(298)
a) Issue of treasury shares (-)		6,318	—
a) Purchase of treasury shares (-)		(770)	(298)
10. Proceeds and payments relating to financial liability instruments:	Note 12	(92,850)	517,851
a) Issue of			
1. Debt instruments and other marketable securities (+)		400,000	—
2. Bank borrowings (+)		—	792,000
3. Borrowings from parent company (+)		100,000	—
b) Redemption of			
1. Debt instruments and other marketable securities (-)		(356,850)	—
2. Bank borrowings (-)		(236,000)	(274,149)
12. Cash flows from financing activities (+/-9+/-10+/-11)		(87,302)	517,553
D) EFFECT OF EXCHANGE RATE VARIATIONS		(616)	268
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		5,855	6,181
Cash and cash equivalents at the start of the financial year		10,901	4,720
Cash and cash equivalents at end of year		16,756	10,901

The accompanying Notes 1 to 20 are an integral part of the cash flow statement for the year 2021.

The cash flow statement for 2020 is presented for comparison only.

REPORT OF THE ANNUAL ACCOUNTS FOR NH HOTEL GROUP, S.A. FOR THE YEAR ENDED 31 DECEMBER 2021

1.- NATURE, COMPANY PURPOSE AND COMPOSITION OF THE GROUP

NH HOTEL GROUP, S.A. (hereinafter the “Company” or “NH Hotel Group”) 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 Company, which focused on the management of its shareholding portfolio.

During the 1998 financial year, (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 Company is the head of a group of subsidiaries engaging in the same activities and that constitute, together with NH Hotel Group, S.A., the NH Hotel Group (hereinafter, the “Group”). The Company is also dedicated to operating 3 hotels in Spain (4 in 2020), as well as providing services to the Group's subsidiary companies via its corporate central office.

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.

The consolidated annual accounts for 2021 were prepared by the Directors of the NH Hotel Group, S.A. in the Board meeting held on 24 February 2022 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 (CE) 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.

Based on the contents of said consolidated annual accounts, the total volume of equity, result for the period, assets and consolidated sales amounted to 781 million euros, 136 million euros, 4,105 million euros and 746 million euros, respectively.

Main developments in the financial year (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 – was allowing a faster reopening of the portfolio once again. Therefore, at the end 2021, around 90% of the Group's hotels were open, compared to 60% at the beginning of the year. 100% of the Company's hotels are now open.

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

In spite of the low level of demand, its flexible operational and financial structure has enabled the Group to overcome the major challenges in 2020 and 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 pandemic (COVID-19), the Group implemented different measures and plans to adapt the business and ensure its sustainability with the aim of minimising costs whilst hotels are closed, preserving the Company's liquidity to meet operational needs and ensure that the recovery of the hotel activity is carried out efficiently and under maximum guarantees in terms of health and safety.

The following cost discipline and control measures, to ensure minimisation of operational expenses 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. A part 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 17-c):**
 - 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:** 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 at Group level.
- Strengthening liquidity: during the first part of 2021 NH Hotel Group proactively carried out a battery of initiatives to reinforce the Group's capital structure:
 - In May 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 dilutive effects on the shareholdings (Note 10).
 - 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 12). 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 12).
 - 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 12).
- 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 (Note 6). With this transaction, the Company has generated a net book gain before tax of 87.1 million euros and net cash, after paying the taxes on the sale, of 113 million euros. (Note 17-e).

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 annual accounts include the impacts arising from the situation described above, with particular relevance to the impairment analyses and the resulting results recorded (Notes 4-d, 4-f and 8.1), and the description and analysis carried out by the directors and their conclusion on business continuity and the corresponding preparation of the accounts as a going concern (Note 2-h).

These annual accounts should be read taking this assessment and breakdown into account.

2.- PRESENTATION BASIS

a) Legislative reference framework

The annual accounts have been prepared using the Company's accounting books and are presented in accordance with current company legislation and the regulations provided for in the General Accounting Plan, approved by Royal Decree 1514/2007, and the amendments made to it by Royal Decree 1159/2010, Royal Decree 602/2016 and Royal Decree 1/2021 for the purpose of showing a true and fair presentation of equity, the financial situation and the Company's results, as well as the veracity of the cash flows included in the cash flow statement. The annual accounts have been prepared using the Company's

accounting books and are presented in accordance with current company legislation and the regulations provided for in the General Accounting Plan, approved by Royal Decree 1514/2007, and the amendments made to it by Royal Decree 1159/2010, Royal Decree 602/2016 and Royal Decree 1/2021 for the purpose of showing a true and fair presentation of equity, the financial situation and the Company's results, as well as the veracity of the cash flows included in the cash flow statement.

b) True and fair presentation

The annual accounts have been drawn up using the Company's accounting books and have been prepared in accordance with applicable regulatory framework for financial information to give a true and fair view of the assets and financial situation 31 December 2021 and the results of its operations, the changes in equity and of the cash flows corresponding to the year ended on that date.

The Company's Directors consider that the consolidated annual accounts for 2021, which were drawn up on 24 February 2022, will be approved by the General Shareholders' Meeting without amendment.

c) Non-obligatory accounting principles

No non-obligatory accounting principles were applied. Furthermore, the Company's directors formally prepared these financial statements by taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

d) Comparative information

In addition to the figures for 2021 and for comparative purposes, the annual accounts are presented with the balance sheet, profit and loss accounts, statement of changes in equity, cash flow statement and the report corresponding to the previous year, which were part of the annual accounts for 2020 approved by the General Shareholders' Meeting on 30 June 2021.

e) Critical valuation and estimation aspects of relevant uncertainties and judgements in the application of accounting policies.

In the preparation of these financial statements, estimates were made by the Company's directors in order to quantify certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets.
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce;
- The useful life of the tangible and intangible assets.
- The market value of specific assets.
- The calculation of provisions.
- Recoverability of tax assets.

The Company's strategy takes into account the targets set in relation to climate change (Note 19), for which reason they are also taken into account when preparing these annual statements. Therefore, in the context of preparing consolidated annual statements, the effect of the commitments taken on by the Company was taken into account when calculating the service life of assets, closing costs and analysing impairment to non-financial assets.

Likewise, despite the fact that the estimates made by the Company's Directors have been calculated based on the best information available at 31 December 2021, it is possible that events that may take place in the

future require their modification in upcoming years. The effect on the annual accounts of the modifications that, where appropriate, derive from the adjustments to be made in upcoming years would be recorded prospectively.

f) Functional currency and presentation currency

The annual accounts are presented in thousands of euros, which is the Company's functional and presentation currency, rounded to the nearest thousand.

g) Grouping of items

Certain items in the balance sheet, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement are grouped together to make them easier to understand; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

h) Going concern

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 Group temporarily closing establishments in the majority of its locations for a period of time, both in 2020 and 2021 (during the year 2021 lockdowns and travel restrictions have not affected lockdowns operated by the Company), as well as significant falls in the business's operations and the uncertainties associated with how the situation evolves. These annual accounts have been prepared in accordance with the going concern principle as the Group, and the Company in particular, 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).

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 capital increase by Minor International, with a preferential subscription right for the other shareholders; 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 12).

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 and, specifically, the Company 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 for the business will allow positive results and positive cash flows to be obtained in the next financial years.

3.- PROPOSED DISTRIBUTION OF PROFITS

The proposed distribution of profits for the year prepared by the 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
Total	168,063

4.- ACCOUNTING POLICIES

a) Business combinations

In business combinations, except for mergers, spin-offs and non-monetary contributions of a business between group companies, the Company applies the acquisition method.

Mergers, spin-offs and non-monetary contributions of a business between Group companies are recorded in accordance with the provisions for transactions between related parties.

In the case of business combinations arising from the acquisition of shares or shareholdings in a company's capital, the Company recognises the investment in accordance with that established for investments in the equity of group companies, multi-group and associates (Note 4-f).

The acquisition date is the date on which the Company obtains control of the acquired business.

b) Intangible assets

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

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less the related accumulated amortisation and any impairment losses.

Any intangible assets deemed to contribute indefinitely to the generation of profits are considered to have an indefinite useful life. The remaining intangible assets are considered to have a "finite useful life". All the Company's intangible assets are considered to have a "finite useful life".

Intangible assets with a finite useful life are amortised according to the straight-line method, applying annual amortisation percentages calculated according to the estimated years of useful life of the asset in question, applying the amortisable amount. For these purposes, the amortisable amount is understood to be the acquisition cost less its residual value, if applicable. The Company considers the residual value of the assets to be zero.

The Company reviews the residual value, the useful life and the amortisation method of intangible assets at the end of each year. Amendments to the initially established criteria are recognised as a change in estimate.

This heading in the accompanying balance sheet includes, essentially, the following:

- i. **Usufruct Rights:** this item reflects the right to operate Hotel NH Plaza de Armas in Seville, acquired in 1994, whose amortisation is recognised in the income statement over the 30-year term of the agreement at a rate which increases by 4% each year. The "Computer software" acquired and produced by the company itself, including website development expenses are recognised to the extent that they meet the conditions set forth for development expenses. Outlays made for website development for promotional reasons or to advertise the Company's products or services are recognised as expenses at the time they are incurred. Computer software maintenance costs are accounted for at the time they are incurred. The amortisation of software applications is performed using the straight-line method at a rate of 20-25% per year.

c) Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost and are subsequently reduced by the related accumulated depreciation and the valuation adjustments for accumulated impairment, if any, as indicated in Note 4-d.

Property, plant and equipment upkeep and maintenance expenses are recognised on the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

The capitalisation of the production cost occurs through the heading "Work carried out by the company for its assets" in the profit and loss account. Ancillary income obtained during the testing and implementation period is recognised as a reduction in the costs incurred.

For non-current assets that necessarily take a period of more than twelve months to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other funds borrowed specifically or generally directly attributable to the acquisition or production of the assets.

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.

Depreciation of property, plant and equipment is carried out by distributing its depreciable amount systematically over its useful life. For these purposes, the depreciable amount is understood to be the acquisition cost less its residual value. The Company determines the depreciation expense independently for each component that has a significant cost in relation to the total cost of the item and a different useful life from the rest of the item.

The depreciation of property, plant and equipment is determined by applying the following criteria:

	Estimated years of useful life
Buildings	50
Plant and machinery	10 - 12
Other plant, fixtures and furniture	4 - 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 Company reviews the residual value, the useful life and the depreciation method of property, plant and equipment at the end of each year. Amendments to the initially established criteria are recognised as a change in estimate.

The profit or loss resulting from the disposal or retirement of an asset is calculated as the difference between the profit on the sale and the book value of the asset, and is recognised in the income statement.

d) Impairment of non-financial assets subject to amortisation or depreciation

The Company assesses 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 Company, at least once a year, checks potential impairment that may affect goodwill.

The recoverable value should be calculated for an individual asset, 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 Company has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

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. The Company considers a CGU to show signs of impairment if it meets the following conditions, among others: it has negative operating results and its business is stable (i.e., this does not apply to recently opened hotels until, usually, 3 years after they open).

In addition, on each closing date the Company assesses whether there are any indications that impairment losses recognised in previous years no longer exist, or may have decreased. Impairment losses 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 Company 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. 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.

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, 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 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.
- Tax costs are calculated based on the tax rates.

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.

- Market risks premium: defined at 5.5% for rates in EUR, 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 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.

The discount rate after tax applied by the Company for this purpose is 5.75%-7.5% (8.14% in 2020). 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.

The average discount rate before tax applied by the Company for this purpose is 7.61%-9.86% (10.6% in 2020).

Using a post-tax discount rate and post-tax cash flows is consistent with the standards, as the 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 the same result with respect to the impairment test if a pre-tax rate were used and, therefore, the impairment and reversion accounting records would be the same.

Information on impairment losses detected in the financial year appears in Notes 5 and 6 of this Annual Report.

e) Leases

Leases are classified as financial leases whenever the terms of the lease substantially transfer all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

The Company generally classifies all leases as operating leases. Whether a lease is financial or operating depends on the economic background and nature of the transaction, rather than the mere form of the lease agreement.

The arguments used to classify the leases as operative are as follows:

- The ownership of the asset is transferred to the lessor at the end of the lease;
- There is no option to acquire the asset at the end of the lease;
- The term of the lease does not exceed the economic life of the asset
- The present value of the minimum lease payments does not substantially cover the market value of the underlying asset;
- The duration of leases is always much shorter than the economic useful life of the underlying asset;
- In the event that it is decided to extend the duration of the lease, the terms of the new lease should be renegotiated;
- The increases or decreases in the residual value of the underlying asset are not borne by the Company, but by the lessor.

Expenses resulting from operating leases are charged to income in the year in which they are incurred.

When the Company acts as the lessor, it recognises the income from operating leases using the straight-line method according to the terms of the agreements signed. These assets are recorded at the acquisition cost of the leased assets under "Property, plant and equipment" and are depreciated in accordance with the policies adopted for similar own-use tangible assets. When the Company is the lessee, the cost of leasing is charged to the income statement on a straight-line basis, with the resulting asset or liability recorded in the corresponding sections of the balance sheet.

In February 2021, the Accounting and Auditing Institute published a query whereby if rent concessions have been negotiated within the framework of renegotiations due to Covid-19, it is not necessary that they be linearised as with any other incentive and that they can be recorded as a lower rent expense in the period they were obtained. As a result of this, the Company records the savings obtained from the renegotiations derived from COVID-19, as a lower rent expense (Note 7).

f) Financial instruments

1) Financial assets

The financial assets held by the Company are classified into the following categories:

- Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in a two-way market.
- Guarantees offered as a result of the lease contracts are basically valued following the criteria set out in financial assets. The difference between the amount delivered and the fair value is recognised as an advance payment that is charged to the income statement during the lease period. Advances whose application will take place in the long term are subject to financial updating at the end of each year based on the market interest rate at the time of their initial recognition.
- Investments in the equity of the Company's group companies, associates and jointly controlled entities: group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant

influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other partners.

- Financial assets held for trading: those acquired with a view to disposing of them in the short term or those that are part of a portfolio where evidence exists of recent actions with this goal. This category also includes financial derivatives that are not finance guarantees (e.g. sureties) or those designated as hedging instruments.

Initial measurement

Financial assets are initially recognised at the fair value of the consideration given, plus any directly eligible transaction costs.

Subsequent measurement

Loans and receivables are measured at amortised cost.

Investments in companies of the Company, associates and multi-group are initially recognised at cost, which is equivalent to the fair value of the consideration given, including the transaction costs incurred for investments in associates and multi-group and are subsequently valued at cost, less the cumulative value adjustments for impairment.

Financial assets held for trading are valued at their fair value, registering the result of changes in fair value in the income statement.

The Company deregisters financial assets when they mature, or when the rights to the financial asset's cash flows have been transferred, along with the inherent risks and benefits of ownership.

Conversely, the Company 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.

Impairment of financial assets –

A financial asset or group of financial assets is impaired and an impairment loss has occurred if there is objective evidence of impairment as a result of one or more events that occurred after the asset was initially recognised and the event or events causing the loss have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company follows the criteria of recording the appropriate valuation corrections due to impairment of loans and receivables, and debt instruments when there has been a reduction or delay in the estimated future cash flows due to insolvency of the debtor.

The impairment loss on financial assets valued at amortised cost is the difference between the book value of the financial asset and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the asset's original effective interest rate. For financial assets at a variable interest rate, the effective interest rate corresponding to the valuation date based on the contractual conditions is used. For debt instruments classified as held-to-maturity investments, the Company uses their market value, provided that it is sufficiently reliable to be considered representative of the value that it could recover.

The impairment loss is recognised with a charge to profit and loss and is reversible in subsequent years if the decrease can be objectively related to an event after its recognition. However, the reversal of the loss is limited to the amortised cost that the assets would have had, had the impairment loss not been recorded.

The valuation correction for impairment on commercial debtors implies a high level of judgment by Management and the review of individual balances based on the credit quality of customers, current market trends and historical analyses of bad debts at an aggregate level. In relation to the valuation correction derived from the aggregate analysis of the historical experience of bad debts, a reduction in the volume of balances implies a reduction of the valuation corrections and vice versa.

For Investments in group companies, associates and multi-group as well as equity instruments valued at cost, the impairment calculation is determined by comparing the book value of the investment with its recoverable value, understood as the greater between its value in use and its fair value less costs to sell.

In this sense, the value in use is calculated based on the Company's shareholding in the present value of the estimated cash flows from ordinary activities and the final disposal or the estimated flows expected to be received from the distribution of dividends and the final disposal of the investment.

However, and in certain cases, unless there is better evidence of the recoverable amount of the investment, the equity of the investee company is taken into consideration when estimating the impairment on this class of asset, adjusted, where appropriate, to the Spanish generally accepted accounting principles that are applicable, corrected for the net tacit capital gains that exist on the valuation date. If the investee company forms a subgroup of companies, the equity that arises from the consolidated annual accounts is taken into account insofar as they are prepared and, if not, the equity of the individual annual accounts.

For these purposes, the book value of the investment includes any monetary item receivable or payable, the settlement of which is not contemplated nor likely to occur in the foreseeable future, excluding items of a commercial nature.

In subsequent years, impairment reversals are recognised to the extent that there is an increase in the recoverable value, up to the limit of the book value that the investment would have had, had the impairment had not been recognised.

The valuation correction for impairment on the investment is limited to its value, except where the Company has assumed contractual, legal or implicit obligations, or has made payments on behalf of the companies. In the latter case, a provision is recognised in accordance with the criteria set forth in section 1 (provisions).

Impairment losses on equity instruments measured at cost are not reversible and are therefore recorded directly against the value of the asset.

2) Equity instruments

An equity instrument represents a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity as the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year 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 profit or loss.

3) Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Trade creditors and other accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest rate method.

The Company has contracted confirming operations with various financial entities to manage the payment to suppliers. Trade liabilities whose payment is managed by financial entities are shown in the trade creditors and other accounts payable entry, in as far as the Company has only assignment payment management to the financial entities, and remains primarily liable for payment of the debts to trade creditors.

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.

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.

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 transaction costs and financial expenses are recognised on an accrual basis in the income 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.

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 cash flow discounting 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 Company 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).

g) Inventories

Inventories for restoration are valued at the lowest value of their acquisition or production cost.

The acquisition cost includes the amount invoiced by the seller after deducting any discount, reduction or the like, as well as the interest included into the nominal amount of the debts, plus the additional expenses that occur until the goods are placed for sale.

The production cost of inventories comprises the acquisition price of raw materials and other consumable materials and the costs directly related to the units produced and a systematically calculated part of the indirect, variable or fixed costs incurred during the process to transform them.

h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand bank deposits with credit institutions. Other highly liquid short-term investments are also included as long as they are easily convertible into specified amounts of cash and are subject to insignificant risks of changes in value. For these purposes, investments maturing in less than three months from acquisition date are included.

i) Foreign currency transactions

Foreign currency transactions have been converted into euros using the spot rate on the dates on which the conversions are made.

Monetary assets and liabilities denominated in foreign currency have been converted to euros by applying the current rate at the end of the year, while non-monetary assets, valued at historical cost, have been converted by applying the exchange rate on the date on which the transactions took place.

In the presentation of the cash flow statements, the flows from transactions in foreign currencies have been converted into euros by applying the spot exchange rate to the amount of foreign currency on the dates they occur.

The effect of exchange rate on cash and cash equivalents in foreign currency is presented separately in the cash flow statement as "Effect of exchange rate differences".

The positive and negative differences that appear in the settlement of foreign currency transactions and in the conversion of monetary assets and liabilities denominated in foreign currency to euros, are recognised in results.

j) Obligations to employees

The Company has not established any supplementary pension plan to the social security system

Collective agreements in the hotel industry, applicable to the Company in Spain, require 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 Company has outsourced its obligations concerning its employees' pension plans.

k) Severance payments

Under current legislation and certain employment contracts, the Company is required to make severance payments to employees terminated under certain conditions. Therefore, severance payments that can be reasonably quantified are recognised when the Company has an implicit obligation due to the existence of a detailed plan and the generation of valid expectations among those affected that the process will be carried out, either due to the plan having begun or its main characteristics having been announced.

l) Provisions

Provisions are recognised when the Company has a present obligation, whether legal, contractual, implicit or tacit, as a result of a past event; it is probable that there will be an outflow of resources that require future economic benefits to cancel the obligation; and a reliable estimate of the amount of the obligation can be made.

The financial statements include all the provisions with respect to which it is considered likely that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

m) Onerous Contracts

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

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

n) Income and expenses

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales and services rendered is also recognised by reference to the stage of completion of the transaction at the reporting date, provided the outcome of the transaction can be reliably estimated.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. In any case, interest from financial assets accrued after the date of acquisition is recognised as income in the income statement.

Additionally, the Company has created, developed and currently is operating hotel businesses in Spain and in other countries under an owned unique and distinct system, called “Sistema NH”. The Company, as creator and unique owner of “Sistema NH”, lends to its subsidiaries operating hotel establishments the use and activity of “Sistema NH”, including its commercial brands. Likewise, the Company lends hotel services related to booking management, marketing and advertising and services for accessing information systems.

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 Company 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 Company, 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 Company 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.

o) Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and interim payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured as the amount expected to be payable or recoverable on differences between the carrying values of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. 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.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised to the extent that it is considered likely that the Group will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made, according to the extent of doubts as to their future recoverability. Also,

unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become likely that they will be recovered through future taxable profits.

p) Environment

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Because of their nature, the Company's business activities do not have a significant environmental impact.

q) Share-based remuneration schemes

These schemes, which may be paid 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.

The allocation of the aforementioned valuation to profit or loss is carried out under personnel expenses on a straight line basis over the period of time the employee is employed as a requirement for its exercise, and a balancing entry on the Balance Sheet under Reserves.

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

r) Transactions between group companies

Transactions between group companies, except those related to mergers, spin-offs and non-monetary contributions of businesses, including investments in group companies, are recognised at the fair value of the consideration given or received. The difference between said value and the agreed amount is recorded according to the underlying economic substance, either as a contribution or a distribution of dividends. However, the part that does not occur on terms proportional to the shareholding in the group company is recognised as an income or expense by donation.

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

s) Current/Non-current classification

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year; other assets which are expected to mature, be disposed of or be realised within twelve months from the end of the reporting period; financial assets held for trading, except for financial derivatives that will be settled in a period exceeding one year; and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle, financial liabilities held for trading, except for financial derivatives that will be settled in a period exceeding one year; and, in general, all obligations that will mature or be extinguished in the short term. All other liabilities are classified as non-current liabilities.

t) Cash flow statement

The following terms with their corresponding explanation are used in the cash flow statements 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.
- Operating activities: the principal revenue-producing activities of the Company, and other activities that are not investing or financing activities. The Company presents trade payables confirming activities as an operating 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.- INTANGIBLE ASSETS

The detail of the different items included under this heading and of the changes therein during the year are as follows (in thousands of euros):

	Balance at 01.01.21	Inclusions	Retirements	Assignments (Note 6)	Balance at 31.12.21
COST					
Rights of use	32,478	—	—	—	32,478
Concessions, patents and trademarks	1,425	155	(116)	—	1,464
Software applications	98,821	4,357	—	14	103,192
	132,724	4,512	(116)	14	137,134
ACCUMULATED AMORTISATION					
Rights of use	(27,113)	(1,511)	10	—	(28,614)
Concessions, patents and trademarks	(631)	(210)	—	—	(841)
Software applications	(69,425)	(11,253)	—	—	(80,678)
	(97,169)	(12,974)	10	—	(110,133)
Impairment	—	—	—	—	—
NET BOOK VALUE	35,555				27,001

	Balance at 01.01.20	Inclusions	Retirements	Assignments (Note 6)	Balance at 31.12.20
COST					
Rights of use	32,478	—	—	—	32,478
Concessions, patents and trademarks	1,353	108	—	(36)	1,425
Software applications	88,899	9,930	(8)	—	98,821
	122,730	10,038	(8)	(36)	132,724
ACCUMULATED AMORTISATION					
Rights of use	(25,553)	(1,558)	—	(2)	(27,113)
Concessions, patents and trademarks	(433)	(204)	—	6	(631)
Software applications	(56,605)	(12,828)	8	—	(69,425)
	(82,591)	(14,590)	8	4	(97,169)
Impairment	—	—	—	—	—
NET BOOK VALUE	40,139				35,555

The most significant additions in 2021 were those arising from investments made to develop the Company's computer applications.

The section “Usufruct Rights” recognises the total amount agreed by way of payment for the usufruct rights over the Hotel NH Plaza de Armas.

At the end of 2021 and 2020, the Company had fully amortised intangible assets still in use, itemised as follows (in thousands of euros):

	Thousands of euros	
	2021	2020
Usage rights, concessions, patents and brands	2,419	2,206
Software applications	54,082	38,437
Total	56,501	40,643

6.- PROPERTY, PLANT AND EQUIPMENT

The detail of the different items of under this heading and the changes therein during the year are as follows (in thousands of euros):

	Balance at 01.01.21	Inclusions	Retirements	Assignments (Nota 5)	Balance at 31.12.21
COST					
Land and buildings	90,954	—	(32,018)	—	58,936
Plant and machinery	64,651	1,258	(15,679)	76	50,306
Other plant, fixtures and furniture	9,654	193	(280)	32	9,599
Other fixed assets and assets under	122	55	—	(122)	55
	165,381	1,506	(47,977)	(14)	118,896
ACCUMULATED AMORTISATION					
Land and buildings	(17,553)	(1,612)	5,094	—	(14,071)
Plant and machinery	(37,688)	(3,105)	7,452	—	(33,341)
Other plant, fixtures and furniture, other fixed assets and assets under	(6,029)	(815)	190	—	(6,654)
	(61,270)	(5,532)	12,736	—	(54,066)
Impairment	—	—	—	—	—
NET BOOK VALUE	104,111				64,830

The main derecognition in the period relates to the sale of the NH Collection Barcelona Gran Hotel Calderón 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, and a net capital gain of 87,143 thousand euros before tax was recorded (Note 17-e).

The heading related to Land and Buildings is broken down into Land at 31,322 thousand euros (50,659 euros in 2020) and Buildings at 13,543 thousand euros (22,742 thousand euros in 2020).

	Balance at 01.01.20	Inclusions	Retirements	Assignments (Nota 5)	Balance at 31.12.20
COST					
Land and buildings	90,950	—	—	4	90,954
Plant and machinery	68,000	601	(3,923)	(27)	64,651
Other plant, fixtures and furniture	11,412	489	(2,407)	160	9,654
Other fixed assets and assets under	122	185	(84)	(101)	122
	170,484	1,275	(6,414)	36	165,381
ACCUMULATED AMORTISATION					
Land and buildings	(15,742)	(1,811)	—	—	(17,553)
Plant and machinery	(36,128)	(3,621)	2,057	4	(37,688)
Other plant, fixtures and furniture, other fixed assets and assets under	(6,646)	(1,059)	1,684	(8)	(6,029)
	(58,516)	(6,491)	3,741	(4)	(61,270)
Impairment	—	(71)	110	(39)	—
NET BOOK VALUE	111,968				104,111

At year-end, the Company had fully depreciated items of property, plant and equipment still in use, itemised as follows:

	Thousands of euros	
	2021	2020
Plant and machinery	14,455	18,358
Other fixtures, tools, furniture and others	2,915	2,808
Total	17,370	21,166

The Company 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, there are no firm commitments to purchase fixed assets (2.3 thousand euros in 2020).

7.- OPERATING LEASES

At 31 December, the Company had contracted with lessors for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment reviews:

Thousands of euros	Nominal value	
	2021	2020
Less than one year	7,656	5,676
Between two and five years	16,218	17,310
More than five years	5,966	8,442
Total	29,840	31,429

The operating lease payments recognised as an expense in the year came to 8,282 thousand euros (7,714 thousand euros in 2020), almost entirely consisting of the hotel lease payments (Note 17-c).

The term of the operating leases arranged by the Company ranges from 2 to 15 years. Also, the rental income from said leases consists of a fixed amount tied to the CPI index which is reviewed annually.

The amount of the operating lease instalments recognised as income and expenses is as follows:

	Thousands of euros	
	2021	2020
Minimum lease payments	8,282	7,693
Contingent expenses	—	21
Income from leases and subleases	3,728	3,412

8.- LONG TERM INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES AND FINANCIAL INVESTMENTS

8.1- Group companies, jointly-controlled entities and associates

The most significant information in relation to Group companies, jointly controlled entities and associates is as follows:

Company/ Registered address /Activity	Direct shareholding	2021 - Thousands of euros					
		Capital	Profit (Loss)	Other equity items	Total Shareholders' Equity	Cost	Provision
Group Companies:							
NH Italia, S.p.A./Valdagno/Hotel	51%	233,847	(7,408)	103,184	329,622	300,159	—
NH Europa, S.A./Madrid/Holding	100%	100,743	(2,401)	462,202	560,545	973,359	—
Latinoamericana De Gestion Hotelera, S.A./Madrid/Holding	100%	104,036	(2,128)	(15,424)	86,484	179,217	(33,780)
NH Hoteles España, S.A./Madrid/Hotel	100%	177,059	(8,904)	(101,599)	66,557	351,930	—
NH Central Reservation Office, S.L/Madrid/Call Centre	100%	7,700	(1,095)	1,644	8,249	31,671	(26,365)
NH Cash Link, S.L.U./Madrid/Financial	100%	3	—	82,121	82,124	82,121	—
Capredo Investments GmbH/Switzerland/Holding	100%	37	(58)	13,107	13,086	9,066	—
Roco Hospitality Group S.R.L./Venice/Hotel	51%	10	(13,190)	18,896	5,716	27,574	—
Others		—	—	—	—	2,295	—
Associates:							
Sotocaribe S.L/Madrid/Holding	36%	61,082	(371)	114,752	175,463	49,234	(9,069)
Total						2,006,626	(69,214)

Company/ Registered address /Activity	Direct shareholding	2020 - Thousands of euros					
		Capital	Profit (Loss)	Other equity items	Total Shareholders' Equity	Cost	Provision
Group Companies:							
NH Italia, S.p.A./Valdagno/Hotel	51%	233,847	(46,520)	183,224	370,551	300,139	(31,930)
NH Europa, S.A./Madrid/Holding	100%	100,743	(209,767)	671,969	562,945	973,359	—
Latinoamericana De Gestion Hotelera, S.A./Madrid/Holding	100%	104,036	(76,223)	82,053	109,866	179,217	(71,136)
NH Hoteles España, S.A./Madrid/Hotel	100%	177,059	(60,372)	14,665	131,352	351,839	(75,426)
NH Central Reservation Office, S.L/Madrid/Call Centre	100%	7,700	(1,197)	2,831	9,334	31,665	(25,275)
NH Cash Link, S.L.U./Madrid/Financial	100%	3	—	82,121	82,121	82,121	—
Capredo Investments GmbH/Switzerland/Holding	100%	37	—	12,536	12,573	9,066	—
Roco Hospitality Group S.R.L./Venice/Hotel	51%	10	(10,583)	(5,436)	(16,010)	9,280	—
Others						2,288	—
Associates:							
Sotocaribe S.L/Madrid/Holding	36%	61,082	(1,549)	116,025	175,558	49,476	(9,069)
Total						1,988,450	(212,836)

The changes in "Investments in Group Companies" in 2021 and 2020 are as follows (in thousands of euros):

Company/ Registered address /Activity	Cost					Provision					Net
	Balance at 01/01/2021	Additions	Retirements	Transfers	Balance at 31/12/2021	Balance at 01/01/2021	Additions	Retirements	Transfers	Balance at 31/12/2021	Balance at 31/12/2021
Group Companies:											
NH Italia, S.p.A./Valdagno/Hotel	300,139	20	—	—	300,159	(31,930)	—	31,930	—	—	300,159
NH Europa, S.A./Madrid/Holding	973,359	—	—	—	973,359	—	—	—	—	—	973,359
Latinoamericana De Gestion Hotelera, S.A./Madrid/Holding	179,217	—	—	—	179,217	(71,136)	—	37,356	—	(33,780)	145,437
NH Hoteles España, S.A./Madrid/Hotel	351,839	103	(12)	—	351,930	(75,426)	—	75,426	—	—	351,930
NH Central Reservation Office, S.L/Madrid/Call Center	31,665	6	—	—	31,671	(25,275)	(1,090)	—	—	(26,365)	5,306
NH Cash Link, S.L.U./Madrid/Financial	82,121	—	—	—	82,121	—	—	—	—	—	82,121
Capredo Investments GmbH/Switzerland/Holding	9,066	—	—	—	9,066	—	—	—	—	—	9,066
Roco Hospitality Group S.R.L./Venice/Hotel	9,280	18,294	—	—	27,574	—	—	—	—	—	27,574
Others	2,288	7	—	—	2,295	—	—	—	—	—	2,295
Associates:											
Sotocaribe S.L/Madrid/Holding	49,476	—	(242)	—	49,234	(9,069)	—	—	—	(9,069)	40,165
Total	1,988,450	18,430	(254)	—	2,006,626	(212,836)	(1,090)	144,712	—	(69,214)	1,937,412

Company/ Registered address /Activity	Cost					Provision					Net
	Balance at 01/01/2020	Additions	Retirements	Transfers	Balance at 31/12/2020	Balance at 01/01/2020	Additions	Retirements	Transfers	Balance at 31/12/2020	Balance at 31/12/2020
Group Companies:											
NH Italia, S.p.A./Valdagno/Hotel	300,245	—	(106)	—	300,139	—	(31,930)	—	—	(31,930)	268,209
NH Cash Link, S.L.U./Madrid/Financial	82,121	—	—	—	82,121	—	—	—	—	—	82,121
NH Europa, S.L./Madrid/Holding	973,359	—	—	—	973,359	—	—	—	—	—	973,359
Latinoamericana De Gestion Hotelera, S.A./Madrid/	179,217	—	—	—	179,217	—	(71,136)	—	—	(71,136)	108,081
NH Hoteles España, S.L./Madrid/Hotel	351,759	80	—	—	351,839	—	(75,426)	—	—	(75,426)	276,413
NH Central Reservation Office, S.L/Madrid/Call Centre	31,665	—	—	—	31,665	(24,010)	(1,265)	—	—	(25,275)	6,390
Capredo Investments GmbH/Switzerland/Holding	—	—	—	9,066	9,066	—	—	—	—	—	9,066
Roco Hospitality Group S.R.L./Venice/Hotel	—	9,280	—	—	9,280	—	—	—	—	—	9,280
Others	2,205	83	—	—	2,288	—	—	—	—	—	2,288
Associates:											
Sotocaribe S.L/Madrid/Holding	—	5,939	—	43,537	49,476	—	—	—	(9,069)	(9,069)	40,407
Total	1,920,571	15,382	(106)	52,603	1,988,450	(24,010)	(179,757)	—	(9,069)	(212,836)	1,775,614

The main additions are:

During 2021 the Company contributed 18.3 million euros to the company Roco Hospitality Group, S.R.L. as a capital injection.

At year-end 2020, the Company stopped recording the companies Sotocaribe, S.L. and Capredo Investments, GmbH as non-current assets classified as held for sale. Given the uncertainty associated with these sales processes, the Group decided to reclassify these investments to Long-term investments in group companies and associates.

On 7 September 2020, the Company acquired 50.5% of the shares of Roco Hospitality Group, S.R.L., which is part of the "Boscolo Hotels" Group.

8.2.- Long-term financial investments

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

	Thousands of	
	2021	2020
Guarantees	1,339	1,329
Others	31	31
Total	1,370	1,360

9.- 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. There are no restrictions on how cash may be used.

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

- The Company has cash and cash equivalents amounting to 16,756 thousand euros.
- Available undrawn credit facilities of 259,000 thousand euros (Note 12).

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.

10.- EQUITY AND OWN FUNDS

a) Subscribed 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 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.

b) Dividends

The company did not distribute dividends in 2021 or 2020

c) Share premium

The balance of the "Share Premium" account arose as a result of the capital increases carried out by the Company.

This reserve is freely distributable.

d) 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.

e) Restricted reserves

Reserves totalling 310 thousand euros at 31 December 2021 (367 thousand euros at 31 December 2020) could not be distributed, as this figure corresponds to own shares.

f) Treasury Shares

At 31 December 2021, the Company had 96,246 own shares, compared to 103,947 own shares at 31 December 2020. The evolution 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 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 17-b). A purchase of 189,962 treasury shares was made to settle the second cycle, 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.

11.- PROVISIONS

The detail of the Provisions is as follows:

	Thousands of euros	
	2021	2020
Non-current liabilities:		
Provision for pensions and similar obligations	1,226	519
Provision for liabilities	1,868	1,762
	3,094	2,281
Current liabilities:		
Provision for other liabilities	53	—
	53	—

Provision for pensions and similar obligations

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

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

	2021	2020
Discount rates	0.70%	0.47%
Expected annual rate of salary rise	1.2%	1.2%

Provision for liabilities

In 2021, the long-term "Provision for liabilities" account includes provisions for litigation and risks which the Company considers probable and derecognising during the year those that have been resolved in the year. No decision on these claims is expected in the short term (Note 15).

12.- FINANCIAL DEBT - LONG AND SHORT TERM

12.1 Debt instruments and debts with credit institutions

The balances of the "Bonds and other negotiable securities" and "Debts with credit institutions" items 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)	(4,859)	(1,753)
Debt instruments and other marketable securities	395,020	6,803	351,991	1,555
Secured credit line	—	—	236,000	—
Unsecured loans	265,076	2,424	260,959	6,541
Subordinated loans	40,000	—	40,000	—
Credit lines	5,000	12,000	5,000	12,000
Arrangement expenses	(5,108)	(1,350)	(2,582)	(1,675)
Borrowing costs	—	907	—	3,265
Bank borrowings	304,968	13,981	539,377	20,131
Total	699,988	20,784	891,368	21,686

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 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 10).
- 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 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 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 line was reduced from 236,000 thousand euros to 36,000 thousand euros. On 8 December 2021, the 36,000 thousand euros drawn down was reduced in its entirety.

At 31 December 2021, the total amount of 242,000 thousand euros of this financing was available.

Subordinate loan convertible into shares

On 24 May 2021, the 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 10).

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 250,000 ICO backed syndicated loan, as a result of the crisis caused by COVID-19, throughout 2020 the Company took advantage of government aid to take out several loans and, throughout 2021, agreed an extension to their terms with the grant of a Spanish government guarantee:

- In May 2020, the Company signed a bilateral loan for 10,000 thousand euros over 2 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 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 Company signed a bilateral loan for 7,500 thousand euros over 3 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 Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of July 2026.

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.

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 34,000 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 commitments (“financial covenants”) in the syndicated credit line and syndicated loan guaranteed by ICO 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 full available 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 the 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
Net value of assets assigned as mortgage collateral		118,755
Value of guaranteed debt		400,000
Fixed interest		400,000
Variable interest		—

Limitation on the distribution of Dividends

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

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

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

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

In the case of the syndicated credit line, 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 this 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									
Figures in millions of euros	Limit	Available	Disposed	Year 1	Year 2	Year 3	Year 4	Year 5	Remain
Subordinated loans	40,000	—	40,000	—	—	—	—	—	40,000
Variable interest	40,000	—	40,000	—	—	—	—	—	40,000
Guaranteed senior notes	400,000	—	400,000	—	—	—	—	400,000	—
Fixed rate	400,000	—	400,000	—	—	—	—	400,000	—
Unsecured loans	267,500	—	267,500	2,424	5,172	5,205	3,572	251,127	—
Fixed rate	7,500	—	7,500	757	1,839	1,872	1,905	1,127	—
Variable interest	260,000	—	260,000	1,667	3,333	3,333	1,667	250,000	—
Secured credit line	242,000	242,000	—	—	—	—	—	—	—
Variable interest	242,000	242,000	—	—	—	—	—	—	—
Credit lines	34,000	17,000	17,000	12,000	3,000	—	2,000	—	—
Variable interest	34,000	17,000	17,000	12,000	3,000	—	2,000	—	—
Borrowing at 31/12/2021	983,500	259,000	724,500	14,424	8,172	5,205	5,572	651,127	40,000
Arrangement expenses	(12,724)	—	(12,724)	(2,636)	(2,744)	(2,861)	(2,974)	(1,212)	(297)
Borrowing costs	8,996	—	8,996	8,996	—	—	—	—	—
Adjusted total debt at 31/12/2021	979,772	259,000	720,772	20,784	5,428	2,344	2,598	649,915	39,703
Adjusted total debt at 31/12/2020	930,054	17,000	913,054	21,686	4,621	845,131	(30)	1,970	39,676

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

12.2 Other long-term financial liabilities

The balance this account at year-end is as follows (in thousands of euros):

	2021	2020
Acquisition of Capredo Investment GmbH (Note 8)	3,150	3,150
Others	890	331
Total	4,040	3,481

12.3. Information on the nature of financial instruments and their level of 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 Company's main financial assets include cash and cash equivalents (Note 9) and trade and other receivables. In general, the Company holds its cash and cash equivalents in institutions with a high level of creditworthiness and part of its trade and other receivables are endorsed by guarantees, guarantors and advance payments by tour operators.

The Company does not have a significant concentration of credit risk exposure to third parties, both due to the diversification of its financial investments and to the distribution of trade risks with short collection periods among a large number of customers.

The Company 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.

Interest rate risk

The company's financial assets and liabilities are exposed to fluctuations in interest rates, and this may have an adverse effect on its results and cash flow. In order to mitigate this risk, the Company has established policies and has part of its debt at fixed interest rates through the issuance of guaranteed senior bonds. At 31 December 2021, approximately 56% of the Parent Company's gross borrowings was tied to fixed interest rates (40% in 2020).

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 carrying out its activities.

The management of this risk focuses on monitoring the maturity schedule of the Company's financial debt in detail, as well as on proactive management and maintaining credit lines that allow any forecast cash needs to be met.

The Company's liquidity position in 2021 is based on the following points:

- The Company had cash and cash equivalents amounting to 16,756 thousand euros at 31 December 2021 (see Note 9).
- Available undrawn credit facilities amounting to 259,000 thousand euros at 31 December 2021.

The Company also has 45,500 thousand euros in confirming lines that it uses to manage part of its payments to trade creditors. These lines are distributed amongst several banks and cover 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 Company makes cash position forecasts on a systematic basis for each business unit and geographical area in order to assess their needs. This liquidity policy followed by the Company ensures that payment undertakings are fulfilled without having to request funds under onerous conditions and allows its liquidity position to be monitored on a continuous basis.

Exchange rate risk

The Company is exposed to exchange rate fluctuations that may affect its sales, results, equity and cash flows, arising largely from:

- Investments in foreign countries (mainly Mexico, Argentina, Colombia, Chile, Ecuador, the United States, Switzerland, Hungary and the Czech Republic).
- Transactions made by Group companies operating in countries whose currency is other than the euro (mainly Mexico, Argentina, Colombia, Chile, Ecuador, the United States, Switzerland, Hungary and the Czech Republic).

The NH Group endeavours to align its borrowings with the cash flows in the different currencies.

The most significant balances in foreign currency in 2021, valued at the year-end exchange rate, is broken down as follows:

	Currency	Thousands of
Short-term investments in group companies and associates	ARS	3,322
Short-term investments in group companies and associates	BRL	151
Short-term investments in group companies and associates	CLP	1,214
Short-term investments in group companies and associates	COP	1,567
Short-term investments in group companies and associates	CZK	174
Short-term investments in group companies and associates	CHF	38
Short-term investments in group companies and associates	DOP	227
Short-term investments in group companies and associates	HUF	2
Short-term investments in group companies and associates	MXN	7,341
Short-term investments in group companies and associates	PLN	11
Short-term investments in group companies and associates	RON	11
Short-term investments in group companies and associates	USD	185
Short-term investments in group companies and associates	UYU	740
Short-term investments in group companies and associates	THB	378
Short-term investments in group companies and associates	SGD	8
Short-term debts with group and associate companies	ARS	(34)
Short-term debts with group and associate companies	COP	(116)
Short-term debts with group and associate companies	DOP	(609)
Short-term debts with group and associate companies	GBP	(29)
Short-term debts with group and associate companies	MXN	(221)
Short-term debts with group and associate companies	USD	(219)
Short-term debts with group and associate companies	ZAR	(6)
Short-term debts with group and associate companies	THB	(119)
Cash and cash equivalents	USD	165

The most significant balances in foreign currency in 2020, valued at the year-end exchange rate, is broken down as follows:

	Currency	Thousands of
Short-term investments in group companies and associates	ARS	2,566
Short-term investments in group companies and associates	BRL	132
Short-term investments in group companies and associates	CLP	1,607
Short-term investments in group companies and associates	COP	224
Short-term investments in group companies and associates	CZK	153
Short-term investments in group companies and associates	CHF	1,699
Short-term investments in group companies and associates	DOP	227
Short-term investments in group companies and associates	MXN	6,289
Short-term investments in group companies and associates	PLN	3
Short-term investments in group companies and associates	RON	3
Short-term investments in group companies and associates	USD	110
Short-term investments in group companies and associates	UYU	705
Short-term investments in group companies and associates	ZAR	1
Short-term investments in group companies and associates	THB	258
Short-term investments in group companies and associates	SGD	8
Short-term debts with group and associate companies	ARS	(34)
Short-term debts with group and associate companies	COP	(91)
Short-term debts with group and associate companies	DOP	(589)
Short-term debts with group and associate companies	GBP	(21)
Short-term debts with group and associate companies	MXN	(168)
Short-term debts with group and associate companies	ZAR	(6)
Short-term debts with group and associate companies	THB	(245)
Cash and cash equivalents	USD	645

13.- TAX POSITION

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 pay subject to the tax consolidation scheme governed by Title VII, Chapter VI of Law 27/2014 of 27 November on Corporation Tax (“Corporation Tax Law”).

The NH Hotel Group, S.A. tax group (hereinafter, “Tax Group”) comprised the following companies in 2021:

NH Hotel Group, S.A.	NH Europa, S.L.
Latinoamericana de Gestión Hotelera, S.A.	NH Atardecer Caribeño, S.L.
NH Central Reservation Office, S.L.	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.	

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.

In previous years, the Tax Group carried out restructuring operations in which it opted for the special scheme for business reorganisation provided in the Corporation Tax Law. The legally established items are included in the annual report of the corresponding year.

Balances with Public Authorities

The detail of "Balances with Public Authorities" is as follows:

Tax receivables

	Thousands of euros	
	2021	2020
Non-current receivables		
Deferred tax assets	33,111	34,279
Total	33,111	34,279
Current receivables		
Value Added Tax	1,136	5,572
Current tax assets	657	7,810
Others	24	24
Total	1,817	13,406

Tax payables

	Thousands of euros	
	2021	2020
Non-current payables		
Deferred tax liabilities	4,735	4,906
Total	4,735	4,906
Current payables		
Retentions	524	511
Social Security	620	522
Others	493	369
Total	1,637	1,402

Reconciliation of the accounting profit to the taxable income

Corporation Tax is calculated on the basis of accounting profit or loss determined by application of the generally accepted accounting principles, and applying the relevant adjustments in accordance with the rules set out in the Corporation Tax Law. Therefore, the accounting profit may not necessarily coincide with the taxable income for Corporation Tax purposes.

The reconciliation of the accounting profit and the Corporation Tax to pay or refund for the year corresponding to the tax group is as follows (in thousands of euros):

	Thousands of euros	
	2021	2020
Accounting profit before tax	183,560	(225,924)
<u>Adjustments to accounting profit (loss):</u>		
Due to permanent differences	(121,900)	189,879
Due to temporary differences	(785)	(2,220)
Individual taxable base	60,875	(38,265)
Bases provided by the tax consolidated companies	(29,457)	(47,888)
Previous tax base of the Tax Group	31,418	(86,153)
Carryforwards for negative tax bases before consolidation	—	—
Set-off for negative tax bases	(7,854)	—
Tax base of the Tax Group	23,564	(86,153)
Settled rate (25%)	(5,891)	—
Double taxation relief	—	—
Non-activated deductions used in the year	1,474	—
Withholdings and payment by instalments	5,074	30
Current taxes to be refunded / (to pay)	657	30
Previous years' taxes to be refunded	—	7,780
Total taxes to be refunded/(paid)	657	7,810

The permanent differences relate mainly to the removal of provisions in the accounting portfolio and non-deductible financial expenses calculated in accordance with article 16 of the Corporate Income Tax Act.

The temporary differences relate mainly to provisions for accounting purposes and impairment losses not considered a tax expense and with the recovery of 30% of the amortisation that was not deductible in 2013 and 2014 calculated in accordance with Article 7 of Law 16/2014, introducing various tax and administrative measures aimed at consolidating public finances and driving economic activity.

Reconciliation of accounting profit and Corporate Income Tax (expense)/income

The reconciliation of accounting profit and Corporate Income Tax (expense)/income is as follows:

	2021	2020
Accounting profit before tax	183,560	(225,924)
Permanent differences	(121,900)	189,879
Temporary differences	(785)	(2,220)
Adjusted tax base	60,875	(38,265)
Current tax attributable to the company	(15,219)	1,537
Deferred tax	(196)	(555)
Regularisation of tax from the previous year	2	(904)
Taxes paid overseas	(84)	(440)
Others	—	122
Total tax (expense)/income recognised in the income statement	(15,497)	(240)

Deferred tax assets

The changes in this account are as follows:

	Thousands of euros	
	2021	2020
<i>Deferred tax assets</i>		
Balance at beginning of year	34,279	35,284
Tax credit offsets	(801)	(263)
Temporary differences	(367)	(742)
Balance at end of year	33,111	34,279

	Thousands of euros	
	2021	2020
<i>Detail of the balance on deferred tax assets</i>		
Negative tax bases	23,386	24,187
Deductions	554	554
Others	9,171	9,538
Balance at end of year	33,111	34,279

The balance of deferred tax assets relates mainly to tax credit carryforwards, on losses in previous years, temporary differences generated by the amortisation deductible limit and various provisions.

At 31 December 2021, the Company had assets resulting from tax losses and deductions amounting to 23,940 thousand euros (24,741 thousand euros in 2020). At 31 December 2021, the tax credit recovery plan that supports the recognition of these tax credits had been updated. Given that the results of the tax credit recovery plan are satisfactory, the Company's Directors have decided to maintain the tax credits recognised in the balance sheet.

Tax credits generated by the consolidated tax group

At 31 December 2021, the Tax Group had the following negative tax bases pending offsetting:

Financial year	Thousands of euros
2009	50,806
2010	18,313
2011	25,909
2012	131,570
2013	12,763
2014	80,125
2015	14,905
2019	14,549
2020	87,202
Total	436,142

Of the previous total, 135,378 thousand euros corresponds to tax losses not recorded.

At 31 December 2021, the Tax Group has uncapitalised tax credits of 120,929 thousand euros (139,756 thousand euros at 31 December 2020) under the following concepts:

	Thousands of euros	
	2021	2020
Finance costs and negative tax bases		
Non-deductible finance costs by the Tax Group	234,234	205,337
Negative tax bases generated by the Tax Group	135,378	134,329
Negative tax bases generated by the Spanish entities before inclusion in the Tax Group	102,813	102,813
Total base	472,425	442,479
Total rate	118,106	110,620
Tax Group deductions	2,823	29,136
Total non-activated tax credits	120,929	139,756

The non-deductible finance costs for Spanish corporation tax purposes have not been capitalised because they exceed 30% of the profit from the Tax Group's operations calculated in accordance with Article 16 of Law 27/2014 of 27 November on Corporation Tax, due to not having the required degree of certainty that sufficient profit will be generated from operations over the next ten years to offset said result pursuant to the aforementioned article. There is no deadline for offsetting non-deductible finance costs.

Deferred tax liabilities

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

<i>Deferred tax liabilities</i>	Thousands of euros	
	2021	2020
Balance at beginning of year:	4,906	5,077
Deferral on reinvestment	(171)	(171)
Balance at end of year:	4,735	4,906

Years open for review and tax audits

The years open for review for the Tax Group are as follows:

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

In relation to the years open to audit by the Tax Agency, contingent liabilities not susceptible to objective quantification may exist but, in the opinion of the Directors, they are not material.

Deductions applicable by the Tax Group

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

Year Origin	Deduction pending application	Amount
2006 to 2011	Deduction to encourage certain activities	867
2014 - 2020	Deduction for technological innovation	1,585
2019 and 2020	Deduction for investments in the Canary Islands	631
2013 to 2014	Other	925
		4,008

Similarly, the Tax Group availed itself in prior years of the “Deferral for reinvestment of extraordinary profit.” The essential characteristics of this reinvestment are as follows (in thousands of euros):

Year of origin	Revenue subject to deferral	Amount offset			
		Prior years	Year 2021	Amount pending	Last year of deferral
1999	75.145	55.531	682	18.932	2049

This income was reinvested in the acquisition of buildings.

14.- TRADE AND OTHER PAYABLES

14.1 Commercial Creditors

The breakdown of this heading at 31 December is as follows (in thousands of euros):

	Thousands of euros	
	2021	2020
Trade and other payables	24,133	15,015
Advance payments from customers	668	539
Other accounts payable	8,296	5,939
	33,097	21,493

The heading "Commercial Creditors and Other Accounts Payable" covers the accounts payable derived from commercial activity typical of the Company. This heading includes 16,354 thousand euros (13,960 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 Company's hotel businesses.

14.2 Information relating to the average period for payment to suppliers

Below is the information required by the Third additional provision of Law 15/2010 of 5 July 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.

	2021	2020
	Days	
Average period for payment to suppliers	84	83
Ratio of paid transactions	83	81
Ratio of transactions pending payment	92	125
	Thousands of euros	
Total payments made	70,631	65,006
Total payments pending	7,733	3,447

Suppliers, for the exclusive purpose of giving the information prior to this Resolution, are considered as trade creditors for debts with suppliers of goods or services, included in the items "Suppliers" and "Sundry Creditors" in current liabilities on the attached financial balance sheet at 31 December 2021.

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 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.

15.- THIRD-PARTY GUARANTEES AND CLAIMS IN PROCESS

At 31 December 2021, the Company had a total of 30,566 thousand euros in economic or financial bank guarantees issued by various banks to guarantee leasing contract obligations and others related to the usual operations of the Group in various countries. Therefore, their execution would be linked to a failure to comply with those contractual obligations.

At 31 December 2021, the Company 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

- Within the framework of new development projects in the normal course of business, in which Group 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 12).

Claims in process

The Company's main contingent assets and liabilities at the date of drafting these consolidated financial statements were as follows:

- A claim has been filed against the 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.
- 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 Company agreed to subrogate itself in 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 Company has requested the annulment of certain resolutions adopted by the Board of Directors, and the proceedings are currently in progress.

The Company's directors consider that the hypothetical loss of the Company incurred as a result of such actions would not have a material effect on its equity.

16.- OPERATIONS AND BALANCES BETWEEN GROUP COMPANIES

16.1.- Balances with related parties

The detail of balances with related parties during the year is as follows (in thousands of euros):

2021

	Parent company	Other Group companies	Other related parties
Long-term investments:	—	695,821	—
Loans to companies	—	695,821	—
Short-term investments:	—	318,235	1,041
Loans to companies	—	318,235	10,543
Provision for impairment	—	—	(9,502)
Long-term debts	—	(8,430)	—
Short-term debts	(119)	(160,549)	—
Other current liabilities	—	—	—

As a result of the fair value analysis of the shareholding in Sotocaribe, S.L. there is a provision for impairment of loans receivable with associated companies amounting to 9,502 thousand euros..

2020

	Parent company	Other Group companies	Other related parties
Long-term investments:	—	744,923	—
Loans to companies	—	744,923	—
Short-term investments:	—	268,972	612
Loans to companies	—	268,972	10,114
Provision for impairment	—	—	(9,502)
Long-term debts	—	(7,289)	—
Short-term debts	(245)	(144,918)	—
Other current liabilities	—	—	—

Long-term investments

“Loans to Companies” includes the following loans granted to the following Group companies:

	Thousands of euros	
	2021	2020
Loans		
NH Finance S.A.	263,934	325,675
NH Europa, S.L.	236,429	229,793
Latinoamericana de Gestión Hotelera, S.L.	103,215	100,471
NH Hoteles España, S.A.	57,681	56,148
NH Hungary Szallodauzemelteto KFT	20,167	19,375
NH Hoteles Czechia S.R.O.	8,585	8,291
Others	5,810	5,170
Total	695,821	744,923

The loans balance in 2021 mainly corresponds to the inter-company financing agreement that matures in 2023. The remuneration of said loan is a variable quarterly interest rate linked to the Euribor plus a spread.

Short-term investments

“Loans to Companies” includes the following balances with Group companies:

	Thousands of euros	
	2021	2020
NH Hoteles España, S.A.	233,525	201,723
Current payables to Group companies	85,751	67,861
Total	319,276	269,584

The balances that comprise the current accounts payable to Group companies are made up mainly of the balances relating to the financing structure of the Group of which the Company is the Parent. The accounts

receivable or accounts payable accrue interest at a floating rate pegged to the 3-month Euribor plus a spread. In this way, NH Hotel Group, S.A. centralises the Group's cash through a bank and in a single account.

Long-term debts

The "Long-term Debts" heading mainly consists of the loan with the Group company NH Atardecer Caribeño, S.A., maturing in 2023. The remuneration of said loan is a variable quarterly interest rate linked to the Euribor plus a spread.

Short-term debts

"Short-term debts" includes the following loans with Group companies:

	Thousands of euros	
	2021	2020
Current creditor account with NH Hoteles España, S.A.	589	379
Current creditor accounts with Group companies	159,960	144,539
Current creditor accounts with the parent company	119	245
Total	160,668	145,163

The variation in short-term debts in 2021 mainly corresponds to the inter-company financing agreement that matures in 2023. The remuneration of said loan is a variable quarterly interest rate linked to the Euribor plus a spread.

16.2.- Transactions with related parties

The transactions with related parties during the year were as follows:

Income

	Thousands of euros	
	2021	2020
Dividends	—	884
Group holding activity	—	884
Lease income	3,426	3,181
Group (Note 17.a)	3,426	3,181
Non-controlling	23,336	18,217
Group holding activity	22,985	17,871
Associates	351	346
Fees (Other operating Income)	38,574	27,502
Group	38,574	27,502

Expenses

	Thousands of euros	
	2021	2020
Non-controlling	2,846	1,282
Group	2,846	1,282

17.- INCOME AND EXPENSES**a) Revenues**

The revenue itemised by activity is as follows (in thousands of euros):

	Thousands of euros	
	2021	2020
Hotel activity:		
Accommodation in rooms	12,564	7,864
Leases group companies (Notes 16.2 and 7)	3,426	3,181
Other leasing (Note 7)	302	231
Catering	3,560	2,804
Rooms	624	502
Others	438	799
Revenues	20,914	15,381

Similarly, revenue corresponding to the year was distributed by geographic market was as follows (in thousands of euros):

	2021	2020
National market	20,914	15,381
	20,914	15,381

b) Staff costs

The breakdown of this heading on the profit and loss account for the year was as follows (in thousands of euros):

	2021	2020
Wages, salaries and similar	17,929	18,318
Social security contributions	5,050	6,306
Severance payments	3,537	176
	26,516	24,800

The average number of employees at the Company in the year, by professional category, was as follows:

	2021	2020
Company's general management	7	5
Managers and heads of department	91	92
Technical staff	91	91
Sales representatives	9	20
Administrative staff	16	14
Rest of workforce	82	91
Average number of employees	296	313

In calculating the average number of employees, the Company has not taken into account employees whose contracts have a duration of less than two days.

In calculating the average number of people employed by the Company, those furloughed (ERTEs) have been excluded. On average, 33% of workers have been furloughed.

The workforce at 31 December, by professional category and sex, was 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	57	48	64	51
Technical staff	52	58	66	88
Sales representatives	2	11	7	32
Administrative staff	5	13	11	22
Rest of workforce	70	81	85	96
Average number of employees	193	212	240	290

The decrease in the average number of people employed can be explained by the contingency plans that the Company put in place to alleviate the fall in business due to Covid-19. The collective dismissal process announced in February was carried out in compliance with local legislation. At the close of 2021 there are

no personnel subject to furlough. At 31 December 2020, 51% of the workforce was furloughed (44% men and 56% women).

The average number of employees at the Company with a disability equal to or greater than 33% in the year, by professional category, was as follows:

	2021	2020
Managers and heads of department	—	1
Sales representatives	—	—
Administrative staff	—	—
Rest of workforce	—	—
Average number of employees	—	1

The average age of the workforce was approximately 42.3 and average seniority was 11.7 years (40 years and 9.9 years respectively in 2020).

Long-term Share-based 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. 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:

	No. of Shares 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 plans on the statement of changes in equity for 2021 was (1,942) thousand euros ((2,724) thousand euros in 2020).

c) External services

Shown below is a breakdown of the items included in "External services":

	Thousands of euros	
	2021	2020
Leasing (Note 7)	8,282	7,714
Outsourcing of services	1,007	915
Supplies	571	628
Maintenance and cleaning	782	969
Laundry and related costs	400	317
Costs associated with information technologies	11,445	11,796
Marketing and merchandising	96	75
Other external services	224	337
	22,807	22,751

d) Other operating expenses

This year, 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
Total professional services	1,044	1,010

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
Total	2,019	1,727

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).

e) Gains or losses on disposals of fixed assets

The sale of the NH Collection Barcelona Gran Hotel Calderón in Spain took place in 2021 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 6), and a net capital gain of 87,143 thousand

euros before tax was recorded. A capital gain of 100 thousand euros was also recorded (117 thousand euros in 2020).

f) Financial Expenses

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

	Thousands of euros	
	2021	2020
Expenses for interest	33,420	23,492
Financial expenses for means of payment	131	108
Amortisation of debt arrangement expenses	12,133	5,630
Financial Expenses	45,684	29,230

The increase in the “Expenses for interest” line is explained by the expenses for interest associated to the new secured senior bond issue.

Likewise, 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 12).

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

18.- 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).

18.1 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, bylaw stipulated directors' fees and attendance fees and other items, is as follows:

Remuneration item	Thousands of euros	
	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
Total	1,556	1,341

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.

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".

Additional information in the Annual directors' Remuneration Report.

18.2 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 euros	
	2021	2020
Pecuniary remuneration	1,504	1,277
Remuneration in kind	120	98
Others	230	462
Total	1,854	1,837

There were 6 members of Senior Management at 31 December 2021 (6 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 decrease 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.

18.3 Information on conflicts of interest on the part of Directors

During 2021, Minor International Public Company Limited (“Minor”), an indirect majority shareholder of the Company (94.132%) and represented on the Board by four proprietary Directors, and the Company signed a series of Related Party Transactions, which are broken down in the Audit and Control Committee's Annual Report, and carried out some Related Party Transactions approved in previous years. 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 Company 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.

19.- ENVIRONMENTAL INFORMATION

The 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 committed to the well-being of its guests and to efficient management of the resources available in the environment the 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 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. This strategic vision of NH ROOM4 Sustainable Business is, in turn, based on three fundamental management levers: NH ROOM4 People, NH ROOM4 Planet and NH ROOM4 Responsible Shared Success, all of which are framed under the same premise of sustainable and ethical principles, responsible culture and spirit of citizenship.

Convinced it is moving in the right direction to achieve the next sustainability challenges, the 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.

20.- 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.

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 growth 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 also 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). Therefore, in the Euro zone +3.9% growth is estimated 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 jointing 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 Hanover, 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.

Company revenues in 2021 totalled 20.9 million euros, an increase of 36.0% (15.4 million euros). Profit for the year reached 168.1 million euros compared with the loss of 226.2 million euros in 2020. This increase is explained by business reactivation after the impact of COVID-19.

In this year the Company's gross borrowing was reduced from 913 million euros in December 2020 to 720.8 million euros in December 2021. At 31 December 2021, cash and cash equivalents amounted to 16.8 million euros (10.9 million euros at 31 December 2020). This liquidity was complemented by credit lines at year end amounting to 17 million euros. Furthermore, it has a syndicated credit line for 242 million which has not been

drawn down. At the close of the 2020 financial year it had a credit line for 17 million euros and a syndicated credit line for 236 million euros (both drawn down).

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 – was allowing a faster reopening of the portfolio once again. Therefore, at the end 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 cost discipline and control measures, to ensure minimisation of operational expenses 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. A part 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: 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 the first part of 2021 NH Hotel Group proactively carried out a battery of initiatives to reinforce the Group's capital structure:
 - In May 2021 a €100 million capital investment was agreed by Minor International (94% shareholding) through an unsecured subordinated loan that was drawn down in May and capitalised in September 2021 through a capital increase process directed towards all shareholders. This agreement provided immediate liquidity and demonstrated the support of the main shareholder in the recovery. The capital increase was approved at the Shareholders' meeting held on 30 June. At the same time as the capital increase, the Board started up the cash capital increase under the same economic conditions and with preferential subscription rights for the other shareholders to prevent dilutive effects on the shareholdings.
 - In addition, during 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. This transaction generated a net capital gain of 46.7 million euros for the Group.

These milestones reached during 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 be 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 values 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 is translated in-house into ten languages 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. This 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.

1. 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 were 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 subsequent 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 for 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 adjustments 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 key to gaining the credibility and trust of its team members, who are the Company's greatest asset.

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

- 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 31 December 2021 was 10,071 employees. The corporate culture of the NH Hotel Group 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 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.

For the NH Hotel Group, the 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 that are 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 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 the Third additional provision of Law 15/2010 of 5 July 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.

	2021	2020
	Days	
Average period for payment to suppliers	84	83
Ratio of paid transactions	83	81
Ratio of transactions pending payment	92	125
	Thousands of euros	
Total payments made	70,631	65,006
Total payments pending	7,733	3,447

Suppliers, for the exclusive purpose of giving the information prior to this Resolution, are considered as trade creditors for debts with suppliers of goods or services, included in the items "Suppliers" and "Sundry Creditors" in current liabilities on the attached financial balance sheet at 31 December 2021.

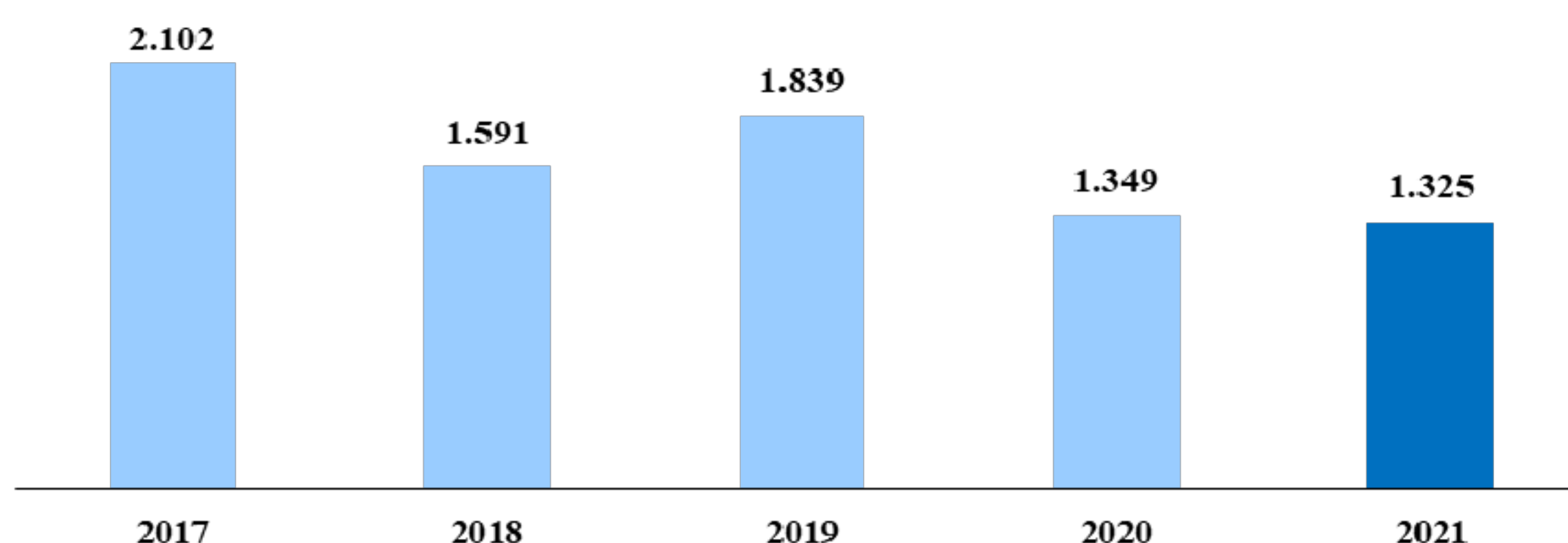
The average period for payment to suppliers has been calculated using the weighted average of the two ratios explained below:

- Ratio of paid transactions: average payment period of transactions paid 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.

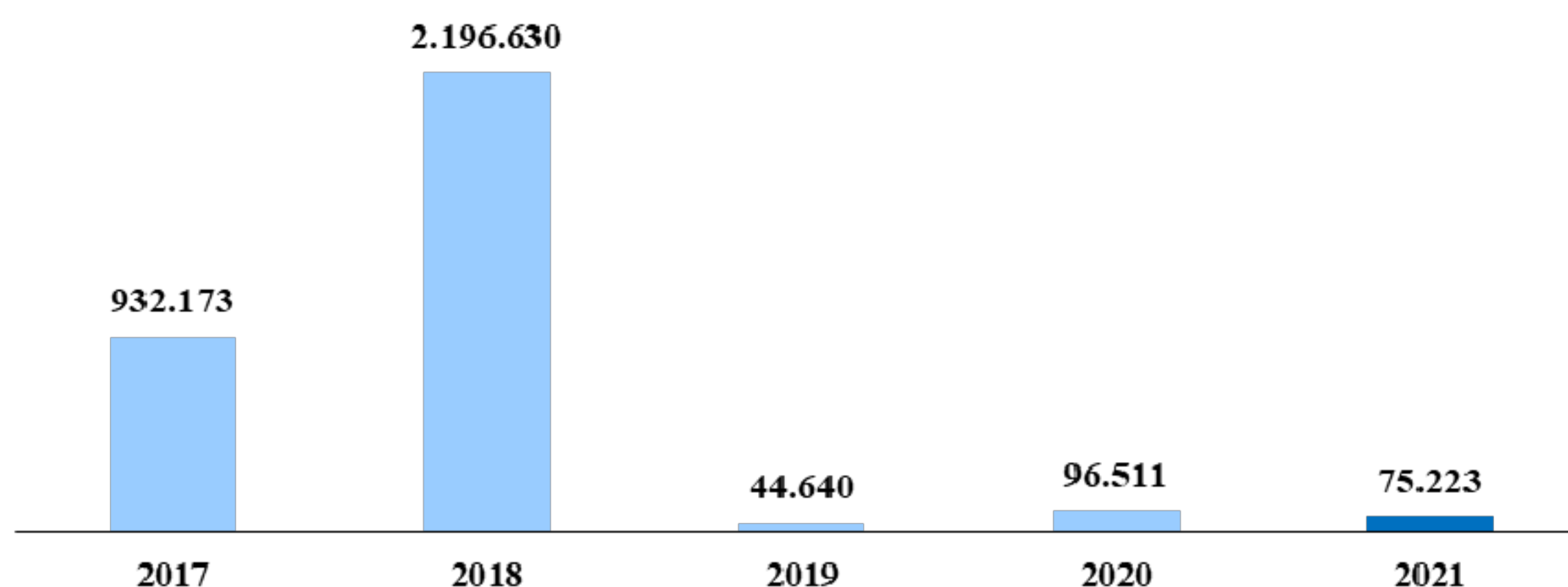
The maximum period for payment to suppliers of the Company has been higher than the legal period established of 60 days due to the impact of COVID-19 pandemic on hotel demand. This situation is remediable as long as several measures are taken focused on temporary resizing of existing resources, such 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)

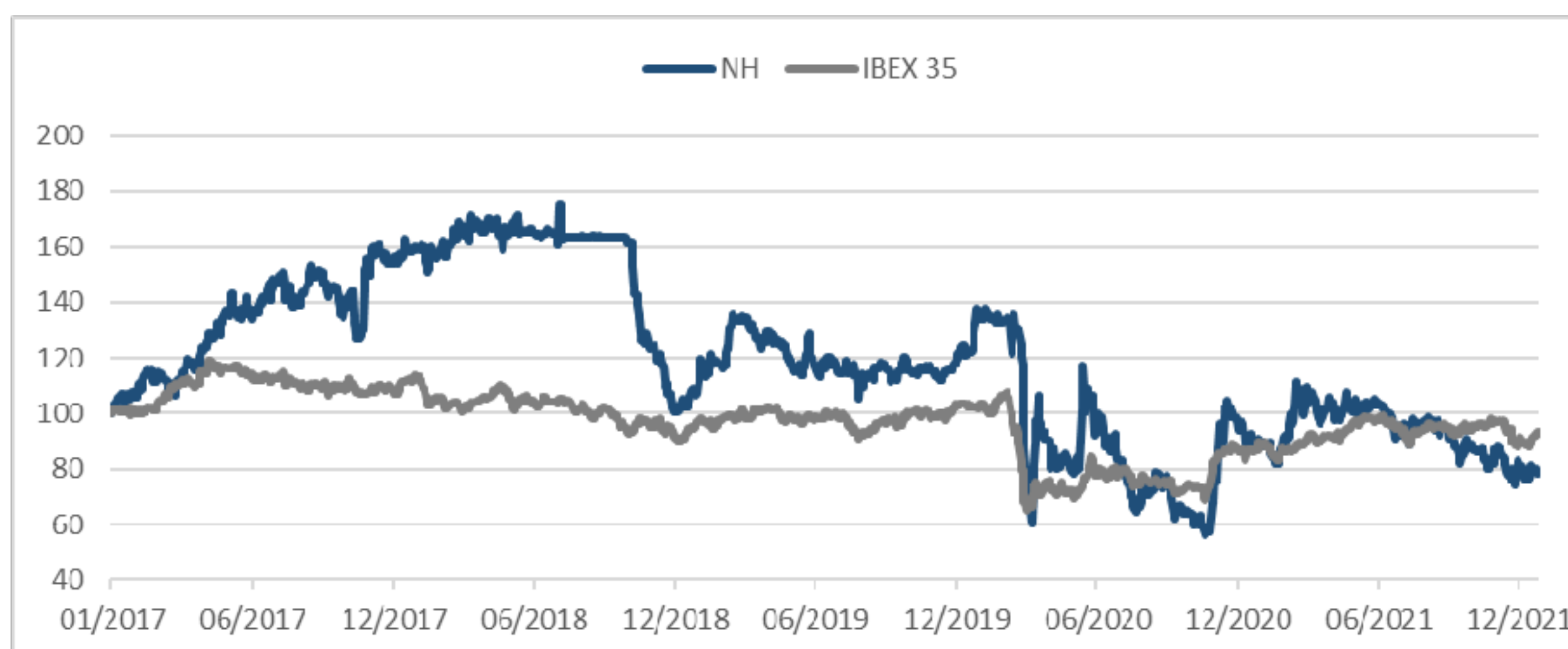


During 2021, 19,257,219 shares in NH Hotel Group, S.A. were traded on the Continuous Market (24,706,896 shares in 2020) with average daily share trading on the Continuous Market of 75,223 shares (96,511 shares in 2020).

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 Consolidated Management Report.

Annual Corporate Governance Report

The Annual Corporate Governance report, which is a part of this 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).

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 Consolidated Management Report and is available as an annex to that 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.