



NH | HOTEL GROUP  
PART OF

MINOR  
HOTELS

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CHAIRMAN  
AND CEO'S  
MESSAGE

NH Collection Prague Carlo IV  
Czech Republic



## CHAIRMAN'S MESSAGE

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Dear stakeholders,

I am writing to you again, with great satisfaction, following my re-election to the post at the General Shareholders' Meeting of June 2022. Moving forward, I will continue with the same dedication and willingness to collaborate with the rest of the Board to hasten and maximize NH Hotel Group's great expectations as much as possible, thanks to the Company's perseverance and know-how.

In recent months, the reactivation of the hotel sector, and of our Company especially, has been faster than expected. Today, the desire to travel seems to have become consolidated among the business, cultural and social preferences of thousands of travelers, who also appear to be tending towards an experiences segment that matches what our group has to offer with its portfolio of hotels.

International tourism doubled in 2022, when 900 million people travelled, twice as many as the 450 million who had done so in 2021 but still 37% fewer than in 2019. The UN World Tourism Organization (UNWTO) expects this progression to keep up in 2023, although it still believes it will be difficult to exceed pre-pandemic worldwide figures, in light of underlying economic and geopolitical uncertainties. A better-than-expected recovery in travel to Asia and Pacific could improve global figures that, at the moment, show strong regional differences. Europe and the Middle East have already recovered more than four fifths of the travelers recorded in 2019, while figures for the Americas are 35% below these levels, and in Asia and the Pacific there are 77% fewer travelers, according to the first UNWTO Barometer in 2023.

Europa, the most active region in the world, welcomed 585 million of the 900 million international travelers in 2022. Intra-regional demand was especially high in the summer, when two out of every three arrivals by air took place in this continent. If we focus our analysis on Spain, the outlook improves substantially. In its first report of the year, the Tourist Excellence Alliance, Exceltur, highlights that 2022 has seen the total recovery of tourism in Spain. Tourism GDP reached a nominal total of 159 billion euros, which is 1.4% higher than in 2019. The tourist sector represented 12.2% of the Spanish economy last year, still four tenths below its share in 2019, but still with very positive expectations for growth, according to the Exceltur analysis.

From the Board of Directors of NH Hotel Group, we have worked hand-in-hand with the management team to drive the Company's recovery as much as possible. I am especially satisfied with the incorporation as executive director of Laia Lahoz, who is also Chief Assets & Development Officer of the group. Her performance in renegotiating the contracts of hotels under lease during the pandemic, as well as in the growth policy undertaken since the second half of 2022 give her a perspective and decisive judgement for the new stage on which the Company is embarking. A new year in which NH Hotel Group continues with its unified brand architecture with Minor Hotels with the aim of becoming the international chain of confidence for Asian and American long-haul travelers who will once again massively choose Europe as their destination from this year onwards.

Attention must also be given to the Board's alignment in 2022 to continue the debt reduction process we started in 2021. Specifically, with respect to the Official Credit Institute loan, which totaled 250 million euros, in





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the course of last year we approved partial repayments of it and decided to repay it in full in the first days of this year. The Company resorted to borrowing at the height of the pandemic, as we understood that this was the most effective way to assure its viability. At the same time, its capital structure was strengthened with the capital increased subscribed both by Minor Hotels and by the minority shareholders and with the sale & lease-back operation on the NH Collection Barcelona Gran Hotel Calderón. Subsequently, with the gradual recovery of activity, we started to reduce the financial debt, which is clearly excellent news in light of a corporate future we expect to be active and exciting.

At the same time, the Board has encouraged and promoted transparency at the same level as the leading Spanish listed companies, with special interest in respecting environmental, social and governance criteria, commonly referred to as ESG. We have also followed with attention and full support the advances in innovation and digitalization achieved following the implementation of the NH Digital Core Platform. We have also striven to create incentives for measures to minimize environmental impact. The use of cleaner energy continues to increase, as proven by the fact that 64% of the electricity consumed throughout the Group now comes from completely renewable sources. In the hotels in the southern Europe business unit, the proportion is almost 100%.

We have also introduced new certified eco-responsible amenities with the EU Ecolabel. To mitigate food waste, we have maintained our alliance with Too Good to Go and we have managed to save 34 metric tons of food during the year. The results have been promising and the Company's intention is to develop alliances with other partners and suppliers with the same sustainable goals.

Looking back on 2022, I am especially proud that our company has been included, for the fourth consecutive year, in the Bloomberg Gender Equality Index for its commitment to policies of equality and transparency in its performance as a listed company. Once again, we are at the top end of the ranking in the five aspects of gender equality rated by the index: female leadership and talent flow, salary equality, inclusive cultures, policies against sexual harassment and our commitment to women. We have also received express mentions for the corporate commitment to female leadership and the talent portfolio, as well as the Company's policies on pay equality

and gender parity. We have been included for the third consecutive year in the S&P Sustainability Yearbook 2023, consolidating our position as one of the benchmark companies in sustainability in the hotel sector.

In short, these are relevant accolades as diversity, equality and sustainability are an inherent part of NH's culture and will be decisive aspects in assuring the Company's success. On these achievements, the Board will continue to be committed to our shareholders and the professionals of the Company, true to our mandate to encourage and drive the decisions of the management team to make NH Hotel Group a benchmark in the sector that benefits fairly all its stakeholders: customers, shareholders, executives and employees and the society we deal with in general.

We have already made considerable progress in the recognition of the service quality, customer services, pride in belonging and environmental and social care, as well as in the application of best corporate and governance practice. I am sure that, with everyone's support, every day and we will continue to achieve more and more ambitious goals.

**Alfredo Fernández Agras**  
Chairman NH Hotel Group



## CEO'S MESSAGE

Dear stakeholders,

NH Hotel Group has experienced in 2022 one of the best years in its history. Since last April, revenues and occupancy at our group's hotels have been improving substantially month on month. The intention and the desire to travel have lead millions of people around the world to choose us. The constant efforts of our professionals have enabled us to match up to the preferences and priorities of each customer. Following the pandemic, and in the midst of a severe crisis, our Company has managed to reinforce its viability, tighten its financial and commercial management, and drive the recovery in the activity in each of the markets where we operate, and consolidate a notable and sustained capacity for growth. We should rightfully feel proud of this.

We had come from a successful 2019, with record-breaking revenues and profits. At that time, the Group had already started to apply its strategic transformation towards the upper-upscale and luxury segments. We had also simplified the organizational structure, advanced in technological innovation and completed the digitalization of customer service processes, services and systems. These previous advantages, added to the financial rigor and stricter control over spending, allowed us to preserve our corporate viability between March 2020 and March 2022; the two most inclement and difficult years for any hotel company. Since April, the sound position and accumulated traction have even made it possible for us to exceed the most optimistic expectations. NH Hotel Group's total revenues were slightly higher in 2022 than in 2019, reaching a new record of over 1.75 billion euros. The gross annual operating profit was 15% below the result in 2019, explained by the impact of the omicron variation in the first quarter of 2022. Excluding this impact, all the metrics of the income statement for the last three quarters of the year were higher than those for the same period in 2019.

The omicron effect has meant that occupancy over 2022 as a whole is slightly higher than 60%, but with strong recovery from April onwards, although still slightly below 2019. The same has not been the case of the average daily rate in 2022, which will be over 120 euros per night, which is almost 20% higher than in 2019. The recovery in prices has been constant since April, thanks in part to the excellent response from the demand, the increased role of our group in the most qualified niches of the market, and a commercial strategy for business customers focusing on small and medium-sized enterprises.

The luxury segment has proved to be extremely resilient, and our ad hoc specialization gives us an interesting competitive edge for the future. At the same time, we have also grown in the vacation segment, so that our portfolio will become progressively more balanced and compensated between countries. All of this combined with more than 20 years of experience in the urban segment, with emblematic locations in major cities, where our hotels are identified as both business and leisure hotels at the same time. A trait that is not commonly found or widespread in the tourist sector.

In short, the excellent evolution of our hotel activity has allowed us to speed up the significant reduction in debt that we have been implementing since 2021. In the last two years, NH Hotel Group has reduced its net



financial debt to less than half, from 685 million at the end of 2020 to 308 million at the end of 2022. In turn, available liquidity totaled 569 million euros at the end of last year. In 2022, the strong cash generation allowed us to repay 200 million of the 250 million euros received in the syndicated ICO loan and the remainder has been paid in January 2023.

Our goal for this year is to continue on this path of debt reduction, convinced that low borrowing levels allow for more flexibility and a greater capacity to react in the face of any hypothetical difficulty. Being the owners of more than 20% of the hotel rooms in the assets we operate, many of them emblematic buildings, gives a very relevant additional security, both for the management of the Company and for the strength of the consolidated statement of financial position as an eventual source of liquidity, and therefore the comfort and return for our shareholders. On this basis, the Company will soon be in a position to resume its dividends policy.

The confidence and support received by our majority shareholder, Minor Hotels, have been decisive in consolidating and even improving the forecasts. Its support has been crucial to the success of the capital increase completed in 2021. Since then, we have also worked in more depth on synergies and the unification of our brand architecture - a conclusive aspect that makes us even more efficient and competitive in the medium and long term. Since 2022, we have had common quality standards throughout the world for the upper-upscale and luxury segments. The eight hotel brands operated by NH Hotel Group and Minor Hotels are easily identifiable and recognizable internationally. In Europe, the Anantara and Tivoli brands have substantially reinforced our positioning in luxury, one of the strengths of which our medium and long-term corporate growth will be based. In turn, our NH Hotels & Resorts and NH Collection brands will have their debt in new markets such as Thailand, China, Qatar and United Arab Emirates.

We propose to be one of the most activity hotel operators in the next two years. We will open 50 hotels around the world in conjunction with Minor Hotels, 27 of which will be operated by NH Hotel Group in Europe and Latin America. Among those, we want to give growing importance to our upper-upscale and luxury hotels, so that between 10% and 15% of our hotel portfolio will be of the Anantara and Tivoli brands. Having these luxury brands allows us to be part in Europe too of the exclusive hotel consortium 'Leading Hotels of the World'. We are already perceived by many members of the sector as the best option for travel in Europe and we are very proud of this.

Since June 2022, we have also been part of the Global Hotel Alliance and its GHA Discovery loyalty program, which brings together 40 luxury hotel brands, with 800 hotels distributed over 100 countries in the world. Furthermore, the greater segmentation and variety has helped us to extend our marketing agreements. They are now more global and help us to generate more synergies. Proof of this is that we have gained relevance, visibility and knowledge in Asian markets which have now become outbound markets, such as South Korea, the Middle East, China or India.

The huge progress made in recent months is the ideal basis for growing and expanding at a fast pace in the future. We are building up a very select and well-combined hotel portfolio. At the same time, we are building an asset-right model where every asset has specific management based on its quality or its value, and also depending on the specific market, country and city.

We propose to grow smoothly in structure and organization so that we can detect and decide on locations more quickly. To this end, we continue to reinforce lease alliances with the leading investors in the sector, with successful agreements for both parties and very good relations established. We therefore believe that having got so far marks the starting point towards a future that is more dynamic and attractive than ever.

Furthermore, to take advantage of opportunities and attain excellence in our activity we have to be committed to sustainability in our business, one of our corporate priorities to contribute positively to the environmental and social wellbeing of the planet. The fight against climate change is the biggest challenge and the social commitment to reverse it grows every year. With the ambition to operate in a decarbonized world, we are re-defining our goal to reduce carbon emissions in our value chain by 20% by 2030, to align with the worldwide goal of avoiding temperature increases of more than 1.5 degrees Celsius.

In addition, as a member of the Spanish Network of the UN Global Compact, the Company is committed to continuing to show its contribution to the Sustainable Development Goals, focusing especially on those related directly to our activity, in the different pages of this Report.

I end with what to me is the most relevant matter: the commitment, dedication and excellent performance of the more than ten thousand professionals who help to improve the NH Hotel Group brand every day. These last years have also been years of camaraderie, of shared efforts and solidarity. At NH Hotel Group, we have felt very close and more involved than ever. This pride and sense of belonging is the best incentive to continue forming part of a team and ensuring that we will continue to be the best hosts for each of our guests in each of the hotels we operate.

Thank you very much,



**Ramón Aragonés**  
CEO NH Hotel Group