Report on the Consolidated Financial Statements for 2023

1.- ACTIVITY AND COMPOSITION OF THE PARENT COMPANY

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

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

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

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

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

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

NH Hotel Group’s shares are traded on the Madrid, Barcelona, Valencia and Bilbao Stock Markets’ Continuous Market.

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

On 8 May 2023, MINT announced its decision to begin a purchase process in the market for shares in NH Hotel Group over a period of 30 days. Consequently, between 10 May and 8 June 2023, MINT increased its position in NH Hotel Group to 95.87% of the share capital of NH Hotel Group.

At year-end, the Group is present in 30 countries with 350 hotels and 55,626 rooms, including a significant presence in Europe.

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

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

2.1 Basis of presentation of the Consolidated Financial Statements

The consolidated financial statements were prepared using the accounting records of NH Hotel Group, S.A. and the consolidated entities. The consolidated financial statements for the 2023 financial year were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), other applicable provisions within the financial reporting standards framework, and with the requirements for format and framework provided for in the Delegated Regulation EU 2018/815 of the European Commission, Regulation (EC) No. 1606/2002 of the European Parliament and by Law 62/2003, of 30 December on tax, administrative and social measures, and 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 2023, and the consolidated comprehensive income, consolidated cash flows and consolidated changes in equity for the financial year ended on that date.

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

The Directors of the Parent company consider that the consolidated financial statements for the 2023 financial year, which were drawn up on 08 February 2024, will be approved by the General Shareholders' Meeting without amendment. The consolidated financial statements for 2022 were approved by the shareholders at the General Shareholders' Meeting held on 29 June 2023 and filed with the Companies Registry of Madrid.

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

2.2 Standards and interpretations effective in this period

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

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

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Approved for use in the European Union		
Amendments and/or interpretations:		
Amendment to IAS 1 Breakdown of accounting policies.	IAS 1 has been amended to improve breakdowns of accounting policies so that they provide more useful information to investors and other main users of the financial statements.	01/01/2023
Amendment to IFRS 17 Initial application of IFRS 17 and IFRS 9. Comparative information	Amendment to the IFRS 17 transition requirements for insurance companies applying IFRS 17 and IFRS 9 for the first time, simultaneously.	01/01/2023
Amendment to IAS 12 Deferred taxes arising from assets and liabilities in a single transaction	Classifications of how entities should record the deferred tax generated in transactions such as leases and decommissioning obligations.	01/01/2023
Amendment to IAS 12 Tax reform - Model rules Pillar 2	This amendment introduces a temporary mandatory exemption to the recognition of deferred taxes under IAS 12 relating to the entry into force of the international tax model of Pillar 2. It also includes additional breakdown requirements.	01/01/2023
Amendment to IAS 8 Definition of accounting estimates	Amendments and clarifications on what should be understood to be a change in accounting estimates.	01/01/2023
New Standards:		
IFRS 17 Insurance contracts	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	01/01/2023

Amendment to IAS 12. Deferred taxes arising from assets and liabilities in a single transaction

The application of the amendment to IAS 12 from 1 January 2023 relating to deferred taxes arising from assets and liabilities resulting from a single transaction has had no impact on the NH Group's financial statements. The Group previously accounted for deferred taxes on leases and decommissioning liabilities using the offsetting approach, resulting in a similar outcome to the amendment, except that the deferred tax asset or liability is recognised as offset. The aforementioned deferred taxes are presented netted in accordance with the policy detailed in Note "4.10 Income tax" of the consolidated financial statements at 31 December 2023, in line with paragraph 74 of IAS 12.

Amendment to IAS 12. Tax reform - Model rules Pillar 2

The analysis of all Pillar 2-related regulatory implementation is provided in Note 17.

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

The following standards and interpretations had been published by the IASB on the date the consolidated financial statements were drawn up but had not yet entered into force, either because the date of their entry into force was subsequent to the date of these consolidated financial statements or because they had not yet been adopted by the European Union:

Approved for use in the European Union		
Amendments and/or interpretations:		
Amendment to IFRS 16 Lease liabilities in a sale with subsequent leasing	This amendment clarifies the subsequent accounting for lease liabilities arising from transactions for sale with subsequent leasing.	01/01/2024
Amendment to IAS 1 Classification of liabilities as current or non-current and classification of non-current liabilities with covenants	Clarifications regarding presentation of liabilities as current or non-current.	01/01/2024

Awaiting approval for use in the European Union as of the date of publication of this document1 Amendments and/or interpretations:		
Amendment to IFRS 7 and IAS 7 Financing agreements with suppliers	This amendment introduces breakdown requirements for specific information relating to financing agreements with suppliers and their effects on company liabilities and cash flows, including liquidity risk and the management of associated risks.	01/01/2024
Amendment to IAS 21 Absence of convertibility	This amendment establishes an approach that specifies when one currency can be exchanged for another, and where not, the determination of the exchange rate to be used.	01/01/2025
Amendment to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associates or joint ventures	These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will rest on if the non-current assets sold or contributed to an associate or joint venture constitute a "business".	Pending approval

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

Amendment to IFRS 16. Lease liabilities in a sale with subsequent leasing

The application of the amendment to IFRS 16 relating to lease liabilities in a sale and leaseback operation requires the lessee/seller to calculate the lease liability resulting from the sale and leaseback operation as the present value of all lease payments, including an estimate of those that could be considered variable, and this liability determines the proportion of the asset retained.

The application of this amendment will affect all sale and leaseback operations entered into after the implementation of IFRS 16 on 1 January 2019. The estimated impact of this amendment for the Group will result in an increase in rights of use of 31 million euros, in lease liabilities of 84 million euros and in deferred assets of 13 million euros, and a reduction in equity of 40 million euros.

2.3 Accounting correction

During 2023, there were no corrections of errors.

2.4 Accounting criteria change

In 2023 there were no significant changes in accounting criteria.

2.5 Comparison of information

As required by IAS 1, the information on 2022 contained in this consolidated annual report is presented for solely comparative purposes with the information on 2023 and consequently does not in itself constitute the Group’s consolidated financial statements for 2022.

2.6 Foreign currency transactions and balances

2.6.1 Working currency and presentation currency

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

2.6.2 Foreign currency transactions, balances and cash flows

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

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

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

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

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

The exchange rates for the euro (EUR) for the main Group company currencies for the years ended 31 December 2023 and 2022 were as follows:

	31/12/2023		31/12/2022	
	Closing rate	Accumulated average rate (1)	Closing rate	Accumulated average rate (1)
US dollar (USD)	1.10	1.08	1.07	1.05
Argentine peso (ARS)	892.86	892.86	189.04	189.04
Uruguayan peso (UYU)	43.12	41.98	42.44	43.38
Chilean peso (CLP)	961.54	909.09	909.09	917.43
Mexican peso (MXN)	18.72	19.18	20.86	21.18
Colombian peso (COP)	4,347.83	4,761.90	5,263.16	4,545.45
Czech koruna (CZK)	24.72	24.00	24.11	24.56
Hungarian florin (HUF)	383.14	381.68	401.61	392.16

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

2.6.3 Conversion of business abroad

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

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

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

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

2.6.4 Foreign operations in hyper-inflationary economies

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

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

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

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

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

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

- The useful life of the tangible and intangible assets. The Group increases the amount for depreciation/amortisation when service lives are less than those previously estimated, and will cancel or reduce the value of obsolete assets which have been abandoned or sold (Note 4.1 and 4.3).
- The assessment of possible impairment losses on certain non-financial assets that require an estimate of the future evolution of business and the most suitable discount rates. The Group considers that its estimates in this area are appropriate and coherent with the current economic climate and reflect its plans for investment and best available estimates for its future income and profit/(loss) based on the sector’s recovery. It considers that its discount rates reflect the risks relating to each cash generating unit appropriately (Note 4.4).
- The market value of specific assets.
- The valuation of consolidation goodwill.

- The estimates for impairment to accounts receivable (Note 4.6).
- Fair value estimates of the assets and liabilities inherent in the acquisition of a business or pool of assets.
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce; The Group has made certain assumptions to calculate the liability arising from commitments to employees (Note 4.11 and 4.13).
- Calculation of provisions and evaluation of contingencies. To do so, the Group assesses certain legal, tax or other types of proceedings that are not closed off at the date the Consolidated Annual Statements are drawn up (Note 4.15).
- For the calculation of corporation tax, the Group is subject to it in various jurisdictions. To calculate the provision at worldwide scale, issue of significant judgements is required (Note 4.10).
- The recoverability of capitalised tax credits. The Group only recognises deferred tax assets in as far as their future realisation or use is sufficiently guaranteed. As future circumstances are unsure and partially escape the Group's control, assumptions must be made to estimate future taxable benefits and the period in which deferred tax is recovered (Note 4.10).

The Group's strategy takes into account the targets set in relation to climate change (Note 27), for which reason they are also taken into account when preparing these consolidated annual statements. Therefore, in the context of preparing these consolidated annual statements, the effect of the commitments taken on by the Group was taken into account when calculating the service life of assets, closing costs and analysing impairment to non-financial assets.

In spite of the fact that these estimates were carried out using the best information available at 31 December 2023 on events analysed, it is possible that events may take place in the future which compel their amendment (upwards or downwards) in years to come. This will be done in accordance with the provisions of IAS 8, prospectively.

2.8 Going concern

As a result of applying the IFRS 16 accounting standard, the Group has recognised a short-term liability corresponding to the current value of the lease payment commitments to be made in the next twelve months, which at 31 December 2023 amounted to 260,633 thousand euros (253,620 thousand euros at December 2022), meaning that at 31 December 2023, current liabilities were 338,782 thousand euros higher than current assets (279,676 thousand euros at December 2022).

Excluding this effect, which comes from a purely accounting (non-financial) approach (Note 16), current liabilities would exceed current assets by 78,149 thousand euros, which is not an impediment to the normal development of the business due to the consequent generation of cash, and the Group also has credit lines available amounting to 303,987 thousand euros.

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

2.9 Consolidation principles applied

2.9.1 Subsidiaries (Appendix I)

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

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

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

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

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

2.9.2 Business combinations

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

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

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

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

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

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

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

The excess of:

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

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

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

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

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

In addition to the above, IFRS 3 provides a framework for entities to use in assessing whether an integrated set of acquired activities and assets can be regarded as an acquisition of assets rather than a business. This includes an optional concentration test to determine whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or in a group of similar assets. This test is designed to highlight when a transaction is clearly more akin to an asset acquisition and thereby remove it from the scope of the guidance on business combinations. If this is so, the Group decides on a discretionary basis and on a transaction-by-transaction basis whether the transaction is accounted for as an asset acquisition or as a business combination.

2.9.3 Non-controlling interests

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

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

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

2.9.4 Associates (Appendix II)

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

Associates are accounted using the equity method in the consolidated financial statements.

The profit (loss) net of tax of the associate companies is included in the Group’s consolidated statement of profit and loss, in the item "Share of profit/(Loss) from entities accounted for the equity method", according to the percentage of the Group's stake.

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

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

2.9.5 Changes in the scope of consolidation

Additions to the scope of consolidation

In February 2023, the companies Mateo, Gmbh; Aldon, Gmbh and Mateo Hotel Savona S.a.S. were purchased, tied to the purchase of the NH Savona Darsena hotel (see Note 6) These acquisitions have been accounted for by applying the concentration test in accordance with IFRS 3 and recording the transaction as an asset acquisition (Note 2.9.2).

In March 2023, NH Marbella Hotel, S.L. was acquired. This company is not currently trading.

In July 2023, NH Hotels Finland Oy. was acquired for the purpose of operating the NH Collection Helsinki Grand Hansa hotel.

In December 2023, the Group acquired Minor Continental Holding, S.à.r.l., Hotelagos, S.A., Minor Hotels Portugal, S.A. and Minor Luxury Hotels Vilamoura, S.A. associated with the acquisition of the hotels Anantara Vilamoura Algarve Resort, Tivoli Lagos Algarve Resort, NH Marina Portimão Resort, NH Sintra Centro and Tivoli The Residences at Victoria Golf Club (see Notes 6 and 24). These acquisitions have been accounted for by applying the concentration test in accordance with IFRS 3, and recording the transaction as an asset acquisition (Note 2.9.2).

In 2022, there were no additions to the scope of consolidation.

Disposals

In December 2022 the Group sold 100% of its investment in the company Immo Hotel BCC N.V., owner of the NH Brussels Louise hotel in Belgium. The sale involved a cash entry of 34 million euros. The net result of the transaction was a consolidated profit of 15.5 million euros.

Moreover, on 1 July 2022, the sale was completed of the minority shareholding in the company Kensington Hotel Value Added I, Ltd, owner of a hotel in the United Kingdom, for the price of 12 million euros. The net result of the transaction was a consolidated profit of 11 million euros.

NH France, S.A. was liquidated in 2022. This operation did not have a significant impact on the profit/(loss) for the year.

Mergers and divisions

In 2022, Hotel Aukamm Wiesbaden, GmbH & Co.KG. was merged with Astron Immobilien, GmbH. This operation did not have a significant impact on the profit(loss) for the year.

3. PROPOSED DISTRIBUTION OF PROFITS

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

	Year 2023
To legal reserves	3,978
To prior years' losses	35,798
Total	**39,776**

4. ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

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

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

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

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

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

	Estimated years of useful life
Buildings	33-50
Technical installation	10-30
Other installations, fittings and furniture	5-10
Other fixed assets	4-5

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

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

4.2 Goodwill

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

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

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

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

Internally generated goodwill is not recognised as an asset.

4.3 Other intangible assets

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

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

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

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

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

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

I. Usufruct Rights: As a consequence of entering into the consolidation of Hoteles Royal, S.A., the Group recognised operating rights of the hotel portfolio for 35 years within this concept. Furthermore, in the 2020 financial year, with the entry of the “ Boscolo Hotels” Group (operating 8 hotels in privileged areas of Rome, Florence, Venice, Prague, Nice and Budapest) into the scope of consolidation, operating rights of the hotels where operation commenced with this business combination were recognised lasting 31 years.

II. Concessions, patents and trademarks: basically reflect the disbursements made by Gran Círculo de Madrid, S.A. for the refurbishment and remodelling of the building where the Casino de Madrid is located. The amortisation of such works is calculated on a straight-line basis by taking into account the term of the concession for operating and managing the services provided in the building where the Casino de Madrid is located, which finalises on 1 January 2037. Furthermore, this item includes the brands of the Grupo Royal with a useful life of 20 years.

III. Computer applications: include the costs incurred by the Group Companies in the acquisition and development of various computer software programmes acquired by the different consolidated companies. The amortisation of software applications is performed using the straight-line method at a rate of 20-25% per year.

IV. Other rights: include rights relating to lease agreements as a result of business combinations.

V. Surface rights: include rights of use over land on which a hotel is located or built.

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

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

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

In relation to Goodwill and other intangible assets assets with indefinite useful lives, and regardless of the existence of any indication of impairment, the Group checks potential impairment at least once a year.

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

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

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

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

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

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

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

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 Group periodically requests valuations of hotel assets it owns from independent experts. These valuations are used to determine fair value.

Depreciation of assets subject to impairment is affected depending on their book value net of impairment. In the event that an impaired asset reaches a recoverable value that is higher than its net book value, the impairment loss will be reversed but will not exceed the book value that could have been obtained (net of depreciation) if a value impairment loss had not been recognised for that asset in previous years.

4.5 Leases

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

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

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

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

The general determination of not including unilateral extension of contracts as a part of their term, is based on the Group´s historical experience. The windows for renewal have historically been used as renegotiation windows, unless the market situation was clearly favourable for the Group. Therefore, given that hotel rental agreements are normally signed with a first term that is higher than a macroeconomic cycle (5 years), our experience shows that is it highly probable that some unknown event may occur on the date the agreement is signed, and which may significantly affect such judgement. The attacks in Europe, in Brussels or in Nice, serve as an example, as does the COVID-19 pandemic itself, as they changed the economic paradigm and affected the frameworks for negotiating rent. Furthermore, to determine the term for lease agreements, the term for recovering the investments made in it are taken into account.

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

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

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

- CDS curve of the economic environment
- Euribor Swap Rate Curve.
- Synthetic NH CDS curve.

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

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

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

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

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

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

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

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

In the event that the Group carries out the sale of a hotel asset with subsequent leasing of it, the value of the leasing liability is calculated in accordance with the criteria set out above, but the value of the asset will be calculated according to the part of the previous book value for the asset retained. Therefore, only the amount of any loss or gain referring to the rights transferred to the purchase/lessor will be recorded as profit/(loss) for the sale. Any substantial amendment to the contract after the transaction for sale and subsequent leasing will be treated in the same way as any contractual change, without affecting the profit/(loss) recorded for the sale.

4.6 Financial Instruments

4.6.1 Financial assets

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

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

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

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

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

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

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

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

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

Trade debtors and other receivables

Accounts receivable arising from trading operations are initially recorded at their transaction price and, subsequently, a value correction is made for expected credit losses. Expected credit losses—due to the fragmentation of the Group's trade debtors—are estimated taking the history of losses due to non-payment with respect to the Group's sales and open items into account.

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

4.6.2 Cash and cash equivalents

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

4.6.3 Financial liabilities

Issues of bonds and other securities

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

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

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

Bank loans

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

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

Trade and other payables

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

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

Valuation techniques and assumptions applying to the measurement of fair value

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

- The fair value of financial assets and liabilities under standard terms and conditions which are traded in active liquid markets are based on market prices.
- The fair value of other financial assets and liabilities (excluding derivatives) is determined in accordance with generally accepted valuation models on the basis of 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 Group uses the Black-Scholes valuation model and its variants, using for this purpose market volatilities for the strike and maturity prices of said options.

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

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

4.6.4 Equity instruments

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

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

4.7 Classification of financial assets and liabilities between current and non-current

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

4.8 Income and expenses

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

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

Sale of rooms and other related services

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

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

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

Provision of services

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

Loyalty programme

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

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

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

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

The amount of the provision relating to the loyalty programme is recorded in current liabilities on the consolidated statement of financial position.

On 1 July 2022 the Group joined the Global Hotel Alliance (GHA), which runs the multi-brand loyalty programme Discovery, and "NH Rewards" became "NH Discovery". This means that the loyalty programme has been outsourced and is now managed by GHA, involving a change to its accounting treatment. To this effect, the Group is no longer responsible for the significant entitlement provided to the customer with the delivery of points, except in the case of promotions that we launch in addition to those made by GHA. The provision related to the loyalty programme at year end is therefore not significant. The existing provision at 31 December 2023 relates to the rights given to customers generated in accordance with that previous described. These rights expire in under 1 year from the close of this financial year.

4.9 Official subsidies

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

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

4.10 Income tax

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

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

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

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

Deferred tax assets identified as temporary differences are recognised only if it is deemed probable that the consolidated entities will make sufficient tax profits in the future to realise them and they do not come from the initial recognition of other assets and liabilities in a transaction which does not affect either the tax or accounting result. The remaining deferred tax assets (negative tax bases and tax credit carryforwards) recognised are those for which it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which they can be utilised, based on information available at the date of preparation of these consolidated financial statements.

The Group offsets deferred tax assets and liabilities if there is a legal right to offset with the tax authorities and such assets and liabilities relate to the same tax authority, and the same taxpayer, or several taxpayers, who intend to settle or realise current tax assets and liabilities for their net amount, or realise assets and settle liabilities simultaneously, in each one of the future years where is expected to settle or recover significant amounts of deferred tax assets or liabilities.

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

4.11 Obligations to employees

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

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

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

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

Therefore, to provide for these obligations to future payments to personnel, the Group has recognised a liability under "Provisions" (Note 19).

4.12 Onerous contracts

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

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

4.13 Treasury shares

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

4.14 Provisions for risks and charges

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

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

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

4.15 Environmental policy

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

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

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

4.16 Consolidated statement of cash flow

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

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

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

5.- PROFIT/(LOSS) PER SHARE

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

In accordance with this:

	2023	2022
Net Profit/(Loss) for the year (thousands of euros)	128,124	100,308
Weighted average number of shares in circulation (in thousands)	435,656	435,642
Basic and diluted Earnings/(Losses) per share in euros	**0.294**	**0.230**

6.- PROPERTY, PLANT & EQUIPMENT

The breakdown and movements in the year were as follows:

	Thousands of euros				
	Land and buildings	Technical installation	Other fixtures, tools, furniture and others	Property, plant and equipment in progress	Total
Cost, deemed cost, revalued cost	1,613,903	883,084	455,772	32,136	2,984,895
Accumulated amortisation and Impairment losses	(508,807)	(627,620)	(368,219)	(1,701)	(1,506,347)
Net Book Value at 01 January 2023	**1,105,096**	**255,464**	**87,553**	**30,435**	**1,478,548**
Cost, deemed cost, revalued cost					
Additions	2,653	47,700	29,310	30,782	110,445
Derecognitions	(1,863)	(12,301)	(23,387)	—	(37,551)
Changes in the scope of consolidation	110,898	3,361	1,932	718	116,909
Transfers	2,765	8,105	10,344	(21,384)	(170)
Exchange differences and IAS 29 impact	(37,798)	(20,309)	(4,230)	235	(62,102)
Accumulated amortisation and Impairment losses					
Additions	(22,104)	(42,996)	(28,571)	—	(93,671)
Derecognitions	1,553	11,080	22,984	—	35,617
Reversal of impairment losses recognised in profit and loss (Note 10)	12,946	(1,229)	(826)	(205)	10,686
Changes in the scope of consolidation	—	—	—	—	—
Transfers	—	—	—	—	—
Exchange differences and IAS 29 impact	12,183	14,424	4,392	72	31,071
Balance at 31 December 2023	**1,186,329**	**263,299**	**99,501**	**40,653**	**1,589,782**
Cost, deemed cost, revalued cost	1,690,558	909,640	469,741	42,487	3,112,426
Accumulated amortisation and Impairment losses	(504,229)	(646,341)	(370,240)	(1,834)	(1,522,644)
Net Book Value at 31 December 2023	**1,186,329**	**263,299**	**99,501**	**40,653**	**1,589,782**

	Thousands of euros				
	Land and buildings	Technical installation	Other fixtures, tools, furniture and others	Property, plant and equipment in progress	Total
Cost, deemed cost, revalued cost	1,619,396	869,889	456,270	17,758	2,963,313
Accumulated amortisation and Impairment losses	(490,347)	(598,485)	(355,622)	—	(1,444,454)
Net Book Value at 01 January 2022	**1,129,049**	**271,404**	**100,648**	**17,758**	**1,518,859**
Cost, deemed cost, revalued cost					
Additions	688	14,756	9,705	23,166	48,315
Derecognitions	(21,222)	(17,098)	(16,180)	(251)	(54,751)
Changes in the scope of consolidation	(19,362)	(5,132)	(1,512)	—	(26,006)
Transfers	2,325	6,965	2,113	(8,551)	2,852
Exchange differences and IAS 29 impact	32,078	13,704	5,376	14	51,172
Accumulated amortisation and Impairment losses					
Additions	(20,291)	(41,761)	(27,574)	—	(89,626)
Derecognitions	3,056	16,421	15,730	—	35,207
Reversal of impairment losses recognised in profit and loss (Note 10)	5,227	(1,970)	1,606	(436)	4,427
Changes in the scope of consolidation	1,850	4,577	1,469	—	7,896
Transfers	528	6	731	(1,265)	—
Exchange differences and IAS 29 impact	(8,830)	(6,408)	(4,559)	—	(19,797)
Balance at 31 December 2022	**1,105,096**	**255,464**	**87,553**	**30,435**	**1,478,548**
Cost, deemed cost, revalued cost	1,613,903	883,084	455,772	32,136	2,984,895
Accumulated amortisation and Impairment losses	(508,807)	(627,620)	(368,219)	(1,701)	(1,506,347)
Net Book Value at 31 December 2022	**1,105,096**	**255,464**	**87,553**	**30,435**	**1,478,548**

The main additions during the year relate to the acquisition of Anantara Vilamoura Algarve Resort, Tivoli Lagos Algarve Resort, NH Marina Portimão Resort, NH Sintra Centro and Tivoli The Residences at Victoria Golf Club in Portugal and NH Savona Darsena in Italy, and to the renovation and new openings of hotels. In Southern Europe, the repositioning of the Avani Alonso Martínez in Spain and the Anantara Amalfi, NH Vittorio Veneto and NH Trieste in Italy stand out. In Benelux, the refurbishment of the NH Amsterdam Leidseplein, NH City Centre and Amsertdam Zuid hotels in the Netherlands and NH Brussels Eu Berlaymont in Belgium stand out. In Central Europe, highlights include the openings of the NH Collection Frankfurt Spin Tower and the refurbishments of the NH Collection Frankfurt, NH Collection Heidelberg, NH Berlin Kurfuerstendamm and Nhow Berlin in Germany, and the repositioning of the NH Genera Airport in Switzerland. In Latin America, main developments were the refurbishment of the NH Collection Lancaster in Argentina and NH Collection Monterrey in Mexico.

The main derecognitions during the year relate to asset retirements in connection with hotel refurbishments carried out over the course of the year.

The effect on the profit and loss account of assets derecognised, replaced or disposed of to third parties outside the Group was a loss of 374 thousand euros (a profit of 1,267 thousand euros in 2022), recognised under "Profit/(loss) on the disposal of non-current assets" in the 2023 consolidated statement of profit and loss.

At 31 December 2023, there were mortgages on tangible fixed asset elements with a net book value of 144 million euros (149 million euros in 2022) (Note 16).

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

At 31 December 2023, firm investment undertakings amounted to 29.4 million euros. These investments will take place between 2024 and 2025 (69.2 million euros in 2022).

7.- LEASES

The breakdown and movements under this heading were as follows:

	Thousands of euros		
	Real estate	Premiums for contracts and other rights	Total
Cost	4,154,490	73,267	4,227,757
Accumulated amortisation and Impairment losses	(2,591,601)	(52,545)	(2,644,146)
Net Book Value at 01 January 2023	**1,562,889**	**20,722**	**1,583,611**
Cost			
Additions	236,391	—	236,391
Derecognitions	(29,135)	—	(29,135)
Transfers	—	—	—
Conversion differences	7,315	—	7,315
Accumulated amortisation and Impairment losses			
Additions	(183,826)	(2,339)	(186,165)
Derecognitions	29,135	—	29,135
Reversal of impairment losses recognised in profit and loss (Note 10)	(1,727)	—	(1,727)
Transfers	—	—	—
Conversion differences	(4,033)	—	(4,033)
Balance at 31 December 2023	**1,617,009**	**18,383**	**1,635,392**
Cost	4,369,061	73,267	4,442,328
Accumulated amortisation and Impairment losses	(2,752,052)	(54,884)	(2,806,936)
Net Book Value at 31 December 2023	**1,617,009**	**18,383**	**1,635,392**

	Thousands of euros		
	Real estate	Premiums for contracts and other rights	Total
Cost	4,135,869	73,267	4,209,136
Accumulated amortisation and Impairment losses	(2,566,873)	(49,918)	(2,616,791)
Net Book Value at 01 January 2022	**1,568,996**	**23,349**	**1,592,345**
Cost			
Additions	168,022	—	168,022
Derecognitions	(156,122)	—	(156,122)
Transfers	(2,866)	—	(2,866)
Conversion differences	9,587	—	9,587
Accumulated amortisation and Impairment losses			
Additions	(171,717)	(2,627)	(174,344)
Derecognitions	153,725	—	153,725
Reversal of impairment losses recognised in profit and loss (Note 10)	1,249	—	1,249
Transfers	—	—	—
Conversion differences	(7,985)	—	(7,985)
Balance at 31 December 2022	**1,562,889**	**20,722**	**1,583,611**
Cost	4,154,490	73,267	4,227,757
Accumulated amortisation and Impairment losses	(2,591,601)	(52,545)	(2,644,146)
Net Book Value at 31 December 2022	**1,562,889**	**20,722**	**1,583,611**

	Balance at 01/01/2023	Expenses for interest (Note 24.3)	Changes	Rent payments	Exchange rate differences	Balance at 31/12/2023
Lease liabilities	1,895,592	85,608	246,789	(272,560)	3,432	1,958,861

	Balance at 01/01/2022	Expenses for interest (Note 24.3)	Changes	Rent payments	Exchange rate differences	Balance at 31/12/2022
Lease liabilities	1,925,353	81,073	157,965	(271,188)	2,389	1,895,592

The main recognitions for the year are due to the opening of several hotels on a lease basis. Highlights include the opening of NH Collection Frankfurt Spin Tower in Germany, Tivoli Portopiccolo Sistiana Resort in Italy and NH Bern The Bristol in Switzerland, and the contract extensions of NH Collection President and NH Collection Palazzo Cinquecento in Italy and NH Collection Colón in Spain. The year saw the closures of NH Madrid Sur, NH Cartagena and NH Turcosa in Spain.

The main impacts on the accompanying consolidated statement of profit and loss relating to the application of IFRS 16 are a higher depreciation expense of 186,165 thousand euros (174,344 thousand euros in 2022), a higher financial expense of 85,608 thousand euros (81,073 thousand euros in 2022) (Note 23.3), and a net asset impairment charge of (1,727) thousand euros (reversal of net asset impairment of 1,249 thousand euros in 2022).

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

Short-term leases and low-value leases are recognised as an expense in the consolidated profit and loss account on a straight line basis. A short-term lease contract is one where the period is less than or equal to 12 months. A “low value contract” is one whose underlying asset assigned in use would have a new value of under 5 thousand euros. The impact recorded on the attached consolidated statement of profit and loss for leases totals an expense of 201,905 thousand euros (126,541 thousand euros income in 2022) (Note 23.2).

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

Future cash output that the lessee is potentially exposed to, and which are not shown in the valuation of lease liabilities, exclusively relate to payments for variable leasing. Therefore, future gross payments estimated for the next 5 years total 1,012 million euros. Nevertheless, these expenses will result in higher income and produce higher profits.

The Group has not granted any options to extend and terminate, or guarantees of residual value. There are leases that have not commenced, for which the Group has undertaken gross lease payments of 54,825 thousand euros in a period of 1 to 5 years, and 237,304 thousand euros in a period of more than 5 years.

8.- GOODWILL

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

	Thousands of euros	
	2023	2022
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	47,657	55,921
Grupo Royal	23,517	19,427
Boscolo Hotels	11,249	10,920
Others	3,274	3,220
Total	**85,697**	**89,488**

The movements in this heading of the consolidated statement of financial position in the financial year were as follows:

	Thousands of euros			
	Goodwill 1/1/2023	Currency translation difference	Impairment (Nota 10)	Goodwill 31/12/2023
NH Hoteles Deutschland, GmbH y NH Hoteles Austria, GmbH	55,921	—	(8,264)	47,657
Grupo Royal	19,427	4,090	—	23,517
Boscolo Hotels	10,920	329	—	11,249
Otros	3,220	54	—	3,274
Total	**89,488**	**4,473**	**(8,264)**	**85,697**

	Thousands of euros			
	Goodwill 1/1/2022	Currency translation difference	Impairment (Nota 10)	Goodwill 31/12/2022
NH Hoteles Deutschland, GmbH y NH Hoteles Austria, GmbH	58,888	—	(2,967)	55,921
Grupo Royal	22,494	(3,067)	—	19,427
Boscolo Hotels	11,571	(651)	—	10,920
Otros	3,174	46	—	3,220
Total	**96,127**	**(3,672)**	**(2,967)**	**89,488**

Details of the cash-generating units to which such goodwill arising on consolidation has been allocated is shown below:

	Thousands of euros	
	2023	2022
Grupo Royal CGUs	23,517	19,427
Group CGUs (Boscolo Hotels)	11,249	10,920
CGU 6	13,587	13,587
CGU 21	6,570	9,929
CGU 12	5,285	6,272
CGU 5	2,996	2,996
CGU 13	4,605	5,286
CGU 2	5,027	5,023
CGUs with goodwill allocated individually < €4 M	12,861	16,048
Total	**85,697**	**89,488**

9.- OTHER INTANGIBLE ASSETS

The breakdown and movements under this heading were as follows:

	Thousands of euros				
	Rights of use	Concessions, patents and trademarks	Software applications	Other rights	Total
Cost, deemed cost, revalued cost	87,482	36,449	112,225	17,039	253,195
Accumulated amortisation and Impairment losses	(10,031)	(31,800)	(89,773)	(1,321)	(132,925)
Net Book Value at 01 January 2023	**77,451**	**4,649**	**22,452**	**15,718**	**120,270**
Cost, deemed cost, revalued cost					
Additions	100	262	12,608	—	12,970
Derecognitions	(1,428)	(5)	(114)	—	(1,547)
Changes in the scope of consolidation	12,719	23	8	—	12,750
Transfers	—	73	97	—	170
Exchange differences and NIC 29 impact	4,369	769	(52)	—	5,086
Accumulated amortisation and Impairment losses					
Depreciation and amortisation charge	(2,373)	(689)	(9,428)	—	(12,490)
Derecognitions	—	5	114	—	119
Impairment losses recognised in profit and loss	(52)	(325)	—	491	114
Changes in the scope of consolidation	—	—	—	—	—
Transfers	—	(294)	294	—	—
Exchange differences and NIC 29 impact	(1,151)	(296)	51	—	(1,396)
Balance at 31 December 2023	**89,635**	**4,172**	**26,030**	**16,209**	**136,046**
Cost, deemed cost, revalued cost	103,242	37,571	124,772	17,039	282,624
Accumulated amortisation and Impairment losses	(13,607)	(33,399)	(98,742)	(830)	(146,577)
Net Book Value at 31 December 2023	**89,635**	**4,172**	**26,030**	**16,209**	**136,046**

	Thousands of euros				
	Rights of use	Concessions, patents and trademarks	Software applications	Other rights	Total
Cost, deemed cost, revalued cost	92,292	36,814	105,484	17,039	251,629
Accumulated amortisation and Impairment losses	(8,484)	(34,917)	(79,223)	(2,057)	(124,681)
Net Book Value at 01 January 2022	**83,808**	**1,897**	**26,261**	**14,982**	**126,948**
Cost, deemed cost, revalued cost					
Additions	—	147	6,906	—	7,053
Derecognitions	(1,044)	—	(343)	—	(1,387)
Changes in the scope of consolidation	(88)	—	—	—	(88)
Transfers	—	32	141	—	173
Exchange differences and NIC 29 impact	(3,678)	(544)	37	—	(4,185)
Accumulated amortisation and Impairment losses					
Depreciation and amortisation charge	(2,401)	(424)	(10,482)	—	(13,307)
Derecognitions	—	—	92	—	92
Impairment losses recognised in profit and loss	—	3,622	—	484	4,106
Changes in the scope of consolidation	28	—	—	—	28
Transfers	—	(283)	(128)	252	(159)
Exchange differences and NIC 29 impact	826	202	(32)	—	996
Balance at 31 December 2022	**77,451**	**4,649**	**22,452**	**15,718**	**120,270**
Cost, deemed cost, revalued cost	87,482	36,449	112,225	17,039	253,195
Accumulated amortisation and Impairment losses	(10,031)	(31,800)	(89,773)	(1,321)	(132,925)
Net Book Value at 31 December 2022	**77,451**	**4,649**	**22,452**	**15,718**	**120,270**

9.1 Software applications

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

9.2 Usufruct Rights

he most significant difference in usufruct rights is the result of changes in the scope of consolidation due to the acquisition of Minor Continental Holding, S.à.r.l., Hotelagos, S.A., Minor Hotels Portugal, S.A. and Minor Luxury Hotels Vilamoura, S.A., associated with the acquisition of the hotels Anantara Vilamoura Algarve Resort, Tivoli Lagos Algarve Resort, NH Marina Portimão Resort, NH Sintra Centro and Tivoli The Residences at Victoria Golf Club (see Notes 2.9.5 and 24).

9.3 Other rights

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

10.- IMPAIRMENT

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

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

The most commonly used valuation criterion to determine the fair value of the assets owned has been the value in use (discounted cash flow), and in some cases the recoverable value has been used.

10.1 Key assumptions used

The evolution of the key assumptions in the analysed hotels has taking the business knowledge of Group Management into account as well as the continued recovery expected in the sector. In this respect, the projections assumed are based on the Group's budget exercise for 2024.

On the other hand, the increase in inflation in 2023 was taken into account and its future forecast to estimate the costs of the projections and, therefore, operational margins, with the increase seen in the price of supplies of products and services, particularly energy, being the most significant as they have drastically increased in Europe due to the geopolitical situation in Eastern Europe, and are reflected in the services with a high energy use, for example, laundry. Other operational costs affected by the pressure of inflation are salaries, due to the increase in the minimum wage, and the rents for leased hotels, amongst others.

The strong positioning of the countries where the Group has a presence, the good locations of the portfolio and the high level of recognition of its brands are key factors for continuing with a business strategy that focusses on maximising average rates per room, as well as identifying measures for efficiency in operational costs based on continuous investment in digitisation and systems, supporting ourselves on the economy of scale due to the extensive presence in the main countries.

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.
- Knowledge of the business/asset/local situation of the local Management of each Business Unit to which each CGU belongs.
- Historical results obtained by the CGUs.
- Investments in repositioning the CGUs..

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

- Income from accommodation is projected as the product of percentage occupation, and average rate per room ("ADR" Average Daily Rate: is the ratio of the total income from rooms in a specific period divided by the rooms sold in that specific period) and the total rooms available per year.
- The other revenues are projected based on the average of the relationship between the revenue from accommodation and those revenues.
- Personnel expenses are calculated on the basis of the average cost for personnel plus the relevant increase in each country referenced to the collective employment agreement for each year.
- Fixed expenses increase with the inflation forecast in each country according to the International Monetary Fund (IMF) estimate in its report published in October each year for the next 5 years, and variable expenses are projected on the basis of the evolution of income. With respect to energy expenses, a gradual correction downwards has been estimated for 2024-2026 until a return to normal levels prior to the geopolitical conflict in Eastern Europe.
- For its part, tax is calculated from the tax rates applicable in each country.

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

$$WACC=Ke*E/(E+D) + Kd*(1-T)*D/(E+D)$$

Where::

Ke: Cost of Equity
Kd: Cost of Debt
E: Equity Amount
D: Debt Amount
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 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 3% has been considered as the long-term yield on German government bonds on the valuation date.
  - For non-European countries, the yield on long-term US government bonds of 4.7% at the valuation date has been considered. For these countries, the inflation differential with the US is also applied.
- Market risks premium: defined at 5.5% for rates in EUR and USD, based on a wide range of financial information, multiple methodologies and economic and financial market conditions at December 2023.
- 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 of leased hotels, a sample of traditional hotel companies is considered as comparables. In addition to this group, for the calculation of the WACC of owned hotels, a sample of real estate investment trusts (REITs) is included as comparables to reflect the real estate contribution to the business. Bloomberg’s historic betas were taken as a reference (weekly data at 2 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 2 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 56% for Own Funds and 44% for Debt for the group of owned hotel comparables, and 84% for Equity and 16% for Debt for the group of leased hotel comparables.
- In addition, the local rate for corporation tax on the valuation date in each country was considered.
- To calculate the Cost of Debt, a debt spread of 1.6% is applied for the comparable group of owned hotels and 1.4% for the comparable group of leased hotels, calculated as the average spread of the bond issues of the comparable group.

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

	Discount rate before taxes:				
	Germany	Netherlands	Italy	Spain	Colombia
2023	9,35%-10,10%	7,61%-8,36%	10,91%-11,66%	13,76%-14,51%	15,39%
2022	9,89% - 10,64%	7,43% - 8,43%	11,58% - 12,58%	10,29% - 11,29%	15.47%

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

	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Germany		Netherlands		Italy		Spain		Colombia	
Post-tax WACC	5,75% - 6,50%	5,5% - 6,25%	5,75% - 6,50%	5,5% - 6,5%	7,75% - 8,50%	7,5% - 8,5%	7.25% - 8,00%	7% - 8%	11,25%	11,5%
Growth rate (g)	1,99%	1.95%	2,00%	2.00%	2,00%	2.00%	1,70%	1.70%	2,96%	2.96%
Average ADR (years of projection)	115.9	127.6	134.2	91.1	180.3	166.2	132.2	115.3	91.8	63.7
Average Occupancy Rate (years of projection)	67.5%	70.8%	70.6%	62.2%	61.6%	68.9%	72.7%	75.0%	73.0%	69.7%

In Europe, the post-tax discount rates used by the Group for these purposes range from 4.75% (Switzerland) to 11.00% (Romania) (3.75% and 11.00% in 2022), and in Latin America from 9.0% (Chile) to 14.50% (Ecuador) (9.25% and 17% in 2022), without taking into account Argentina, whose post-tax discount rate has been calculated considering its hyperinflationary economic situation, varying between 217% in 2024 and 40.75% in 2028, and is standardised at 31.50% for the perpetuity calculation based on the inflation estimate. In this regard, the cash flows resulting from the impairment tests were also calculated after tax. In addition, the book value to which the value-in-use is compared does not include any deferred tax liabilities which could be associated with the assets.

Using a post-tax discount rate and post-tax cash flows is consistent with paragraph 51 of IAS 36, which states that "estimated future cash flows will reflect assumptions that are consistent with the manner of determining the discount rate". In addition, the result of the post-tax flows updated at a post-tax discount rate would obtain uniform results with respect to the impairment test if a pre-tax rate were used and, therefore, the impairment and reversion accounting records would be uniform.

10.2 Sensitivity analysis

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

For each scenario, each hypothesis has been considered individually, recording the impact on impairment for each of them. Scenario 1 is a negative one where the discount rate is raised 100 b.p. above the rate used in the test and a growth rate lower by 100 b.p., i.e. with minimum growth, and falls in occupancy of 100 b.p.and ADR of 1% which would lead to additional impairment to that registered in 2023.

In the case of Scenario 2, this is a positive one where the discount rate is 100 b.p. below the rate used in the test, a growth rate higher than 100 b.p., with increases in occupancy of 100 b.p.and ADR of 1% which would lead to lower impairment to that registered in 2023.

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

NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH

	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	5,75%-6,50%	6,75%-7,50%	(1,405)	4,75%-5,50%	1.808
Growth rate	1,99%-2,01%	0,99%-1,01%	(2,714)	2,99%-3,01%	4.144
Occupancy rate	73,7%-76,33%	72,70%-75,33%	(2,140)	74,7%-77,33%	2.726
ADR (euros)	142,01-171,01	155.0	(1,641)	158.1	2.04

Grupo Royal

	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	9,75%-14,25%	10,75%-15,25%	—	—	—
Growth rate	1,51%-3,00%	0,51%-2,00%	—	—	—
Occupancy rate	70.0%	69.0%	—	—	—
ADR (euros)	85.51	84.7	—	—	—

Boscolo Group

	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	6,5%-8,5%	7,5%-9,5%	—	—	—
Growth rate	1,59%-3,06%	0,59%-2,06%	—	—	—
Occupancy rate	75.0%	74.0%	—	—	—
ADR (euros)	438.69	434.4	—	—	—

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

Sensitivity analysis of tangible and intangible assets and rights of use

	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
After-tax discount rate:	5,75%-217%	6,75%-218%	(25.098)	4,75%-216%	20.057
Growth rate	1,59%-6,40%	0,59%-5,40%	(25.369)	2,59%-7,4%	17.949
Occupancy rate	68.0%	67.0%	(10.451)	69.0%	7.775
ADR (euros)	156,1	154.5	(8.825)	157.6	7.602

The high range of the discount rate corresponds to the discount rate of Argentina due to the hyperinflationary economic situation.

10.3 Impairment losses

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

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

The Group recognised a net reversal of impairment of 810 thousand euros (6,815 thousand euros in 2022) as summarised below:

- Property, plant and equipment: an impairment reversal amounting to 17,488 thousand euros was recognised in 2023 for certain property, plant and equipment due to improved future cash flow expectations mainly in Southern Europe, as well as an allocation of 6,802 thousand euros, both recorded under "Net gain/(loss) on impairment of assets" in the consolidated statement of profit and loss (allocation of 17,457 thousand euros and reversal of 21,884 thousand euros in 2022).

- Right-of-use assets: an impairment allocation was recorded for Rights of use of 1,995 thousand euros and a reversal of 268 thousand euros (Right-of-use impairment reversal of 1,413 thousand euros and an allocation of 164 thousand euros in 2022) (Note 7).

- Goodwill: the Group recognised an impairment loss of 8,264 thousand euros on goodwill for NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH (2,967 thousand euros in 2022). This impairment arises from their worsening expectations of future cash flows mainly due to the opening of competitor hotels and the worsening of the outlook.

- Other intangible assets: a reversal of impairment losses of 491 thousand euros and an allocation of 377 thousand euros (reversals of 4,106 thousand euros in 2022) were recognised under "Net Gains/(Losses) on asset impairment" of the consolidated statement of profit and loss for 2023.

The balance of impairment to property, plant and equipment at 31 December is as follows:

	Thousands of euros	
	2023	2022
Spain	2,363	3,460
Italy	25,866	36,380
Germany	12,791	9,529
Benelux	8,829	10,674
Latin America	12,187	20,548
Others	—	—
Total impairment	**62,036**	**80,591**

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

	Thousands of euros
	2023
TOP 10	
CGU 35	82.2
CGU 29	24.1
CGU 32	20.2
CGU 39	19.8
CGU 37	17.3
CGU 38	15.1
CGU 45	13.5
CGU 46	11.4
CGU 47	10.3
CGU 48	8.0
Subtotal	**221.9**
Other CGUs by country	
Spain	16.6
Italy	11.6
Benelux	0.6
Germany	4.9
LatAm	31.7
Other Countries	10.8
Subtotal	**76.2**
Total	**298.1**

11.- INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associated companies at the close of the year are shown below:

Company	Activity centre	Share percentage	Relationship nature	Thousands of euros	
				2023	2022
Mil Novecientos Doce, S.A. de C.V.	CDMX, México	25 %	Associate	2,831	2,068
Consorcio Grupo Hotelero T2, S.A. de C.V.	CDMX, México	10 %	Associate	2,307	1,931
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla, México	17 %	Associate	258	139
Hotelera del Mar, S.A.	Mar de Plata, Argentina	20 %	Associate	276	482
Borokay Beach, S.L.	Madrid, España	50 %	Associate	928	929
Sotocaribe, S.L.	Madrid, España	36 %	Associate	37,119	36,386
Total				**43,719**	**41,935**

The impact recorded on the consolidated statement of profit and loss for the financial year due to consolidation of these holdings was a profit of 815 thousand euros (449 thousand euros loss in 2022), recorded under the heading "Share of profit/(loss) from entities accounted for using the equity method". These shareholdings also increased in 2023 by 969 thousand euros due to the effect of the exchange differences and accruals (1,462 thousand euros in 2022).

On 1 July 2022, the sale of the minority shareholding in Kensington Hotel Value Added I, Ltd was completed, for the price of 12 million euros. The net result of the transaction was a consolidated profit of 11 thousand euros (Note 2.9.5). This investment was fully impaired at the end of the 2021 financial year.

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

The financial statement of these key companies accounted for using the equity method at year-end is as follows:

	Thousands of euros					
Company	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Net Profit (Loss)
Mil Novecientos Doce, S.A. de C.V.	667	8,065	2,053	6	6,673	2,076
Consorcio Grupo Hotelero T2, S.A. de C.V.	5,207	19,259	3,986	7,527	12,953	1,531
Inmobiliaria 3 Poniente, S.A. de C.V.	866	14,208	797	5,443	8,834	591
Hotelera del Mar, S.A.	694	3,462	480	750	2,926	—
Borokay Beach, S.L.	959	1,104	92	115	1,856	—
Sotocaribe, S.L.	10,220	245,838	1,147	48,606	206,305	120

12.- OTHER NON-CURRENT FINANCIAL ASSETS

The composition of this heading on the financial statement was as follows:

	Thousands of euros	
	2023	2022
Financial assets at fair value with change in profit/loss (Note 12.1)	1,340	1,340
Other financial assets at amortised cost (Note 12.2)	32,996	35,442
	34,336	**36,782**

12.1 Financial assets at fair value with change in profit/loss

The composition of this heading on the financial statement was as follows:

	Thousands of euros	
	2023	2022
NH Panamá, S.A.	3,767	3,767
Otras inversiones	758	758
Deterioro de valor	(3,185)	(3,185)
Total	**1,340**	**1,340**

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

12.2 Other financial assets at amortised cost

The breakdown of this heading is as follows:

	Thousands of euros	
	2023	2022
Subordinated loans to companies owning hotels operated by the Group through leases	9,572	10,627
Long-term deposits and sureties	21,880	23,016
Others	1,544	1,799
Total	**32,996**	**35,442**

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

The main features of these agreements are as follows:

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

The decrease in "Long-term deposits and sureties" is explained by the return of sureties during the year.

13.- TRADE DEBTORS AND OTHER RECEIVABLES

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

	Thousands of euros	
	2023	2022
Trade receivables for services provided	132,030	108,730
Less: impairment on accounts receivable	(4,621)	(4,398)
Trade receivables	**127,409**	**104,332**
Other non-trade debtors	**26,767**	**22,640**
Public administration receivables (Note 17)	**32,226**	**33,343**
Accounts receivable from related entities (Note 24)	**3,234**	**5,719**
Total	**189,636**	**166,034**

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

The movement for impairment on accounts receivable during the year was as follows:

	Thousands of euros	
	2023	2022
Balance at 1 January	4,398	7,319
Conversion differences	6	6
Additions	4,112	1,182
Applications	(3,895)	(4,109)
Balance at 31 December	**4,621**	**4,398**

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

	Thousands of euros	
	2023	2022
Less than 30 days	20,054	12,733
From 31 to 60 days	4,259	10,101
More than 60 days	15,495	11,261
Total	**39,808**	**34,095**

In this regard, the impairments recorded take into account all the expected losses on the balances of trade receivables on the financial statement. The remaining accounts included under the accounts receivable heading do not have assets that have undergone impairment.

14.- CASH AND CASH EQUIVALENTS

The breakdown of this heading is as follows:

	Thousands of euros	
	2023	2022
Cash and banks	106,581	183,111
Current deposits maturing in under three months	109,410	118,652
Total	**215,991**	**301,763**

These assets are recognised at their fair value.

The Group's liquidity position at 31 December 2023 is based on the following points:

- The group had cash and cash equivalents amounting to 215,991 thousand euros (broken down above).
- Available in undrawn credit facilities to the amount of 303,987 thousand euros (Note 16).

There are no restrictions on how cash may be used. There is 358 thousand euros reserved in accordance with a firm commitment with the co-owners of Hoteles Royal (3,432 thousand euros in 2022) for future investments in the hotels.

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

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

15.- EQUITY

15.1 Subscribed share capital and issue premium

Subscribed capital

NH Hotel Group, S.A. share capital at the end of 2023 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 most recent notifications received by the Parent Company and the communications submitted to the Spanish National Securities Market Commission (CNMV) prior to the end of each reporting period, the main shareholdings at 31 December were as follows:

	2023	2022
Minor International Public Company Limited ("MINT")	95.87 %	94.13 %

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

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

Share premium

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

15.2 Dividends

The Parent Company did not distribute dividends in 2023 or 2022.

15.3 Other Reserves

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

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

At 31 December 2023 and 2022 the Parent Company had not accrued the minimum limit in this reserve as mandated by the Consolidated Text of the Capital Companies Act.

15.4 Treasury shares

At 31 December 2023, the Group had 87,989 treasury shares, compared to 92,915 treasury shares at 31 December 2022. The reduction in treasury shares over the period can be explained by the following movement:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract at 31 December 2023 is 87,989 shares, and the current amount allocated to the cash account is 346,009 euros. At 31 December 2022, the number of shares allocated to the liquidity contract was 92,915 shares. The effect recorded in reserves for operations carried out in 2023 was minus 83 thousand euros.

15.5 Accumulated Gains

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

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

15.6 Currency translation difference

Exchange differences include the following equity effects: the equity effect caused when converting their respective financial statements to euros, using the exchange rate conversion at the end of the financial year (13,448 thousand euros), and the re-statement of the financial statements of Group Companies operating in hyperinflationary economies due to inflation (28,122 thousand euros).

15.7 Non controlling interests

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

	Thousands of euros	
	2023	2022
Opening balance	53,157	48,998
Profit (Loss) for the year	1,673	4,475
Dividends paid to non-controlling interests	(1,978)	—
Other movements	(62)	(316)
Closing balance	**52,790**	**53,157**

The line "Dividends paid to non-controlling interests" recorded in financial year 2023 dividends paid mainly by NH Las Palmas, S.A. and NH Marín, S.A. amounting to 885 thousand euros and 620 thousand euros, respectively.

16.- DEBT IN RESPECT OF BOND ISSUES AND BANK BORROWINGS

The balances of the "Bonds and other negotiable securities" and "Bank borrowings" items for the financial year were as follows:

	Thousands of euros			
	2023		2022	
	Non Current	Current	Non Current	Current
Guaranteed senior notes	400,000	—	400,000	—
Borrowing costs	—	7,911	—	7,911
Arrangement expenses	(2,233)	(1,404)	(3,637)	(1,344)
Debt instruments and other marketable securities	**397,767**	**6,507**	**396,363**	**6,567**
Unsecured loans	11,261	9,185	71,690	58,021
Subordinated loans	40,000	—	40,000	—
Mortgage loans	13,610	6,178	20,341	2,300
Credit lines	—	13	6,000	11,000
Arrangement expenses	(1,553)	(954)	(2,744)	(1,011)
Effect of renegotiation of debt NIIF 9	16	37	547	258
Borrowing costs	—	912	—	1,345
Bank borrowings	**63,334**	**15,371**	**135,834**	**71,913**
Total	**461,101**	**21,878**	**532,197**	**78,480**

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

Secured senior bonds maturing in 2026

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

The outstanding nominal amount at 31 December 2023 was 400,000 thousand euros.

Secured syndicated credit line

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

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

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

At 31 December 2023, the total amount of 242,000 thousand euros of this financing was available.

Unsecured loans

- Syndicated ICO backed loan maturing in 2026

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

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

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

In August 2022, the Parent Company requested voluntary early repayment of the loan for a total of 100,000 thousand euros. Furthermore, In December 2022, the Parent Company requested another voluntary early repayment of the loan for a total of 100,000 thousand euros. Last, in January 2023 the Parent Company requested the repayment of the remaining 50,000 thousand euros, and this loan was repaid in full at that date. All the repayments were made using cash available to the Company.

- Other non-guaranteed loans

  - In May 2020, the Parent Company signed a bilateral loan for 10,000 thousand euros over 2 years, within the legal framework provided by the Spanish state to mitigate the economic impact of COVID-19 and thus receiving the ICO guarantee. In May 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of May 2025. At 31 December 2023, the outstanding nominal amount of this financing was 5,000 thousand euros.

  - In July 2020, the Parent Company signed a bilateral loan for 7,500 thousand euros over 3 years, within the legal framework provided by the Spanish state to mitigate the economic impact of COVID-19 and thus receiving the ICO guarantee. In April 2021, on the basis of Royal Decree Law 34/2020, the Parent Company agreed the extension of the maturity of this loan for a further 3 years, with a new maturity date of July 2026. At 31 December 2023, the outstanding nominal amount of this financing was 4,904 thousand euros.

  - In October 2020 the Italian subsidiary NH Italia Spa signed a bilateral loan for 15,000 thousand euros over 6 years, within the legal framework provided by the Italian state to mitigate the economic impact of Covid-19 and, in this way, receiving the State guarantee (SACE). At 31 December 2023, the outstanding nominal amount of this financing was 10,313 thousand euros.

  - Furthermore, various bilateral loans were signed between June and September 2020 in different regions (Portugal and Chile) to mitigate the economic impact of the pandemic. At 31 December 2023, the total amount drawn down from these loans was paid in full.

Other subsidiaries of the Parent Company had other unsecured bilateral loans, including a loan of the American subsidiary for 50,000 thousand dollars signed in 2018 and maturing in July 2023. These funds were used to finance the New York hotel's CapEx. This loan was repaid in full at maturity with the company's available cash. The remaining unsecured bilateral loans are distributed among the companies in Colombia and, at 31 December 2023, the amount drawn down was 229 thousand euros.

Subordinated loan

One loan amounting to 40,000 thousand euros, fully drawn at 31 December 2023 and with a single maturity and repayment date at the end of its term, in 2037, is included in this item. The interest rate on this loan is the 3-month Euribor plus a spread.

Mortgage loans

The detail of the mortgage loans and credits is as follows:

		Thousands of euros			
		2023			
	Mortgaged asset	Fixed rate	Variable interest	Total	Net book value of the mortgaged asset
Spain	Wilan Ander	2,880	—	2,880	3,749
	Wilan Huel	2,063	—	2,063	3,721
	NH Palacio de la Merced	—	1,422	1,422	14,671
Total Spain		**4,943**	**1,422**	**6,365**	**22,141**
Chile	NH Plaza de Santiago	12,332	1,091	13,423	13,677
Total Other		**12,332**	**1,091**	**13,423**	**13,677**
Total		**17,275**	**2,513**	**19,788**	**35,818**

		Thousands of euros			
		2022			
	Mortgaged asset	Fixed rate	Variable interest	Total	Net book value of the mortgaged asset
Spain	Wilan Ander	3,362	—	3,362	4,218
	Wilan Huel	2,408	—	2,408	4,122
	NH Palacio de la Merced	—	2,018	2,018	15,031
Total Spain		**5,770**	**2,018**	**7,788**	**23,371**
Chile	NH Plaza de Santiago	14,853	—	14,853	14,888
Total Other		**14,853**	**—**	**14,853**	**14,888**
Total		**20,623**	**2,018**	**22,641**	**38,259**

Bilateral credit lines

At 31 December 2023, 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 2023 amounted to 62,000 thousand euros, of which 13 thousand euros had been drawn down at that date (17,000 thousand euros at 31 December 2022).

Obligations required in the senior notes contracts maturing in 2026, and the syndicated credit line maturing in 2026

The senior notes maturing in 2026, the syndicated and the syndicated credit line 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.

Additionally, the syndicated credit line maturing in 2026 requires compliance with financial ratios (financial covenants); in particular, (i) an interest coverage ratio of > 2.00x, (ii) a net indebtedness ratio of < 5.50x.

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

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

At 31 December 2023, and based on the reported figures for that year, the ratios described above (financial covenants and LTV) are met.

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.; and NH Capelle owed by Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.; and the joint guarantee on first demand of the main operating companies in the group wholly owned by the Parent Company.

The net book value of the assets granted as mortgage security against the syndicated credit line (242,000 thousand euros fully available at 31 December 2023) and secured senior bonds amounting to 400,000 thousand euros, maturing in 2026, can be broken down as follows:

	Thousands of euros
	Net Book value
NH Conference Centre Leeuwenhorst	52,280
NH Conference Centre Koningshof	35,308
NH Conference Centre Sparrenhorst	7,998
NH Zoetermeer	6,940
NH Capelle	6,138
Total	**108,664**
Valor neto contable de los activos otorgados como garantía hipotecaria	**108,664**
Importe dispuesto de la deuda garantizada	**400,000**
A interés fijo	**400,000**
A interés variable	**—**

Limitation on the distribution of Dividends

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

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

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

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

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

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

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

All these metrics are calculated using consolidated data.

At 31 December 2023, the ratios for the distribution of dividends that year were met.

Contractual maturity schedule

The details by maturity are as follows:

As of 31/12/2023				Maturity schedule					
Thousands of euros	Limit / granted	Available	Disposed	Year 1	Year 2	Year 3	Year 4	Year 5	Remainder
Mortgage loans	**19,788**	**—**	**19,788**	**6,178**	**1,311**	**833**	**837**	**837**	**9,792**
Fixed rate	17,275	—	17,275	5,512	614	614	769	769	8,997
Variable interest	2,513	—	2,513	666	697	219	68	68	795
Subordinated loans	**40,000**	**—**	**40,000**	**—**	**—**	**—**	**—**	**—**	**40,000**
Variable interest	40,000	—	40,000	—	—	—	—	—	40,000
Guaranteed senior notes mat. in 2026	**400,000**	**—**	**400,000**	**—**	**—**	**400,000**	**—**	**—**	**—**
Fixed rate	400,000	—	400,000	—	—	400,000	—	—	—
Unsecured loans	**20,446**	**—**	**20,446**	**9,185**	**7,322**	**3,939**	**—**	**—**	**—**
Fixed rate	4,904	—	4,904	1,872	1,905	1,127	—	—	—
Variable interest	15,542	—	15,542	7,313	5,417	2,812	—	—	—
Secured syndicated credit line	**242,000**	**242,000**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Variable interest	242,000	242,000	—	—	—	—	—	—	—
Credit lines	**62,000**	**61,987**	**13**	**13**	**—**	**—**	**—**	**—**	**—**
Variable interest	62,000	41,987	13	13	—	—	—	—	—
Borrowing at 31/12/2023	**784,234**	**303,987**	**480,247**	**15,376**	**8,633**	**404,772**	**837**	**837**	**49,792**
Arrangement expenses	(6,144)	—	(6,144)	(2,358)	(2,451)	(1,037)	(30)	(30)	(238)
NIIF 9	53	—	53	37	14	2	—	—	—
Borrowing costs	8,823	—	8,823	8,823	—	—	—	—	—
Adjusted total debt at 31/12/2023	**786,966**	**303,987**	**482,979**	**21,878**	**6,196**	**403,737**	**807**	**807**	**49,554**
Adjusted total debt at 31/12/2022	**877,677**	**267,000**	**610,677**	**78,479**	**18,473**	**7,865**	**454,029**	**855**	**50,976**

At 31 December 2023, the average cost of the gross drawdown amount of the Group was 4.2% (4.2% in 2022).

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

	Total liabilities	Year 1	Year 2	Year 3	Year 4	Year 5	Remainder
Gross lease payments 31/12/2023	2,805,723	265,110	253,422	239,048	213,489	195,681	1,638,973
Gross lease payments 31/12/2022	2,698,525	258,657	244,428	226,713	210,891	182,315	1,575,521

Net Debt

The detail of net debt at 31 December 2023 was as follows:

	Thousands of euros	
Net Debt	2023	2022
Cash and cash equivalents	215,991	301,763
Financial debt (Long and short term)	(482,979)	(610,677)
Lease liabilities (Note 8)	(1,958,861)	(1,895,592)
Net Debt	**(2,225,849)**	**(2,204,506)**
Cash and liquid investments	**215,991**	**301,763**
Gross debt – fixed interest rates	(2,385,348)	(2,325,085)
Gross debt – variable interest rates	(56,491)	(181,184)

17.- TAX NOTE

Tax consolidation scheme

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

NH Hotel Group, S.A. and the companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2023 tax period are subject to the tax consolidation scheme governed by Title VII, Chapter VI of Law 27/2014 on Corporate Income Tax.

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

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

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

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

In 2023, Spanish companies pay taxes at the general tax rate of 25% irrespective of whether they apply the consolidated or separate taxation schemes. The foreign companies are subject to the prevailing tax rate in the countries where they are domiciled. In addition, taxes are recognised in some countries at the estimated minimum profit on a complementary basis to Corporation Tax.

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

Country	Nominal Rate	Country	Nominal Rate
Alemania	30%	Italia	24%
Argentina	25%-35%	Luxemburgo	24.9%
Austria	24%	México	30%
Bélgica	25%	Holanda	25.8%
Brasil	34%	Polonia	19%
Chile	27%	Portugal	21%
Colombia	35%	Rumanía	16%
Rep Checa	19%	Sudáfrica	28%
Rep Dominicana	27%	España	25%
Ecuador	25%	Suiza	8.5%
Francia	25%	Reino Unido	19%
Hungría	9%	Uruguay	25%
Irlanda	12.5%	Estados Unidos	21%

Financial years subject to tax inspection

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

Tax	Pending periods
Corporation	2017 a 2022
VAT	2020 a 2023
IRPF (personal income tax)	2020 a 2023
Non-resident Income Tax	2020 a 2023

Financial year 2017, which is open to inspection since the Group requested the rectification of the Spanish tax consolidation group's corporation tax returns for 2017, 2018, 2021 and 2022, given that it considers the measures introduced by Royal Decree-Law 3/2016 of 2 December to be unconstitutional. The recent ruling of the Constitutional Court of 18 January 2024 (unconstitutionality issue 2577/2023) declared certain corporation tax measures introduced by this Royal Decree-Law as unconstitutional. Based on the information available at the date of preparing the accounts, the Group estimates that it will obtain a refund of the overpaid amount of between 8 and 12 million euros, but classifies this asset as contingent as it does not consider it virtually certain that it will be obtained.

In Germany, an inspection procedure has been opened which is reviewing the amount of negative tax bases still to be offset by the companies.

In 2023, the audit procedures opened in Germany and Switzerland for financial years 2015 and 2018, and 2016 to 2020, respectively, were completed. The inspections have not led to any material adjustments for the companies.

In Spain, a partial inspection procedure was carried out in 2023 in relation to non-resident income tax withholdings for 2019. Last October, the Act of Conformity was signed, with no changes to the period under verification. Likewise, in 2023, an inspection procedure was initiated and completed in Portugal in relation to 2020, resulting in no material regularisations being determined for the company.

A tax audit procedure began in France in 2023 for all taxes covering financial years 2021 and 2022.

Last, a procedure remains open in Colombia relating to the deductions of certain Corporation Tax expenses.

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

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

Balances with Public Administrations

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

	Thousands of euros	
	2023	2022
Deferred tax assets		
Tax credits	99,225	132,343
Tax assets due to asset impairment	43,978	46,648
Tax withholdings of workforce	3,547	2,495
Other prepaid taxes	1,189	1,080
NIIF 16	76,612	75,779
Total	**224,551**	**258,345**

	Thousands of euros	
	2023	2022
Short-term taxes receivable		
Current income tax paid	20,572	10,974
Value Added Tax	28,402	28,017
Other tax receivables	3,824	5,326
Total	**52,798**	**44,317**

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

	Thousands of euros	
	2023	2022
Opening balance	**258,345**	**294,005**
Asset impairment	(2,670)	443
Generation of assets due to tax losses	—	—
Settlements of assets due to tax losses	(34,350)	(30,446)
Activation of deductions	—	—
Changes in consolidation scope (Note 2.9.5)	1,438	—
IFRS 16 (Note 7)	669	(5,239)
Others	1,119	(418)
Total	**224,551**	**258,345**

All these impacts have had an effect on the consolidated statement of profit and loss or the consolidated statement of comprehensive income.

Certain deferred tax assets and liabilities mainly relating to IFRS16 are offset in the balance sheet. The net amount of deferred tax assets relating to IFRS 16 is 76,612 thousand euros, corresponding to 460,329 thousand euros of deferred tax assets and 383,717 thousand euros of deferred tax liabilities.

The decrease in deferred tax assets is mainly due to the movement of tax credits amounting to 33,118 thousand euros. This movement is explained by the addition of the tax credit amounting to 1,232 thousand euros derived from including four companies that own hotel assets in Portugal in the consolidation scope, and the application of tax loss carryforwards amounting to 34,350 thousand euros.

At 31 December 2023, the Group had assets resulting from tax losses and deductions amounting to 99,225 thousand euros (132,343 thousand euros in 2022). Of the total tax credits, 67,716 thousand euros (74,490 thousand euros in 2022) relates to credits activated in Spain.

In 2023, the movement of tax credit assets that impacted the consolidated statement of profit and loss was 34,350 thousand euros, caused by the cancellation of assets, mainly in Spain (6,774 thousand euros), Germany (9,154 thousand euros), Holland (8,136 thousand euros), Italy (5,285 thousand euros), Latin America (2,679 thousand euros) and Portugal (1,545 thousand euros). In Germany, the cancellation of tax credits was mainly due to the recognition of an impairment amounting to 8,181 thousand euros as it is not considered that sufficient taxable income will be generated in the future to apply the credit.

At 31 December 2023, the Group had tax loss and non-deductible financial expenses worth 216,981 thousand euros (205,656 thousand euros at 31 December 2022), and deductions amounting to 2,047 thousand euros (2,577 thousand euros in 2022) that had not been entered in the accompanying consolidated statement of financial position. These assets are grouped as follows (rate amount):

	Thousands of euros	
	2023	2022
Non-deductible financial expenses in Spain	40,356	55,665
Negative tax bases generated by the Spanish entities before their inclusion in the Spanish consolidation group	25,703	25,703
Spanish consolidation group tax loss carryforwards	33,856	33,856
Negative tax bases generated in Belgium	5,439	6,343
Negative tax bases generated in Luxembourg	3,958	3,543
Negative tax bases generated in Germany	44,097	33,288
Negative tax bases generated in Austria	12,407	10,702
Negative tax bases generated in Switzerland	1,762	1,948
Negative tax bases generated in Latin America	5,957	3,896
Negative tax bases USA	22,709	9,363
Negative tax bases France	6,278	4,907
Other negative tax bases	14,459	16,442
Total credit for negative tax bases and financial expenses	**216,981**	**205,656**
Deductions generated in Spain	2,047	2,577
Total deductions	**2,047**	**2,577**
Total non-activated tax credits	**219,028**	**208,233**

The amount of credit for finance costs, which are not considered deductible in the Spanish corporate income tax when exceeding 30% of the operating revenue of the tax group calculated in accordance with Article 16 of Law 27/2014 of 27 December, on Corporate Income Tax, amounted to 40,356 thousand euros at 31 December 2023 (55,665 thousand euros in 2022). There is no deadline for offsetting non-deductible finance costs.

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

	Thousands of euros	
	2023	2022
Deferred tax liabilities		
Assets revaluation	176,313	192,030
Total	**176,313**	**192,030**

	Thousands of euros	
	2023	2022
Short-term taxes payable		
Current income tax paid	28,263	14,580
Value Added Tax	4,962	4,641
Personal Income Tax	8,982	7,797
Tax on Income from Capital	1,132	1,074
Social Security	10,910	9,028
Others	23,072	15,385
Total	**77,321**	**52,505**

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

	Thousands of euros	
	2023	2022
Opening balance	**192,030**	**186,359**
IAS 29 Hyperinflationary economies	(16,731)	8,622
Others	1,014	(2,951)
Closing balance	**176,313**	**192,030**

The decrease in deferred tax liabilities is mainly due to the decrease in deferred tax associated with the revaluation of assets in Argentina, due to application of IAS29, amounting to 16,731 thousand euros (8,622 thousand euros in 2022).

All these impacts have had an effect on the consolidated statement of profit and loss or the consolidated statement of comprehensive income.

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

	2023			
	Thousands of euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	67,716	23,157	90,873	18,597
Benelux	9,686	26,470	36,156	15,642
Italy	—	14,901	14,901	77,511
Germany	12,543	36,814	49,358	857
Others	9,280	23,984	33,263	63,706
Total	**99,225**	**125,326**	**224,551**	**176,313**

	2022			
	Thousands of euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	74,490	27,602	102,092	19,765
Benelux	18,600	24,979	43,579	17,979
Italy	5,285	21,281	26,566	92,204
Germany	21,697	40,829	62,526	1,900
Others	12,271	11,311	23,582	60,182
Total	**132,343**	**126,002**	**258,345**	**192,030**

Reconciliation of the accounting result to the tax result

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

	2023						2022		
	Thousands of euros						Thousands of euros		
	Central Services/ Southern Europe and USA	Italy	Benelux	Central Europe	Latin America	TOTAL	Central Services / Southern Europe and USA	Other Companies	TOTAL
Consolidated statement of profit and losss before taxes	**84,834**	**97,223**	**52,628**	**(51,808)**	**20,284**	**203,161**	**61,297**	**94,313**	**155,610**
Adjustments to consolidated profit and loss:									
Due to permanent differences	(28,158)	23,084	3,574	79,395	3,683	81,578	(40,737)	(59,424)	(100,161)
Due to temporary differences	(39,969)	(30,630)	(23,347)	(18,399)	(6,245)	(118,590)	(2,793)	21,265	18,472
Tax base (Taxable profit or loss)	**16,707**	**89,677**	**32,855**	**9,188**	**17,722**	**166,149**	**17,767**	**56,154**	**73,921**
Current taxes to be refunded / (to pay)	12,532	(16,455)	(4,112)	(1,581)	1,925	(7,691)	6,452	(10,058)	(3,606)
Total current tax income / (expense)	(4,098)	(21,522)	(8,402)	(1,136)	(6,010)	(41,168)	(4,425)	(13,735)	(18,160)
Total deferred tax income / (expense)	(9,810)	(7,351)	(5,317)	(5,616)	(1,743)	(29,837)	(6,960)	(27,987)	(34,947)
Total other income / (expense)	198	—	1,098	(540)	(67)	689	(28)	69	41
Total Gains Tax income / (expense)	**(13,710)**	**(28,873)**	**(12,621)**	**(7,292)**	**(7,820)**	**(70,316)**	**(11,413)**	**(41,653)**	**(53,066)**

In relation to the calculation of the Spanish income tax expense, the Group has made its best estimate by offsetting tax loss carryforwards from previous years with the limitation of 70% of the positive result for 2023, taking into account the recent ruling of the Constitutional Court of 18 January 2024 (unconstitutionality issue 2577/2023) whereby the plenary unanimously declared certain corporation tax measures introduced by Royal Decree-Law 3/2016 of 2 December unconstitutional.

Deductions generated by the consolidated tax group of the Parent Company

At 31 December 2023, the Tax Group held the following tax credits carryforwards:

Year of origin	Deduction pending application	Amount in thousands of euros
2008 a 2022	Deduction to encourage certain activities	78
2015 a 2022	IT Deduction	1,969
2013 a 2014	Other	185
		2,232

Pillar 2 Directive

The group is within the scope of the OECD Pillar 2 rules. Within the European Union, the Pillar 2 Directive (Directive EU2022/2523) was adopted on 15 December 2022, according to which large multinationals with a global turnover of more than 750 million euros in at least two of the previous four financial years will be subject to these rules, which basically seek a minimum taxation on profits.

The parent company of the group is MINT, an entity resident in Thailand, which holds its shareholding through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte Ltd., resident in Singapore. Both Thailand and Singapore have expressed their intention to implement Pillar 2, although on the reporting date, the regulations to support such implementation have not yet been approved.

In Spain, on 20 December 2023, a draft bill was published establishing a supplementary tax to guarantee an overall minimum level of taxation for multinational groups and large domestic groups. According to the text of the Draft Bill, the Law will take effect for tax periods beginning on or after 31 December 2023, except for the under-taxed profits rule, which will take effect for tax periods beginning on or after 31 December 2024.

As the Pillar 2 legislation is not in force on the reporting date, the group has no corresponding current tax exposure in 2023. The group applies the exception to the recognition and disclosure of deferred tax assets and liabilities in relation to Pillar 2 taxes, in accordance with the May 2023 amendments to IAS 12.

Under Pillar 2 legislation, the group would be required to pay an additional tax on the difference between the effective GloBE tax rate per jurisdiction and the minimum rate of 15%. All group entities have an effective tax rate exceeding 15%, except for Spain, Belgium, Chile and South Africa whose effective tax rates are 12.3%, 14.3%, -8.1% and -0.2%, respectively.

	Spain	Belgium	Chile	South Africa
Profit/loss before tax	96,620	12,741	2,036	2,081
Income tax	(11,875)	(1,819)	165	3
Effective tax rate	12.3 %	14.3 %	(8.1)%	(0.1)%

Notwithstanding the above, the group is in the process of assessing its exposure to the Pillar 2 legislation for when it enters into force. The conclusions of the group's study suggest that it may not be liable to pay the additional tax in these jurisdictions due to the impact of specific adjustments or exemptions under the current Pillar 2 rules.

Due to the complexity of applying existing legislation and calculating GloBE income, and taking into account that very relevant legislation has yet to be passed, the quantitative impact of legislation passed or substantially passed is not currently reasonably estimable. The company is currently working with tax specialists to assist it in making such an estimate and, when the legislation is passed, in implementing it.

18.- OTHER NON-CURRENT LIABILITIES

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

	Thousands of euros	
	2023	2022
At amortised cost:		
Capital subsidies	1,300	1,496
Investment acquisition liability	3,150	3,150
Other liabilities	19,093	18,047
Total	**23,543**	**22,693**

“Other liabilities” includes the deferral of various long-term commitments to public authorities for 9,433 thousand euros (12,556 thousand euros in 2022).

19.- PROVISIONS

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

	Thousands of euros				
	Balance at 1/1/2023	Additions	Applications/ Reversals	Transfers and other changes	Balance at 31/12/2023
Non-current provisions:					
Provision for long-term incentives for staff	3,612	2,579	—	(2,135)	4,056
Provision for pensions and similar obligations	20,511	9,508	(4,869)	—	25,150
Other claims	17,880	3,318	(6,514)	—	14,684
	42,003	**15,405**	**(11,383)**	**(2,135)**	**43,890**
Current provisions:					
Provision for short-term incentives for staff	—	3,029	—	2,135	5,164
Other Provisions	7,339	—	(6,460)	—	879
	7,339	**3,029**	**(6,460)**	**2,135**	**6,043**
Total	**49,342**	**18,434**	**(17,843)**	**—**	**49,933**

	Thousands of euros				
	Balance at 1/1/2022	Additions	Applications/ Reversals	Transfers and other changes	Balance at 31/12/2022
Non-current provisions:					
Provision for long-term incentives for staff	1,117	2,495	—	—	3,612
Provision for pensions and similar obligations	26,915	4,714	(11,118)	—	20,511
Other claims	16,029	3,568	(1,861)	144	17,880
	44,061	**10,777**	**(12,979)**	**144**	**42,003**
Current provisions:					
Other Provisions	3,475	6,584	(2,576)	(144)	7,339
	3,475	**6,584**	**(2,576)**	**(144)**	**7,339**
Total	**47,536**	**17,361**	**(15,555)**	**—**	**49,342**

Staff Incentive Plan

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

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

- First cycle 2022-2024, payment of which will occur in 2025 (current).
- Second cycle 2023-2025, payment of which will occur in 2026 (current).
- Third cycle 2024-2026, payment of which will occur in 2027 (pending launch in 2024).

These schemes consist of a promise to deliver a cash amount to the beneficiaries. The final amount to deliver is conditional on the degree of compliance with Recurring EBITDA/Net Profit in each year of the plan.

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

- If the degree to which the EBITDA/Recurring Net Profit targets for the Group are achieved falls below 90%, no long-term incentive amount will be paid.
- If the degree to which the EBITDA/Recurring Net Profit targets for the Group are achieved is between 90% and 100%, 100% of the long-term incentive amount will be paid.
- If the degree of achievement of the Group's EBITDA/Recurring Net Profit target is higher than 100% and lower than 120%, the final degree for that year will be made by linear interpolation.
- If the degree to which the EBITDA/Recurring Net Profit targets for the Group are achieved is 120% or higher, a maximum of 120% of the long-term incentive amount will be paid.

In addition, in 2022, the Company launched a two-year, single-cycle "Performance Cash Plan" Long-Term Incentive. This incentive began accruing on 1 January 2022 and ended on 31 December 2023, and consists of the promise to deliver a cash amount to the beneficiaries calculated as a percentage of the fixed salary in accordance with their level of responsibility. The final amount to deliver is conditional on the degree of compliance with Recurring EBITDA in each year of the plan (2022 and 2023).

To calculate the achievement of the EBITDA target in each year, it is an indispensable condition that the Recurring Net Profit for the year is zero or more. Otherwise, the level of achievement of the target EBITDA for the year will be 0.

The final achievement of this incentive was: 115.99%. Furthermore, in view of the extraordinary performance of the management team, beyond the achievement of EBITDA, the Board of Directors has decided to increase the incentive to be paid within the overall limit set by the remuneration policy in force in 2023 with respect to the multi-year variable remuneration.

Both the Plan and the biennial incentive are aimed at approximately 100 beneficiaries. 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.

Provision for pensions and similar obligations

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

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

The provision includes the impact of changes in its actuarial calculation of -3,888 thousand euros net of tax, as detailed in the comprehensive consolidated statement (5,462 thousand euros in 2022).

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

	2023		2022	
	Netherlands	Italy	Netherlands	Italy
Discount rates	3,5%	2,42% -1,94%	3,75%	2,23% - 1,67%
Expected annual rate of salary rise	0,5%	1,40% - 2,60%	2,75%	1,40% - 2,60%
Expected return from assets allocated to the plan	0,33%	0,04%	0,39%	0,04%

	2023	2022
	Spain	Spain
Discount rates	3,59% - 3,9%	3,28%- 3,45%
Expected annual rate of salary rise	2,5%	2,5%

Other claims

The "Other claims" item includes provisions for disputes and risks that the Group considers likely to occur. Among the most significant are the provisions created on the basis of the action brought in the proceedings claiming breach of contract in a property development, as well as other claims received in relation to the termination of certain leases where certain amounts are claimed (Note 22).

20.- COMMERCIAL CREDITORS AND OTHER ACCOUNTS PAYABLE

The breakdown of this item in the consolidated statement of financial position at 31 December is as follows:

	Thousands of euros	
	2023	2022
Trade and other payables	301,441	263,618
Advance payments from customers	55,476	42,891
Accounts payable from related entities (Note 24)	1,913	2,955
Public administration receivables (Note 17)	49,058	37,925
Total	**407,888**	**347,389**

"Commercial Creditors and Other Accounts Payable" covers the accounts payable derived from commercial activity typical of the Group. This heading includes 40,107 thousand euros (43,236 thousand euros at 31 December 2022) relating to creditors from confirming operations.

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

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

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified by the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, and Law 18/2022, of 28 September, on the creation and growth of businesses, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

	2023	2022
	Days	
AVERAGE PERIOD FOR PAYMENT TO SUPPLIERS	65	79
RATIO OF PAID TRANSACTIONS	65	80
RATIO OF TRANSACTIONS PENDING PAYMENT	65	63
	Amount (Thousands of euros)	
TOTAL PAYMENTS MADE	367,428	315,527
TOTAL PAYMENTS PENDING	20,351	23,404

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

During 2023, the monetary volume of the invoices paid within the maximum limit provided for in the bad debt regulations was 204,704 thousand euros (139,876 thousand euros in 2022), representing 56% (44% in 2022) of the total monetary volume of the invoices. The number of invoices paid within the maximum limit provided for in the bad debt regulations was 110 thousand euros (66 thousand euros in 2022), representing 62% (41% in 2022) of the total volume of invoices;

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

- Ratio of paid transactions: average payment period of transactions paid in each year weighted by the amount of each transaction.

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

The Company has significantly reduced the maximum payment period to trade suppliers compared to previous years. This is a result of various measures focused on resizing existing resources, as well as renegotiating contracts, implementing technological improvements in invoice processing and other actions in different areas aimed at recovering the legal ratio (set at 60 days), which are showing results compared to the previous year.

21.- OTHER CURRENT LIABILITIES

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

	Thousands of euros	
	2023	2022
Outstanding remuneration	55,210	60,911
Sundry creditors	9,805	15,241
Other liabilities	109	118
Total	**65,124**	**76,270**

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

22.- THIRD-PARTY GUARANTEES AND CLAIMS IN PROGRESS

At 31 December 2023, the Group had a total of 41,903 thousand euros in economic or financial bank guarantees issued by various banks (39,114 thousand euros in 2022).

Of the 41,903 thousand euros in bank guarantees, 35,038 thousand euros guarantee leasing contract obligations and others related to the Group's usual operations in various countries, and 6,865 thousand euros are guarantees issued to public bodies for administrative and technical matters.

At 31 December 2023, the Group had taken out insurance policies to cover risks arising from damage to material goods, loss of profits and third-party liability. The capital insured sufficiently covers the assets and risks mentioned above.

Commitments to third parties

- Within the framework of new development projects in the normal course of business, in which NH 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 16).

Claims in process

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

- A claim has been filed against a Group company in Germany due to the termination of a lease agreement and the claiming of specific amounts, including damages.

- A Group company in Italy has been sued for damages under a service provision contract, with the claim being dismissed in the first instance. On appeal, the decision was made final. A claim has been filed against two of the Group's companies seeking payment fees to rights management from 1 January 2008 to 31 May 2013, in addition to an unspecified amount corresponding to the period thereafter until a judgement is issued, plus interest and costs. The proceedings finalised after the cassation appeal lodged by the claimant was no admitted, with the judgement on appeal that set a lower amount than that claimed became final and this is pending settlement.

- A claim has been filed against a Group company claiming payment in relation to the payment of a management entity's fees for the years 2018, 2019, with the claim in the first instance having been wholly dismissed. The proceedings are currently under appeal.

- A claim for damages has been filed against a Group company within the framework of a corporate relationship, which has been dismissed in its entirety at the appeal stage, although this ruling has been appealed in cassation, which is pending admission.

- Claims for payment, within the framework of the various processes of rent renegotiation that the Company is in, have been lodged where partially favourable judgements have been obtained, out-of-court settlements have been reached or they are still in progress.In the context of a legal proceeding in which the Company requested that the termination of a lease contract be declared lawful, the defendant has answered requesting, among other things, the payment of the rents unpaid as a consequence of the aforementioned termination, and the proceeding is currently pending trial.

- On the occasion of the agreements reached in 2014 for the sale of the shares held by NH Hotel Group, S.A in the company Sotogrande, S.A., the Group agreed to subrogate to the position of Sotogrande, S.A. for certain claims assuming all rights and obligations relating thereto, and are summarised as follows:

    - Plaintiff in the proceedings against construction agents for construction defects in twenty-five homes and contractual liability, where partially favourable judgements have been obtained.

    - Respondent in the process of claiming amounts from a real estate development due to construction defects, where a partially favourable judgement has been obtained.

- A former shareholder of the Group has requested the annulment of certain resolutions adopted by the Board of Directors. The claim was wholly dismissed and the proceedings are currently under appeal.

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

23.- INCOME AND EXPENSES

23.1 Income

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

	Thousands of euros	
	2023	2022
Hotel occupancy	1,574,858	1,260,486
Catering	382,536	302,450
Function rooms and others	140,484	109,566
Rentals and other services	61,117	49,855
Ordinary income	**2,158,995**	**1,722,357**
Operating subsidies	(558)	33,218
Other operating income	5,780	4,809
Other income	**5,222**	**38,027**
Net gains on disposal of non-current assets	**(239)**	**2,771**
Total	**2,163,978**	**1,763,155**

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

Aid received of 4.2 million euros has been recorded under the Operating subsidies line, subsidies received from the German and Italian governments to offset the drop in sales caused by COVID-19. Nonetheless, a reversion of 4.8 million euros has been recorded, which corresponds to the adjustment made to the estimated aid to be received from the Austrian government. Said government is conducting a review of the accounts justifying the requested financial aid and the amounts recorded cannot therefore be considered final until that process is complete.

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

	Thousands of euros	
	2023	2022
Italy	459,740	350,930
Southern Europe and USA	629,788	525,798
Central Europe	471,826	354,025
Benelux	461,367	372,333
Latin America	135,708	118,593
Central Services	566	678
Total	**2,158,995**	**1,722,357**

23.2 Operating profit (loss)

Staff costs

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

	Thousands of euros	
	2023	2022
Wages, salaries and similar	401,316	336,094
Social security contributions	97,976	79,315
Severance payments	1,637	937
Contributions to pension plans and similar	12,991	11,359
Other social expenses	16,995	13,438
Total	**530,915**	**441,143**

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

	2023	2022
Group's general management	9	8
Managers and heads of department	1,537	1,454
Technical staff	1,047	929
Sales representatives	903	699
Administrative staff	138	135
Rest of workforce	8,802	7,770
Total	**12,436**	**10,995**

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

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

	2023		2022	
	Males	Females	Males	Females
Group's general management	7	2	6	2
Managers and heads of department	886	694	864	647
Technical staff	522	582	514	493
Sales representatives	304	696	257	580
Administrative staff	53	100	49	94
Rest of workforce	4,754	5,018	4,321	4,624
Total	**6,526**	**7,092**	**6,011**	**6,440**

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

	2023	2022
Managers and heads of department	2	4
Technical staff	13	12
Sales representatives	3	2
Administrative staff	7	4
Rest of workforce	88	79
Total	**113**	**101**

The average age of the Group's workforce was approximately 40.0 and average seniority in the Group was 8.4 years (41.1 years and 10.5 years respectively in 2022).

Other operating expenses

The composition of this consolidated income heading is as follows:

	Thousands of euros	
	2023	2022
Leasing (Note 7)	201,905	126,541
Outsourcing of services	151,245	124,356
Commissions and bonuses for customers	126,713	103,919
Supplies	95,740	69,999
Maintenance and cleaning	56,158	49,763
Laundry and related costs	49,146	38,647
Costs associated with information technologies	40,802	37,372
Marketing and merchandising	31,384	20,107
Taxes, insurance and levies	36,887	33,854
Advisory services	18,197	17,970
Other external services	107,310	96,677
Total	**915,487**	**719,205**

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

During 2023 and 2022, the fees for account auditing and other services provided by the auditor of the Group's consolidated financial statements and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	Thousands of euros	
	2023	2022
Auditing services	704	571
Other verification services	251	335
Total auditing and related services	**955**	**906**
Tax consulting services	—	—
Other services	392	91
Total other services	**392**	**91**
Total professional services	**1,347**	**997**

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

	Thousands of euros	
	2023	2022
Auditing services	992	1,044
Other verification services	260	240
Total auditing and related services	**1,252**	**1,284**
Tax consulting services	37	120
Other services	134	192
Total other services	**171**	**312**
Total professional services	**1,423**	**1,596**

During 2023, other auditing firms apart from the auditor of the consolidated financial statements or entities associated with this company by control, shared ownership or management, provided account auditing services to the companies making up the Group, for fees totalling 171 thousand euros (89 thousand euros in 2022). To this effect, the fees accrued in 2023 by these firms for tax advice services were 578 thousand euros (324 thousand euros in 2022) and for other services, 535 thousand euros (508 thousand euros in 2022).

23.3 Financial profit/(loss)

Financial income

The breakdown of the amount of financial income is as follows:

	Thousands of euros	
	2023	2022
Interest income	10,746	2,156
Other financial income	1,736	4,336
Total	**12,482**	**6,492**

Interest income corresponds to remuneration of short term deposits (Note 14).

Financial expenses

The breakdown of the amount of financial expenses is as follows:

	Thousands of euros	
	2023	2022
Expenses for interest	29,561	35,771
Amortisation of debt issuance expenses and fair value adjustments	2,593	4,012
Financial expenses on debt	**32,154**	**39,783**
Financial expenses on leases (Note 7)	**85,608**	**81,073**
Financial expenses for means of payment	26,297	19,749
Financial effect relating to restatement of provisions and other financial liabilities	128	27
Other Financial expenses	**26,425**	**19,776**

The decrease in the "Expenses for interest" is mainly due to the decrease in gross financial debt (excluding lease liabilities) during 2022 and 2023 (full and voluntary repayment of the syndicated loan with ICO guarantee amounting to 250,000 thousand euros, and to the loan of the US subsidiary for USD 50,000 thousand signed in 2018 and maturing in July 2023) (Note 16).

The decrease 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 2022 and 2023 financial years (Note 16).

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

The heading "Financial expenses for means of payment" increased as a result of the increase in activity.

Results from exposure to hyperinflation

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

Other financial profit/loss

	Thousands of euros	
	2023	2022
Change in fair value of financial instruments	(799)	831
Profit/(loss) on financial transactions and others	2,338	23,560
Impairment on financial investments	(2,277)	2,051
Total	**(738)**	**26,442**

The "Gains/losses on financial and other operations" heading includes income from the additional price obtained from the sale of shares in a company that owned a hotel in France in 2011. Impairment of financial investments also includes the impairment of a financial investment in Mexico due to the evolution of the euro-peso and euro-dollar exchange rates.

24.- RELATED PARTY TRANSACTIONS

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

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

	Thousands of euros		
	2023		
Income and Expenses	Significant shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	3,986	—	3,986
Other expenses	362	—	362
	4,348	**—**	**4,348**
Income:			
Management or cooperation agreements	347	2,133	2,480
Other income	1,393	—	1,393
	1,740	**2,133**	**3,873**

	Thousands of euros		
	2022		
Income and Expenses	Significant shareholders	Associates or companies of the Group	Total
Expenses:			
Financial expenses	—	—	—
Reception of services	2,084	—	2,084
Other expenses	1,547	—	1,547
	3,631	**—**	**3,631**
Income:			
Financial income	—	372	372
Management or cooperation agreements	5,184	1,679	6,863
Other income	1,204	—	1,204
	6,388	**2,051**	**8,439**

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

Related party transactions

On 18 December 2023, NH Group entered into a share purchase agreement with MHG Continental Holding (Singapore) Pte. LTD. whereby it acquired 100% of the share capital of the company Minor Continental Holding (Luxembourg) S.à r.l., which in turn owns, directly or indirectly, the shares of the companies Hotelagos, S.A., Minor Hotels Portugal, S.A. and Minor Luxury Hotels Vilamoura, S.A. These companies hold the ownership, administrative concession or lease of the following hotel assets: Anantara Vilamoura Algarve Resort, Tivoli Lagos Algarve Resort, NH Marina Portimão Resort, NH Sintra Centro and Tivoli The Residences at Victoria Golf Club.

This Operation marked compliance with the provisions of the Framework Agreement entered into between the NH Group and Minor on 7 February 2019 with respect to the geographic areas of preference of each party. Through the Operation, the Company has strengthened its presence in the Portuguese market by acquiring ownership of a portfolio of hotels that it had already been operating since June 2019 under a management agreement with Minor.

The consideration paid on 18 December 2023 amounted to a cash payment of 133,208 thousand euros, based on the value of the assets according to an company value, combined with a net financial position. The reasonableness of this consideration was based on a valuation report issued by Kroll Advisory, S.L., as independent expert, dated 4 December 2023.

The operation was also supported by a tax reasonableness report on transfer pricing issued by Deloitte Asesores Tributarios, S.L.U. dated 5 December 2023, and a report by Uría Menéndez Abogados, S.L.P., dated 13 December 2023, in which it was found that the terms and conditions of the sale and purchase agreement are on the whole consistent with those of an arm's length transaction between independent parties, and are in line with standard market practice for acquisitions in the hotel real estate sector in the geographical area concerned. The transaction was also approved by the Board of Directors, following a favourable report from the Audit and Control Committee, with all members voting in favour, with the exception of the proprietary directors appointed by Minor International Public Company Ltd. ("Minor"), who abstained from taking part in the deliberation and voting on the resolution.

Related party balances

	Thousands of euros	
	2023	2022
Accounts receivable from related entities (Note 13)	2,376	3,609
Accounts receivable from associated companies (short term) (Note 13)	858	643
Loans to associated companies (Note 13)	—	10,969
Less: impairment (Note 13)	—	(9,502)
Total Assets	**3,234**	**5,719**

	Thousands of euros	
	2023	2022
Accounts payable from related entities (Note 20)	(969)	(2,027)
Accounts payable to associate companies (Note 20)	(944)	(928)
Total	**(1,913)**	**(2,955)**

At 31 December 2023, the Group has a net balance pending receipt of 1,407 thousand euros with the Minor Group (2,376 thousand euros recorded as an account receivable and 969 thousand euros as accounts payable). At 31 December 2022, the Group had a net balance pending receipt of 1,582 thousand euros with the Minor Group (3,609 thousand euros recorded as an account receivable and 2,027 thousand euros as accounts payable).

25.- INFORMATION BY SEGMENTS

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

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

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

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

	Thousands of euros (2023)						
	BUSE		BUNE				
	Italy	Southern Europe and USA	Central Europe	Benelux	BUAM	Central Services	TOTAL
Ordinary income	459,740	629,788	471,826	461,367	135,708	566	2,158,995
Other income	2,217	1,169	(2,055)	887	326	2,678	5,222
Net Profits/(Losses) from asset impairment	11,005	770	(13,302)	1,845	492	—	810
Depreciation	(55,291)	(81,903)	(86,195)	(41,676)	(11,809)	(15,487)	(292,361)
Financial income	8	4,140	605	69	6,177	1,483	12,482
Financial expenses	(15,568)	(47,668)	(60,429)	(22,756)	(10,344)	12,578	(144,187)
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	301	—	301
Share of profit/(Loss) from entities accounted for the equity method	—	(1)	—	—	773	43	815
Income tax	(28,873)	(14,945)	(7,292)	(12,621)	(7,820)	1,235	(70,316)

	Thousands of euros (2022)						
	BUSE		BUNE				
	Italy	Southern Europe and USA	Central Europe	Benelux	BUAM	Central Services	TOTAL
Ordinary income	350,930	525,798	354,025	372,333	118,593	678	1,722,357
Other income	13,431	1,377	17,538	3,446	305	1,930	38,027
Net Profits/(Losses) from asset impairment	6,812	4,330	1,875	6,936	(13,138)	—	6,815
Depreciation	(49,437)	(80,922)	(77,984)	(41,157)	(11,430)	(16,393)	(277,323)
Financial income	36	151	340	1	1,607	4,357	6,492
Financial expenses	(19,107)	(27,756)	(46,779)	(23,810)	(9,046)	(14,134)	(140,632)
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	4,384	—	4,384
Share of profit/(Loss) from entities accounted for the equity method	—	—	—	—	(64)	(385)	(449)
Income tax	(30,556)	(11,595)	(5,004)	(9,849)	3,756	182	(53,066)

2023

	Thousands of euros						
	2023						
	TOTAL	BUSE		BUNE		BUAM	Central Services
		Italy	Southern Europe and USA	Central Europe	Benelux		
OTHER INFORMATION							
Inclusions of tangible fixed assets and other intangibles	253,042	37,439	143,361	18,863	26,001	12,913	14,465
Depreciation	(292,361)	(55,291)	(81,903)	(86,195)	(41,676)	(11,809)	(15,487)
Profits/(Losses) from asset impairment	810	11,005	770	(13,302)	1,845	492	—
STATEMENT OF FINANCIAL POSITION							
ASSETS							
Assets by segments	4,158,907	801,204	1,026,056	958,862	865,342	326,078	181,365
Investments accounted for using the equity method	43,719	—	928	—	—	5,672	37,119
Total consolidated assets	**4,202,626**	**801,204**	**1,026,984**	**958,862**	**865,342**	**331,750**	**218,484**
LIABILITIES							
Liabilities and equity by segments	4,202,626	801,204	1,026,984	958,862	865,342	331,750	218,484
Total Consolidated Liabilities and Equity	**4,202,626**	**801,204**	**1,026,984**	**958,862**	**865,342**	**331,750**	**218,484**

2022

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

26.- 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: 10 members in 2023 (10 members at 31 December 2022),
- Audit and Control Committee: 3 members in 2023 (3 members at 31 December 2022),
- Appointments and Remuneration Committee: 3 members in 2023 (3 members at 31 December 2022).

26.1 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:

	Thousands of euros	
Remuneration item	2023	2022
Fixed remuneration	1,536	1,288
Short-term variable remuneration	1,013	895
Long-term variable remuneration	1,637	714
Parent Company: allowances	6	3
Parent Company: attendance allowances	305	377
Indemnifications/other	30	23
Life insurance premiums	14	12
Total	**4,541**	**3,312**

The Board of Directors had 10 members at 31 December 2023, three women and seven men (10 members in 2022, one woman).

The composition of the Board of Directors was amended at the General Shareholders' Meeting held in June 2023, with the resignation of the Directors José María Cantero, Fernando Lacadena and Alfredo Fernandez Agra. For their part, María Segimón de Manzanos, Miriam González-Amezqueta López and Tomás López Fernebrand joined the Board as Independent Directors. This includes the remuneration of outgoing directors until they leave office and of incoming directors from the date of their appointment.

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.

26.2 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	
	2023	2022
Pecuniary remuneration	2,476	2,375
Remuneration in kind	126	110
Others	1306	627
Total	**3,908**	**3,112**

There were six members of Senior Management at 31 December 2023 (five members at 31 December 2022), excluding the CEO, the Chief Operations Officer and the Chief Assets and Development Officer due to their status as executive directors.

The item "Cash remuneration" includes fixed and short-term variable remuneration accrued in full until 31 December 2023.

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

The heading "Other" takes the long-term objective remuneration accrued in 2023 into consideration.

26.3 Information on conflicts of interest on the part of Directors

During 2023, Minor International Public Company Limited ("Minor"), an indirect majority shareholder of the Group (95.87%) and represented on the Board by four proprietary Directors, and the Group signed a series of Related Party Transactions, which are broken down in the Audit and Control Committee's Annual Report, and there were transactions arising from Related Transactions approved in previous years which are broken down in Note 24 of this Report. These Related Party Transactions have always been executed in strict compliance with the rules established in the applicable regulations and the Procedure for Conflicts of Interest and Related Party Transactions with Significant Shareholders, Directors and Senior Management of NH Hotel Group, S.A. approved by the Board of Directors on 11 November 2021. All transactions signed with Minor (and/or its group of companies) have counted on a report from the Audit and Control Committee, have been signed under market conditions and with the participation of external advisors, and in compliance with the provisions in the Framework Agreement signed between the parties on 7 February 2019, which regulates, among others, the scope of action of the respective hotel groups headed by the Group and Minor through the identification of preferred geographic areas or zones, the mechanisms necessary to prevent and deal with possible conflicts of interest, as well as to carry out operations with related parties and develop business opportunities. The aforementioned Framework Agreement was duly communicated to the Market via a Relevant Fact and is published in full on the Company's website.

During all meetings of both the Audit and Control Committee and the Board of Directors that dealt with any matter related to Minor, proprietary directors were absent from the meetings, and consequently did not take part in the debate or in the adoption of the corresponding resolution.

In addition, and when the related-party operation so requires, the Company informs the market of the details of the transaction, as was done in the communication sent to the CNMV on 18 December 2023, describing in detail the operation entered into with Minor in relation to the operation in Portugal, whose review, study and approval has scrupulously complied with the rules of good governance.

27.- ENVIRONMENTAL, SOCIAL AND GOVERNMENTAL RISKS

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

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

Therefore, as in previous years, in 2023 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 2023 to identify those relating to ESG (Environmental, Social and Governance) criteria. The result was that 47% of all the risks identified were classified as such.

As it is integrated within the Company's Risk Management Model, the ESG Risk Map follows the same process phases, including risk response, monitoring and control and mitigation measures adopted.

In addition, all risks and opportunities arising from climate change have been identified and quantified following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

For more information on the Group's risk management model, see section 9. Risk Management of the 2023 Consolidated Non-Financial Information Statement.

Sustainable Business Strategy

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

A noteworthy milestone was setting up the Sustainability Executive Committee in May 2022, whose main function is to support the Board of Directors in its work providing monitoring of NH Hotel Group's sustainability strategy. This committee is co-chaired by the Chief Assets & Development Officer and the Chief People & Sustainable Business Officer, and it is made up of members of the Company from different key areas with a direct impact on the NH Hotel Group strategy execution.

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.

More information on this Model and its performance during 2023 is available in section 10. Sustainable Business Strategy of the 2023 Consolidated Non-Financial Information Statement.

28.- EXPOSURE TO RISK

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

Credit risk

The Group main financial assets include cash and cash equivalents (Note 14), as well as trade and other accounts receivable (Note 13). In general terms, the Group holds its cash and cash equivalents in entities with a high credit rating and part of its trade and other accounts receivable are guaranteed by deposits, bank guarantees and advance payments by tour operators.

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

The Group has formal procedures for detecting objective evidence of impairment in trade receivables for the provision of services. As a result of these, significant delays in payment terms and the methods to be followed in estimating the impairment loss based on individual analyses are identified. Impairment of trade receivables from customers for the provision of services at 31 December 2023 amounted to 4,621 thousand euros (4,398 thousand euros at 31 December 2022) (Note 13), and customer balances not included in this impairment have sufficient credit quality. Therefore, with this impairment, the credit risk of these trade receivable is considered covered.

Interest rate risk

The Group's financial assets and liabilities are exposed to fluctuations in interest rates, which may have an adverse effect on its results and cash flows. To mitigate this risk, the Group has voluntarily repaid the 250,000 thousand-euro syndicated loan with ICO guarantee, and the USD 50,000 thousand loan from the US subsidiary maturing in July 2023 early and in full, thereby reducing its exposure to fluctuations in interest rates. It has also set up control policies and the greater part of its debt is at fixed rates with the issue of guaranteed senior debentures. At 31 December 2023, approximately 88% (70% at 31 December 2022) of the gross borrowings drawn down was tied to fixed interest rates (excluding lease liabilities).

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

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

- In the event that the increase in interest rates were 25 b.p., the financial expense would increase by 145 thousand euros plus interest.
- In the event that the increase in interest rates were 50 b.p., the financial expense would increase by 290 thousand euros plus interest.
- In the event that the increase in interest rates were 100 b.p., the financial expense would increase by 581 thousand euros plus interest.

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

Lastly, the long-term financial assets set out in Note 12 of this annual report are also subject to interest-rate risks.

Exchange rate risk

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

- Investments in foreign countries (essentially Mexico, Argentina, Uruguay, Colombia, Chile, Ecuador, the Dominican Republic, Brazil, Panama, the United States, Hungary and the Czech Republic).

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

In this respect, the detail of the effect on the currency translation difference of the main currencies in 2023 was as follows:

	Thousands of euros	
	Currency translation difference	Change vs 2022
Uruguayan peso	(4,197)	(101)
Mexican peso	(12,612)	3,831
Colombian peso	(32,757)	6,669
Chilean peso	14,538	(195)

The changes in the currency translation difference of the above currencies were mainly due to the movements in exchange rates between 31 December 2023 and 31 December 2022:

Year-end euro reference exchange rate	2023	2022	Change
Uruguayan peso	43.12	42.45	(1.58)%
Mexican peso	18.72	20.86	10.26 %
Colombian peso	4,347.83	5,263.16	17.39 %
Chilean peso	961.54	909.09	(5.77)%

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

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

Average euro reference exchange rate in the year	2023	2022	Change
Uruguayan peso	41.98	43.38	3.23 %
Mexican peso	19.18	21.18	9.44 %
Colombian peso	4,761.91	4,545.45	(4.76)%
Chilean peso	909.09	917.43	0.91 %

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

Liquidity risk

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

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

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

The Group's liquidity position at 31 December 2023 is based on the following points:

- The group had cash and cash equivalents amounting to 215,991 thousand euros.

- Available in undrawn credit facilities to the amount of 303,987 thousand euros (Note 16).

The Group also has 40,101 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)

Lastly, the Group makes cash flow forecasts on a systematic basis for each business unit and geographical area, depending on the capacity to generate positive cash flows from business, in order to assess their needs. This Group liquidity policy ensures payment undertakings are fulfilled without having to request funds at onerous conditions. In this way, the Group's liquidity position is continuously monitored.

Market prices risk

The Group is exposed to risks related to fluctuations of prices of goods and services. These risks are essentially managed in the purchasing process.

In an inflation environment, the Group could be impacted in several ways, such as, for example, by increases in supplies of products and services, salary costs, the cost of renting the hotels leased. This inflation risk can be buffered by, amongst others, diversifying supplies providers, renegotiation of existing contracts that include protection clauses, a business strategy focussing on maximising the average price for the sale of hotel rooms and the identification of efficiency measures for operational costs.

However, the disruptions to the supply chain, exacerbated by geopolitical tensions, have caused upward pressure in the price of supplies of products and services, particularly energy, which has increased drastically in Europe and is reflected in the cost of its supplu and services with a high energy use, such as laundry services. As mentioned above, these risks are managed, among others, by diversification of supply providers, renegotiation of existing contracts and identification of operational cost efficiency measures.

29.- SUBSEQUENT EVENTS

No significant events have occurred since 31 December 2023.

APPENDIX I: SUBSIDIARIES

The data on the Parent company's subsidiaries at 31 December 2023 are presented below:

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Agaga, s.r.o.	Czech Republic	Hotel Business	100%	100%
Aguamarina S.A.	Dominican Republic Corporate services	Corporate services	100%	100%
Airport Hotel Frankfurt-Raunheim, GmbH & Co. KG	Frankfurt	Real Estate	94%	94%
Aldon Beteiligungs GmbH	Pullach i.Isartal	Holding company	100%	100%
Artos Beteiligungs, GmbH	Munich	Holding company	100%	100%
Astron Immobilien, GmbH	Munich	Holding company	100%	100%
Atlantic Hotel Exploitatie, B.V.	The Hague	Hotel Business	100%	100%
Capredo Investments, GmbH	Switzerland	Holding company	100%	100%
Chartwell de México, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.	Coatzacoalcos	Hotel Business	100%	100%
City Hotel, S.A.	Buenos Aires	Hotel Business	50%	50%
Columbia Palace Hotel, S.A.	Montevideo	Hotel Business	100%	100%
Coperama Benelux, B.V.	Amsterdam	Procurement network	100%	100%
Coperama Central Europe Gmbh (*)	Berlin	Procurement network	100%	100%
Coperama Colombia, S.A.S	Bogotá	Procurement network	100%	100%
Coperama Holding, S.L.	Madrid	Procurement network	100%	100%
Coperama Italia S.r.l.	Milan	Procurement network	100%	100%
Coperama Mexico S.A. de C.V.	Mexico City	Procurement network	100%	100%
Coperama Portugal, Unipessoal Lda	Portugal	Procurement network	100%	100%
Coperama Spain, S.L.	Madrid	Procurement network	100%	100%
Corporación Hotelera Oriental, S.A.	Santo Domingo	Holding company	100%	100%
Dam 9 B.V.	Amsterdam	Corporate services	100%	100%
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	100%	100%
Desarrollo Inmobiliario Santa Fe Mexico, S.A. de C.V.	Mexico City	Hotel Business	50%	50%
Eurotels Chile S.A.	Chile	Holding company	98%	98%
Exploitatiemaatschappij Caransa Hotel, B.V.	Amsterdam	Without activity	100%	100%
Exploitatiemaatschappij Hotel Best B.V.	Best	Without activity	100%	100%
Exploitatiemaatschappij Hotel Doelen, B.V.	Amsterdam	Hotel Business	100%	100%
Exploitatiemaatschappij Hotel Naarden, B.V.	Naarden	Hotel Business	100%	100%
Exploitatiemaatschappij Hotel Schiller, B.V.	Amsterdam	Hotel Business	100%	100%

(*) The companies belonging to the German consolidated group made use of the exemption provided for in Section 264, Paragraph 3 of the Commercial Code (HGB) in 2023.

(**) The companies belonging to the German consolidated group made use of the exemption provided for in Section 264, Paragraph 3 of the Commercial Code (HGB) and Section 291, paragraph 1, of the Commercial code (HGB) in 2023.

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Franquicias Lodge, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
GCS Hotel Ltd.	Dublin	Hotel Business	100%	100%
Gestora hotelera del siglo XXI, S.A.	Barcelona	Hotel Business	100%	100%
Gran Círculo de Madrid, S.A.	Madrid	Catering	99%	99%
Grupo Hotelero Monterrey, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Grupo Hotelero Queretaro, S.A. de C.V.	Querétaro	Hotel Business	57%	57%
Grupo Operador de Hoteles Santa Fe, S.A de C.V	Mexico City	Hotel Business	50%	50%
Heiner Gossen Hotelbetrieb, GmbH (*)	Berlin	Hotel Business	100%	100%
Highmark Geldrop, B.V.	Geldrop	Without activity	100%	100%
Highmark Hoofddorp, B.V.	Hoofddorp	Hotel Business	100%	100%
Hispana Santa Fe, S.A. de C.V.	Mexico City	Hotel Business	50%	50%
Holding Onroerend Goed d'Vijff Vlieghen B.V.	Amsterdam	Without activity	100%	100%
Hotel de Ville, B.V.	Groningen	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Amsterdam Noord B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Leijenberghlaan Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Capelle aan den Ijssel B.V.	Capelle a/d Ijssel	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Stationsstraat Amersfoort B.V.	Amersfoort	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Atlanta Rotterdam B.V.	Rotterdam	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Danny Kayelaan Zoetermeer B.V.	Zoetermeer	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Diegem N.V.	Diegem	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Eindhoven B.V.	Hilversum	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Epen Zuid-Limburg B.V.	The Hague	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Flowermarket B.V.	Amsterdam	Without activity	100%	100%
Hotel Exploitatie Maatschappij Forum Maastricht B.V.	Maastricht	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Jaarbeursplein Utrecht B.V.	Utrecht	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Janskerkhof Utrecht B.V.	Utrecht	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Onderlangs Arnhem B.V.	Arnhem	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Spuistraat Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Stadhouderskade Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Exploitatie Maatschappij Van Alphenstraat Zandvoort B.V.	Hilversum	Hotel Business	100%	100%
Hotelagos S.A	Lagos	Hotel Business	100%	100%
Hotelera de Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Hotelera de la Parra, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Hotelera Lancaster, S.A.	Buenos Aires	Hotel Business	50%	50%
Hotelera Norte Sur S.A	Chile	Real Estate	68%	68%

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(**) The companies belonging to the German consolidated group made use of the exemption provided for in Section 264, Paragraph 3 of the Commercial Code (HGB) and Section 291, paragraph 1, of the Commercial code (HGB) in 2023.

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Hoteles Royal del Ecuador S.A. Horodelsa	Quito	Hotel Business	54%	54%
Hoteles Royal, S.A.	Bogota	Holding company	98%	98%
Hotel Exploitatie Maatschappij Vijzelstraat Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
Hotels Bingen & Viernheim, GmbH & Co. KG	Munich	Real Estate	94%	94%
HR Quántica SAS	Bogota	Hotel Business	50%	50%
Iberinterbrokers, S.L.	Barcelona	Corporate services	75%	75%
IMMO Hotel Belfort N.V.	Diegem	Real Estate	100%	100%
IMMO Hotel Brugge N.V.	Diegem	Real Estate	100%	100%
IMMO Hotel Diegem N.V.	Diegem	Real Estate	100%	100%
IMMO Hotel Gent N.V.	Diegem	Real Estate	100%	100%
IMMO Hotel GP N.V.	Diegem	Real Estate	100%	100%
IMMO Hotel Mechelen N.V.	Diegem	Real Estate	100%	100%
IMMO Hotel Stephanie N.V.	Diegem	Real Estate	100%	100%
Inmobiliaria Royal S.A	Chile	Real Estate	68%	68%
Inmobiliaria y financiera Chile S.A.	Santiago de Chile	Real Estate	100%	100%
Inversiones Chilenas, S.A.S	Bogotá	Hotel Business	98%	98%
Roco Hospitality Group, S.R.L.	Italy	Hotel Business	100%	100%
Jan Tabak, N.V.	Bussum	Hotel Business	84%	84%
Jolly Hotels Belgio S.A.	Brussels	Real Estate	100%	100%
Jolly Hotels Deutschland GmbH (*)	Berlin	Hotel Business	100%	100%
Jolly Hotels Holland N.V.	Amsterdam	Holding company	100%	100%
Jolly Hotels USA, Inc.	Wilmington	Hotel Business	100%	100%
Koningshof, B.V.	Veldhoven	Hotel Business	100%	100%
Krasnapolsky Belgian Shares, B.V.	Hoofddorp	Holding company	100%	100%
Krasnapolsky Hotels & Restaurants, N.V.	Amsterdam	Holding company	100%	100%
Krasnapolsky Hotels, Ltd.	Somerset West	Hotel Business	100%	100%
Krasnapolsky ICT, B.V.	Hoofddorp	Without activity	100%	100%
Krasnapolsky International Holding, B.V.	Hoofddorp	Holding company	100%	100%
Latina Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Latina de Gestión Hotelera, S.A.	Buenos Aires	Hotel Business	100%	100%
Latina Holding S.A.U.	Buenos Aires	Holding company	100%	100%
Latinoamericana Curitiba Administracao De Hoteis Ltda	Curitiba	Hotel Business	100%	100%
Latinoamericana de Gestion Hotelera, S.L.	Madrid	Holding company	100%	100%
Leeuwenhorst Congres Center, B.V.	Noordwijkerhout	Hotel Business	100%	100%
Liberation Exploitatie, B.V.	Sprang Capelle	Hotel Business	100%	100%
Mateo Hotel Savona KG der Mateo Grundstuecksverwaltungsgesellschaft mbh& C.	Bolzano	Holding company	100%	100%
Mateo Grundstuecksverwaltungsgesellschaft mbh	Pullach i.Isartal	Holding company	100%	100%
Marquette Beheer, B.V.	Hoofddorp	Holding company	100%	100%

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(**) The companies belonging to the German consolidated group made use of the exemption provided for in Section 264, Paragraph 3 of the Commercial Code (HGB) and Section 291, paragraph 1, of the Commercial code (HGB) in 2023.

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Minor Continental Holding (Luxembourg) S.à r.l.	Luxembourg	Hotel Business	100%	100%
Minor Hotels Portugal S.A	Lisbon	Hotel Business	100%	100%
Minor Luxury Hotels Vilamoura S.A.	Vilamoura	Hotel Business	100%	100%
Museum Quarter, B.V.	Amsterdam	Hotel Business	100%	100%
Nacional Hispana de Hoteles, S. de R.L. de C.V.	Mexico City	Hotel Business	100%	100%
New York Palace KFT	Budapest	Hotel Business	100%	100%
NH Atardecer Caribeño, S.A.	Madrid	Corporate services	100%	100%
NH Belgium, cvba	Diegem	Holding company	100%	100%
NH Brasil Abrasil Administraçao De Hoteis E Participadas Ltda.	Villa Olímpica	Corporate services	100%	100%
NH Caribbean Management, B.V.	Hilversum	Management	100%	100%
NH Cash Link, S.L.	Madrid	Financial company	100%	100%
NH Central Europe Management, GmbH (*)	Berlin	Hotel Business	100%	100%
NH Central Europe, GmbH & Co. KG (**)	Berlin	Hotel Business	100%	100%
NH Central Reservation Office, S.A.	Madrid	Call Centre	100%	100%
NH Ciutat de Reus, S.A.	Barcelona	Hotel Business	90%	90%
NH Europa, S.L.	Barcelona	Hotel Business	100%	100%
NH Financing Services S.a r.l.	Luxembourg	Financial company	100%	100%
NH Hotels Finland Oy	Finland	Hotel Business	100%	100%
NH Holding Srl	Italy	Holding company	100%	100%
NH Hotel Rallye Portugal, Lda.	Portugal	Hotel Business	100%	100%
NH Hotelbetriebs.-u. Dienstleistungs, GmbH (*)	Berlin	Hotel Business	100%	100%
NH Hotelbetriebs-u Entwicklungs, GmbH (*)	Berlin	Hotel Business	100%	100%
NH Hoteles Austria, GmbH	Vienna	Hotel Business	100%	100%
NH Hoteles Deutschland, GmbH (**)	Berlin	Hotel Business	100%	100%
NH Hoteles España, S.A.	Barcelona	Hotel Business	100%	100%
NH Hoteles France S.A.S.	France	Hotel Business	100%	100%
NH Hoteles Switzerland GmbH	Zurich	Hotel Business	100%	100%
NH Hotels Czequia, s.r.o.	Prague	Hotel Business	100%	100%
NH Hoteles Polska, Sp. Zo.o.	Poznan	Hotel Business	100%	100%
NH Hotels USA, Inc.	Houston	Hotel Business	100%	100%
NH Hungary Szallodauzemelteto kft	Budapest	Hotel Business	100%	100%
NH Italia Real Estate, S.r.l.	Milan	Real Estate	100%	100%
NH Italia, S.p.A.	Milan	Hotel Business	100%	100%
NH Lagasca, S.A.	Madrid	Hotel Business	75%	75%
NH Las Palmas, S.A.	Gran Canaria	Hotel Business	75%	75%
NH Management Black Sea Srl	Bucharest	Hotel Business	100%	100%
NH Marbella Hotel, S.L.	Madrid	Without activity	100%	100%
NH Marin, S.A.	Barcelona	Hotel Business	50%	50%
NH Private Equity	Senningerberg	Holding company	100%	100%
NH Private Equity, B.V.	Hoofddorp	Holding company	100%	100%
NH Private Equity, B.V.	London	Holding company	100%	100%

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(**) The companies belonging to the German consolidated group made use of the exemption provided for in Section 264, Paragraph 3 of the Commercial Code (HGB) and Section 291, paragraph 1, of the Commercial code (HGB) in 2023.

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company
NH Strandgade APS	Copenhagen	Hotel Business	100%	100%
NH The Netherlands, B.V.	Hoofddorp	Holding company	100%	100%
NH Wilhelminakade Holding B.V.	Hoofddorp	Without activity	100%	100%
NHOW Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
NHOW London, Ltd.	London	Corporate services	100%	100%
NHOW Rotterdam B.V.	Rotterdam	Hotel Business	100%	100%
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	100%	100%
Objeckt Leipzig Messe GmbH &Co KG	Munich	Real Estate	94%	94%
Olofskapel Monumenten, B.V.	Amsterdam	Without activity	100%	100%
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Capelle aan den Ijssel, B.V.	Capelle a/d Ijssel	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Ijsselmeerweg Naarden, B.V.	Naarden	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real Estate	100%	100%
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Without activity	100%	100%
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Without activity	100%	100%
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real Estate	100%	100%
Operadora Nacional Hispana, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Palacio de la Merced, S.A.	Burgos	Hotel Business	88%	88%
Palatium Amstelodamum, N.V.	Amsterdam	Hotel Business	100%	100%
Restaurant D'Vijff Vlieghen, B.V.	Amsterdam	Catering	100%	100%
Royal Hotels Inc.	USA	Without activity	98%	98%
Royal Santiago Hotel S.A.	Chile	Hotel Business	66%	66%
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Servicios Corporativos Chartwell Monterrey, S.A. de C.V.	Monterrey	Hotel Business	100%	100%
Servicios Corporativos Hoteleros, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Servicios Corporativos Krystal Rosa, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Sociedad Hotelera Cien Internacional S.A.	Bogota	Hotel Business	63%	63%
Sociedad Hotelera Cotopaxi S.A.	Quito	Hotel Business	54%	54%
Sociedad Operadora Nh Royal Panama S.A.	Ciudad de Panamá	Hotel Business	98%	98%
The Marker Anantara Ltd.	Dublin	Holding company	100%	100%
Toralo, S.A.	Montevideo	Hotel Business	100%	100%
Vela Secunda Omnium Primum VIII B.V.	Groningen	Hotel Business	50%	50%
Wilan Ander, S.L.	Madrid	Real Estate	100%	100%
Wilan Huel, S.L.	Madrid	Real Estate	100%	100%

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(**) The companies belonging to the German consolidated group made use of the exemption provided for in Section 264, Paragraph 3 of the Commercial Code (HGB) and Section 291, paragraph 1, of the Commercial code (HGB) in 2023.

APPENDIX II: ASSOCIATED COMPANIES

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Borokay Beach, S.L.	Madrid	Hotel Business	50%	50%
Consorcio Grupo Hotelero T2, S.A. de C.V.	Mexico City	Hotel Business	10%	10%
Gente con actitud de servicios gecase, S.A. De C.V.	Puebla	Hotel Business	17%	17%
Hotelera del Mar, S.A.	Mar de Plata	Hotel Business	20%	20%
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel Business	17%	17%
Mil Novecientos Doce, S.A. de C.V.	Mexico	Hotel Business	25%	25%
Servicios Corporativos 1912, S.A. DE C.V	Mexico	Hotel Business	25%	25%
Servicios Corporativos T2, S.A. DE C.V	Mexico City	Hotel Business	10%	10%
Sotocaribe, S.L.	Madrid	Holding company	36%	36%