Madrid, 21 March 2022

Millenium Hospitality Real Estate, SOCIMI, S.A. pursuant to the provisions of Article 17 of Regulation (EU) No. 596/2014 on market abuse and Article 228 of the consolidated text of the Securities Market Law, approved by Royal Legislative Decree 4/2015, of 23 October, and related provisions, as well as Circular 3/2020 of the BME Growth segment of BME MTF Equity ("BME Growth"), hereby discloses the following

PRIVILEGED INFORMATION

- Audit reports corresponding to the Consolidated and Individual Financial Statements for the twelve-month period ended 31 December 2021.
- Consolidated and Individual Financial Statements and Consolidated Management Report for the twelve-month period ended 31 December 2021.
- Information on the Company's organisational structure and internal control system for compliance with the reporting obligations established by the Market.

The foregoing documentation is also available to the market on the Company's website (www.mhre.es).

In accordance with the provisions laid down in BME Growth Circular 3/2020, it is hereby stated that the information provided herein has been prepared under the sole responsibility of the Company and its directors.

We remain at your disposal for any further clarification you may require.

Best regards,

Javier Illán Plaza
Chairman and CEO

Audit Report on the Consolidated Financial Statements
issued by an Independent Auditor

MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (Formerly
MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A.) AND SUBSIDIARIES
Consolidated Financial Statements
and Group Management Report for the year ended
December 31, 2021

Ernst & Young, S.L.
Calle de Raimundo Fernández Villaverde, 65
28003 Madrid

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

To the shareholders of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (Formerly MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A.):

Opinion

We have audited the consolidated financial statements of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, the separate consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the explanatory notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and the consolidated financial position of the Group at December 31, 2021, and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework for financial reporting applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing auditing standards in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were the most significant assessed risks of material misstatement in our audit of the consolidated financial statements for the current period. These risks were addressed within the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Measurement of investment properties

Description

The Group's the consolidated statement of financial position shows investment properties as at December 31, 2021 with a net value of 387,702 thousand euros corresponding to the buildings it owns. The relevant disclosures pertaining to these assets can be found in Note 7 to the accompanying consolidated financial statements.

The Group's accounting policy is to value its investment properties at fair value (IAS 40), recording the difference between the fair value and the prior carrying amount in the separate consolidated income statement, as explained in Note 4.2 to the accompanying consolidated financial statements accompanying.

The parent's directors periodically determine the fair value of investment properties based on appraisals conducted by independent experts in accordance with the valuation standards of the Royal Institution of Chartered Surveyors ("RICS"). The determination of these fair values requires the making of significant judgments and estimates by independent experts, Group management, and the parent's directors. The various methodologies applied and the sensitivity analyses carried out are described in Note 7 to the accompanying consolidated financial statements.

Given the relevance of the amounts involved and the high sensitivity of the analyses conducted in connection with the changes in assumptions made, e.g., discount rates and initial yields used, we determined this to be a key audit matter.

Our response

Our audit procedures related to this matter included:

- Reviewing the valuation model used by the independent experts for a sample of assets, in collaboration with our valuation experts, focusing on the mathematical assessment of the model, analyzing the projected cash flows provided by management, and reviewing the discount rates and initial yields used.
- Reviewing the disclosures included in the explanatory notes to the accompanying consolidated financial statements in conformity with the applicable financial reporting framework.

Compliance with the SOCIMI tax regime

Description	The parent and its subsidiaries have elected to avail themselves of the special tax regime applicable to Spanish REITs, or Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario ("SOCIMI"). As explained in Note 1.1 to the accompanying consolidated financial statements, under the prevailing regulations, companies availing themselves of the special regime are required to meet certain requirements. Due to the significance of applying this special regime, in view of its impact on corporate structure, operating activities, legal and regulatory compliance of the Group, and the shareholder remuneration policy of the parent, we determined this to be a key audit matter. Failure to apply the regime correctly could have a significant impact on the Group's consolidated financial statements.
Our response	Our audit procedures related to this matter included: ▶ Understanding, from a tax viewpoint, the Group's corporate structure, as well as its operating activities and the measures necessary to maintain the special regime. ▶ Reviewing, in collaboration with our tax specialists, prevailing tax and mercantile regulations and evaluating each group company's degree of compliance with the special SOCIMI tax regime. ▶ In addition, we checked that disclosures included in the explanatory notes to the accompanying consolidated financial statements are in accordance with prevailing tax and accounting regulations.

Other information: Consolidated management report

Other information refers exclusively to the 2021 consolidated management report, the preparation of which is the responsibility of the parent's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not include the consolidated management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated management report is to assess and report on the consistency of the management report with the consolidated financial statements based on the knowledge of the Group we obtained while auditing the consolidated financial statements, and to assess and report on whether the content and presentation of the consolidated management report are in conformity with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2021 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibility of the parent's directors for the consolidated financial statements

The directors of the parent are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the parent's directors.

- Conclude on the appropriateness of the use by the parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We are solely responsible for our audit opinion.

We communicate with the parent's directors regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated to the parent's directors, we determine those that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant risks.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under Nº S0530)

(Signed on the original in Spanish)

María Teresa Pérez Bartolomé
(Registered in the Official Register of Auditors under Nº 15291)

March 21, 2022

MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (formerly MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A.) AND SUBSIDIARIES

Consolidated financial statements and consolidated management report
for the year ended December 31, 2021

Consolidated statement of financial position at December 31, 2021

(Expressed in euros)

ASSETS	Notes	12/31/21	12/31/20
NON-CURRENT ASSETS		**405,829,116**	**354,027,732**
Property, plant, and equipment	6	17,304,370	13,848,592
Investment properties	7	387,702,000	338,654,000
Financial investments	8	822,746	1,525,140
CURRENT ASSETS		**122,699,831**	**31,415,805**
Inventories	9	427,547	412,794
Trade and other receivables		13,021,504	7,816,260
Trade receivables	8	4,898,892	3,197,947
Other receivables	8	-	3,423
Receivable from public administrations	14	8,122,612	4,614,890
Financial investments	8	12,254,977	2,305,214
Other current assets	8	421,343	208,785
Cash and cash equivalents	10	53,545,370	20,672,752
		79,670,741	**31,415,805**
Assets held for sale	5	43,029,090	-
TOTAL ASSETS		**528,528,947**	**385,443,537**
EQUITY AND LIABILITIES			
EQUITY		**372,160,949**	**274,091,958**
Capital and reserves		**372,419,934**	**274,534,309**
Share capital	11.1	76,926,101	54,601,101
Share premium	11.2	224,568,204	157,593,204
Reserves and retained earnings	11.3	62,458,447	78,392,525
Shares of the Parent company	11.4	(1,006,627)	(1,057,080)
Profit for the year attributed to the Parent company		9,473,809	(14,995,441)
Unrealized gains (losses) reserve	**11.5**	**(258,985)**	**(442,351)**
NON-CURRENT LIABILITIES		**113,634,618**	**94,054,143**
Borrowings		111,120,324	88,345,421
Bank borrowings	12.1	108,081,012	69,960,052
Finance lease payables	12.1	28,915	13,324,592
Derivatives	12.2	-	442,351
Other financial liabilities	12.3	3,010,397	4,618,426
Deferred tax liabilities	14	2,514,294	5,708,722
CURRENT LIABILITIES		**42,733,380**	**17,297,436**
Provisions	13	161,886	53,034
Borrowings		9,764,229	6,797,324
Bank borrowings	12.1	5,993,965	4,702,864
Finance lease payables	12.1	173,234	1,182,071
Other financial liabilities	12.3	3,597,030	912,389
Trade and other payables		12,566,031	10,376,749
Suppliers and other payables	12.4	10,448,445	7,728,955
Employee benefits payable	12.4	1,444,780	550,000
Payables to public administrations	14	346,634	1,699,401
Customer advances	12.4	326,172	398,393
Other current liabilities		53,351	70,329
		22,545,497	**17,297,436**
Liabilities associated with assets held for sale	5	20,187,883	-
TOTAL EQUITY AND LIABILITIES		**528,528,947**	**385,443,537**

The accompanying notes 1 to 21 are an integral part of the consolidated statement of financial position at December 31, 2021.

Separate consolidated income statement for the year ended December 31, 2021

(Expressed in euros)

	Notes	2021	2020
Continuing operations			
Revenue		**8,467,546**	**8,056,407**
Lease income	7.4 & 16.1	7,149,381	6,216,462
Income from services provided	16.1	1,117,913	1,427,203
Sales income	16.1	200,252	412,742
Cost of sales		**(116,735)**	**(203,654)**
Other operating income		**183,031**	**72,629**
Employee benefits expense	**16.2**	**(4,939,113)**	**(4,193,932)**
Other operating expenses		**(3,186,788)**	**(2,892,963)**
External services	16.3	(2,219,290)	(1,973,647)
Taxes (other than income tax)		(967,498)	(919,316)
Impairment losses on accounts receivable	**8.1**	**(872,726)**	**(506,487)**
Change in fair value of investment properties	**7**	**12,749,794**	**(12,676,196)**
Depreciation and amortization	**6**	**(670,820)**	**(673,971)**
Impairment losses	**6**	**(839,257)**	**(981,292)**
OPERATING PROFIT		**10,774,932**	**(13,999,459)**
Finance income		**84,706**	**94**
From marketable securities & other financial instruments		84,706	94
Finance costs	**16.4**	**(1,362,861)**	**(993,405)**
Third-party borrowings		(1,362,861)	(993,405)
Changes in fair value of financial instruments		**(7,600)**	**-**
Exchange gains (losses)		**(15,368)**	**(2,671)**
FINANCE COST		**(1,301,123)**	**(995,982)**
PROFIT (LOSS) BEFORE TAX		**9,473,809**	**(14,995,441)**
Corporate income tax	14	-	-
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**9,473,809**	**(14,995,441)**
Profit for the year attributed to the Parent company		**9,473,809**	**(14,995,441)**
Profit for the year attributed to minority interests		**-**	**-**

EARNINGS PER SHARE			
Basic earnings per share	4.19	**0.15**	**-0.29**

The accompanying notes 1 to 21 are an integral part of the separate consolidated income statement for the year ended December 31, 2021.

Consolidated statement of comprehensive income for the year ended, December 31, 2021

(Expressed in euros)

	Notes	2021	2020
Consolidated profit (loss) for the year (I)		**9,473,809**	**(14,995,441)**
Income and expense recognized directly in consolidated equity			
From cash flow hedges	11.5	57,444	(62,688)
From other adjustments	11.3	(901,489)	(735,443)
Tax effect	11.5	-	-
Total income and expense recognized directly in consolidated equity (II)		**(844,045)**	**(798,131)**
Amounts transferred to the separate consolidated income statement			
From cash flow hedges	11.5	125,922	137,695
Tax effect	11.5	-	-
Total amounts transferred to the consolidated statement of profit or loss (III)		**125,922**	**137,695**
Total consolidated income and expense recognized (I+II+III)		**8,755,686**	**(15,655,877)**
Total consolidated income and expense recognized and attributed to the Parent company		**8,755,686**	**(15,655,877)**
Total consolidated income and expense recognized and attributed to minority interests		**-**	**-**

The accompanying notes 1 to 21 are an integral part of the consolidated statement of comprehensive income for the year ended December 31, 2021.

Consolidated statement of changes in equity for the year ended December 31, 2021

(Expressed in euros)

	Share capital (Note 11.1)	Share premium (Note 11.2)	Reserves and retained earnings (Note 11.3)	Shares of the Parent company (Note 11.4)	Profit (loss) for the year attributed to the Parent company	Unrealized gains (losses) reserve (Note 11.5)	Total
Balance at December 31, 2019	**50,000,000**	**139,188,800**	**55,705,980**	**(263,946)**	**22,784,970**	**(517,358)**	**266,898,446**
Consolidated income and expense recognized	**-**	**-**	**(735,443)**	**-**	**(14,995,441)**	**75,007**	**(15,655,877)**
Transactions with partners or owners:	**4,601,101**	**18,404,404**	**637,018**	**(793,134)**	**-**	**-**	**22,849,389**
Capital increases (reductions) (Note 11.1)	4,601,101	18,404,404	-	-	-	-	23,005,505
Transactions with shares of the Parent company (net)	-	-	637,018	(793,134)	-	-	(156,116)
Other changes in equity	**-**	**-**	**22,784,970**	**-**	**(22,784,970)**	**-**	**-**
Balance at December 31, 2020	**54,601,101**	**157,593,204**	**78,392,525**	**(1,057,080)**	**(14,995,441)**	**(442,351)**	**274,091,958**
Consolidated income and expense recognized	**-**	**-**	**(901,489)**	**-**	**9,473,809**	**183,366**	**8,755,686**
Transactions with partners or owners:	**22,325,000**	**66,975,000**	**(37,148)**	**50,453**	**-**	**-**	**89,313,305**
Capital increases (reductions) (Note 11.1)	22,325,000	66,975,000	-	-	-	-	89,300,000
Transactions with shares of the Parent company (net)	-	-	(37,148)	50,453	-	-	13,305
Other changes in equity	**-**	**-**	**(14,995,441)**	**-**	**14,995,441**	**-**	**-**
Balance at December 31, 2021	**76,926,101**	**224,568,204**	**62,458,447**	**(1,006,627)**	**9,473,809**	**(258,985)**	**372,160,949**

The accompanying notes 1 to 21 are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2021

Consolidated cash flow statement for the year ended December 31, 2021

(Expressed in euros)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**9,473,809**	**(14,995,441)**
Adjustments to profit		**(8,957,016)**	**15,833,928**
Depreciation and amortization	6	670,820	673,971
Impairment losses	6 & 8.1	1,711,983	1,487,779
Changes in provisions	13	108,852	-
Finance income		(84,706)	(94)
Finance costs	16.4	1,362,861	993,405
Exchange gains (losses)		15,368	2,671
Changes in fair value of financial instruments		7,600	-
Changes in fair value of investment properties	7	(12,749,794)	12,676,196
Changes in working capital		**260,106**	**4,469,350**
Inventories		(14,753)	(285,465)
Trade and other receivables		(4,862,575)	(1,015,799)
Other current assets		(237,731)	(147,798)
Trade and other payables		5,245,031	5,880,166
Other current liabilities		130,134	38,246
Other cash flows from operating activities		**(1,101,445)**	**(897,870)**
Interest paid		(1,172,343)	(897,964)
Interest received		70,898	94
Cash flows from operating activities		**(324,546)**	**4,409,967**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(94,415,163)**	**(46,805,250)**
Property, plant, and equipment		(7,500,799)	(550,880)
Investment properties		(76,168,605)	(44,420,159)
Other financial assets		(10,745,759)	(1,834,211)
Payments on investments		**1,505,491**	**675,760**
Property, plant, and equipment		893	675,659
Other financial assets		1,504,598	101
Cash flows from (used in) investing activities		**(92,909,672)**	**(46,129,490)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		**88,411,816**	**19,680,166**
Proceeds from issuance of equity instruments	11.1	88,398,511	22,303,152
Acquisition of equity instruments of the Parent company	11.4	(148,097)	(2,735,362)
Disposal of equity instruments of the Parent company	11.4	161,402	112,376
Proceeds from and payments of financial liabilities		**37,710,388**	**(3,540,760)**
Issues		53,099,284	1,057,713
Bank borrowings		52,903,152	1,057,713
Other borrowings		196,132	-
Repayment and redemption of		(15,388,896)	(4,598,473)
Bank borrowings		(15,290,582)	(4,491,178)
Other borrowings		(98,314)	(107,295)
Cash flows from financing activities		**126,122,204**	**16,139,406**
Net foreign exchange difference		(15,368)	(2,671)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**32,872,618**	**(25,582,788)**
Cash and cash equivalents at beginning of period		20,672,752	46,255,540
Cash and cash equivalents at end of period	10	53,545,370	20,672,752

The accompanying notes 1 to 21 are an integral part of the consolidated cash flow statement for the year ended December 31, 2021.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

1. GENERAL INFORMATION ON THE GROUP

MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (formerly MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A. and hereinafter "the Parent" or "Millenium") and subsidiaries ("the Group" or "the Millenium Group") comprise a group of companies mainly engaged in the following activities:

a. The acquisition and promotion of urban properties for their leasing, including refurbishment activities on buildings on the terms established in Law 37/1992 of December 28, on Value Added Tax;

b. The holding of shares or participation units in the capital of other Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario ("SOCIMI"- Spanish REIT) or in the capital of other non-resident companies in Spain which have the same corporate purpose as the SOCIMIs and are subject to a regime similar to the one established for SOCIMIs as far as legally required or bylaw-stipulated policies regarding distribution of profits are concerned;

c. The holding of shares or participation units in the capital of other resident or non-resident entities in Spain whose main corporate purpose is the acquisition of urban properties for their leasing, and which are subject to the same regime as the SOCIMIs as far as legally required or bylaw-stipulated policies regarding distribution of profits are concerned, and which fulfill the investment requirements established in article 3 of Law 11/2009 of October 26, regulating SOCIMIs (Note 1.1);

d. The holding of shares or participation units in Collective Property Investment Institutions regulated by Law 35/2003 of November 4, or the regulations which replace said law in the future; and

e. Other activities complementary to the above, understood as those which taken as a whole represent less than 20% of the Group's revenue in each tax period.

These business activities are at present carried out in Spain.

The Parent was incorporated on June 6, 2017 as a private limited company, under protocol number 2.919. Its registered address is Paseo de la Castellana 102, 28046, Madrid.

In addition, the extraordinary general shareholder meeting held on September 30, 2021, amongst other matters, agreed upon modifying the corporate name of Millenium to the current version, with the resulting modification to article 1 of its bylaws duly filed at the Mercantile Registry on February 17, 2022 (Note 20).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

On December 22, 2017 the Parent acquired a 50% stake in the share capital of Varia Pza Magdalena, S.L. ("Varia") via subscription of a capital increase. The Parent did not acquire control over said company in said transaction.

On September 6, 2018 the Parent acquired the remaining 50% of Varia share capital, thus acquiring control over said company on said date.

Previously, on July 31, 2018 the Parent acquired 92.86% of the share capital of Millenium Hotels C220, S.L. ("C220"), thus acquiring control over said company. Subsequently, on October 11, 2018 the Parent acquired the remaining 7.14% of C220 share capital.

On December 10, 2019 the Parent acquired all of the shares of Alcaidesa Holding, S.A.U. ("Alcaidesa Holding"), which in turn owned all of the share capital of Alcaidesa Golf, S.L.U. ("Alcaidesa Golf"). Subsequently, in September 2020 Alcaidesa Holding was merged by absorption with Alcaidesa Golf.

Finally, on December 19, 2019 a mercantile company was incorporated (MHRE San Roque, S.L., sole shareholder company) with share capital of 3,000 euros, fully subscribed and paid in by the Parent.

As a consequence, prior to July 31, 2018 the Parent was not a member of a group of companies on the terms established in article 42 of the Commercial Code.

The subsidiaries which together with the Parent form a part of the consolidation scope at December 31, 2021 and 2020 are broken down as follows:

Parent	Registered business address	Activity	Group company owning the interest	% of direct ownership interest	Auditor	Consolidation method	Functional currency
Millenium Hotels C220, S.L.U.	Paseo de la Castellana 102, Madrid	(*)	Millenium	100%	Ernst & Young, S.L.	Full consolidation	Euros
Varia Pza Magdalena, S.L.U.	Paseo de la Castellana 102, Madrid	(*)	Millenium	100%	Ernst & Young, S.L.	Full consolidation	Euros
Alcaidesa Holding, S.A.U.	Club de Golf Alcaidesa. Avenida Pablo Cerezo S/N, San Roque, Cádiz	(**)	Millenium	100%	Ernst & Young, S.L.	Full consolidation	Euros
MHRE San Roque, S.L.U.	Paseo de la Castellana 102, Madrid	(*)	Millenium	100%	Ernst & Young, S.L.	Full consolidation	Euros

(*) Acquisition and promotion of urban investment properties for leasing activities
(**) Acquisition, holding, use, and transformation of properties as well as other related activities; all types of transactions relating to urban properties and the organization of appropriate services for such purposes; the performance of those leisure, sports, and recreational activities or the rendering of services which contribute to the commercial development of the aforementioned operations, as well as the construction, holding, administration, management, control, and operation of golf courses, including advisory services.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

It is worth noting that on January 31, 2022 the sale to the former Board member Ibervalles, S.A. of all the shareholding units held by Millenium in Millenium Hotels C220, S.L.U. was formalized as approved at the ordinary and extraordinary general shareholder meeting held on July 7, 2021 (Notes 5 and 20). Consequently, the Group classified the assets and liabilities associated with said transaction under "Assets held for sale" and "Liabilities associated with assets held for sale" in the accompanying consolidated statement of financial position at December 31, 2021.

The subsidiaries use the same reporting periods as the Parent.

The Parent and all its subsidiaries are regulated by Law 11/2009 of October 26, modified by Law 16/2012 of December 27, and Law 11/2021 of July 9, regulating SOCIMIs (Note 1.1).

Given the Group's activity, it has no environmental expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position or results. Thus, environmental disclosures are not provided in the consolidated financial statements.

The Group's functional currency is the euro as this is the currency of the primary economic area in which the Group companies operate.

1.1. SOCIMI regime (Spanish REIT)

On July 25, 2017, the sole shareholder of Millenium until that date, Mr. Francisco Javier Illán Plaza, approved requesting that the Parent be treated under the special tax regime for SOCIMIs, applicable from the moment of its incorporation. Said communication was presented to the tax authorities on July 26, 2017.

On September 5, 2019, the sole shareholder of C220 and Varia decided to approve the option for both companies to avail themselves of the special SOCIMI tax regime, applicable from January 1, 2019, which was communicated to the tax authorities on September 27, 2019 in a timely and correct manner.

Further, on September 4, 2020 and September 24, 2020 the Parent approved the inclusion of Alcaidesa Holding and MHRE San Roque, S.L.U., respectively, in the special SOCIMI tax regime, applicable from January 1, 2020. These decisions were communicated to the tax authorities on September 25, 2020 in a timely and correct manner.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

Consequently, at December 31, 2021 the Parent and all its subsidiaries are regulated by Law 11/2009 of October 26, modified by Law 16/2012 of December 27, and Law 11/2011 of July 9, regulating SOCIMIs ("the SOCIMI Law").

The first transitional provision of the SOCIMI Law allows application of the SOCIMI tax regime on the terms established in article 8 of said Law, even when the requirements established therein have not been met at the incorporation date, provided that such requirements be fulfilled within the two years following the decision to opt for said regime. Consequently, the Parent applied the special SOCIMI tax regime from 2017 onwards while the aforementioned subsidiaries started applying it in 2019 and 2020.

Article 3 of the SOCIMI Law establishes the following investment requirements for this type of company:

- The SOCIMIs must invest at least 80% of their assets in urban properties dedicated to rental activities or land dedicated to the promotion of properties which will be used for that purpose, provided that the promotion is initiated within the three years following acquisition; or in stakes held in the share capital or equity of the other entities referred to in section 1 of article 2 of the aforementioned SOCIMI Law.

  The value of the assets shall be determined in accordance with the average of the consolidated quarterly balances of the year. When calculating said amount, the SOCIMI can opt to substitute carrying amounts with the market value of the items making up said balances, applicable to all consolidated balances of the year. For these purposes, this calculation does not include the money or credit rights arising from the transfers of said properties or stakes carried out in the same year or prior years, provided that, in the latter case, the reinvestment period to which article 6 of the SOCIMI Law refers has not elapsed.

- Likewise, at least 80% of income generated during the tax period corresponding to each year, excluding revenue arising from the transfer of stakes and urban properties dedicated to fulfilling the corporate purpose, once the maintenance period to which the next section refers has elapsed, must arise from property leasing and dividends or shares in profit arising from said stakes.

  This percentage shall be calculated over the consolidated results, should the SOCIMI be the parent of a group as per the criteria established in article 42 of the Commercial Code, regardless of residence and the obligation to prepare consolidated financial statements. Said group will exclusively be made up of SOCIMIs and the remaining entities to which section 1 of article 2 of the SOCIMI Law refers.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

- The investment properties which make up the assets of the SOCIMI must be leased during at least three years. For purposes of calculation, the time periods for which the properties have been offered for leasing will be added up to a maximum of one year. The time period shall be calculated as follows:

    - In the case of investment properties which make up the equity of the SOCIMI before availing itself of the regime, from the date of initiating the first tax period in which the special tax regime will be applied as established in the SOCIMI Law, provided that at said date it is being leased or is being offered for leasing. Otherwise, the following will apply:

    - In the case of investment properties promoted or acquired subsequently by the SOCIMI, from the date on which they were leased or offered for leasing for the first time.

- In the case of shares or participation units in entities to which section 1 of article 2 of the SOCIMI Law refers, they must be maintained as assets of the SOCIMI for at least three years counting from the acquisition date or, if applicable, from the beginning of the first tax period in which the special tax regime established in the SOCIMI Law is applied.

In addition, the SOCIMI Law establishes the following obligations:

- The shares of the SOCIMI must be admitted to trading on a regulated market or a multilateral trading system (a requisite which is not applicable to a sub-SOCIMI).

- The minimum capital required amounts to 5 million euros, the shares must be bearer shares and there can only be one type of share (a requisite which is not applicable to a sub-SOCIMI).

- The SOCIMI is obliged to distribute profits obtained during the year in the form of dividends to its shareholders, once the corresponding mercantile obligations have been fulfilled, and must agree upon the distribution within six months subsequent to the closing of each reporting period, as indicated in Note 3.

Failure to comply with the requirements established in the SOCIMI Law for applying said regime will result in the SOCIMI filing its tax return under the general regime for companies starting from the tax period in which said non-compliance occurs, unless corrected in the subsequent year. In addition, the SOCIMI is obliged to pay, together with the tax payable for said tax period, the difference between the amount resulting from applying the general tax regime and the amount paid which resulted from applying the special tax regime for previous periods, without prejudice to any late payment interest, surcharges and fines which may be applicable.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The corporate income tax rate for SOCIMIs is fixed at 0%. However, when the dividends distributed by the SOCIMI to its shareholders with a stake greater than 5% are exempt or file taxes at a rate less than 10%, the SOCIMI will be subjected to a special rate of 19%, which will be considered the corporate tax rate, on the amount of the dividend distributed to said shareholders. Should it be applicable, this special tax must be settled by the SOCIMI within two months from the date on which the dividends were distributed. In addition, effective for the tax periods starting from January 1, 2021, in accordance with the modification introduced by the second final provision of Law 11/2021, of July 9, the SOCIMI shall be subject to a special tax rate of 15% on the amount of profits obtained during the year which are not used for distribution, provided that the revenue was not taxed at the general corporate income tax rate and the revenue is not subject to the regulated reinvestment period in letter b) of section 1 in article 6 of the SOCIMI Law. Said tax rate shall be considered as the corporate income tax rate.

At December 31, 2021 the Parent and subsidiaries fulfill the requirements established in the SOCIMI Law.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Financial reporting framework applicable to the Group

The Group's consolidated financial statements for the year ended December 31, 2021 were prepared in accordance with the applicable regulatory framework for financial information as established in:

- The International Financial Reporting Standards (IFRS) and Interpretations of the International Financial Reporting Standards Committee (IFRIC) adopted by the EU, in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and Council and subsequent modifications (together, "the IFRS-EU")

- Law 11/2009 of October 26, which regulates SOCIMIs with respect to disclosure requirements in the explanatory notes

- Circular 3/2020 of Bolsas y Mercados Españoles (Spanish Exchanges and Stock Markets - "BME" in its Spanish acronym) on "Information to be provided by companies listed on the BME Growth segment of BME MTF Equity"

- The Spanish Commercial Code and remaining applicable Spanish mercantile legislation.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The consolidated financial statements have been prepared by Millenium's directors and will be submitted for approval by the shareholders in general meeting. It is expected that they will be approved without modification.

2.2. Changes in accounting policies

a) Standards and interpretations approved by the European Union and applied for the first time during the current reporting period

The accounting standards used to prepare the accompanying consolidated financial statements are the same as those used to prepare the consolidated financial statements for the previous year as none of the standards, interpretations or amendments that are effective for the first time in the current year have had any impact on the Group's accounting policies.

b) Standards and interpretations issued by the IASB not applicable for the current reporting period since they have not been adopted by the European Union

The Group intends to apply the standards, interpretations, and amendments to standards issued by the IASB when they become effective in the European Union to the extent applicable. Although the Group is at present analyzing the impact of the standards, interpretations, and amendments to standards issued by the IASB, based on the analysis performed to date, it estimates that their initial application will not have a significant impact on its consolidated financial statements.

2.3. True and fair view

The consolidated financial statements have been prepared based on the auxiliary accounting records of the companies included in the consolidation scope in accordance with prevailing accounting legislation to give a true and fair view of the Group's consolidated equity, consolidated financial position and consolidated results, as well as changes in consolidated equity and consolidated cash flows for the year ended December 31, 2021.

All figures included in the consolidated financial statements are expressed in euros, unless stated otherwise.

2.4. Critical issues concerning the measurement and estimation of uncertainty

The directors of Millenium have prepared the Group's consolidated financial statements using estimates to determine the carrying amounts of certain assets, liabilities, income, and expenses, as well as related disclosures. Those estimates were made on the basis of the best available information at the closing date. However, given the uncertainty inherent in these estimates and the uncertainty arising from the emergency situation driven by the COVID-19 pandemic (Note 2.7), future events could oblige the Group to modify them in subsequent periods. Any such modifications would be done prospectively, as established in IAS 8.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The key assumptions concerning the future and other relevant data on the estimation of uncertainty at the closing date which entail a considerable risk of significant changes in the value of assets and liabilities in the subsequent reporting period are as follows:

- Compliance with the SOCIMI tax regime (Notes 1.1 and 14.3)
- Valuation of investment properties (Notes 4.2 and 7)
- Estimating the useful lives of PP&E items (Note 4.1)

2.5. Comparison of information

In accordance with mercantile legislation, for comparative purposes, for each of the headings included in the consolidated statement of financial position, separate consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and the consolidated cash flow statement, in addition to the figures for 2021, those corresponding to the prior year are likewise presented. Quantitative information for the previous year is also included in the explanatory notes to the consolidated financial statements unless an accounting standard specifically states that this is not required.

2.6. Consolidation principles

The main consolidation and measurement standards used by the Group to prepare these consolidated financial statements are summarized below:

a) The consolidated financial statements were prepared based on the accounting records of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (formerly MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A.) and the companies under its control (subsidiaries), referring to the year ended December 31, 2021 in all cases. Control by the Parent is considered to exist when it has effective control as per point (f) below.

b) The results for the year generated by the subsidiaries are included in the consolidated results from the effective acquisition date or incorporation date.

c) All accounts receivable and payable as well as other transactions between consolidated companies were eliminated upon consolidation.

d) When necessary, the financial statements of the subsidiaries are adjusted in order to ensure standardized accounting policies in line with those applied by the Parent of the Group.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

e) Non-controlling interests (minority interests), should there be any, are recognized at the proportionate amount of the fair value of identifiable assets and liabilities recognized. Minority interests in:

- the equity of its investees are presented as "Minority Interests" in the consolidated statement of financial position under "Equity";

- profit or loss for the year are presented under "Profit for the year attributable to minority interests" in the separate consolidated income statement.

f) The criteria applied to determine the consolidation method for each of the Group companies are shown below:

Full consolidation method

- Subsidiaries are consolidated under the full consolidation method and are understood to include all entities over which the Group has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than half the voting rights. When assessing whether the Group controls another entity, the existence and effect of potential voting rights that are exercisable or convertible at the closing date is taken into account.

- The accounting of subsidiaries is performed using the acquisition method. Acquisition cost is the fair value of the assets delivered, equity instruments issued, and liabilities incurred or assumed at the exchange date. Identifiable assets acquired and identifiable liabilities and contingencies assumed in a business combination are initially measured at their fair values as of the acquisition date, regardless of any minority interests. Any excess of the acquisition cost over the fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill. If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the separate consolidated income statement for the corresponding year.

At December 31, 2021 and 2020 all subsidiaries were consolidated using the full consolidation method (Note 1).

2.7. Effects arising from the pandemic generated by COVID-19 in the consolidated financial statements

The pandemic generated by the corona virus (COVID-19) significantly affected the economy in general, both in our national markets and at a global level.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The tourism sector in general and hotel segment in particular were negatively affected by the pandemic generated by COVID-19 due to both the decrease in hotel occupancy as well as the average daily price per room (Revenue Per Available Room - "RevPar").

Further, during 2021 the measures taken by the Government of Spain and its autonomous communities to control the appearance of new outbreaks of COVID-19 were still in place, including the limitations to mobility during the night and between communities as well as earlier closing hours and limitations to capacity in the hotel and restaurant business activities, amongst others.

In light of this unprecedented situation, the Group's activity was affected in various areas, and its directors decided to maintain the measures adopted in 2020 during 2021 to mitigate the effects of the pandemic arising from COVID-19.

Further, the directors of Millenium, in spite of the impossibility of reliably evaluating all the potential effects the pandemic may provoke in coming months due to the many uncertainties surrounding this extraordinary situation, performed an assessment of the impacts presently known which the health emergency arising from COVID-19 has had on the consolidated financial statements of the Group, amongst which the following are noteworthy:

- Operating risk: all of the Group's operational hotels have been open to the public since the beginning of the year, except for the Hotel Vía Castellana which was reopened in May 2021 after having been medicalized by the Community of Madrid. Likewise, on June 25, 2021 the Hotel Radisson Collection de Sevilla was opened after having finalized the construction work for repositioning. An addendum to the lease contract for this hotel was signed on the same date, which, amongst other matters, regulated revenue for 2021.

  As stated above, the tourism sector in general and the hotel segment in particular were affected negatively due to the pandemic arising from COVID-19. In some cases, this situation has led to a worse financial position for the lessees of the hotels, who tried to compensate the decrease in their income by renegotiating the contractual terms of the leases in force and reducing the hotel lease payments. Thus, the lessee of the Hotel Meliá Bilbao filed a lawsuit against Millenium, requesting the reduction of lease payments corresponding to the years 2021 to 2024 given the adverse consequences provoked by the pandemic, in application of the jurisprudential doctrine of *rebus sic stantibus*. The claim was answered with a request for it to be completely dismissed. The pre-trial hearing had been scheduled for November 21, 2021, but prior to the hearing the parties requested the suspension of the proceedings in order to negotiate an end to the dispute. In the opinion of the directors of Millenium, based on the opinion of the Group's legal advisors, setting aside a provision to cover this item is not necessary at December 31, 2021. In addition, it is worth highlighting that said lessee paid all installments accrued during the year.

Further, with a view to overcoming this challenging market environment and facilitating compliance with the contract in force, on November 8, 2021, Millenium subscribed an addendum with the lessee of the Hotel Eurostars Lucentum in Alicante, having agreed upon a deferral for a part of the amounts due corresponding to the months of October 2021 to June 2022, as well as a new payment schedule. In addition, an extension to the lease agreement has been included which, subject to the fulfillment of certain economic conditions, allows the lessee to extend its term until August 2040. The remaining conditions which regulated the contract remain in force (Note 7.4).

Further, at the date of preparation of these consolidated financial statements, the lease agreements signed for the hotels that are in the process of being developed or converted have not been modified in any way with respect to the conditions agreed upon and in force though, given the current situation, it is foreseeable that in the case of the Hotel Radisson Collection Bilbao, which is expected to open in the first quarter of 2022, it will be necessary to grant an addendum that regulates the lease payments for 2022.

In contrast, the work being performed on the properties being developed or converted has been slowed down in part as a precautionary measure adopted by the Group; they have also been partially affected by the pandemic generated by COVID-19 though not generating significant delays.

With respect to the golf courses which the Group is temporarily exploiting, employees who had been affected by the administrative temporary layoff procedures ("ERTE" in its Spanish acronym) due to force majeure since March 2020 were reinstated during the first half of 2021. However, the activity was affected by the closing of the golf course called "Links" for its complete refurbishment.

- Credit risk: one of the implications considered by the Group in light of COVID-19 has been the assessment of client credit risk in the current market environment. To date, the directors of Millenium have assessed the possible impacts in this context, taking the characteristics of the Group's contracts into account together with the guarantees received from the lessees in each case, as well as the agreements reached in 2020 and new agreements reached in 2021 with the lessees of the operational hotels, which were signed with a view to overcoming this difficult moment in the market and facilitating compliance with the contractually established terms. Thus, though during 2021 a provision was set aside for the balances pending collection over the course of the year from the lessees of the Vía Castellana and Eurostars Lucentum hotels (Hotusa group companies), subsequent to the addendum signed with the lessee of the Eurostars Lucentum hotel in Alicante on November 8, 2021 and the settlement agreement reached with the lessee of the Vía Castellana hotel on December 29, 2021, a part of the provision was reversed and a balance of 811 thousand euros was applied (Note 8.1).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

- Liquidity risk: the failure to collect certain revenue described in the above section decreased the cash flows projected for 2021. One of the measures adopted by the Group consisted in extending the grace period for repayment of the loan granted by Bankinter and guaranteed by the ICO for an additional 12 months (Note 12.1). In addition, in July 2021 funds were obtained from a capital increase carried out in the amount of 89.3 million euros (Note 11.1).

  At December 31, 2021 the Group presented a loan to value ratio (LTV), defined as financial debt divided by the fair value of the assets, of 28.7% (2020: 25.5%) and positive working capital amounting to 80 million euros (2020: 14.1 million euros), taking into account a balance of 53.5 million euros for cash and cash equivalents (2020: 20.7 million euros).

  The directors and Management of Millenium are constantly supervising the changing situation as well as the effects it may have on credit markets and consider that given the Group's sound financial position at December 31, 2021, the Group will be able to maintain its solvency while fulfilling the short-term payment obligations presented in the interim consolidated statement of financial position at December 31, 2021, and there is no material uncertainty regarding continuity of its operations.

- Valuation risk for the assets and liabilities recognized in the statement of financial position: during the first half of 2021, as indicated above, the hotel sector was badly affected, which influenced cash flows and consequently the value of the Group's property investments, to which it applies the "Discounted cash flow method" for valuation purposes. The valuation methodology for investment properties was not modified, though it was influenced by the following aspects of the pandemic, amongst other matters:

  - the closing of hotels
  - restricted movement for tourists
  - increase in discount rates or exit yields arising from future uncertainty.

  However, the independent experts have determined that the environment of uncertainty in which the valuations of the previous year were made, due to the effects of COVID-19, has dissipated and therefore they have not issued their valuation reports on the basis of "material valuation uncertainty" (in accordance with VPS3 and VPGA 10 of the Valuation Manual issued by RICS) that they incorporated in their valuation reports as of December 31, 2020, due to the environment of extraordinary uncertainty in which they found themselves last year.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

Given the changing circumstances and numerous uncertainties regarding the outlook for the pandemic, the definitive consequences of the pandemic for the Group's operations are uncertain and will to a great extent depend on the rate at which vaccinations advance in coming months as well as the capacity of all affected economic agents to react and adapt. In light of this situation, the directors and Management of Millenium are constantly monitoring the developing situation with a view to successfully dealing with the possible impacts which may arise.

3. APPROPRIATION OF PARENT COMPANY PROFIT

The directors of Millenium propose the following appropriation of the Parent's profit for 2021, a proposal expected to be approved by the shareholders in general meeting:

(Euros)	**2021**
Basis of appropriation	
Profit (loss) for the year	(9,465,536)
	(9,465,536)
Appropriation to:	
Prior year losses	(9,465,536)
	(9,465,536)

3.1. Distribution of results and management of capital

As indicated in Note 1.1, Millenium and its subsidiaries have availed themselves of the special tax regime established in the SOCIMI Law. In accordance with said Law, the SOCIMIs are obliged to distribute gains obtained during the year in the form of dividends to their shareholders, once the corresponding mercantile obligations have been fulfilled, and must agree upon the distribution within the six months subsequent to the closing of each reporting period, as follows:

a) 100% of the gains arising from dividends or profit-sharing based on interests held in other SOCIMIs or other interests whose main corporate purpose is the acquisition of urban properties.

b) At least 50% of the gains arising from transfer of properties and shares or participation units to which section 1 of article 2 of the SOCIMI Law refers, realized once the deadlines have elapsed to which section 3 of article 3 of this Law refers, relating to compliance with the main corporate purpose. The remaining gains must be reinvested in other properties or interests relating to compliance with the corporate purpose within three years subsequent to the transfer date. In default thereof, said gains must be distributed in their entirety together with the gains, if any, which arise in the year in which the reinvestment period ends. If the items subject to reinvestment are transferred within the holding period, any corresponding gains must be distributed in their entirety together with the gains, if any, which arise from the year in which they were transferred. The obligation to distribute does not affect the portion of those gains attributable to years in which the Group did not file taxes under the special tax regime established in the SOCIMI Law.

c) At least 80% of the remaining gains obtained.

When the distribution of dividends is performed with a charge against reserves arising from gains obtained during a year in which the special tax regime was applied, the distribution will obligatorily be adopted with the agreement to which the previous section refers.

Millenium is obliged to transfer 10% of profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders (Note 11.3).

In accordance with the stipulations of the SOCIMI Law, Millenium's bylaws do not establish any other unrestricted reserve apart from the legal reserve.

4. RECOGNITION AND MEASUREMENT POLICIES

The main recognition and measurement criteria applied by the Group in the preparation of these consolidated financial statements are the following:

4.1. Property, plant, and equipment

PP&E items are initially measured at either acquisition or production cost. The cost of PP&E items acquired in a business combination is the fair value as of the acquisition date.

Following initial measurement, PP&E items are stated at cost less accumulated depreciation and any accumulated impairment losses recognized.

In addition, another component of PP&E items is the initial estimate of the present value of asset dismantling or retirement obligations and other associated costs, such as the cost of restoring assets, when these obligations trigger the recognition of provisions.

Expenses for repairs which do not prolong the useful life of assets and maintenance expenses are taken to the separate consolidated income statement in the year incurred. Expenses incurred for renovation, expansion or improvements which increase the productive capacity or prolong the useful life of assets are capitalized as an increase in the value of the assets, while the carrying amounts of any replaced items are derecognized.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

Once available for use, PP&E items are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives for the different PP&E items are as follows:

	Useful lives
Buildings	25-50 years
Machinery	5 years
Plant	3.5 years
Furniture	10 years
Data processing equipment	4 years
Transport equipment	5 years

The Group reviews the residual values, useful lives, and depreciation methods for PP&E items at each year end, adjusting them prospectively where applicable.

4.2. Investment properties

The Group classifies as investment properties those non-current assets that are buildings it holds to obtain rent, capital gains, or both, rather than for production purposes or services other than renting, administrative purposes, or their sale in the ordinary course of its business. In addition, investment properties also include the land and buildings whose future use has not been decided upon at the moment of their inclusion in the Group's equity. Likewise, properties which are under construction or being improved for future use as investment properties, are also classified as investment properties.

Investment properties are measured at fair value at the end of each reporting period and are not subject to annual depreciation.

Gains or losses arising from changes in the fair value of investment properties are taken to profit or loss in the year in which they arise.

The cost of those assets which require more than one year to be ready for use includes any related prior finance expenses which meet capitalization requirements.

In addition, the carrying amounts of investment properties also include a component corresponding to the initial estimate of the present value of asset dismantling or retirement obligations and other associated costs, such as the cost of restoring assets, when these obligations lead to recognizing provisions.

Expenses for repairs which do not prolong the useful life of assets and maintenance expenses are taken to the separate consolidated income statement in the year incurred. Expenses incurred for renovation, expansion or improvements which increase the productive capacity or prolong the useful life of assets are capitalized as an increase in the value of the assets, while the carrying amounts of any replaced items are derecognized.

Costs relating to major repairs of investment properties, irrespective of whether the items affected are replaced or not, are identified as a component of the cost of the asset at the date of recognizing the asset in equity and depreciated over the time remaining until the next major repair.

In accordance with IAS 40, the Group periodically determines the fair value of investment properties by taking as reference values the appraisals undertaken by external independent experts, so that at each year-end the fair value reflects the market conditions of the investment properties at that date. The valuation reports issued by the independent experts only contain the usual caveats and/or qualifications regarding the scope of the results obtained from the appraisals performed, which refer to acceptance that the information provided by the Group is complete and correct, and that the appraisal was carried out in accordance with the valuation standards published by the Royal Institute of Chartered Surveyors in Great Britain.

The main methodology utilized to determine the fair value of investment properties consists in discounting cash flows, based on the estimated expected future cash flows from the investment properties using an appropriate discount rate to calculate the present value of these cash flows. Said rate takes current market conditions into account and reflects all forecasts and risks relating to the cash flows and the investment. In order to calculate the residual value of the assets for the last year of the forecasts made regarding cash flows, a net exit yield is applied.

Note 7 includes detailed information on the net exit yields considered and the rate used for discounting projected cash flows.

4.3. Leases

Leases are classified as finance leases when, based on the economic terms of the arrangement, they substantially transfer all the risks and rewards incidental to ownership of the leased item to the lessee. All other lease arrangements are classified as operating leases.

Group as lessee

Assets acquired under finance lease arrangements are recognized, based on their nature, at the lower of their fair value or the present value of the minimum lease payments at the outset of the lease term, including any associated call option. A financial liability is recognized for the same amount. Contingent installments, service expenses, and reimbursable taxes (by the lessor) are not included in the calculation of agreed minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability. The total finance charge on the lease is recognized in the separate consolidated income statement for the year in which it is incurred, using the effective interest rate method. Assets are

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

depreciated, amortized, impaired, and derecognized using the same criteria applied to assets of a similar nature.

In 2010 the Group entered into a finance lease agreement with CAIXABANK, effective at December 31, 2021, in order to finance the Vía Castellana hotel, one of its investment properties classified under "Assets held for sale" (Note 5).

In addition, the Group applies the following recognition and measurement model to all operating leases in which it is lessee, except for assets of a low value and short-term lease arrangements:

- **Right-of-use assets – Property, plant, and equipment**

The Group recognizes right-of-use assets at the inception date of the lease agreement. That is, the date on which the underlying asset is available for use. Right-of-use assets are measured at cost, less accumulated amortization and any impairment losses, and are adjusted in accordance with any changes in the valuation of associated lease liabilities.

The initial cost of right-of-use assets includes the carrying amounts of lease liabilities recognized, direct initial costs, and lease payments made prior to the date on which the lease became effective. Any incentives received are discounted from the initial cost.

Right-of-use assets are amortized on a straight-line basis over the shorter of the estimated useful life or the lease term:

	Estimated years of useful life
Buildings	5-35 years

However, if the Group considers it is reasonably certain to acquire ownership of the leased asset at the end of the lease term, the right-of-use assets will be amortized based on the useful life of the asset. Right-of-use assets are subject to impairment loss testing.

The Group's lease agreements do not include dismantling or restoration obligations.

The right-of-use assets are presented under "Property, plant, and equipment" in the consolidated statement of financial position.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

- **Lease liabilities**

At the inception of the lease, the Group recognizes lease liabilities at the current value of the lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option, if the Group is reasonably certain that it will exercise the option, and payments for lease cancellation fines, if the lease term reflects the Group's decision to exercise the lease cancellation option. The payments for variable leases which do not depend on an index or a rate are recognized as expenses for the period in which the event or circumstance triggering payment occurs.

When the present value of lease payments is calculated, the Group uses the incremental interest rate at the inception date of the lease, if the implicit interest rate for the lease cannot be determined easily. Subsequent to the inception date, the carrying amounts of lease liabilities are increased to reflect the accumulation of interest and reduced by the lease payments made. In addition, the lease liability will be measured again if there are any modifications, changes to the lease terms, changes to essentially fixed lease payments, or a change in the evaluation regarding purchase of the underlying asset. The liability is also increased if there is a change in future lease payments arising from a change in an index or a rate used to determine these payments.

- **Short-term leases and leases of low value assets**

The Group applies the exemption relating to recognition of short-term leases to its transport equipment leases (*buggies*) which are of a duration of 12 months or less from the inception date and do not include a purchase option. It also applies the exemption regarding recognition of low value assets to the leases for office equipment considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

- **Judgments made in the determination of lease terms for contracts including a renewal option**

The Group determines the lease term as the non-cancelable term of the lease, to which optional extension periods are added, if it is reasonably certain that this option will be exercised. It also includes periods covered by the option to cancel the lease, if it is reasonably certain that this option will not be exercised.

The Group evaluates whether it is reasonably certain to exercise the renewal option. That is, it considers all pertinent factors which create an economic incentive to renew.

Subsequent to the inception date, the Group reevaluates the term of the lease, if there is a significant event or change in circumstances under its control which affects its capacity to exercise, or not exercise, the renewal option.

Group as a lessor

If the contract does not substantially transfer the risks and benefits inherent to ownership of the asset, the lease is classified as an operating lease. Income generated from the lease is accounted for linearly over the term of the contract and is included as revenue in the separate consolidated income statement to the extent that it is of an operational nature. Direct costs incurred when signing a lease contract are included as a greater value of the leased asset and amortized over the lease term applying the same criteria used for revenue. Contingent payments are recognized as income in the year in which they accrue.

At December 31, 2021 the Group is party to operating lease agreements for most of the hotel buildings included in its investment properties, though only the Vía Castellana, Eurostars Lucentum, and Meliá Bilbao hotels generated income during the year, given that the remaining properties are under development or being reconverted (Notes 5, 7, and 16.1).

4.4. Financial assets

Initial recognition and measurement

The financial assets owned by the Group are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on their contractual cash flow characteristics and the Group's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the outstanding principal.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For subsequent valuation, financial assets are classified in one of four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other comprehensive income, recycling accumulated gains and losses (debt instruments)
- Financial assets at fair value through other comprehensive income without recycling gains and losses accumulated upon disposal (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

This is the most relevant category for the Group. The Group measures financial assets at amortized cost if the following two conditions are met:

- The financial assets are held in the framework of a business model whose purpose is to hold the financial assets in order to obtain contractual cash flows, and
- The contractual terms of the financial assets give rise to cash flows on specified dates which are solely payments of principal and interest on the outstanding principal.

The financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. The gains or losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

This category includes trade and non-trade receivables, which include financial assets with fixed or determinable payments that are not quoted on active markets and for which the Group expects to recover the full initial investment, except in cases of credit deterioration.

Cancellation

Financial assets are derecognized from the Group's consolidated statement of financial position when the contractual rights to the related cash flows have expired or when the assets are transferred, provided that the risks and rewards incidental to ownership are substantially transferred.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

If the Group has not substantially transferred or retained the risks and rewards incidental to ownership of the financial asset, it is derecognized if control over the asset has not been retained. If control over the asset is retained, the Group continues to recognize it to the extent to which it is exposed to changes in the value of the transferred asset, i.e. to the extent of its continuing involvement, recognizing the associated liability as well.

Interest earned on financial assets

Interest on financial assets accrued after acquisition is recognized as income in the separate consolidated income statement using the effective interest rate method.

To this end, financial assets are recognized separately upon initial measurement based on maturity and unmatured accrued explicit interest at that date. Explicit interest refers to the contractual interest rate applied to the financial instrument.

Impairment of financial assets

The Group recognizes an impairment allowance for expected credit losses (ECLs) on all debt instruments not recognized at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. In the case of credit exposures for which there has not been a significant increase in credit risk since initial recognition, the impairment loss allowance is recognized for ECLs over the following 12-months. In the case of those credit exposures for which there has been a significant increase in credit risk since initial recognition, an impairment loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of when default may occur (a lifetime ECL).

In the case of trade receivables, the Group applies a simplified approach for calculating the ELCs. Therefore, the Group does not track changes in credit risk, but instead recognizes an impairment loss allowance based on lifetime ECLs at each reporting date.

The Group considers that a financial asset is in a default situation when contractual payments have been past due for 90 days. However, in certain cases, the Group can also consider a financial asset past due when internal or external information indicates it is unlikely for the Group to receive the pending contractual amounts in their totality before taking into account any credit improvements for the Group.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

4.5. Financial liabilities

Initial recognition and measurement

At initial recognition financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, accounts payable or derivatives designated as hedging instruments in "effective hedges."

All financial liabilities are recognized initially at fair value, and in the case of loans and borrowings and accounts payable, net of the directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

This category includes financial liabilities held for trading and any financial liability designated upon initial recognition as one to be measured at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the short term. This category includes those derivative financial instruments contracted by the Group which have not been designated as hedging instruments in hedge relationships as defined in IFRS 9. Embedded derivatives that have been separated are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognized in the separate consolidated income statement. Financial liabilities are designated on initial recognition as measurable at fair value through profit or loss only if at the date of initial recognition the criteria described in IAS 9 are fulfilled. The Group has not designated any financial liabilities as measurable at fair value through profit or loss.

Loans and borrowings

This is the most relevant category for the Group. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the separate consolidated income statement when the liabilities are derecognized, with any interest accrued recognized as per the effective interest rate method.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. Interest accrued as per the effective interest rate method is included under finance costs in the separate consolidated income statement.

This category is in general applicable for interest-bearing loans and borrowings. See Note 12 for more information.

Cancellation

A financial liability is derecognized when the related obligation is discharged, canceled or expires. When an existing financial liability is replaced by another provided by the same lender on substantially different terms and conditions or when the terms of an existing liability are substantially modified, this exchange or modification is accounted for by derecognizing the original liability and recognizing the new obligation. The difference in the respective carrying amounts is recognized in the separate consolidated income statement.

4.6. Derivative financial hedging instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to cover interest rate risk. These derivative financial instruments are initially recognized at the fair value of the date on which they are contracted and subsequently at the fair value of each closing date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For purposes of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or a firm commitment that has not been recognized;
- cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecast transaction which is highly probable, or to exchange rate risk in a firm commitment that has not been recognized;
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship it wishes to apply, together with the risk management objective and strategy for undertaking the hedge.

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The documentation includes identification of the hedging instrument, the item being hedged, the nature of the hedged risk, and the manner in which the Group will assess whether the hedging relationship meets the requirements to be considered effective (together with analysis of causes for ineffective hedging and the manner in which the hedging ratio will be determined). A hedging relationship qualifies for hedge accounting if it meets all the following requirements to be considered effective:

- the existence of an economic relationship between the hedged item and the hedging instrument;
- credit risk is not a dominant factor with respect to changes in value resulting from this economic relationship;
- the hedging ratio for the hedge relationship is the same as that arising from the amount of the hedged item which the Group is actually covering and the amount of the hedging instrument which the Group is actually utilizing to cover said amount of the hedged item.

The Group carries out cash flow hedging transactions for the loans received at variable interest rates by contracting financial swaps which allow for exchanging variable rates and fixed rates. With these cash flow hedges, the Group hedges its exposure to the risk of variable cash flows attributable to changes in interest rates on loans received. These hedges, provided they meet all the criteria for hedge accounting, are recognized as follows:

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while the ineffective portion is recognized immediately in the separate consolidated income statement. The reserve for cash flow hedges is adjusted so that it is equal to the lower of accumulated gains or losses on the hedging instrument and the accumulated change in the fair value of the hedged item.

For cash flow hedges, the accumulated amount in other comprehensive income is reclassified to the separate consolidated income statement as a reclassification adjustment in the same year or years during which the hedged cash flows affect results.

If the accounting of cash flow hedges is interrupted, the amount which has accumulated in other comprehensive income must remain there if the future hedged cash flows are still expected to materialize. Should this not be the case, the amount must be reclassified immediately to the separate consolidated income statement as a reclassification adjustment. Subsequent to the interruption, and once the hedged cash flow materializes, any remaining amount included in other comprehensive income must be recognized in accordance with the hedged transaction as described above.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

4.7. Cash and cash equivalents

This heading includes cash in hand, current accounts, time deposits, and purchases of assets under resale agreements which meet all the following criteria:

- They are readily convertible to cash
- They mature within less than three months from the acquisition date
- The risk of change in value is insignificant
- They form part of the Group's normal cash management strategy.

4.8. Corporate income tax

Income tax payable or receivable comprises current tax payable or receivable as well as deferred tax expenses or income.

Current tax is the amount that Group companies pay in settlement of the income tax returns for the year. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, are accounted for as a reduction in current tax. Similarly, tax loss carryforwards from prior years effectively applied in the current reporting period also reduce current tax.

Deferred tax expense or income corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include the temporary differences, identified as those amounts expected to be payable or recoverable, arising from the difference between the carrying amounts of assets and liabilities and their tax bases, as well as any unused tax loss carryforwards and unused tax credits. These amounts are measured at the tax rates that are expected to apply when the corresponding temporary differences or tax credits are realized or settled.

As indicated in Note 1.1, the Parent and its subsidiaries apply the special tax regime for SOCIMIs.

The general applicable tax rate for the year ended December 31, 2021 was 25%, while the tax rate applicable to the SOCIMIs was 0%. However, when the dividends distributed by Millenium to its shareholders with a stake greater than 5% are exempt or file taxes at a rate less than 10%, Millenium will be subject to a special rate of 19%, which will be considered the corporate tax rate, on the amount of the dividend distributed to said shareholders. Should it be applicable, this special tax must be settled by Millenium within two months from the date on which the dividends were distributed. In addition, effective for the tax periods starting from January 1, 2021, in accordance with the modification introduced by the second final provision of Law 11/2021, of July 9, the SOCIMIs shall be subject to a special tax rate of 15% on the amount of profits obtained during the year which are not used for distribution, provided that the revenue was not taxed at the general corporate income tax rate and the revenue is not subject to the regulated reinvestment period in letter b) of section 1 in article 6 of the SOCIMI Law. Said tax rate shall be considered as the corporate income tax rate.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

Deferred tax liabilities are recognized for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and those associated with investments in subsidiaries, associates, and jointly controlled entities in which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets are only recognized to the extent that it is considered probable that the Group will have future taxable income to enable their application and provided the SOCIMI regime allows for this possibility.

Deferred tax assets and liabilities arising from transactions involving direct credits or debits to equity headings, are also accounted for with a balancing entry under consolidated equity.

Recognized deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. Deferred tax assets not recognized in the consolidated statement of financial position are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow them to be recovered.

Deferred tax assets and liabilities are measured using the tax rates expected to prevail upon their reversal, based on approved tax legislation, and in accordance with the manner in which the Group reasonably expects to recover the asset's carrying amount or settle the liability.

Deferred tax assets and deferred tax liabilities are not discounted and are classified as non-current assets or non-current liabilities.

4.9. Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the consolidated statement of financial position as current or non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Group's normal operating cycle, which is less than one year, and it is expected that they will be sold, consumed, realized or settled within the course of that cycle; if they differ from the aforementioned assets and are expected to mature, be sold or settled within one year; if they are held for trading or are cash and cash equivalents, the use of which is not restricted to more than one year. All other assets and liabilities are presented as non-current.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

4.10. Segmented financial reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed, discussed, and assessed by the Group's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Group management has categorized its activity in accordance with the business segments described below, based on the type of assets acquired and managed:

- Leasing of hotels: investment activities relating to properties leased for hotel businesses.
- Other activities: this segment includes the golf courses acquired on December 10, 2019.

Income and expenses which cannot be attributed to a business segment or which affect the Group in general are attributed to the Parent, as the "Corporate Unit."

The Management Team is responsible for taking decisions and monitors the operating results of its business units separately so as to be able to make decisions regarding allocation of resources and performance evaluation. Segment performance is evaluated based on profit or loss before taxes and is measured consistently with profit or loss before taxes in the separate consolidated income statement. However, taxes on profits are managed at the Group level and are not assigned to operating segments.

The transfer prices between operating segments are similar to those applied to transactions with third parties.

4.11. Income and expenses

In accordance with the accruals principle, income and expenses are recognized on an accruals basis, regardless of when actual payment or collection occurs.

Revenue is recognized when it is probable that the economic benefits embodied by the transaction will flow to the Group and the amount of income and costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, less any trade discounts, rebates or similar items granted by the Group, as well as interest, if any, on the nominal amount of credit extended. Applicable indirect taxes on transactions which are reimbursed by third parties are not included in revenue.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

Rental income is recognized on a straight-line basis over the term of the contract, even if the contract establishes incremental payments.

4.12. Related party transactions

Related-party transactions are recognized according to the measurement principles described above.

Given that the prices of related party transactions are adequately supported, Millenium's directors consider that there are no risks which might result in significant tax liabilities in the future.

4.13. Treasury shares

Treasury shares are recognized under consolidated equity as a decrease in "Capital and reserves" when acquired, and no gains or losses are recognized in the separate consolidated income statement on sale or cancellation.

Income and expenses incurred in connection with treasury share transactions are recognized directly under consolidated equity as a decrease in reserves.

4.14. Provisions and contingencies

Liabilities of uncertain timing or amounts are recognized in the consolidated statement of financial position as provisions when the Group has a present obligation (be it legal, contractual or deriving from an implicit or tacit obligation) as a result of past events and it is probable that a quantifiable outflow of resources will be required to settle the obligation.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it to a third party. Adjustments arising from discounting the recognized provisions are recognized as a finance expense when accrued. Provisions expiring within one year are not discounted when the financial effect is not material. Provisions are reviewed at the closing date for each consolidated statement of financial position and adjusted in order to reflect the best current estimate for the corresponding liability.

Compensation receivable from a third party on settlement of the provisioned obligation is recognized as an asset without reducing the provision, provided there is no doubt that this reimbursement will actually be received and that it does not exceed the amount of the liability recognized. When a contractual or legal relationship exists by virtue of which the Group is required to externalize the risk, and thus it is not liable for the related obligation, the amount of the reimbursement is deducted from the amount of the provision.

Contingent liabilities, meanwhile, are possible obligations arising from past events, materialization of which is conditional upon the occurrence of future events not wholly within the Group's control as well as those present obligations arising from past events for which it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These liabilities are not recognized in the financial statements but are disclosed in the accompanying explanatory notes, unless the possibility of an outflow of resources is remote.

4.15. Termination benefits

Under prevailing labor law, the Group is obliged to pay termination benefits to employees dismissed under certain circumstances. Reasonably quantifiable termination benefits are recognized as an expense in the year in which the Group has created a valid expectation with respect to the affected third parties that the dismissals will occur.

4.16. Non-current assets held for sale

The Group classifies assets whose carrying amount is expected to be realized through a sales transaction, rather than through continuing use, under "Assets held for sale" when the following criteria are met:

- They are immediately available for sale in their present condition, subject to the normal terms of sale; and
- It is highly probable that they will be sold.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except deferred tax assets, assets arising from employee benefits, and financial assets, which are measured according to their specific standards, as well as investment properties, which are measured applying the fair value model of IAS 40. These assets are not amortized/depreciated and, where necessary, the corresponding impairment loss is recognized to ensure that the carrying amount does not exceed fair value less cost to sell.

The associated liabilities are classified under "Liabilities associated with assets held for sale."

4.17. Remuneration plan for Board members and executives

The incentive plan known as "Promote" was approved by the shareholders in their ordinary general meeting on May 10, 2019. It was exclusively designed to promote and remunerate certain members of Millenium Management Team, in accordance with the conditions established in the respective contracts of each executive Board member or employee. This plan is of indefinite duration and involves accruing the right to receive shares as an incentive when, for each calculation period (the financial year), the conditions established therein are met.

These conditions mainly establish that the total returns generated for shareholders be greater than a specified percentage. These returns are measured as the total amount of dividends

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

distributed plus the restated carrying amounts of assets (EPRA NAV), excluding any capital increase carried out during each calculation period. Thus, this remuneration is focused on generating returns for the shareholders obtained via active management rather than portfolio volume.

The right to the incentive is calculated annually on an accruals basis, and is settled via the delivery of shares. Should it not be possible to deliver all the shares accrued, settlement will be in cash. The beneficiaries cannot dispose of said shares for a period of one year counted from the date on which they are delivered.

4.18. Calculation of fair value

The Group measures its financial instruments, such as derivatives, and non-financial assets, such as investment properties, at their fair value at the closing date of the consolidated financial statements.

Fair value corresponds to the price receivable from sale of an asset or the price that would be paid for transferring a liability in an arms length transaction between market participants at the transaction date. Fair value is based on the assumption that the transaction relating to sale of an asset or transfer of a liability take place:

- in the main market for the asset or liability, or
- in absence of such a main market, in the market in which the transaction can be carried out on the most favorable terms.

The main market, or most favorable market, must be a market to which the Group has access.

The fair value of an asset or liability is calculated using the hypotheses that the market participants would use when offering the corresponding asset or liability, assuming that these market participants are acting in their own economic interest.

The calculation of the fair value of a non-financial asset takes into account the capacity of the market participants to generate economic benefits from better and increased use of said asset or via its sale to another market participant who could make better and increased use of said asset.

The Group utilizes the measurement techniques appropriate to the circumstances and with sufficient information available for calculating fair value, maximizing the use of relevant observable variables and minimizing the use of variables that cannot be observed.

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All assets and liabilities for which fair value calculations are made or disclosures provided in the financial statements are categorized as per the fair value hierarchy described below, based on the lowest significant value for calculation of fair value taken as a whole:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Measurement techniques for which the lowest significant variable used in the calculation is directly or indirectly observable.
- Level 3 - Measurement techniques for which the lowest significant value used in the calculation is not observable.

For assets and liabilities which are recognized at fair value in the consolidated financial statements on a recurring basis, the Group determines whether there were any transfers between different hierarchy levels by reviewing their categorization (based on the lowest significant value used in the calculation of fair value taken as a whole) at the end of each reporting period.

The disclosures relating to the fair value of financial instruments and non-financial assets measured at fair value or for which fair value is disclosed, are included in the following notes:

- Investment properties (Notes 4.2, 5, and 7)
- Derivative financial instruments (Notes 4.5, 5, and 12.2)

The following table shows the fair value hierarchy for the Group's assets and liabilities:

		Fair value measurement used (Euros)			
2021	**Valuation date**	**Total**	**Quoted value on active markets (Level 1)**	**Significant observable variables (Level 2)**	**Significant unobservable variables (Level 3)**
Assets measured at fair value					
Investment properties (Note 7)					
Hotels being operated	12/31/2021	90,000,000	-	-	90,000,000
Hotels in development	12/31/2021	293,802,000	-	-	293,802,000
Alcaidesa Golf - Club House Restaurant	12/31/2021	2,900,000	-	-	2,900,000
Investment properties (Note 5)	12/31/2021	43,000,000	-	-	43,000,000
Financial liabilities measured at fair value					
Derivatives (Note 5)					
Interest rate swaps	12/31/2021	258,985	-	258,985	-

There were no transfers between Levels 1 and 2 during 2021.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The following table shows the fair value hierarchy for the Group's assets and liabilities at 2020 year end:

		Fair value measurement used (Euros)			
2020	**Valuation date**	**Total**	**Quoted value on active markets (Level 1)**	**Significant observable variables (Level 2)**	**Significant unobservable variables (Level 3)**
Assets measured at fair value					
Investment properties (Note 7)					
Hotels being operated	12/31/2020	116,200,000	-	-	116,200,000
Hotels in development	12/31/2020	222,454,000	-	-	222,454,000
Financial liabilities measured at fair value					
Derivatives (Note 12.2)					
Interest rate swaps	12/31/2020	442,351	-	442,351	-

There were no transfers between Levels 1 and 2 during 2020.

4.19. Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to the ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

	12/31/21	**12/31/20**
Profit (loss) attributable to shareholders of the Parent (euros)	9,473,809	(14,995,441)
Weighted average number of shares circulating (shares)	63,862,657	51,715,458
Basic earnings per share (euros)	**0.15**	**-0.29**

Diluted earnings per share

Diluted earnings per share are calculated by adjusting profit for the year attributable to holders of the Parent's equity instruments and the weighted average number of ordinary shares outstanding by all the dilutive effects inherent to potential ordinary shares, that is, as though all potentially dilutive ordinary shares had been converted.

As the Parent does not have different classes of potentially dilutive ordinary shares, no diluted earnings per share were calculated.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

5. ASSETS HELD FOR SALE

On July 7, 2021 the ordinary and extraordinary general shareholders meeting of Millenium authorized the related-party transaction consisting in the sale of all the shareholding units held by the Parent in Milleniuim Hotels C220, S.L. to the former Board member, Ibervalles, S.A. In accordance with the purchase-sale contract signed with Ibervalles, S.A., the transaction was subject to said approval by the shareholders of Millenium and was executed on January 31, 2022 at a price of 27.5 million euros (Note 20), having previously received an advance payment on account of 3 million euros on July 30, 2021, with 500 million euros withheld by the buyer as a guarantee until April 30. 2022. Consequently, during the second half of the year the assets associated with said transaction were reclassified to "Assets held for sale" and the liabilities associated with these assets were classified under "Liabilities associated with assets held for sale" in the accompanying consolidated statement of financial position.

The breakdown of the main headings for assets and liabilities classified as held for sale are the following:

(Euros)	12/31/21
Assets	
Investment properties	43,000,000
Trade and other receivables	27,156
Other current assets	1,934
Assets classified as held for sale	**43,029,090**
Liabilities	
Non-current borrowings	12,129,755
Deferred tax liabilities (Note 14.2)	3,194,428
Current borrowings	1,660,839
Trade and other payables	3,055,749
Other current liabilities	147,112
Liabilities associated with assets held for sale	**20,187,883**

The investment properties include the buildings located at Paseo de la Castellana 218 and 220 in Madrid, comprising the Hotel Via Castellana and in which an additional 45 parking spaces are being leased to third parties other than the hotel operator.

Non-current and current borrowings mainly include the finance lease which the Group arranged with CAIXABANK in 2010 to finance acquisition of the Hotel Via Castellana. The interest rate applicable is variable, corresponding to one-month Euribor plus 1.25% and the debt matures in April 2025. At December 31, 2021 the non-current and current borrowings from said credit entity amount to 11,596 thousand euros and 1,525 thousand euros, respectively.

In addition, non-current and current borrowings include a balance of 258,985 euros corresponding to the interest rate swap contract subscribed to cover the nominal pending amount of the aforementioned finance lease contract, fixing the interest rate applicable to the main transaction at 0.97% plus a spread of 1.25% and a floor at 0%. This interest rate swap matures on April 30, 2025.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

6. PROPERTY, PLANT, AND EQUIPMENT

The balance for this heading at December 31, 2021 and 2020 mainly corresponds to the PP&E items associated with the golf courses called "Alcaidesa Links" and "Alcaidesa Heathland" in the municipality of San Roque, Cádiz, which boast a club house and are being exploited by the Group.

The movements in items composing “Property, plant, and equipment” are as follows:

(Euros)	12/31/20	Additions/ Allowances	Derecognitions/ Reversals	Transfers	12/31/21
Cost					
Land	2,443,368	-	-	-	2,443,368
Buildings	8,772,515	588	(1,560,098)	(1,996,331)	5,216,674
Machinery	194,949	-	(3,092)	-	191,857
Plant	42,679	276,072	-	-	318,751
Furniture	12,814	38,939	(1,612)	-	50,141
Data processing equipment	9,959	18,731	(1,833)	-	26,857
Transport equipment	390,668	-	-	-	390,668
Right-of-use assets	3,238,772	-	-	-	3,238,772
PP&E under construction	531,123	7,166,469	-	(609,822)	7,087,770
	15,636,847	7,500,799	(1,566,635)	(2,606,153)	18,964,858
Accumulated depreciation					
Buildings	(309,469)	(257,885)	197,935	59,850	(309,569)
Machinery	(85,289)	(60,938)	3,092	-	(143,135)
Plant	(15,636)	(33,255)	-	-	(48,891)
Furniture	(14,884)	(10,608)	1,612	12,252	(11,628)
Data processing equipment	(7,989)	(5,052)	818	-	(12,223)
Transport equipment	(139,605)	(133,759)	-	-	(273,364)
Right-of-use assets	(234,091)	(169,323)	-	-	(403,414)
	(806,963)	(670,820)	203,457	72,102	(1,202,224)
Impairment losses					
Buildings	(981,292)	(839,257)	1,362,285	-	(458,264)
	(981,292)	(839,257)	1,362,285	-	(458,264)
Net carrying amount	**13,848,592**				**17,304,370**

The additions and derecognitions in 2021 mainly correspond to the remodeling work at the "Alcaidesa Links" golf course and, to a lesser extent, the refurbishment of Millenium's offices. The transfers correspond to items associated with the restaurant located in the club house of the Alcaidesa golf courses, which were transferred to investment properties in May 2021 since it was leased to a specialized operator in the restaurant segment (Note 7.1).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

Further, as a result of the valuation of the assets associated with said golf courses carried out at June 30, 2021 and 2021 year-end by an independent expert, an impairment net loss of 839 thousand euros was recognized (an impairment loss of 1,669 thousand euros in the first semester of 2021 and an impairment reversal of 803 thousand euros in the second semester of 2021). In addition, given the remodeling work at the "Alcaidesa Links" golf course and the derecognition of old construction work, which was affected by said remodeling, the related impairment loss allowance was applied by 1,362 thousand euros.

(Euros)	12/31/19	Additions/ Allowances	Derecognitions /Reversals	Transfers	12/31/20
Cost					
Land	2,443,368	-	-	-	2,443,368
Buildings	8,772,515	-	-	-	8,772,515
Machinery	194,949	-	-	-	194,949
Plant	41,809	870	-	-	42,679
Furniture	-	12,814	-	-	12,814
Data processing equipment	5,386	4,573	-	-	9,959
Transport equipment	389,168	1,500	-	-	390,668
Right-of-use assets	514,870	2,723,902	-	-	3,238,772
PP&E under construction	-	531,123	-	-	531,123
	12,362,065	3,274,782	-	-	15,636,847
Accumulated depreciation					
Buildings	-	(309,469)	-	-	(309,469)
Machinery	-	(85,289)	-	-	(85,289)
Plant	(2,584)	(13,052)	-	-	(15,636)
Furniture	-	(14,884)	-	-	(14,884)
Data processing equipment	(786)	(7,203)	-	-	(7,989)
Transport equipment	-	(139,605)	-	-	(139,605)
Right-of-use assets	(129,622)	(104,469)	-	-	(234,091)
	(132,992)	(673,971)	-	-	(806,963)
Impairment losses					
Buildings	-	(981,292)	-	-	(981,292)
	-	(981,292)	-	-	(981,292)
Net carrying amount	**12,229,073**				**13,848,592**

The additions recognized for "Right-of-use assets" in 2020 correspond to the leasing of premises for an estimated term of 35 years in the building located at Carrera de San Jerónimo no. 9, in Madrid, where the future Hotel JW Marriot is being built (Note 7). The remaining additions recognized for 2020 mainly correspond to the refurbishment of the Club House for the golf courses known as "Alcaidesa Links" and "Alcaidesa Heathland" in the municipality of San Roque, Cádiz.

Further, as a result of the valuation carried out at 2020 year end by an independent expert with respect to the assets associated with said golf courses, an impairment loss of 981 thousand euros was recognized.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

6.1. Right-of-use assets

The Parent has leased the offices in Madrid from Grupomillenium Investment Partners, S.L. until March 31, 2023. Subsequently, this contract will automatically be renewed for one-year periods unless the lessee (Millenium) expressly states otherwise.

The lease payments made in connection with said contract amounted to 60,000 euros for the year ended December 31, 2021 (2020: 60,000 euros; Note17.1).

Further, the Group company C220 has leased certain corridors in the building where the Hotel Vía Castellana is located to the Owners Association of said building until October 2025.

Finally, on October 29, 2020 the Parent signed a lease contract with an estimated term of 35 years for premises in the building located at Carrera de San Jerónimo nº 9, in Madrid, where the future JW Marriott de Madrid is being built (Note 7).

The future minimum payments under said lease agreements, non-cancelable at each annual closing date, are as follows:

(Euros)	12/31/21	12/31/20
Within one year	130,404	97,500
Between one and five years	340,682	413,649
More than five years	2,460,341	2,517,778
TOTAL	**2,931,427**	**3,028,927**

6.2. Other PP&E leases

The carrying amounts of PP&E items acquired under finance leases are as follows:

(Euros)	12/31/21	12/31/20
Machinery	48,722	109,660
Transport equipment (buggies)	117,304	251,063
TOTAL	**166,026**	**360,723**

The terms of the finance lease contracts are as follows:

- The lease terms are for a duration of 5 years in all cases, maturing in July 2022, January 2023, and August 2023.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

- The interest rate is fixed at 2.90%.
- The conservation and maintenance expenses are on account of the lessee (the Group company Alcaidesa Holding, S.L.U.).
- The amount of the purchase option is equivalent to the last lease payment.
- There are no contingent lease payments.

The future minimum payments under said lease agreements, non-cancelable at each annual closing date, are as follows:

(Euros)	12/31/21	12/31/20
Within one year	173,234	194,115
Between one and five years	28,915	203,825
More than five years	-	-
TOTAL	**202,149**	**397,940**

7. INVESTMENT PROPERTIES

At December 31, 2021 the Group held the following investment properties:

Investment property	Location	Status
Hotel Vía Castellana [(1)]	Paseo de la Castellana 220, Madrid	Operating
Hotel Eurostars Lucentum	Avenida Alfonso X El Sabio 11, Alicante	Operating
Hotel Meliá Bilbao	Lehendakari Leizaola 29, Bilbao	Operating
Hotel Radisson Collection Sevilla	Plaza de la Magdalena 1 and c/ Rioja 26, Seville	Operating
Hotel Radisson Collection Bilbao	Gran Vía de Don Diego López de Haro 4, Bilbao	In development
Hotel Alma Sevilla	Plaza San Francisco 11-12, Seville	In development
Hotel JW Marriott	Carrera de San Jerónimo 9-11, Madrid	In development
Hotel & Villas Hacienda San Roque	San Roque, Cádiz	In development
Hotel Palacetes de Córdoba	Cabezas 13, 15, and 19, and Caldereros 3, Córdoba	In development
Hotel Nobu	Miraconcha 32, San Sebastián	In development
Alcaidesa Golf - Restaurante Casa Club	San Roque, Cádiz	Operating
Hotel Alcalá-Cedaceros	Alcalá 26, Madrid	In development

[(1)] Classified under "Assets held for sale" at December 31, 2021 (Note 5).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

At December 31, 2020 the Group held the following investment properties:

Investment property	Location	Status
Hotel Vía Castellana	Paseo de la Castellana 220, Madrid	Operating
Hotel Eurostars Lucentum	Avenida Alfonso X El Sabio 11, Alicante	Operating
Hotel Meliá Bilbao	Lehendakari Leizaola 29, Bilbao	Operating
Hotel Radisson Collection Sevilla	Plaza de la Magdalena 1 and c/ Rioja 26, Seville	In development
Hotel Radisson Collection Bilbao	Gran Vía de Don Diego López de Haro 4, Bilbao	In development
Hotel Alma Sevilla	Plaza San Francisco 11-12, Seville	In development
Hotel JW Marriott	Carrera de San Jerónimo 9-11, Madrid	In development
Hotel & Villas Hacienda San Roque	San Roque, Cádiz	In development
Hotel Palacetes de Córdoba	Cabezas 15 and 19, and Caldereros 3, Córdoba	In development
Hotel Nobu	Miraconcha 32, San Sebastián	In development

7.1. Movements during the year

The breakdown and movements for investment properties at December 31, 2021 are as follows:

(Euros)	12/31/20	Additions	Derecognitions	Transfers	Changes in fair value	12/31/21
Hotels being operated	116,200,000	3,202,268	-	(43,000,000)	13,597,732	90,000,000
Hotels in development	222,454,000	72,442,398	-	-	(1,094,398)	293,802,000
Alcaidesa Golf - Club House Restaurant	-	119,489	-	2,534,051	246,460	2,900,000
Advances	-	1,000,000	-	-	-	1,000,000
TOTAL	**338,654,000**	**76,764,155**	**-**	**(40,465,949)**	**12,749,794**	**387,702,000**

On July 28, 2021 the Group acquired a property located at calle Cabezas N.º 13 in Córdoba for an amount of 320 thousand euros, with the expenses associated with this transaction amounting to 46 thousand euros.

In addition, on December 28, 2021 the Group acquired a property located at calle Alcalá 26 in Madrid for a price of 36,750 thousand euros. The expenses associated with this acquisition amounted to 643 thousand euros.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

Further, on November 11, 2021 a down payment of 1 million euros was made for the purchase of a property located in Madrid, the definitive acquisition of which is subject to a series of conditions which the seller must fulfill.

In addition, the additions during the year include more expenses incurred as compared to those foreseen for certain property purchases made in 2020, amounting to 39 thousand euros.

With respect to the restaurant at the Club House of the golf courses, transferred from PP&E in May 2021 when it was leased to a specialized restaurant operator (Note 6), refurbishment work was performed for the event rooms during 2021 for an amount of 119 thousand euros.

The remaining additions during 2021 correspond to costs capitalized in connection with the construction and refurbishment work for various hotels, amounting to a total of 37,847 thousand euros, of which 2,190 thousand euros correspond to finance expenses (Note 12.1).

In addition, as a consequence of the sale of the Group company C220 to the former Board member Ibervalles, S.A., during the second half of the year, a balance of 43 million euros corresponding to the Hotel Via Castellana were reclassified to "Assets held for sale" (Note 5).

The breakdown of investment properties and corresponding movements at December 31, 2020 are as follows:

(Euros)	12/31/19	Additions	Derecognitions	Transfers	Changes in fair value	12/31/20
Hotels being operated	118,800,000	479,560	(20,463)	-	(3,059,097)	116,200,000
Hotels in development	187,037,000	42,062,062	(27,963)	3,000,000	(9,617,099)	222,454,000
Advances	1,627,233	2,000,000	(627,233)	(3,000,000)	-	-
TOTAL	**307,464,233**	**44,541,622**	**(675,659)**	**-**	**(12,676,196)**	**338,654,000**

On March 30, 2020 Millenium acquired a property located at calle Caldereros N.º 3 in Córdoba for an amount of 1,200,000 euros as well as a plot of land located at calle Cabezas N.º 15 in Córdoba for an amount of 350,000 euros. The expenses associated with these acquisitions amounted to 207 thousand euros.

On May 14, 2020, C220 acquired 25 parking spaces in the building at Paseo de la Castellana no. 218 in Madrid, where the Hotel Via Castellana is located, for an amount of 450,000 euros. The expenses associated with this acquisition amounted to 30 thousand euros.

On June 23, 2020 another downpayment amounting to 2,000,000 de euros was made for the purchase of two premises located on the ground floor of the future Hotel JW Marriott. These premises were acquired on October 27, 2020 with payment of the outstanding balance of the purchase price, amounting to 2,825 thousand euros. The expenses associated with this acquisition amounted to 316 thousand euros.

Further, on October 20, 2020 the Group acquired the property known as Palacio Vista Eder (future Nobu hotel), located at Paseo de Miraconcha N.º 32 in San Sebastián, for an amount of 10,500 thousand euros and expenses associated with the acquisition amounting to 614 thousand euros.

With respect to the purchase of land in the province of Cádiz, acquired on December 27, 2019, expenses associated with the transaction amounted to 281 thousand euros. In contrast, as far as the purchase of the property located at calle Rioja no. 26 in Seville and the Hotel Meliá de Bilbao is concerned, both acquired in 2019, the transaction expenses incurred were 48 thousand euros less than foreseen.

The remaining additions during 2020 correspond to costs capitalized with respect to the construction and refurbishment work performed for various hotels, amounting to a total of 25,769 thousand euros, of which 952 thousand euros correspond to finance expenses (Note 12.1).

Further, on May 5, 2020 the security deposit of 627 thousand euros set up as an auction guarantee for the purchase of the property in Malaga called "Palacio de La Tinta" was returned to the Group.

7.2. Other disclosures on investment properties

At December 31, 2021 the investment properties were mortgaged with different financial entities in guarantee of loans for an amount totaling 111,503,441 euros (2020: 74,499,592 euros; Note 12.1). At December 31, 2021 the Hotel Via Castellana was included under investment properties in connection with the related finance lease at said date, amounting to 14,108,723 euros (Note 12.1).

All properties are located outside Spain and are covered by insurance policies for the amount required to reconstruct and refurbish them.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

7.3. Valuation of investment properties

The fair value indicated for each of the properties corresponds to the estimated market value based on the appraisals performed by independent experts at year end in accordance with the valuation standards published by the Royal Institute of Chartered Surveyors (RICS) in Great Britain. In order to calculate said fair value, discount rates acceptable for a potential investor were used, in line with those applied in the market for assets with similar characteristics and locations. Further, in order to calculate the residual value of an asset for the last year of the forecasts made regarding cash flows, a net exit yield is applied. The valuation model is in accordance with the recommendations of the "International Valuation Standards Committee" and is consistent with the principles established in IFRS 13.

The breakdown of the net exit yields considered, and the rate used for discounting projected cash flows, is as follows:

December 31, 2021	***Net exit yields***	***Discount rate***
Hotels being operated	5.25% - 6.50%	7.25% - 9.00%
Hotels in development	4.50% - 7.50%	7.25% - 13.00%
Alcaidesa Golf - Club House Restaurant	11.00%	12.00%

December 31, 2020	***Net exit yields***	***Discount rate***
Hotels being operated	5.50% - 6.75%	7.25% - 8.75%
Hotels in development	4.50% - 7.00%	7.25% - 13.00%

A change of a quarter percentage point in net exit yields has the following impact on the valuations used by the Group for determining the fair value of its operational hotels:

(Euros)	**Carrying amount**	**-0,25% in net exit yields**	**+0,25% in net exit yields**
Properties being operated at 12/31/21	129,100,000	133,201,000	125,350,000
Properties being operated at 12/31/20	116,200,000	119,400,000	113,100,000

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

In contrast, a change of a quarter percentage point in the estimated construction costs for the hotels under development has the following impact on the valuations used by the Group for determining their fair value:

(Euros)	Carrying amount	-2.5% in construction costs	+2.5% in construction costs
Properties in development at 12/31/21	257,602,000	262,509,000	252,635,000
Properties in development at 12/31/20	222,454,000	226,930,000	217,878,000

7.4. Leasing investment properties

Except for certain hotels under development, the investment properties owned by the Group are leased to third parties via operating lease contracts as described below:

- The Hotel Eurostars Lucentum was leased for an initial period finalizing in August 2020. On June 29, 2020 an addendum to the contract was subscribed, by virtue of which it was agreed upon, amongst other matters, to extend the term by 10 additional years, the first 5 years of which (that is, until the month of August 2025) will be obligatory. Subsequently, on November 8, 2021 a new addendum was subscribed, having agreed upon the deferral of part of the installments due for the period from October 2021 to June 2022 as well as a new payment schedule. In addition, an extension to the lease contract was included which will allow the lessee to extend the lease duration until August 2040, subject to fulfilling certain economic conditions. Revenue from this lease, until August 2025, will be fixed. Subsequently a part of it will be fixed and another part variable, referenced to the revenue invoiced by the hotel.

- The Hotel Melía de Bilbao was leased for an initial duration which finalizes in September 2024 plus an automatic extension for a single period of 5 years, should neither of the parties object. Lease income from this contract, in which Millenium was subrogated at the moment of acquiring said property in November 2019, is fixed and referenced to annual CPI. In addition, as a result of the situation created by the health crisis in connection with COVID-19, on June 19, 2020 an addendum to the contract was signed to regulate income for 2020, which included a rebate on part of the income for April, May, and June 2020, as well as deferral of part of the remaining income for 2020, starting in July and paid proportionally over the course of 2021.

- Lease of the Hotel Radisson Collection Sevilla for an initial obligatory period from June 25, 2021 (delivery date for the hotel) to December 31, 2026, including three automatic renewals for a duration of 5 years each, provided the lessee complies with certain economic metrics at the end of each period. Lease revenue from this hotel is composed of a fixed component scaled progressively and a variable component referenced to the operating results obtained by the leased hotel. These conditions were agreed upon in the addendum to the contract signed on June 25, 2021.

- With respect to the future Hotel Radisson Bilbao, on March 20, 2019 Millenium signed an operating lease agreement in connection with this property for a duration of 20 years, income from which will start accruing once the finished property is made available to the lessee. Lease revenue from the hotel is composed of a fixed component and a variable component referenced to the operating results obtained by the hotel.

- With respect to the future Hotel Alma Sevilla, on May 14, 2019 Millenium signed an operating lease agreement in connection with this property for a duration of 20 years, income from which will start accruing once the finished property is made available to the lessee. Lease revenue from the hotel is composed of a fixed component and a variable component referenced to the operating results obtained by the hotel.

- Lease of the future Hotel JW Marriott for a duration of 25 years, starting from the moment the finished property is made available to the lessee and with the first 5 years of the contract established as obligatory for the lessee. Lease revenue from this hotel, to be accrued from the date of delivering the hotel, is composed of a fixed component and a variable component referenced to the operating results obtained by the hotel. On February 12, 2021 a second addendum to the lease contract for the future Hotel JW Marriott was signed, including, amongst other matters, a modification relating to certain areas of the hotel, with a view to acquiring and leasing certain premises in the same building.

- Lease of the future Hotel Nobu de San Sebastián for a duration of 15 years counting from the hotel's opening date, with the first 5 years of the contract established as obligatory for the lessee and including a maximum of 3 automatic renewals for a duration of 5 years each, if none of the signing parties objects. Lease revenue from this hotel, to be accrued starting from the date on which the hotel opens, is composed of a fixed component and a variable component referenced to the operating results obtained by the hotel. In addition, this contract includes a purchase option which can only be exercised by the lessee once the first 5 years of the lease term have elapsed.

- Lease of restaurant space in the building at calle Rioja no. 26 in Seville, where the Hotel Radisson Collection Sevilla is located, for an initial obligatory duration of 5 years and including automatic and successive renewals of 5 years, if none of the signing parties objects. Revenue from this space is composed of a fixed component and a variable component referenced to the operating results obtained by the restaurant.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

- Lease of the restaurant at the club house of the Alcaidesa golf courses for an initial obligatory duration of 7 years and including an automatic renewal of 5 years, provided that the lessee reaches certain economic targets at the end of the initial term. Revenue from this premise is composed of a fixed component and a variable component referenced to the operating results obtained by the restaurant.

In addition, Millenium has contracted operating leases with third parties for commercial office space, to which it was subrogated when acquiring the property located at calle Alcalá 26 in Madrid (Note 7.1) and which mature in April 2023, January 2024 and June 2026. In all cases the revenue agreed upon is fixed and referenced to annual CPI.

Further, with respect to the building located at calle Rioja no. 26 in Seville, the Group leases commercial premises on the ground floor of the Hotel Radisson Collection Sevilla to a third party. The duration of the lease is 5 years, renewable once for a single term of 5 years, provided that none of the signing parties objects. The revenue from this lease agreement is fixed and referenced to annual CPI.

In addition, with respect to the Hotel Melía de Bilbao, Millenium has contracted the following operating lease agreements with third parties, with respect to which it was subrogated upon acquisition of the property:

- Premises to be operated as a restaurant were leased until December 31, 2022 in accordance with the addendum signed on December 30, 2021. The revenue from this lease agreement is fixed and referenced to annual CPI.

- Four contracts ceding use of space on the rooftop terrace of the Hotel Melía Bilbao for the installation of telecommunications antenna, maturing in September 2036 in accordance with the new contracts signed in July 2021. In all cases the revenue agreed upon is fixed and referenced to annual CPI.

Finally, the Group is party to a lease contract for the Vía Castellana Hotel, which during the second half of 2021 was classified under "Assets held for sale" (Note 5). The initial term agreed upon for this contract finalized in February 2024. However, in light of the situation arising from the health crisis in connection with COVID-19, on November 25, 2020 an addendum to the contract was signed to regulate revenue for 2020 and a part of 2021, which included rebates and deferred income for a limited period of time, as well as extending the duration of the lease contract by modifying the finalization date from February to December 2024 and establishing the next 4 years of the contract as obligatory for both parties. Additionally, an agreement was reached with the lessee on December 29, 2021 to collect income due as well as a portion of the income that had been deferred with the addendum signed in November 2020, thereby settling all the debt until the month of January 2022. The agreement further stipulated that as from February 1, 2022 minimum guaranteed installments will be recalculated in accordance with the contractual terms and conditions. Revenue from this lease is composed of a fixed part and a variable part referenced to the net invoicing of the leased hotel. In addition, the Hotel Vía Castelanna includes 45 parking spaces which are leased to third parties other than the hotel operator via monthly contracts which are tacitly renewable and accrue fixed income.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The income from said operating lease contracts amounted to 7,149,381 euros for the year ended December 31, 2021 (2020: 6,216,462 euros; Note16.1).

The expenses associated with the investment properties that have generated said revenue are broken down as follows:

(Euros)	2021	2020
Supplies	85,738	21,818
Taxes (other than income tax)	426,862	421,675
Other operating expenses	150,967	137,214
Impairment losses on accounts receivable (Note 8.1)	810,936	503,317
TOTAL	**1,474,503**	**1,084,024**

The breakdown of future minimum collections from the non-cancelable operating lease contracts (without including the contracts relating to hotels under development as they are not yet in force) is as follows:

(Euros)	12/31/21	12/31/20
Within one year	6,973,028	5,665,440
Between one and five years	19,256,954	21,038,501
More than five years	390,000	89,124
TOTAL	**26,619,982**	**26,793,065**

7.5. Investment properties acquired via finance leases

As a consequence of the sale of the Group company C220 to the former Board member Ibervalles, S.A., the Hotel Vía Castellana was reclassified to "Assets held for sale" and the finance lease related to this hotel was reclassified to "Liabilities associated with assets held for sale" during the second half of the year (Note 5).

At December 31, 2020 and 2021 the carrying amounts recognized for the investment properties and assets held for sale, acquired via finance lease contracts, were as follows:

(Euros)	12/31/21	12/31/20
Hotel Vía Castellana	43,000,000	38,500,000
TOTAL	**43,000,000**	**38,500,000**

The finance lease agreement has the following characteristics:

- The lease term is 15 years and matures in April 2025.
- A variable interest rate of Euribor +1.25% is applied.
- Conservation and maintenance expenses are assumed by the lessee (the Group company C220). However, given that the property has been subleased (Note 7.4), the Group only assumes the expenses related to repairing defects in the structure, roofing or rooftop, and facade of the building.
- The amount of the purchase option is equivalent to the last installment payable on the finance lease.
- There are no contingent lease payments.

The breakdown of future minimum finance lease payments is as follows:

(Euros)	12/31/21	12/31/20
Within one year	1,525,097	987,956
Between one and five years	11,595,670	13,120,767
More than five years	-	-
TOTAL	**13,120,767**	**14,108,723**

8. FINANCIAL ASSETS

The breakdown of financial assets by category and class is as follows:

	Debt securities		Loans, derivatives, and other		Total	
(Euros)	12/31/21	12/31/20	12/31/21	12/31/20	12/31/21	12/31/20
Non-current financial assets						
Financial assets at amortized cost	-	3,425	822,746	1,521,715	822,746	1,525,140
	-	3,425	822,746	1,521,715	822,746	1,525,140
Current financial assets						
Financial assets at amortized cost	-	-	17,575,212	5,715,369	17,575,212	5,715,369
	-	-	17,575,212	5,715,369	17,575,212	5,715,369
TOTAL	**-**	**3,425**	**18,397,958**	**7,237,084**	**18,397,958**	**7,240,509**

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

These amounts are included in the following headings of the consolidated statement of financial position:

	Debt securities		Loans, derivatives, and other		Total	
(Euros)	12/31/21	12/31/20	12/31/21	12/31/20	12/31/21	12/31/20
Non-current financial assets						
Financial investments (Note 8.2)	-	3,425	822,746	1,521,715	822,746	1,525,140
	-	3,425	822,746	1,521,715	822,746	1,525,140
Current financial assets						
Trade receivables (Note 8.1)	-	-	4,898,892	3,197,947	4,898,892	3,197,947
Other receivables	-	-	-	3,423	-	3,423
Financial investments (Note 8.2)	-	-	12,254,977	2,305,214	12,254,977	2,305,214
Other current assets	-	-	421,343	208,785	421,343	208,785
	-	-	17,575,212	5,715,369	17,575,212	5,715,369
TOTAL	**-**	**3,425**	**18,397,958**	**7,237,084**	**18,397,958**	**7,240,509**

The carrying amounts of these financial assets do not differ significantly from their fair value.

8.1. Trade receivables

The breakdown of this heading is as follows:

(Euros)	12/31/21	12/31/20
Clients	187,467	313,271
Invoices pending issue	2,662,208	2,078,009
Trade bills in portfolio	2,049,217	806,667
TOTAL	**4,898,892**	**3,197,947**

The balance for invoices pending issue at December 31, 2021 mainly includes provisions for income accrued but yet to be invoiced, associated with the payment deferrals agreed upon with the lessees of the operational hotels due to the health crisis linked to COVID-19 (Note 7.4).

Trade bills correspond to letters of credit received from the lessee of the Hotel Eurostars Lucentum in guarantee of rental payments (Note 12.3).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

In addition, the balance for "Clients" was recognized net of an impairment loss which had the following movements during the year:

(Euros)	12/31/21	12/31/20
Opening balance	**(2,505)**	**-**
Amounts provisioned	(5,782,832)	(1,959,207)
Reversals	4,910,106	1,452,720
Amounts applied	810,936	503,982
Closing balance	**(64,295)**	**(2,505)**

The movements during the year are mainly related to the balances held with the lessees of the Eurostars Lucentum and Vía Castellana hotels (Hotusa Group companies), which were pending collection during the year and were finally settled subsequent to the addendum subscribed with the lessee of the Hotel Eurostars Lucentum on November 8, 2021 and the agreement reached for settlement with the lessee of the Hotel Vía Castellana on December 29, 2021 (Note 2.7).

8.2. Current and non-current financial investments

The breakdown of these headings is as follows:

(Euros)	12/31/21	12/31/20
Non-current financial investments		
Derivative financial instruments	492,400	-
Security deposits	-	1,413,425
Guarantees	330,346	111,715
TOTAL	**822,746**	**1,525,140**
Current financial investments		
Security deposits	11,535,011	1,592,750
Guarantees	719,966	712,464
TOTAL	**12,254,977**	**2,305,214**

A structured deposit whose remuneration is subject to the share performance of three IBEX 35 companies is included as a derivative financial instrument.

The guarantees relate to amounts deposited with the corresponding public authorities in connection with the property leases and the work being performed on some of said properties.

Current security deposits at December 31, 2021 mainly include a fixed-term deposit of 9.5 million euros (2020: 1.5 million euros) bearing interest at a market rate and maturing in January 2022. In addition, at said date, 1.4 million euros are included corresponding to amounts withheld from the seller of Palacio Vista Eder in San Sebastián (Note 7.1) as a guarantee for fulfillment of certain obligations. This amount was included in non-current security deposits at December 31, 2020. Finally, at December 31, 2021, a security deposit amounting to 494 thousand euros is also included as a guarantee for repayment of the mortgage loan associated with the Hotel Radisson Collection Sevilla.

9. INVENTORIES

The breakdown of this heading is as follows:

(Euros)	12/31/21	12/31/20
Golf shop merchandise	78,183	91,201
Other consumables	-	11,069
Prepayments to suppliers	349,364	310,524
TOTAL	**427,547**	**412,794**

No provisions were set aside during 2021 or 2020 for any impairment losses on inventories.

10. CASH AND CASH EQUIVALENTS

This heading reflects the current accounts held by the Group, which bear market interest rates. The corresponding balance at December 31, 2021 totaled 53,545,370 euros (2020: 20,672,752 euros). There are no restrictions on these balances.

The Group generally places cash and cash equivalents at financial institutions with high credit ratings.

11. EQUITY

The breakdown of consolidated equity and related movements are shown in the consolidated statement of changes in equity.

11.1. Share capital

At December 31, 2021 Millenium's share capital consisted of 76,926,101 shares (2020: 54,601,101 shares) with a nominal value of 1 euro each. All the shares are of the same class, grant the same rights, and are traded on BME Growth (previously the Alternative Stock Exchange).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The breakdown of shareholders holding ownership interest in the share capital of Millenium greater than 5% at December 31, 2021 is as follows:

Shareholder	% of ownership interest
CL MH Spain S.à. (controlled by Castlelake)	42.50%
Pelham Capital, Ltd.	6.97%
Alazady España, S.L. (controlled by Mr. José María Castellano)	5.84%

The breakdown of shareholders holding ownership interest in the share capital of Millenium greater than 5% at December 31, 2020 is as follows:

Shareholder	% of ownership interest
Ibervalles, S.L. (controlled by the Isidro Rincón family)	23.21%
Pelham Capital, Ltd.	9.82%
Alazady España, S.L. (controlled by Mr. José María Castellano)	8.22%
Siemprelara, S.L. (controlled by Mr. Leopoldo del Pino)	5.13%

Movements in capital during 2021

On July 29, 2021 the corresponding deed was granted for the capital increase carried out without any preferential subscription rights, approved by the ordinary and extraordinary general shareholders meeting held on July 7, 2021, as filed at the Madrid Mercantile Registry on August 18, 2021. Execution of the first disbursement for said capital increase involved subscription of a total of 22,325,000 new shares at a nominal value of one euro each and a share premium of 3 euros each (Note 11.2), so that the effective total balance corresponding to said first disbursement amounted to 89,300,000 euros.

The costs incurred for this capital increase amounted to 901,489 euros, recognized as a reduction in voluntary reserves (Note 11.3).

Movements in capital during 2020

On July 28, 2020 the corresponding deed was granted for the capital increase carried out with preferential subscription rights. It had been approved by the extraordinary general shareholders meeting held on December 18, 2019, as filed at the Madrid Mercantile Registry on July 29, 2020. A total of 4,601,101 shares were subscribed in the capital increase at a nominal value of one euro each and a share premium of 4 euros each (Note 11.2), so that the effective total balance corresponding to the increase amounted to 23,005,505 euros.

The costs incurred for this capital increase amounted to 702,354 euros, recognized by reducing voluntary reserves (Note 11.3).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

11.2. Share Premium

The share premium can be freely distributed. The year ended December 31, 2021 saw an increase in the share premium of 66,975,000 euros as a result of the capital increase approved by the shareholders in their ordinary and extraordinary general meeting held on July 7, 2021, as filed at the Mercantile Registry of Madrid on August 18, 2021 (Note 11.1). In addition, the year ended December 31, 2020 saw an increase in the share premium of 18,404,404 euros as a result of the capital increase approved by the shareholders in their extraordinary general meeting held on December 18, 2019, as filed at the Mercantile Registry of Madrid on July 29, 2020 (Note 11.1).

11.3. Reserves and retained earnings

The breakdown and movements in the items recognized under this heading are as follows:

(Euros)	Balance at 12/31/20	Appropriation of of profit	Capital increase expenses (Note 11.1)	Other changes	Balance at 12/31/21
Legal reserve	3,040,560	-	-	-	3,040,560
Reserves in consolidated companies	(159,836)	-	-	-	(159,836)
Voluntary reserves	51,517,254	-	(901,489)	(37,148)	50,578,617
	54,397,978	-	(901,489)	(37,148)	53,459,341
Retained earnings	23,994,547	(14,995,441)	-	-	8,999,106
TOTAL	**78,392,525**	**(14,995,441)**	**(901,489)**	**(37,148)**	**62,458,447**

(Euros)	Balance at 12.31.2019	Appropriation of of profit	Capital increase expenses (Note 11.1)	Other changes	Balance at 12/31/20
Legal reserve	3,040,560	-	-	-	3,040,560
Reserves in consolidated companies	(159,836)	-	-	-	(159,836)
Voluntary reserves	51,615,679	-	(702,353)	603,928	51,517,254
	54,496,403	-	(702,353)	603,928	54,397,978
Retained earnings	1,209,577	22,784,970	-	-	23,994,547
TOTAL	**55,705,980**	**22,784,970**	**(702,353)**	**603,928**	**78,392,525**

The balance recognized under "Other changes" includes an amount of 637,018 euros corresponding to the difference generated when settling the debt relating to the "Promote" Incentive Plan in 2019 via delivery of Millenium shares (Note 11.4).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

Legal reserve

The balance of this heading corresponds entirely to the Parent. In accordance with the consolidated text of the Corporate Enterprises Act, until the legal reserve exceeds the limit of 20% of share capital, it cannot be distributed to shareholders and can only be used to offset losses, if no other reserves are available for this purpose. This reserve can also be used to increase share capital by the amount exceeding 10% of the new capital after the increase.

Voluntary reserves

The balance of these reserves corresponds entirely to the Parent and is freely distributable. However, at December 31, 2021 this reserve includes a balance of 57,770,640 euros which can only be used under the same conditions required for capital reductions.

11.4. Shares of the Parent company

During 2021 Millenium acquired 36,747 treasury shares (2020: 593,087 treasury shares) at an average price of 4.03 euros per share (2020: 4.61 euros) and sold 41,337 treasury shares (2020: 24,935 treasury shares) at an average price of 4.80 euros per share (2020: 4.83 euros per share). The difference between the cost price and the sales price for the shares, totaling a net amount of -37,148 euros (2020: -33,090 euros) was recognized under "Voluntary reserves" (Note 11.3). Further, 396,731 treasury shares were delivered during 2020 (net of withholdings) in connection with settlement of the "Promote" Incentive Plan of 2019 at an average price of 4.53 euros per share.

At December 31, 2021 Millenium held a treasury share portfolio comprised of 219,212 treasury shares, representing 0.3% of its share capital (2020: 223,802 treasury shares, representing 0.4% of its share capital).

11.5. Unrealized gains (losses) reserve

The breakdown and movements in this heading are as follows:

(Euros)	Balance at 12/31/20	Income and expense recognized directly in consolidated equity	Tax effect of income (expense)	Transfers to the separate consolidated income statement	Tax effect of transfers	Balance at 12/31/21
Cash flow hedges (Note 12.2)	(442,351)	57,444	-	125,922	-	(258,985)
TOTAL	**(442,351)**	**57,444**	**-**	**125,922**	**-**	**(258,985)**

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

(Euros)	Balance at 12.31.19	Income and expense recognized directly in consolidated equity	Tax effect of income (expense)	Transfers to the separate consolidated income statement	Tax effect of transfers	Balance at 12/31/20
Cash flow hedges (Note 12.2)	(517,358)	(62,688)	-	137,695	-	(442,351)
TOTAL	**(517,358)**	**(62,688)**	**-**	**137,695**	**-**	**(442,351)**

12. FINANCIAL LIABILITIES

The breakdown of financial liabilities by category is as follows:

(Euros)	12/31/21	12/31/20
Non-current financial liabilities		
Financial liabilities at amortized cost	111,120,324	87,903,070
Bank borrowings (Note 12.1)	108,081,012	69,960,052
Finance lease payables (Note 12.1)	28,915	13,324,592
Other financial liabilities (Note 12.3)	3,010,397	4,618,426
Derivative financial hedging instruments	-	442,351
Interest rate swaps (Note 12.2)	-	442,351
	111,120,324	**88,345,421**
Current financial liabilities		
Financial liabilities at amortized cost	21,983,626	15,474,672
Bank borrowings (Note 12.1)	5,993,965	4,702,864
Finance lease payables (Note 12.1)	173,234	1,182,071
Other financial liabilities (Note 12.3)	3,597,030	912,389
Trade and other payables (Note 12.4)	12,219,397	8,677,348
	21,983,626	**15,474,672**
TOTAL	**133,103,950**	**103,820,093**

The carrying amounts of the financial liabilities do not differ significantly from their fair value.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The breakdown of maturities for financial liabilities at December 31, 2021, without taking into account debt arrangement expenses, is as follows:

(Euros)	Current	Non-current						Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total non-current	
Bank borrowings	5,993,965	5,929,623	7,209,130	22,804,479	25,834,737	48,145,259	109,923,228	115,917,193
Finance lease payables	173,234	28,915	-	-	-	-	28,915	202,149
Other financial liabilities	3,597,030	153,304	185,761	87,865	109,794	2,473,673	3,010,397	6,607,427
Trade and other payables	12,219,397	-	-	-	-	-	-	12,219,397
TOTAL	**21,983,626**	**6,111,842**	**7,394,891**	**22,892,344**	**25,944,531**	**50,618,932**	**112,962,540**	**134,946,166**

The breakdown of maturities for financial liabilities at December 31, 2020, without taking into account debt arrangement expenses, is as follows:

(Euros)	Current	Non-current						Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total non-current	
Bank borrowings	4,702,864	5,331,201	5,363,494	5,398,283	12,979,637	41,757,227	70,829,842	75,532,706
Finance lease payables	1,182,071	1,711,724	1,603,720	1,649,775	8,359,373	-	13,324,592	14,506,663
Derivatives	-	236,480	97,974	83,423	24,474	-	442,351	442,351
Other financial liabilities	912,389	1,540,404	107,540	94,091	351,532	2,524,859	4,618,426	5,530,815
Trade and other payables	8,677,348	-	-	-	-	-	-	8,677,348
TOTAL	**15,474,672**	**8,819,809**	**7,172,728**	**7,225,572**	**21,715,016**	**44,282,086**	**89,215,211**	**104,689,883**

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

12.1. Bank borrowings

The breakdown of bank borrowings at December 31, 2021 is as follows:

Type of debt	Nominal interest rate	Year of maturity	Pending balance	Non-current	Current
Mortgage loans			**111,503,441**	**105,753,148**	**5,750,293**
Hotel Eurostars Lucentum	2.25%	2030	10,953,725	10,013,058	940,667
Hotel Radisson Sevilla (Tranches A, C and Capex)	3.37%	2025	17,784,800	17,108,000	676,800
Hotel Radisson Bilbao (Tranche A)	2.38%	2026	11,784,000	11,352,000	432,000
Hotel Radisson Bilbao (Tranche B - Capex)	2.40%	2026	11,263,540	10,850,620	412,920
Hotel JW Madrid - Tranche A (2014)	2.95%	2030	14,945,989	13,321,816	1,624,173
Hotel JW Madrid - Tranche A (2016)	2.95%	2026	1,478,053	1,166,320	311,733
Hotel JW Madrid - Tranche B	2.95%	2027	10,500,000	10,500,000	-
Hotel JW Madrid - ICO Loan guarantee	3.35%	2027	10,834,834	10,834,834	-
Hotel Meliá Bilbao - Loan 1	Euribor +1%	2036	15,067,094	14,147,094	920,000
Hotel Meliá Bilbao - Loan 2	Euribor +1%	2036	1,195,406	1,115,406	80,000
Hotel Meliá Bilbao - Loan 3	Euribor +2%	2036	5,696,000	5,344,000	352,000
Other loans			**4,250,000**	**4,170,080**	**79,920**
Bankinter (ICO Alcaidesa Golf)	1.50%	2025	750,000	670,080	79,920
BBVA (Alcaidesa Golf)	Euribor + 1.90%	2028	3,500,000	3,500,000	-
Finance lease			**202,149**	**28,915**	**173,234**
Golf buggies	2.90%	2022	146,346	11,449	134,897
Golf machinery	2.90%	2023	43,042	17,466	25,576
Golf machinery	2.90%	2022	12,761	-	12,761
Unpaid accrued interest			**158,137**	**-**	**158,137**
Debt arrangement expenses			**(1,842,216)**	**(1,842,216)**	**-**
Other			**5,615**	**-**	**5,615**
TOTAL			**114,277,126**	**108,109,927**	**6,167,199**

On January 28, 2021 a novation agreement was signed in connection with the financing granted by Banco Santander for the purchase of the properties which comprise the Hotel Radisson Collection Sevilla (Tranches A and C). The novation included a new loan amounting to 9 million euros for the partial financing of the expenses incurred for adaptation work performed on said properties (Capex tranche of the financing) and subsumed all tranches in a single loan of 18.6 million euros subject to a fixed interest rate of 3.7% while maintaining the amortization schedules for Tranches A and C.

In addition, on February 12, 2021 a novation agreement was signed relating to the financing granted by Banco Santander for the purchase of the properties which comprise the future Hotel JW Marriott (Tranche A). The novation included two new loans, one for an amount of 10.5 million euros (Tranche B) to finance the cost of acquiring said properties and the premises located on their ground floor (Note 7.1), and another loan guaranteed by the ICO for a maximum amount of 32 million euros to be used for financing the costs incurred in the adaptation work performed on said property, which will be utilized to the extent the invoices corresponding to said work are settled. Subsequent to this novation agreement, Tranches A and B bear a fixed interest rate of 2.95% and the loan guaranteed by ICO bears a fixed interest rate of 3.35%. Tranche B and the loan guaranteed by ICO were granted for a period of 6 years

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

including a 3-year grace period, while the previous amortization schedule was maintained for Tranche A.

In addition, on June 17, 2021 the novation agreement signed on May 10, 2021 was ratified by public deed with the contractual terms of the loan amounting to 750,000 euros granted by Bankinter and guaranteed by the ICO thus being modified. The changes included an extension of the maturity by 36 months with a grace period of 12 additional months.

Finally, on December 17, 2021 a loan contract was formalized with BBVA for an amount of 3.5 million euros to finance the costs of remodeling the Alcaidesa "Links" golf course (Note 6). Said contract included an initial grace period of 2 years.

The breakdown of bank borrowings at December 31, 2020 is as follows:

Type of debt	Nominal interest rate	Year of maturity	Pending balance	Non-current	Current
Mortgage loans			**74,499,592**	**70,041,751**	**4,457,841**
Hotel Eurostars Lucentum	2.25%	2030	11,502,448	10,953,726	548,722
Hotel Radisson Sevilla (Tranche A)	2.70%	2025	4,910,000	4,730,000	180,000
Hotel Radisson Sevilla (Tranche C)	2.65%	2025	4,517,200	4,351,600	165,600
Hotel Radisson Bilbao (Tranche A)	2.38%	2026	12,100,000	11,884,000	216,000
Hotel JW Madrid - Tranche A (2014)	Euribor + 1.5%	2030	16,402,578	14,720,759	1,681,819
Hotel JW Madrid - Tranche A (2016)	Euribor + 1.5%	2026	1,756,866	1,443,166	313,700
Hotel Meliá Bilbao - Loan 1	Euribor + 1%	2036	15,987,094	15,067,094	920,000
Hotel Meliá Bilbao - Loan 2	Euribor + 1%	2036	1,275,406	1,195,406	80,000
Hotel Meliá Bilbao - Loan 3	Euribor + 2%	2036	6,048,000	5,696,000	352,000
Other loans			**953,509**	**788,091**	**165,418**
Bankinter	Euribor + 1.95%	2025	203,509	159,872	43,637
Bankinter (ICO Alcaidesa Golf)	1.50%	2025	750,000	628,219	121,781
Finance leases			**14,506,663**	**13,324,592**	**1,182,071**
Hotel Vía Castellana	Euribor +1.25%	2025	14,108,723	13,120,767	987,956
Golf buggies	2.90%	2022	277,420	146,346	131,074
Golf machinery	2.90%	2023	67,521	42,721	24,800
Golf machinery	2.90%	2021	18,857	-	18,857
Golf machinery	2.90%	2022	34,142	14,758	19,384
Unpaid accrued interest			**68,960**	**-**	**68,960**
Debt arrangement expenses			**(869,790)**	**(869,790)**	**-**
Other			**10,645**	**-**	**10,645**
TOTAL			**89,169,579**	**83,284,644**	**5,884,935**

A loan contract was entered into with Bankinter during 2020 for an amount of 225,000 euros to partially finance acquisition of 25 parking spaces in the building where the Hotel Via Castellana is located (Note 7.1). In addition, in light of the pandemic generated by COVID-19, the Group applied for a guaranteed loan from ICO amounting to 750,000 euros to finance current expenses incurred in the golf activity (Note 2.6).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

Further, on June 25, 2020, a novation agreement was signed with Caixabank with respect to the finance lease contract for the Hotel Via Castellana, introducing a grace period of 12 months starting from the installment corresponding to May 2020, inclusive. In other words, during said period the Group only paid interest installments. As a consequence of this grace period, as from May 2021 the installments for repayment of principal increased for the remaining period of the contract.

In addition, on July 7, 2020, a novation agreement was signed with Banco Sabadell with respect to the mortgage loan agreement for the Hotel Eurostars Lucentum, introducing a grace period of 12 months starting from the installment corresponding to June 2020, inclusive. In other words, during said period the Group only paid interest installments. As a consequence of this grace period, as from June 2021 the repayments of principal will increase proportionally until the end of the contract.

Further, on July 29, 2020, the novation agreement was signed for the financing contract that existed with Banco Santander for purchasing the property corresponding to the future Hotel Radisson Collection Bilbao (Tranche A of the financing), to include a new loan amounting to 11.5 million euros, used to partially finance the costs of the adaptation work on said property (Tranche B of the financing) and fully drawn down in September 2021.

During the year ended December 31, 2021, borrowings from credit entities for mortgage loans and finance leasing accrued interest amounting to 3,239 thousand euros (2020: 1,729 thousand euros), of which 2,190 thousand euros were capitalized in connection with hotels in development (2020: 952 thousand euros; Note 7.1) and 1,049 thousand euros were recognized in the separate consolidated income statement (2020: 777 thousand euros; Note 16.4).

The mortgage loans related to the Hotel Radisson Collection Sevilla, the Hotel Radisson Collection Bilbao, and the Hotel Melía Bilbao include the obligation to comply with a series of financial ratios in some cases, applicable once the corresponding hotel becomes operational. The loans can be called ahead of maturity in the event of failure to meet the ratios. At December 31, 2021 the Group was in compliance with the financial ratios applicable at that date (at December 31, 2020 the Group was also in compliance with said ratios).

12.2. Derivative financial hedging instruments

At December 31, 2021 the Group had contracted an interest rate swap to cover the nominal pending amount on the finance lease contract for the Hotel Via Castellana (Notes 5 and 7.5), fixing the interest rate applicable to the main transaction at 0.97% plus a spread of 1.25% and a floor at 0%. This interest rate swap matures on April 30, 2025.

The swap was designated as a cash flow hedge to cover interest rate risk associated with said finance lease. Since the conditions for the hedging instrument and the hedged items are the same, the hedge is considered to be effective.

The Group valued the hedging derivative at an amount of 258,985 euros at December 31, 2021 (2020: 442,351 euros), recognizing the unrealized gains (losses), net of the tax effect, under consolidated equity (Note 11.5).

In addition, during the year ended December 31, 2021 the Group transferred a negative amount of 125,922 euros (2020: 137,695 euros) from equity to the separate consolidated income statement due to the effect of the interest rate hedge (Note 11.5). These amounts were recognized under "Finance cost" together with the hedged item (Note 16.4).

12.3. Other financial liabilities

The breakdown of these headings is as follows:

(Euros)	12/31/21	12/31/20
Other non-current financial liabilities		
Guarantees received	209,374	1,186,999
Lease liabilities	2,801,023	2,931,427
Other	-	500,000
TOTAL	**3,010,397**	**4,618,426**
Other current financial liabilities		
Guarantees received	2,959,218	806,667
Lease liabilities	130,404	97,500
Other	507,408	8,222
TOTAL	**3,597,030**	**912,389**

The non-current balance recognized for guarantees at December 31, 2021 includes those received from the lessees of the Group's properties, amounting to 209,374 euros (2020: 13,332 euros). The maturities of said guarantees are the same as those for the corresponding lease agreements. At December 31, 2020 the balance included additional guarantees received corresponding to the lease of the future Hotel Nobu de San Sebastián for an amount of 910,000 euros, reclassified as current during 2021, and those corresponding to the lease of the Hotel Vía Castellana for an amount of 263,667 euros, which at December 31, 2021 was classified under "Liabilities associated with assets held for sale."

The guarantees received and classified as current also include letters of credit received from the lessee of the Hotel Eurostars Lucentum in guarantee of rental payments (Note 8.1).

The lease liabilities relate to the right-of-use granted for the offices occupied by Millenium as well as the commercial premises on the ground floor of the building where the future Hotel JW Marriott is located (Note 6.1).

The amount recognized under "Other" at December 31, 2020 includes a balance of 500,000 euros corresponding to the balance withheld from the seller of Palacio de Vista Eder de San Sebastián (Note 7.1) as a guarantee for compliance with certain obligations, reclassified as current during 2021.

12.4. Trade and other payables

The breakdown of financial liabilities included under this heading is as follows:

(Euros)	12/31/21	12/31/20
Suppliers and other payables	10,448,445	7,728,955
Remuneration pending payment to employees	1,444,780	550,000
Customer advances	326,172	398,393
TOTAL	**12,219,397**	**8,677,348**

The balance for suppliers and other payables mainly includes debts related to refurbishment work being carried out at various hotels.

Customer advances correspond entirely to payments received in advance from clients of the golf courses at La Alcaidesa in connection with subscription fees for the coming year.

13. PROVISIONS

The breakdown and movements for provisions at December 31, 2021 are as follows:

(Euros)	Balance at 12/31/20	Allowances/ (reversals)	Amounts applied	Balance at 12/31/2021
Provision for contractual claims	53,034	-	-	53,034
Provision for tax contingencies	-	108,852	-	108,852
TOTAL	**53,034**	**108,852**	**-**	**161,886**

There were no movements under this heading during 2020

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

14. TAX MATTERS

The breakdown of tax assets and tax liabilities is as follows:

(Euros)	12/31/21	12/31/20
Tax credits		
Other receivables from public administrations		
VAT	8,090,316	4,605,250
Withholdings on corporate income tax	32,296	9,640
TOTAL	**8,122,612**	**4,614,890**
Tax liabilities		
Deferred tax liabilities	2,514,294	5,708,722
Other payables to public administrations		
VAT	4,276	33,276
Withholdings	281,680	1,607,291
Social security	60,678	58,834
TOTAL	**2,860,928**	**7,408,123**

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired. The Group companies are open to inspection of all taxes to which they are liable for the last four years. Millenium's directors and tax advisors consider that, in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to transactions carried out by Group companies.

14.1. Calculation of income tax

As stated in Note 1.1, Millenium and its subsidiaries are subject to the special regime established in the SOCIMI Law. In accordance with said special tax regime for the SOCIMIs, the returns generated by their activities which fulfill the stipulated requirements are exempt from taxation. Thus, during 2021 and 2020 the Group did not accrue any expenses or income for corporate income tax.

The reconciliation between income tax expense (income) and the result of multiplying total recognized income and expenses by applicable tax rates is not presented given that the tax rate applicable to the Group companies in 2021 is 0% (2020: 0%).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The reconciliation of net income and expense for the year with the corporate income tax result is as follows:

	2021					
	Separate consolidated income statement			Income and expense recognized directly in consolidated equity		
(Euros)	Increases	Decreases	Total	Increases	Decreases	Total
Income and expense for the year	-	-	9,473,809	-	-	(718,123)
Corporate income tax	-	-	-	-	-	-
Income and expense for the year before tax			**9,473,809**			**(718,123)**
Permanent differences	-	-	-	-	-	-
Temporary differences	28,824	(23,204,957)	(23,176,133)	(183,366)	–	(183,366)
Tax result			**(13,702,324)**			**(901,489)**

	2020					
	Separate consolidated income statement			Income and expense recognized directly in consolidated equity		
(Euros)	Increases	Decreases	Total	Increases	Decreases	Total
Income and expense for the year	-	-	(14,995,441)	-	-	(660,436)
Corporate income tax	-	-	-	-	-	-
Income and expense for the year before tax			**(14,995,441)**			**(660,436)**
Permanent differences	-	-	-	-	-	-
Temporary differences	9,076,706	(164,611)	8,912,095	(75,007)	-	(75,007)
Tax result			**(6,083,346)**			**(735,443)**

The temporary differences recognized in the separate consolidated income statement mainly include the adjustments relating to application of the fair value method as per IAS 40 and accelerated depreciation of investment properties financed via finance lease agreements as per IFRS 16 (Note 12.1), amounting to a negative total of 231 thousand euros (2020: a negative total of 165 thousand euros).

The temporary differences in income and expenses recognized directly in consolidated equity correspond to the measurement of the financial hedging instrument (Note 12.2).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

14.2. Deferred tax assets and liabilities

The breakdown and movements of the items comprising "Deferred tax assets and liabilities" are as follows:

(Euros)	Opening balance	Changes reflected in: Separate consolidated income statement	Changes reflected in: Consolidated equity (Note 11.5)	Transfers (Note 5)	Closing balance
2021					
Deferred tax liabilities					
Valuation of investment properties	4,935,710	-	-	(2,421,416)	2,514,294
Depreciation of investment properties	773,012	-	-	(773,012)	-
TOTAL	**5,708,722**	**-**	**-**	**(3,194,428)**	**2,514,294**

(Euros)	Opening balance	Changes reflected in: Separate consolidated income statement	Changes reflected in: Consolidated equity (Note 11.5)	Closing balance
2020				
Deferred tax liabilities				
Valuation of investment properties	4,935,710	-	-	4,935,710
Depreciation of investment properties	773,012	-	-	773,012
TOTAL	**5,708,722**	**-**	**-**	**5,708,722**

The breakdown of tax loss carryforwards pending application is the following:

Arising in	12/31/21	12/31/20
2016	202,296	202,296
2017	20,936	20,936
2018	27,192	27,192
2019	21	21
TOTAL	**250,445**	**250,445**

The Group did not recognize the deferred tax asset corresponding to tax loss carryforwards pending application as the directors of Millenium consider it unlikely that sufficient future taxable profits will be generated for their application under the special SOCIMI tax regime (Note 1.1).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

14.3. Disclosure requirements arising from the condition of SOCIMI for the Group companies. Law 11/2009, modified by Law 16/2012, and Law 11/2021 ("the SOCIMI Law")

In accordance with the provisions of article 11 of the SOCIMI Law, information is provided below with respect to the Group companies availing themselves of the special tax regime established in said law:

a) Reserves arising from years prior to application of the tax regime established in the SOCIMI Law.

Company	Reserves (euros)			
	Share premium	Legal reserve	Voluntary reserves	Total
Millenium Hospitality Real Estate SOCIMI, S.A.	-	-	-	-
Varia Pza Magdalena, S.L.U.	4,494,600	-	-	4,494,600
Millenium Hotels C220, S.L.U.	9,146,257	79,460	1,878,947	11,104,664
MHRE San Roque, S.L.U.	-	-	-	-
Alcaidesa Holding, S.A.U.	15,744,227	2,513,400	16,876,618	35,134,245

b) Reserves arising from years in which the tax regime established in the SOCIMI Law was applied, differentiating the part which arises from revenue subject to a 0% tax rate, a 15% tax rate or a 19% tax rate with respect to those which, if applicable, were subject to the general tax rate.

Company	Reserves (euros)			
	Share premium	Legal reserve	Voluntary reserves	Total
Revenue subject to 0%, 15% or 19%				
Millenium Hospitality Real Estate SOCIMI, S.A.	224,568,204	3,040,560	50,578,617	278,187,381
Varia Pza Magdalena, S.L.U.	-	-	-	-
Millenium Hotels C220, S.L.U.	-	-	18,649	18,649
MHRE San Roque, S.L.U.	-	-	-	-
Alcaidesa Holding, S.A.U.	-	-	-	-
Revenue subject to general rate				
Millenium Hospitality Real Estate SOCIMI, S.A.	-	-	-	-
Varia Pza Magdalena, S.L.U.	-	26,139	-	26,139
Millenium Hotels C220, S.L.U.	-	-	714,993	714,993
MHRE San Roque, S.L.U.	-	-	-	-
Alcaidesa Holding, S.A.U.	-	-	-	-

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The reserves of Millenium Hospitality Real Estate SOCIMI, S.A. (formerly Millenium Hotels Real Estate I, SOCIMI, S.A.) mainly arise from the capital increase and capital reduction carried out during 2019 and the capital increases carried out during 2020 and 2021, all corresponding to years in which said company was already included under the SOCIMI regime.

c) *Dividends distributed with a charge to profits for each year in which the tax regime established in the SOCIMI Law was applicable, differentiating the part which arises from revenue subject to a 0% tax rate, a 15% tax rate or a 19% tax rate with respect to those which, if applicable, were subject to a general tax rate.*

Company	Revenue subject to 0%, 15% or 19%	Revenue subject to general rate	Total
Dividends charged against 2019 profit			
Millenium Hotels C220, S.L.U.	74,594	-	74,594
Dividends charged against 2020 profit			
Millenium Hotels C220, S.L.U.	280,854	-	280,854

d) *Should dividends be distributed against reserves, designation of the year in which the reserve applied arose, disclosing whether a 0% tax rate, a 15% tax rate, a 19% tax rate or the general tax rate was applied.*

The Group companies subject to the special tax regime of the SOCIMI Law have not distributed dividends with a charge to reserves since they availed themselves of said tax regime.

e) *Date of the agreement for distribution of dividends to which the above letters c) and d) above refer.*

Company	Date of agreement
Dividends charged against 2019 profit	
Millenium Hotels C220, S.L.U.	6/29/2020
Dividends charged against 2020 profit	
Millenium Hotels C220, S.L.U.	6/30/2021

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

f) *Acquisition date of the properties to be used for leases and the interests held in the share capital of entities to which section 1 of article 2 of the SOCIMI Law refers.*

Acquisition date	Date of applying tax regime	Classification of the asset	Identification	Address	Use
4/29/2010	1/1/2019	Asset held under finance lease by the group company Millenium Hotels C220, S.L.U.	Building - Hotel Vía Castellana	Paseo de la Castellana nº 220, Madrid	Hotel business
2/16/2018	2/16/2018	Asset owned by Millenium	Building - Hotel Eurostars Lucentum	Avenida Alfonso X El Sabio, nº 11, Alicante	Hotel business
11/7/2019	11/7/2019	Asset owned by Millenium	Building - Hotel Eurostars Lucentum	Lehendakari Leizaola 29, Bilbao	Hotel business
7/17/2017 4/4/2019	1/1/2019	Asset owned by the group company Varia Pza Magdalena, S.L.U.	Building – Hotel Radisson Collection Sevilla	Plaza de la Magdalena 1 and c/ Rioja 26, Seville	Hotel business
5/13/2021 (*)	5/13/2021 (*)	Asset owned by the group company Alcaidesa Holding, S.A.U.	Premises – Restaurant at the Club House	Club de Golf Alcaidesa. Avenida Pablo Cerezo S/N, San Roque, Cádiz	Commercial

(*) This date corresponds to the beginning of the lease contracted for said property. Given that the asset was previously classified under PP&E and was subsequently leased, its use was modified as a consequence and the lease inception date was used as the acquisition date and the date of inclusion in this regime, even though the asset was already held previously.

Company	Acquisition/incorporation date	Year in which the SOCIMI regime was applied
Varia Pza Magdalena, S.L.U.	September 6, 2018	2019
Millenium Hotels C220, S.L.U.	July 31, 2018	2019
Alcaidesa Holding, S.A.U.	December 10, 2019	20
MHRE San Roque, S.L.U.	December 19, 2019	20

g) *Identification of the assets which are eligible for the 80% referred to in section 1 of article 3 of the SOCIMI Law.*

Included in Note 7.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

h) Reserves arising from years in which the special tax regime established in the SOCIMI Law was applicable, which were utilized during the tax period for purposes other than distribution or offsetting losses, indicating the year in which said reserves arose.

None of the Group companies availing themselves of the special SOCIMI tax regime applied any reserves during 2021.

15. SEGMENT INFORMATION

Group management has categorized its activity in accordance with the business segments described below, based on the type of assets acquired and managed:

- Leasing of hotels: investment activities relating to properties leased for hotel businesses.
- Other activities: this segment includes the golf course business activity.

Income and expenses which cannot be attributed to a business segment or which affect the Group in general are attributed to the Parent, as the "Corporate Unit."

The Management Team is responsible for taking decisions and monitors the operating results of its business units separately so as to be able to make decisions regarding allocation of resources and performance evaluation. Segment performance is evaluated based on profit or loss before taxes and is measured consistently with profit or loss before taxes in the consolidated financial statements. However, taxes on profits are managed at the Group level and are not assigned to operating segments.

The transfer prices between operating segments are similar to those applied to transactions with third parties.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

Information by segment is provided below for the year:

	Hotel leases		Other activities		Corporate unit		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	7,149,380	6,216,462	1,318,166	1,839,945	-	-	8,467,546	8,056,407
Cost of sales	-	-	(116,735)	(203,654)	-	-	(116,735)	(203,654)
Other operating income	113,251	-	69,780	63,579	-	9,050	183,031	72,629
Employee benefits expense	-	-	(1,302,959)	(1,423,388)	(3,636,154)	(2,770,544)	(4,939,113)	(4,193,932)
Other operating expenses	(1,842,595)	(1,437,244)	(985,270)	(1,004,151)	(1,231,649)	(958,055)	(4,059,514)	(3,399,450)
Change in fair value of investment properties	12,749,794	(12,676,196)	-	-	-	-	12,749,794	(12,676,196)
Depreciation and amortization	(111,844)	-	(482,803)	(554,471)	(76,173)	(119,500)	(670,820)	(673,971)
Impairment losses on assets	-	-	(839,257)	(981,292)	-	-	(839,257)	(981,292)
OPERATING PROFIT (LOSS)	**18,057,986**	**(7,896,978)**	**(2,339,078)**	**(2,263,432)**	**(4,943,976)**	**(3,839,049)**	**10,774,932**	**(13,999,459)**
Finance income and expenses (net)	(1,266,845)	(967,772)	(19,590)	(22,568)	(14,688)	(5,642)	(1,301,123)	(995,982)
PROFIT (LOSS) BEFORE TAX	**16,791,141**	**(8,864,750)**	**(2,358,668)**	**(2,286,000)**	**(4,958,664)**	**(3,844,691)**	**9,473,809**	**(14,995,441)**
Total assets	**448,857,000**	**352,098,711**	**16,013,399**	**11,118,551**	**63,658,548**	**22,226,275**	**528,528,947**	**385,443,537**
Total liabilities	**146,096,988**	**104,728,814**	**8,232,739**	**4,205,504**	**2,038,271**	**2,417,261**	**156,367,998**	**111,351,579**
Other disclosures								
Acquisitions of PP&E	-	2,723,902	7,457,004	535,762	43,795	15,118	7,500,799	3,274,782
Acquisitions of investment properties	76,764,155	44,541,622	-	-	-	-	76,764,155	44,541,622

16. INCOME AND EXPENSES

16.1. Revenue

The amount recognized under this heading mainly corresponds to revenue received from leasing the hotels owned by the Group, amounting to 7,149,381 euros (2020: 6,216,462 euros; Note 7.4). Additional income was obtained during 2021 from the rendering of services, amounting to 1,117,913 euros (2020: 1,427,203 euros), and from sales in the restaurant segment and sales of sports articles, amounting to a total of 200,252 euros (2020: 412,742 euros), all of which was related to the operation of two golf courses (Note 6).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The distribution of Group revenue by geographical markets is as follows:

(Euros)	2021	2020
Madrid	1,977,120	1,915,392
Alicante	1,679,895	1,659,879
Bilbao	2,586,635	2,629,433
Cádiz	1,395,571	1,839,945
Seville	828,325	11,758
TOTAL	**8,467,546**	**8,056,407**

16.2. Employee benefits expense

The breakdown of this heading is the following:

(Euros)	2021	2020
Wages and salaries	4,472,136	3,703,704
Social security payable by the company	422,915	457,171
Other personnel expenses	44,062	33,057
TOTAL	**4,939,113**	**4,193,932**

The breakdown by category of the Group's employees is as follows:

	Number of persons employed at year end			Average number of persons employed during the year	Average number of persons with disability >33% employed during the year
Categories	**Men**	**Women**	**Total**		
2021					
Chief Executive Officer	1	-	1	1	-
Remaining management team	2	1	3	5	-
Department directors	6	3	9	7	-
Other employees	39	16	55	42	-
TOTAL	**48**	**20**	**68**	**55**	**-**
2020					
Chief Executive Officer	1	-	1	1	-
Remaining management team	4	1	5	5	-
Department directors	4	2	6	6	-
Other employees	37	22	59	56	-
TOTAL	**46**	**25**	**71**	**68**	**-**

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

16.3. External services

The breakdown of this heading is as follows:

(Euros)	2021	2020
Leases and royalties	10,024	23,571
Repairs and maintenance	327,584	293,155
Independent professional services	1,010,966	857,963
Transportation	16,303	10,104
Insurance premiums	165,815	143,374
Banking and similar services	23,341	23,436
Publicity, advertising, and public relations	181,829	127,435
Supplies	398,188	405,449
Other services	85,240	89,160
TOTAL	**2,219,290**	**1,973,647**

16.4. Finance costs

The breakdown of this heading is as follows:

(Euros)	2021	2020
Interest on borrowings from credit entities (Note 12.1)	1,048,922	776,506
Interest on derivative instruments (Note 12.2)	125,922	137,695
Other finance costs	188,017	79,204
TOTAL	**1,362,861**	**993,405**

17. RELATED PARTY TRANSACTIONS

The table below lists the related parties with which the Group carried out transactions during 2021 and 2020 along with the nature of the relationship:

Related party	Nature of the relationship
2021	
Grupomillenium Investment Partners, S.L.	Entity related to Board members
Tzar Rent a Car, S.L.	Entity related to Board members
Millenium Development, S.L.	Entity related to Board members
A&J Home Systems, S.L.	Entity related to Board members
Members of the Board of Directors of Millenium	Directors
Chairman and CEO of Millenium	Senior management
Second vice-president of Millenium [1]	Senior management

[1] Until July 29, 2021.

2020

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

Related party	Nature of the relationship
Grupomillenium Investment Partners, S.L.	Entity related to Board members
Securities and Bonds, S.L.	Entity related to Board members
Tzar Rent a Car, S.L.	Entity related to Board members
Members of the Board of Directors of Millenium	Directors
Chairman and CEO of Millenium	Senior management
Second vice-president of Millenium	Senior management

The related party transactions correspond to normal Group business operations and are carried out on an arm's length basis in a manner similar to transactions with unrelated parties.

17.1. Related parties

The breakdown of the transactions undertaken with related parties is as follows:

	Entities related to Board members	
(Euros)	**2021**	**2020**
Lease arrangements (Note 6.1)	60,000	60,000
Professional services	21,161	-
Purchase of materials	37,837	-
Share placement services	-	35,661
Transportation	10,800	5,750
TOTAL	**129,798**	**101,411**

The Parent has leased the offices in Madrid from Grupomillenium Investment Partners, S.L. until March 31, 2023. Subsequently, this contract will automatically be renewed for one-year periods unless the lessee expressly states otherwise.

The share placement services are related to the different capital increases carried out during 2019 and 2020 (Note 11.1) and were recognized as a lower amount of reserves (Note 11.3).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The breakdown of balances with related parties is as follows:

	Entities related to Board members	
(Euros)	**12/31/21**	**12/31/20**
Other payables	28,228	-
TOTAL	**28,228**	**-**

17.2. Directors and senior management

At December 31, 2021, Millenium's Board of Directors consisted of 9 members, 6 of whom were men and 3 women (2020: 10 members, 7 of whom were men, together with a company represented by a man and two women).

On July 28, 2020, the ordinary and extraordinary general shareholders meeting approved an increase in the number of Board members by four additional members, appointing Ms. Macarena Sainz de Vicuña Primo de Rivera as an independent director, Mr. Javier Martínez-Piqueras Barceló as an independent director, Mr. Jorge Sanz Gras as an independent director, and Mr. Jesús Ignacio Aranguren González-Tarrio as a proprietary director.

However, on July 29, 2021 the Board of Directors agreed upon presenting the shareholders in meeting with the proposal to reduce the number of Board members. In addition, at said date, the following Board members resigned from their Board positions and all committees in which they participated: Ibervalles, S.A., Mr. Remigio Iglesias, Mr. J. Ignacio Aranguren, and Mr. Jorge Sanz. Subsequently, the Board of Directors appointed the following Board members via the co-optation system: Mr. Eduardo D'Alessandro, Ms. Leticia Fusi and Mr. Isaiah Toback, all of whom are proprietary directors. Subsequently, the extraordinary general shareholder meeting held on September 30, 2021 agreed upon, amongst other matters, limiting the number of Board members to 9 and ratifying the appointment by co-optation of Ms. Leticia Fusi, Mr. Eduardo D'Alessandro, and Mr. Isaiah Toback.

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

The breakdown of remuneration earned by members of the Millenium Board of Directors and its senior management is as follows:

(Euros)	2021	2020
Directors		
Salaries	384,000	272,000
Per diems	150,000	94,000
	534,000	**366,000**
Senior management		
Salaries	1,585,630	1,349,996
	1,585,630	**1,349,996**
TOTAL	**2,119,630**	**1,715,996**

The Group had not contracted any commitments relating to pension plans for the directors of Millenium or senior management at December 31, 2021 and 2020.

At December 31, 2021 and 2020 the Group had not granted any loans or advances to the directors of Millenium or senior management, nor had it pledged any guarantees on their behalf.

In 2021, the Group paid 57,055 euros of civil liability insurance premiums on behalf of the directors of Millenium to cover potential damages they may cause in the course of carrying out their duties (2020: 26,516 euros). Likewise, a life insurance premium was settled in favor of senior management, amounting to 9,598 euros (2020: 8,003 euros).

In accordance with article 229 of the Spanish Corporate Enterprises Act, the directors of Millenium have stated that they are not party to any conflicts of interest with respect to the Group's interests.

18. RISK MANAGEMENT POLICIES

The Group manages its capital and financial structure with a view to ensuring it can meet current payment obligations, investment commitments, and debts, while maximizing returns generated for its shareholders.

The management policies for financial risk within the sector in which the Group operates are fundamentally determined by the analysis of investment projects, management of building occupancy, and the situation of financial markets:

- Credit risk: the Group's credit risk mainly arises from the risk of non-payment of rental installments by the tenants of their properties. The Group manages said risk by careful selection of tenants and requesting security deposits or guarantees in the contracts to be signed. Impairment losses on accounts receivable were recognized during 2021 amounting to 872,726 euros (2020: 506,487 euros), mainly due to the effect which the crisis generated by COVID-19 exceptionally had on the lease agreement for the Hotel Via Castellana (Note 8.1).

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

- Liquidity risk: this risk reflects the possibility that the Group will have insufficient funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at any point in time. At December 31, 2021 the Group presented a loan to value ratio (LTV), defined as financial debt divided by the fair value of the assets, of 28.7% (2020: 25.5%) and positive working capital in the amount of 80 million euros (2020: 14.1 million euros), with cash in hand amounting to 53.5 million euros (2020: 20.7 million euros). Thus, in light of its financial situation at December 31, 2021, the directors of Millenium consider that the Group will be able to meet its payment obligations in the short term.

- Market risk: this represents one of the main risks to which the Group is exposed as a consequence of low property occupancy or downward renegotiation of expiring lease agreements. Materialization of this risk would decrease Group revenue and negatively affect the valuation of assets. Taking into account the location of the Group's properties and the duration of the lease agreements (Note 7.1), the directors of Millenium consider this a moderate risk.

- Interest rate risk: at December 31, 2021 approximately 78% of the debt held by the Group with credit entities is subject to a fixed interest rate (2020: 38%). The remaining debt with credit entities is referenced to the Euribor rate, so that given the stability of this reference rate and the fact that the finance lease of the Hotel Vía Castellana is covered by a derivative financial hedging instrument which converts variable rates to fixed rates (Note 12.2), the directors of Millenium consider this risk to be low.

19. OTHER INFORMATION

19.1. Audit fees

The fees accrued during the year for services rendered by the Group's main auditor of accounts or other firms belonging to its network are broken down as follows:

(Euros)	2021	2020
Audit services	98,000	96,500
Other accounting review and verification work	26,830	24,690
Other non-audit services	-	158,000
TOTAL	**124,830**	**279,190**

Explanatory notes to the consolidated financial statements for the year ended December 31, 2021

19.2. Information on average payment periods for suppliers. Third additional provision, "Disclosure requirements" of Law 15/2010 of July 5

The information on average supplier payment periods is broken down as follows:

(Days)	2021	2020
Average supplier payment period	27.3	19.4
Ratio of transactions paid	28.4	22.8
Ratio of transactions pending payment	20.2	8.0
(Euros)	**2021**	**2020**
Total payments made	54,815,199	23,779,554
Total payments outstanding	8,915,200	7,160,844

20. EVENTS AFTER THE REPORTING DATE

The following significant events took place from December 31, 2021 to the date of authorization of the accompanying consolidated financial statements:

- On January 31, 2022 the sale to the former Board member, Ibervalles, S.A., of all the shareholding units held by Millenium in Millenium Hotels C220, S.L.U. was formalized for a price of 27.5 million euros, as approved at the ordinary and extraordinary general shareholder meeting held on July 7, 2021.
- On February 17, 2022 the modification of Millenium's corporate name was filed at the Mercantile Registry, as approved by the extraordinary general shareholder meeting held on September 30, 2021.

21. ADDITIONAL NOTE FOR ENGLISH TRANSLATION

These consolidated financial statements are presented on the basis of IFRS-EU and other regulatory framework for financial information applicable in Spain. Consequently, certain accounting practices applied by the Group may not conform with generally accepted principles in other countries.

Consolidated Management Report for the year ended December 31, 2021

Situation of the market in which the Group performs its activity

During 2021 the tourism sector in general and hotel segment in particular were negatively affected by the pandemic generated by corona virus (COVID-19) mainly due to the decrease in hotel occupancy. In some cases, this situation has led to a worse financial position for the lessees of the hotels, who tried to compensate the decrease in their income by renegotiating the contractual terms of the leases in force and reducing the hotel lease payments.

Further, during 2021 the measures taken by the Government of Spain and its autonomous communities to control the appearance of new outbreaks of COVID-19 were still in place, including the limitations to mobility during the night and between communities as well as earlier closing hours and limitations to capacity in the hotel and restaurant business activities, amongst others.

In light of this unprecedented situation, the Group's activity was affected in various areas, and Millenium's directors decided to maintain the measures adopted in 2020 during 2021 to mitigate the effects of the pandemic arising from COVID-19.

Business performance and situation of the Group

In this unprecedented context of great uncertainty, during 2021 the Group obtained a positive result of 9.5 million euros, in spite of the fact that only four of its hotels were being operated as the rest of its real estate assets are in the transformation and repositioning stage. Furthermore, this result was generated thanks to the positive change in the fair value of the real estate assets (a profit of 12.7 million euros), while also being affected by impairment losses on the golf courses amounting to 0.8 million euros and the impairment losses on accounts receivable in the amount of 0.9 million euros, mainly due to the effects which the crisis generated by COVID-19 exceptionally had on the lessee of the Hotel Vía Castellana.

In spite of the effects arising from the pandemic caused by COVID-19, the Group's hotel leasing activity shows signs of recovery, with revenue increasing by 15% compared to prior year, and has generated significant positive results thanks to the positive variation in the fair value of real estate assets mentioned above, which represents evidence of the resilience of Millenium's asset portfolio and business model.

All of the Group's operational hotels have been open to the public since the beginning of the year, except for the Hotel Vía Castellana which was reopened in May 2021 after having been medicalized by the Community of Madrid. Likewise, on June 25, 2021 the Hotel Radisson Collection de Sevilla was opened after having finalized the construction work for repositioning. An addendum to the lease contract for this hotel was signed on the same date, which, amongst other matters, regulated revenue for 2021.

Consolidated Management Report for the year ended December 31, 2021

During the first half of the year, the lessee of the Hotel Meliá Bilbao filed a lawsuit against Millenium, requesting the reduction of lease payments corresponding to the years 2021 to 2024 given the adverse consequences provoked by the pandemic, in application of the jurisprudential doctrine of *rebus sic stantibus*. The claim was answered with a request for it to be completely dismissed. The pre-trial hearing had been scheduled for November 21, 2021, but prior to the hearing the parties requested the suspension of the proceedings in order to negotiate an end to the dispute. In the opinion of the directors of Millenium, based on the opinion of the Group's legal advisors, setting aside a provision to cover this item is not necessary at December 31, 2021. In addition, it is worth highlighting that said lessee paid all installments accrued during the year.

Further, with a view to overcoming this challenging market environment and facilitating compliance with the contract in force, on November 8, 2021, Millenium subscribed an addendum with the lessee of the Hotel Eurostars Lucentum in Alicante, having agreed upon a deferral for a part of the amounts due corresponding to the months of October 2021 to June 2022, as well as a new payment schedule. In addition, an extension to the lease agreement has been included which, subject to the fulfillment of certain economic conditions, allows the lessee to extend its term until August 2040. The remaining conditions which regulated the contract remain in force.

Additionally, an agreement was reached with the lessee of Hotel Vía Castellana on December 29, 2021 to collect income due as well as a portion of the income that had been deferred with the addendum signed in November 2020, thereby settling all the debt until the month of January 2022.

Further, at the date of authorization of this management report, the lease agreements signed for the hotels that are in the process of being developed or converted have not been modified in any way with respect to the conditions agreed upon and in force though, given the current situation, it is foreseeable that for the Hotel Radisson Collection Bilbao, which is expected to open in the first quarter of 2022, it will be necessary to grant an addendum that regulates the lease payments for 2022.

In contrast, the work being performed on the properties being developed or converted has been slowed down in part as a precautionary measure adopted by the Group; they have also been partially affected by the pandemic generated by COVID-19 though not generating significant delays.

With respect to the golf courses which the Group is temporarily exploiting, employees who had been affected by the administrative temporary layoff procedures ("ERTE" in its Spanish acronym) due to force majeure since March 2020 were reinstated during the first half of 2021. However, the activity was affected by the closing of the golf course called "Links" for its complete refurbishment. In this sense, as a result of the valuation of the assets associated with these golf courses, carried out by an independent expert at the end of the year, an impairment of 839 thousand euros was recorded.

Consolidated Management Report for the year ended December 31, 2021

On July 7, 2021 the ordinary and extraordinary general shareholders meeting of Millenium authorized the related-party transaction consisting in the sale of all the shareholding units held by the Parent in Milleniuim Hotels C220, S.L. to the former Board member, Ibervalles, S.A. In accordance with the purchase-sale contract signed with Ibervalles, S.A., the transaction was subject to said approval by the shareholders of Millenium and was executed on January 31, 2022 at a price of 27.5 million euros, having previously received an advance payment on account of 3 million euros on July 30, 2021, with 500 million euros withheld by the buyer as a guarantee until April 30, 2022. Consequently, during the second half of the year the assets associated with said transaction were reclassified to "Assets held for sale" and the liabilities associated with these assets were classified under "Liabilities associated with assets held for sale" in the accompanying consolidated statement of financial position.

During 2021 the Company acquired a property in the city of Cordoba, which together with the other three properties acquired in previous years will make up the future Hotel Palacetes de Cordoba, and a building in Calle Alcalá 26 in Madrid which has 7 floors above ground and two below ground, occupying a total of 5,343 square meters and located at calle Alcalá and Gran Vía in Madrid, the cultural and commercial epicenter of the capital where some of the most important international luxury hotels are also located.

The gross asset value (GAV) of the Group's real estate portfolio at December 31, 2021, though affected by the pandemic generated by COVID-19, amounts to 444.1 million euros (of which 14.4 million euros correspond to the Alcaidesa golf courses accounted for as PP&E and without considering an advance payment made for the purchase of a property for an amount of 1 million euros), having made investments during the year in work which affects all real estate assets (including the golf courses) for a total amount of 45.3 million euros.

The Net Asset Value of the Group at December 31, 2021, calculated as per the recommendations of the European Public Real Estate Association ("EPRA") published in November 2016 ("EPRA NAV"), broken down as follows:

(Euros)	**12/31/2021**	**12/31/2020**
EQUITY	**372,160,949**	**274,091,958**
Adjustments:		
Fair value of derivative financial instruments	258,985	442,351
Deferred tax related to investment properties	5,708,722	5,708,722
EPRA NAV	**378,128,656**	**280,243,031**
Total shares circulating	76,926,101	54,601,101
EPRA NAV / share	**4.92**	**5.13**

Consolidated Management Report for the year ended December 31, 2021

In addition, on July 29, 2021 the corresponding deed was granted for the capital increase carried out by Millenium without any preferential subscription rights, as approved by the ordinary and extraordinary general shareholders meeting held on July 7, 2021 and filed at the Madrid Mercantile Registry on August 18, 2021. Execution of the first disbursement for said capital increase involved subscription of a total of 22,325,000 new shares at a nominal value of one euro each and a share premium of 3 euros each, so that the effective total balance corresponding to said first disbursement amounted to 89,300,000 euros.

The main objective of the Group for the coming months is to complete its work in progress so as to make its entire portfolio of real estate assets currently held fully profitable over the next 18-24 months, as well as to carry out new acquisitions with the funds obtained from the first disbursement of the capital increase performed in July 2021, as well as the funds it would obtain from the second disbursement in March 2022. This will allow the consolidation of the portfolio, with the consequent increase in income, which will allow to begin with the distribution of dividends to shareholders. Additionally, during 2022 it is expected to incorporate Millenium shares into the Continuous Market, in order to improve shareholder liquidity and boost the share price.

Description of the main risks and uncertainties facing the Group

The risk factors which can affect the Group, as well as the policies implemented to mitigate them, are described below:

- Credit risk: the Group's credit risk mainly arises from the risk of non-payment of rental installments by the tenants of their properties. The Group manages said risk by careful selection of tenants and requesting security deposits or guarantees in the contracts to be signed. Impairment losses on accounts receivable were recognized during 2021 amounting to 872,726 euros (2020: 506,487 euros), mainly due to the effect which the crisis generated by COVID-19 exceptionally had on the lease agreement for the Hotel Via Castellana.

- Liquidity risk: this risk reflects the possibility that the Group will have insufficient funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at any point in time. At December 31, 2021 the Group presented a loan to value ratio (LTV), defined as financial debt divided by the fair value of the assets, of 28.7% (2020: 25.5%) and positive working capital in the amount of 80 million euros (2020: 14.1 million euros), with cash in hand amounting to 53.5 million euros (2020: 20.7 million euros). Thus, in light of its financial situation at December 31, 2021, the directors of Millenium consider that the Group will be able to meet its payment obligations in the short term.

Consolidated Management Report for the year ended December 31, 2021

- Market risk: this represents one of the main risks to which the Group is exposed as a consequence of low property occupancy or downward renegotiation of expiring lease agreements. Materialization of this risk would decrease Group revenue and negatively affect the valuation of assets. Taking into account the location of the Group's properties and the duration of the lease agreements in force, the directors of Millenium consider this a moderate risk.

- Interest rate risk: at December 31, 2021 approximately 78% of the debt held by the Group with credit entities is subject to a fixed interest rate (2020: 38%). The remaining debt with credit entities is referenced to the Euribor rate, so that given the stability of this reference rate and the fact that the finance lease of the Hotel Vía Castellana is covered by a derivative financial hedging instrument which converts variable rates to fixed rates, the directoes of Millenium consider this risk to be low.

Given the changing environment and numerous uncertainties regarding the ongoing pandemic, the directors and Management of Millenium are constantly monitoring the developing situation with a view to successfully dealing with the possible impacts which may arise.

Research and development activities

The Group did not engage in any R&D activity during 2021.

Treasury shares

During 2021 Millenium acquired 36,747 treasury shares (2020: 593,087 treasury shares) at an average price of 4.03 euros per share (2020: 4.61 euros) and sold 41,337 treasury shares (2020: 24,935 treasury shares) at an average price of 4.80 euros per share (2020: 4.83 euros per share).

At December 31, 2021 Millenium held a treasury share portfolio comprised of 219,212 treasury shares, representing 0.3% of its share capital (2020: 223,802 treasury shares, representing 0.4% of its share capital).

Average supplier payment period

During the year ended December 31, 2021 the average supplier payment period was 27.3 days.

Use of financial instruments

The Group carries out cash flow hedging transactions for the loans received at variable interest rates (Note 12.2 to the consolidated financial statements).

Consolidated Management Report for the year ended December 31, 2021

In addition, the Group contracted a derivative financial instrument during 2021, consisting of a structured deposit whose remuneration is subject to the share performance of three IBEX 35 companies.

Events after the reporting date

No additional events other than those disclosed in Note 20 to the consolidated financial statements occurred after the reporting date.

Authorization of the consolidated financial statements and consolidated management report for the year ended December 31, 2021.

At the meeting of the Board of Directors of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (formerly MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A.), on March 16, 2022, its members authorized the consolidated financial statements and consolidated management report of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (formerly MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A.) and its subsidiaries for the year ended December 31, 2021, consisting of the documents attached above, initialed by the Secretary of the Board of Directors for purposes of identification, with all of the members of the Board of Directors signing this last page.

F. Javier Illán Plaza
Chairman and Chief Executive Officer

Eduardo D'Alessandro Cishek
Board member

Leticia Fusi Aizpurua
Board member

José María Castellano Ríos
Board member

Isaiah Toback
Board member

María Isabel Dutilh Carvajal
Board member

Macarena Sainz de Vicuña Primo de Rivera
Board member

Javier Martínez-Piqueras Barceló
Board member

Jaime Montalvo Correa
Board member

Audit Report on the Financial Statements
issued by an Independent Auditor

MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (Formerly
MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A.)
Financial Statements and Management Report
for the year ended
December 31, 2021

Ernst & Young, S.L.
Calle de Raimundo Fernández Villaverde, 65
28003 Madrid

Tel: 902 365 456
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INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

To the shareholders of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (Formerly MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A.):

Opinion

We have audited the financial statements of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (the Company), which comprise the balance sheet as at December 31, 2021, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial reporting (identified in Note 2 to the accompanying financial statements) and, in particular, the accounting principles and policies set forth therein.

Basis for opinion

We conducted our audit in accordance with prevailing auditing standards in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned regulations.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were the most significant assessed risks of material misstatement in our audit of the financial statements for the current period. These risks were addressed within the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Measurement of investment properties

Description	The Company's balance sheet shows investment properties at December 31, 2021 with a net carrying amount of 278,482 thousand euros corresponding to buildings it owns. The relevant disclosures pertaining to these assets are provided in Note 6 to the accompanying financial statements. As explained in Note 4.2 to the accompanying financial statements, the Company's directors periodically determine the fair value of the investment properties based on appraisals carried out by independent experts, setting aside the relevant impairment provisions when the market value of the asset is less than the carrying amount. These appraisals are carried out in accordance with the valuation standards prescribed by the Royal Institution of Chartered Surveyors ("RICS"). The risk that these assets may be impaired and the materiality of the amounts involved led us to determine the measurement of property investments to be a key audit matter.
Our response	Our audit procedures related to this matter included: ▶ Reviewing the valuation model used by the independent experts for a sample of assets, in collaboration with our valuation experts, focusing on the mathematical assessment of the model, analyzing the projected cash flows provided by management, and reviewing the discount rates. ▶ Reviewing the disclosures in the notes to the financial statements in accordance with the applicable financial reporting framework.

Measurement of investments in group companies

Description	At December 31, 2021, the Company's balance sheet shows investments in group companies for a net carrying amount of 49,779 thousand euros. The disclosures pertaining to these investments and impairment losses can be found in Note 7 to the accompanying financial statements. At year end, the directors test for indications of impairment and, if necessary, estimate the recoverable amount. The purpose of this analysis is to conclude whether it is necessary to recognize an impairment loss against the aforementioned investments when the carrying amount is higher than the recoverable amount. To determine recoverable amount, the directors analyze possible impairment, based primarily on the equity of the investees and unrealized capital gains on these investments at year end, as explained in Note 4.4 to the accompanying financial statements. Due to the high risk that these investments may be impaired, the relevance of the amounts involved, and the fact that the analyses conducted by Company directors require making estimates and judgments about the investees' assets, we determined the valuation of these asses to be a key audit matter.

Our response	Our audit procedures related to this matter included:

- Reviewing the analysis carried out by the Company to identify indications of impairment of its investments in group companies.
- Reviewing, in collaboration with our specialists, for a sample of assets, the procedures established by the Company to assess the recoverability of investments in group companies, in addition to identifying possible impairment, based on the valuation of investees, and evaluating the hypotheses and information used for their valuation as well as unrealized capital gains in the year.
- Reviewing the disclosures and information included in the notes to the financial statement in accordance with the applicable financial reporting framework.

Compliance with the SOCIMI tax regime

Description

As of January 1, 2017, the Company opted to apply the special tax regime applicable to Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario "SOCIMI" (Spanish REIT).

As explained in Note 1.1 to the accompanying financial statements, under the prevailing regulations, companies availing themselves of the special regime are required to meet certain requirements.

Given the significance of applying this special regime, in view of its impact on corporate structure, operating activities, legal and regulatory compliance, and shareholder remuneration policy, we determined this to be a key audit matter. Incorrect application of this regime could have a material impact on the Company's financial statements.

Our response

Our audit procedures related to this matter included:

- Understanding, from a tax viewpoint, the Company's and the Group's corporate structure, as well as its operating activities and the measures necessary to maintain the special tax regime.
- Reviewing, in collaboration with our tax specialists, prevailing tax and mercantile regulations and evaluating each group company's degree of compliance with the special SOCIMI tax regime.
- In addition, we checked that disclosures included in the notes to the accompanying financial statements are in accordance with prevailing tax and accounting regulations.

Other information: Management report

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

Our audit opinion on the financial statements does not include the management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the management report is to assess and report on the consistency of the management report with the financial statements based on the knowledge of the Company we obtained while auditing the financial statements, and to assess and report on whether the content and presentation of the management report are in conformity with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work performed, as described in the above paragraph, the information contained in the management report is consistent with that provided in the 2021 financial statements and their content and presentation are in conformity with applicable regulations.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair value of the equity and financial position and the results of the Company, in accordance with the regulatory financial reporting framework applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or where there is no other realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the company regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated to the Company's directors, we determine those that were of most significance in the audit of the financial statements for the current period and are therefore the most significant assessed risks.

We describe these risks in our auditor's report unless law or regulations precludes public disclosure about the matter.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under Nº S0530)

(Signed on the original in Spanish)

María Teresa Pérez Bartolomé
(Registered in the Official Register of Auditors under Nº 15291)

March 21, 2022

MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A.
(formerly MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A.)

Financial Statements and Management Report
for the year ended
December 31, 2021

Balance sheet at December 31, 2021
(Expressed in euros)

ASSETS	Notes	12/31/21	12/31/20
NON-CURRENT ASSETS		**346,896,249**	**300,459,916**
Property, plant, and equipment	**5**	**69,012**	**43,911**
Plant and other PP&E		69,012	43,911
Investment properties	**6**	**278,481,705**	**214,494,058**
Land		159,847,113	128,761,972
Buildings		118,634,592	85,732,086
Investments in group companies		**67,528,785**	**84,400,232**
Equity instruments	7	49,778,923	78,448,590
Loans to companies	8 & 15.1	17,749,862	5,951,642
Financial investments	**8**	**816,747**	**1,521,715**
Derivatives		492,400	-
Other financial assets		324,347	1,521,715
CURRENT ASSETS		**94,263,694**	**27,629,473**
Non-current assets held for sale	**17**	**20,539,612**	**-**
Inventories	**9**	**348,868**	**130,929**
Trade and other receivables		**8,385,741**	**4,229,334**
Trade receivables	8	3,955,861	2,303,398
Trade receivables from group companies and associates	8 & 15.1	30,787	-
Other receivables	8	-	2,929
Receivable from public administrations	14	4,399,093	1,923,007
Investments in group companies	**8 & 15.1**	**7,929,676**	**804,429**
Loans to companies		7,929,676	804,429
Financial investments	**8**	**11,500,882**	**2,050,586**
Other financial assets		11,500,882	2,050,586
Accruals	**10**	**306,591**	**174,842**
Cash and cash equivalents	**11**	**45,252,324**	**20,239,353**
TOTAL ASSETS		**441,159,943**	**328,089,389**

The accompanying notes 1 to 21 are an integral part of the balance sheet at December 31, 2021.

Balance sheet at December 31, 2021

(Expressed in euros)

EQUITY AND LIABILITIES	Notes	12/31/21	12/31/20
EQUITY		**334,965,158**	**256,018,878**
Capital and reserves		**334,965,158**	**256,018,878**
Share capital	12.1	76,926,101	54,601,101
Share premium	12.2	224,568,204	157,593,204
Reserves	12.3	53,619,176	54,557,813
Treasury shares and own equity investments	12.4	(1,006,627)	(1,057,080)
Retained earnings	12.3	(9,676,160)	(5,431,747)
Profit for the year	3	(9,465,536)	(4,244,413)
NON-CURRENT LIABILITIES		**87,372,243**	**61,655,128**
Borrowings		**87,372,243**	**61,655,128**
Bank borrowings	13.1	87,168,869	60,231,796
Other financial liabilities	13.2	203,374	1,423,332
CURRENT LIABILITIES		**18,822,542**	**10,415,383**
Borrowings		**8,646,517**	**4,980,293**
Bank borrowings	13.1	5,187,300	4,173,626
Other financial liabilities	13.2	3,459,217	806,667
Trade and other payables		**10,175,332**	**5,421,340**
Suppliers	13.3	3,817,540	2,946,152
Other payables	13.3	1,669,681	357,869
Employee benefits payable (remuneration pending payment)	13.3	1,445,674	550,000
Payables to public administrations	14	239,212	1,567,319
Customer advances	13.3	3,003,225	-
Accruals	10	**693**	**13,750**
TOTAL EQUITY AND LIABILITIES		**441,159,943**	**328,089,389**

The accompanying notes 1 to 21 are an integral part of the balance sheet at December 31, 2021.

Income statement for the year ended December 31, 2021

(Expressed in euros)

	Notes	12/31/21	12/31/20 (*)
CONTINUING OPERATIONS			
Revenue		**4,266,531**	**4,289,312**
Lease income	16.1	4,266,531	4,289,312
Other operating income		**72,299**	**38,500**
Employee benefits expense	**16.2**	**(3,636,154)**	**(2,770,545)**
Wages, salaries, et al		(3,460,246)	(2,648,300)
Social security costs, et al		(175,908)	(122,245)
Other operating expenses		**(1,840,096)**	**(1,491,519)**
External services	16.3	(1,342,652)	(1,003,329)
Taxes (other than income tax)		(497,444)	(488,190)
Depreciation and amortization	**16.4**	**(967,444)**	**(963,782)**
Impairment losses and gains (losses) on disposal of non-current assets		**488,306**	**(2,248,251)**
Impairment and losses	6	488,306	(2,248,251)
Other gains or losses		**(66)**	**-**
OPERATING PROFIT		**(1,616,624)**	**(3,146,285)**
Finance income		**895,997**	**667,452**
From equity investments		280,854	74,594
In group companies and associates	7 15.1 17	280,854	74,594
From marketable securities & other financial instruments		615,143	592,858
Of group companies and associates	15.1	563,013	592,858
Of third parties		52,130	-
Finance costs	**16.5**	**(2,323,115)**	**(1,292,488)**
Third-party borrowings		(2,323,115)	(1,292,488)
Changes in fair value of financial instruments		**(7,600)**	**-**
Trading portfolio and other		(7,600)	-
Exchange gains (losses)		**(15,368)**	**(2,672)**
Impairment and gains (losses) on disposal of financial instruments		**(8,130,055)**	**(1,136,114)**
Impairment losses and losses	7	(8,130,055)	(1,136,114)
Other finance income and costs		**1,731,229**	**665,694**
Inclusion of finance costs in assets	6	1,731,229	665,694
FINANCE COST		**(7,848,912)**	**(1,098,128)**
PROFIT (LOSS) BEFORE TAX		**(9,465,536)**	**(4,244,413)**
Corporate income tax	14	-	-
PROFIT (LOSS) FOR THE YEAR	**3**	**(9,465,536)**	**(4,244,413)**

(*) Restated figures (Note 2.4)

The accompanying notes 1 to 21 are an integral part of the income statement for the year ended December 31, 2021.

Statement of changes in equity for the year ended December 31, 2021

(Expressed in euros)

A) Statement of recognized income and expense for the year ended December 31, 2021

	Notes	12/31/21	12/31/20
Profit for the year (I)	**3**	**(9,465,536)**	**(4,244,413)**
Income and expense recognized directly in equity			
From other adjustments	12.1	(901,489)	(702,354)
Total income and expense recognized directly in equity (II)		**(901,489)**	**(702,354)**
Amounts transferred to income statement		-	-
Total amounts transferred to the income statement (III)		**-**	**-**
Total recognized income and expense (I+II+III)		**(10,367,025)**	**(4,946,767)**

The accompanying notes 1 to 21 are an integral part of the statement of recognized income and expense for the year ended December 31, 2021.

Statement of changes in equity for the year ended December 31, 2021

(Expressed in euros)

B) Statement of total changes in equity for the year ended December 31, 2021

	Share capital issued (Note 12.1)	Share premium (Note 12.2)	Reserves (Note 12.3)	Own shares and own equity instruments (Note 12.4)	Retained earnings (Note 12.3)	Profit (loss) for the year	Total
Balance at December 31, 2019	**50,000,000**	**139,188,800**	**54,656,239**	**(263,946)**	**(684,415)**	**(4,747,332)**	**238,149,346**
Recognized income and expense	**-**	**-**	**(702,354)**	**-**	**-**	**(4,244,413)**	**(4,946,767)**
Transactions with partners or owners:	**4,601,101**	**18,404,404**	**(33,090)**	**(793,134)**	**-**	**-**	**22,179,281**
Capital increases (reductions) (Note 12.1)	4,601,101	18,404,404	-	-	-	-	23,005,505
Transactions with treasury shares (net)	-	-	(33,090)	(793,134)	-	-	(826,224)
Other changes in equity	**-**	**-**	**637,018**	**-**	**(4,747,332)**	**4,747,332**	**637,018**
Balance at December 31, 2020	**54,601,101**	**157,593,204**	**54,557,813**	**(1,057,080)**	**(5,431,747)**	**(4,244,413)**	**256,018,878**
Recognized income and expense	**-**	**-**	**(901,489)**	**-**	**-**	**(9,465,536)**	**(10,367,025)**
Transactions with partners or owners:	**22,325,000**	**66,975,000**	**(37,148)**	**50,453**	**-**	**-**	**89,313,305**
Capital increases (reductions) (Note 12.1)	22,325,000	66,975,000	-	-	-	-	89,300,000
Transactions with treasury shares (net)	-	-	(37,148)	50,453	-	-	13,305
Other changes in equity	**-**	**-**	**-**	**-**	**(4,244,413)**	**4,244,413**	**-**
Balance at December 31, 2021	**76,926,101**	**224,568,204**	**53,619,176**	**(1,006,627)**	**(9,676,160)**	**(9,465,536)**	**334,965,158**

The accompanying notes 1 to 21 are an integral part of the statement of total changes in equity for the year ended December 31, 2021.

Cash flow statement for the year ended December 31, 2021

(Expressed in euros)

	Notes	12/31/21	12/31/20
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**(9,465,536)**	**(4,244,413)**
Adjustments to profit		**8,328,050**	**4,310,161**
Depreciation and amortization	16.4	967,444	963,782
Impairment losses	6 & 7	7,641,749	3,384,365
Finance income		(895,997)	(667,452)
Finance costs	16.5	2,323,115	1,292,488
Exchange gains (losses)		15,368	2,672
Changes in fair value of financial instruments		7,600	-
Other income and expenses	6	(1,731,229)	(665,694)
Changes in working capital		**1,454,152**	**298,235**
Inventories		(217,939)	(122,491)
Trade and other receivables		(2,913,856)	(2,130,084)
Other current assets		(154,988)	(122,539)
Trade and other payables		4,753,992	2,691,682
Other current liabilities		(13,057)	(18,333)
Other cash flows from operating activities		**(52,077)**	**(464,038)**
Interest paid		(65,885)	(479,837)
Interest received		13,808	15,799
Cash flows from (used in) operating activities		**264,589**	**(100,055)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(93,068,119)**	**(41,394,681)**
Group companies and associates		(18,360,454)	(11,027,774)
Property, plant, and equipment	5	(43,794)	(15,118)
Investment properties	6	(64,448,092)	(28,528,731)
Other financial assets		(10,215,779)	(1,823,058)
Proceeds from sale of investments		**1,782,027**	**722,290**
Group companies and associates		280,854	74,594
Investment properties	6	-	647,696
Other financial assets		1,501,173	-
Cash flows from (used in) investing activities		**(91,286,092)**	**(40,672,391)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		**88,411,816**	**19,680,165**
Proceeds from issuance of equity instruments	12.1	88,398,511	22,303,151
Acquisition of own equity instruments	12.4	(148,097)	(2,735,362)
Disposal of own equity instruments	12.4	161,402	112,376
Proceeds from and payments of financial liabilities		**27,638,026**	**(3,614,857)**
Issues		31,597,223	104,840
Bank borrowings		31,597,223	104,840
Repayment and redemption of		(3,959,197)	(3,719,697)
Bank borrowings		(3,959,197)	(3,719,697)
Cash flows from financing activities		**116,049,842**	**16,065,308**
Net foreign exchange difference		(15,368)	(2,672)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**25,012,971**	**(24,709,810)**
Cash and cash equivalents at beginning of period		20,239,353	44,949,163
Cash and cash equivalents at end of period	11	45,252,324	20,239,353

The accompanying notes 1 to 21 are an integral part of the cash flow statement for the year ended December 31, 2021.

Notes to the financial statements for the year ended December 31, 2021

1. GENERAL INFORMATION

The corporate purpose of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (previously called MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A. and hereinafter "the Company" or "Millenium") comprises the following activities:

a. The acquisition and promotion of urban properties for their leasing, including refurbishment activities on buildings on the terms established in Law 37/1992 of December 28, on Value Added Tax;

b. The holding of shares or participation units in the capital of other Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario ("SOCIMI"- Spanish REIT) or in the capital of other non-resident companies in Spain which have the same corporate purpose as the SOCIMIs and are subject to a regime similar to the one established for SOCIMIs as far as legally required or bylaw-stipulated policies regarding distribution of profits are concerned;

c. The holding of shares or participation units in the capital of other resident or non-resident entities in Spain whose main corporate purpose is the acquisition of urban properties for their leasing, and which are subject to the same regime as the SOCIMIs as far as legally required or bylaw-stipulated policies regarding distribution of profits are concerned, and which fulfill the investment requirements established in article 3 of Law 11/2009 of October 26, regulating SOCIMIs (Note 1.1);

d. The holding of shares or participation units in Collective Property Investment Institutions regulated by Law 35/2003 of November 4 on Collective Investment Institutions, or the regulations which replace said law in the future; and

e. Other activities complementary to the above, understood as those which taken as a whole represent less than 20% of the Company's revenue in each tax period.

These business activities are at present carried out in Spain.

The Company was incorporated on June 6, 2017 as a private limited company, under protocol number 2.919. Its registered business and tax address is Paseo de la Castellana 102, 28046, Madrid.

In addition, the extraordinary general shareholder meeting held on September 30, 2021, amongst other matters, agreed upon modifying the corporate name of Millenium to the current version, with the resulting modification to article 1 of its bylaws duly filed at the Mercantile Registry on February 17, 2022 (Note 20).

The Company is regulated by Law 11/2009 of October 26, modified by Law 16/2012 of December 27, and Law 11/2021 of July 9, regulating SOCIMIs (Note 1.1).

Notes to the financial statements for the year ended December 31, 2021

Given the Company's activity, it has no environmental expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position or results. Thus, environmental disclosures are not provided in the accompanying financial statements.

The Company is the head of a group of companies in accordance with the provisions of article 42 of the Spanish Commercial Code and prepares its consolidated financial statements under International Financial Reporting Standards as approved by the European Union (IFRS-EE). Said consolidated financial statements are filed at the Madrid Mercantile Registry together with the corresponding audit report within the legally stipulated deadlines.

The Company's functional currency is the euro as this is the currency of the primary economic area in which it operates.

1.1. SOCIMI regime (Spanish REIT)

On July 25, 2017, the sole shareholder of the Company until that date, Mr. Francisco Javier Illán Plaza, approved requesting that the Company be treated under the special tax regime for SOCIMIs, applicable from the moment of its incorporation. Said communication was presented to the tax authorities on July 26, 2017.

At December 31, 2021 the Company is thus regulated by Law 11/2009 of October 26, modified by Law 16/2012 of December 27, and Law 11/2011 of July 9, regulating SOCIMIs ("the SOCIMI Law").

The first transitional provision of the SOCIMI Law allows application of the SOCIMI tax regime on the terms established in article 8 of said Law, even when the requirements established therein have not been met at the incorporation date, provided that such requirements be fulfilled within the two years following the decision to opt for said regime. Consequently, the Company started applying the SOCIMI tax regime from 2017 onwards.

Article 3 of the SOCIMI Law establishes the following investment requirements for this type of company:

- The SOCIMIs must invest at least 80% of their assets in urban properties dedicated to rental activities or land dedicated to the promotion of properties which will be used for that purpose, provided that the promotion is initiated within the three years following acquisition; or in stakes held in the share capital or equity of the other entities referred to in section 1 of article 2 of the aforementioned SOCIMI Law.

Notes to the financial statements for the year ended December 31, 2021

The value of the assets shall be determined in accordance with the average of the consolidated quarterly balances of the year, should the SOCIMI belong to a group as established in article 42 of the Commercial Code. When calculating said amount, the SOCIMI can opt to substitute carrying amounts with the market value of the items making up said balances, applicable to all consolidated balances of the year. For these purposes, this calculation does not include the money or credit rights arising from the transfers of said properties or stakes carried out in the same year or prior years, provided that, in the latter case, the reinvestment period to which article 6 of the SOCIMI Law refers has not elapsed.

- Likewise, at least 80% of income generated during the tax period corresponding to each year, excluding revenue arising from the transfer of stakes and urban properties dedicated to fulfilling the corporate purpose, once the maintenance period to which the next section refers has elapsed, must arise from property leasing and dividends or shares in profit arising from said stakes.

  This percentage shall be calculated over the consolidated results, should the SOCIMI belong to a group as per the criteria established in article 42 of the Commercial Code, regardless of residence and the obligation to prepare annual financial statements. Said group will exclusively be made up of SOCIMIs and the remaining entities to which section 1 of article 2 of the SOCIMI Law refers.

- The investment properties which make up the assets of the SOCIMI must be leased during at least three years. For purposes of calculation, the time periods for which the properties have been offered for leasing will be added up to a maximum of one year. The time period shall be calculated as follows:

  - In the case of investment properties which make up the equity of the SOCIMI before availing itself of the regime, from the date of initiating the first tax period in which the special tax regime will be applied as established in the SOCIMI Law, provided that at said date it is being leased or is being offered for leasing. Otherwise, the following will apply:

  - In the case of investment properties promoted or acquired subsequently by the SOCIMI, from the date on which they were leased or offered for leasing for the first time.

- In the case of shares or participation units in entities to which section 1 of article 2 of the SOCIMI Law refers, they must be maintained as assets of the SOCIMI for at least three years counting from the acquisition date or, if applicable, from the beginning of the first tax period in which the special tax regime established in the SOCIMI Law is applied.

In addition, the SOCIMI Law establishes the following obligations:

- The shares of the SOCIMI must be admitted to trading on a regulated market or a multilateral trading system (a requisite which is not applicable to a sub-SOCIMI).

- The minimum capital required amounts to 5 million euros, the shares must be bearer shares and there can only be one type of share (a requisite which is not applicable to a sub-SOCIMI).

- The SOCIMI is obliged to distribute profits obtained during the year in the form of dividends to its shareholders, once the corresponding mercantile obligations have been fulfilled, and must agree upon the distribution within six months subsequent to the closing of each reporting period, as indicated in Note 3.1.

Failure to comply with the requirements established in the SOCIMI Law for applying said regime will result in the SOCIMI filing its tax return under the general regime for companies starting from the tax period in which said non-compliance occurs, unless corrected in the subsequent year. In addition, the SOCIMI is obliged to pay, together with the tax payable for said tax period, the difference between the amount resulting from applying the general tax regime and the amount paid which resulted from applying the special tax regime for previous periods, without prejudice to any late payment interest, surcharges and fines which may be applicable.

The corporate income tax rate for SOCIMIs is fixed at 0%. However, when the dividends distributed by the SOCIMI to its shareholders with a stake greater than 5% are exempt or file taxes at a rate less than 10%, the SOCIMI will be subjected to a special rate of 19%, which will be considered the corporate tax rate, on the amount of the dividend distributed to said shareholders. Should it be applicable, this special tax must be settled by the SOCIMI within two months from the date on which the dividends were distributed. In addition, effective for the tax periods starting from January 1, 2021, in accordance with the modification introduced by the second final provision of Law 11/2021, of July 9, the Company shall be subject to a special tax rate of 15% on the amount of profits obtained during the year which are not used for distribution, provided that the revenue was not taxed at the general corporate income tax rate and the revenue is not subject to the regulated reinvestment period in letter b) of section 1 in article 6 of the SOCIMI Law. Said tax rate shall be considered as the corporate income tax rate.

At December 31, 2021 the Company fulfills all the requirements established in the SOCIMI Law.

Notes to the financial statements for the year ended December 31, 2021

2. BASIS OF PRESENTATION

2.1. Regulatory financial reporting framework applicable to the Company

The Company's financial statements for the year ended December 31, 2021 were prepared in accordance with the regulatory framework for financial information as established in:

- The Spanish GAAP enacted by Royal Decree 1514/2007 of November 16, 2016, which, since its publication, has been subject to various modifications, the last of which were contained in Royal Decree 1/2021, of January 12, and its enacting regulations
- Law 11/2009 of October 26, which regulates SOCIMIs with respect to disclosure requirements in the explanatory notes
- Circular 3/2020 of Bolsas y Mercados Españoles (Spanish Exchanges and Stock Markets -"BME" in its Spanish acronym) on "Information to be provided by companies listed on the BME Growth segment of BME MTF Equity"
- The Spanish Commercial Code and remaining applicable Spanish accounting regulations.

The financial statements have been prepared by the Company's directors and will be submitted for approval by the shareholders in general meeting. It is expected that they will be approved without modification.

2.2. True and fair view

The financial statements have been prepared from the Company's auxiliary accounting records in accordance with prevailing accounting legislation to give a true and fair view of its equity, financial position and results, as well as changes in equity and cash flows corresponding to the year ended December 31, 2021.

The figures shown herein are expressed in euros, unless stated otherwise.

2.3. Critical issues concerning the measurement and estimation of uncertainty

The directors have prepared the financial statements using estimates to determine the carrying amount of certain assets, liabilities, income, and expenses, as well as related disclosures. These estimates were made on the basis of the best information available at the reporting date. However, given the uncertainty inherent in these estimates and the uncertainty arising from the emergency situation driven by the COVID-19 pandemic (Note 2.5), future events could oblige the Company to modify them in subsequent periods. Any such modifications would be done prospectively.

The key assumptions concerning the future and other relevant data on the estimation of uncertainty at the closing date which entail a considerable risk of significant changes in the value of assets and liabilities in the subsequent reporting period are as follows:

- Compliance with the SOCIMI tax regime (Notes 1.1 and 14.2)
- Impairment of investment properties (Notes 4.2 and 6)
- Estimating the useful lives of investment properties (Note 4.2)
- Impairment losses on investments in the equity of group companies, jointly controlled entities, and associates (Notes 4.4 and 7).

2.4. Comparative information

In accordance with mercantile legislation, for comparative purposes, for each of the headings presented in the balance sheet, the income statement, the statement of changes in equity, and the cash flow statement, in addition to the figures for 2021, those for 2020 are also included, restated as disclosed below. The notes to the financial statements also include quantitative information for the previous year, unless an accounting standard specifically states that this is not required.

Until the prior year, the Company accounted for the costs associated with the work performed on its property investments under different income statement headings for expenses, reflecting the capitalization of these property investment costs under "Work performed by the entity and capitalized." However, starting from 2021, the Company capitalized said costs directly as additions to property investments, without taking them to profit or loss, considering that this method is most appropriate for providing a true and fair view of the results of its operations. Consequently, certain income statement headings for 2020 were restated as follows:

(Euros)	12/31/20	Reclassification	12/31/20 (Restated)
Work performed by the entity and capitalized	9,848,180	(9,848,180)	-
Other operating expenses	(11,339,699)	9,848,180	(1,491,519)
External services	(9,871,997)	8,868,668	(1,003,329)
Taxes (other than income tax)	(1,467,702)	979,512	(488,190)

In addition, Royal Decree 1/2021, of January 12, was published on January 30, 2021, amending Spanish GAAP approved by Royal Decree 1514/2007, of November 16. The changes in Spanish GAAP are applicable for the financial years starting on or after January 1, 2021 and are mainly focused on recognition, measurement, and disclosure criteria for income and financial instruments. These changes did not affect the accompanying financial statements in a relevant manner, only resulting in a change of nomenclature for financial instruments.

Notes to the financial statements for the year ended December 31, 2021

2.5. Effects arising from the pandemic generated by COVID-19 in the financial statements

The pandemic generated by the corona virus (COVID-19) significantly affected the economy in general, both in our national markets and at a global level.

The tourism sector in general and hotel segment in particular were negatively affected by the pandemic generated by COVID-19 due to both the decrease in hotel occupancy as well as the average daily price per room (Revenue Per Available Room - "RevPar").

Further, during 2021 the measures taken by the Government of Spain and its autonomous communities to control the appearance of new outbreaks of COVID-19 were still in place, including the limitations to mobility during the night and between communities as well as earlier closing hours and limitations to capacity in the hotel and restaurant business activities, amongst others.

In light of this unprecedented situation, the Company's activity was affected in various areas, and its directors decided to maintain the measures adopted in 2020 during 2021 to mitigate the effects of the pandemic arising from COVID-19.

Further, in spite of the impossibility of reliably evaluating all the potential effects the pandemic may provoke in coming months due to the many uncertainties surrounding this extraordinary situation, the directors of the Company performed an assessment of the impacts presently known which the health emergency arising from COVID-19 has had on the financial statements of Millenium, amongst which the following are noteworthy:

- Operational risk: all the operational hotels of Millenium have been open to the public since the beginning of the year. However, as stated above, the tourism sector in general and the hotel segment in particular were affected negatively due to the pandemic arising from COVID-19. This situation has led to a worsening of the financial position of the lessees of our hotels, who tried to compensate the decrease in their income by renegotiating the contractual terms of the lease agreements in force, and not paying the lease installments for various months during 2021. Thus, the lessee of the Meliá Bilbao Hotel filed a lawsuit against Millenium, requesting the reduction of lease payments corresponding to the years 2021 to 2024 given the adverse consequences provoked by the pandemic, in application of the jurisprudential doctrine of *rebus sic stantibus*. The claim was answered with a request for it to be completely dismissed. The pre-trial hearing had been scheduled for November 21, 2021, but prior to the hearing the parties requested the suspension of the proceedings in order to negotiate an end to the dispute. In the opinion of the directors, based on the opinion of the Company's legal advisors, setting aside a provision to cover this item is not necessary at December 31, 2021. In addition, it is worth highlighting that said lessee is up to date with all rent payments accrued during fiscal year 2021.

Notes to the financial statements for the year ended December 31, 2021

Further, with a view to overcoming this challenging market environment and facilitating compliance with the contract in force, on November 8, 2021, Millenium subscribed an addendum with the lessee of the Hotel Eurostars Lucentum in Alicante, having agreed upon a deferral for a part of the amounts due corresponding to the months of October 2021 to June 2022, as well as a new payment schedule. In addition, an extension to the lease agreement has been included which, subject to the fulfillment of certain economic conditions, allows the lessee to extend its term until August 2040. The remaining conditions which regulated the contract remain in force (Note 6.1).

Further, at the date of preparation of these financial statements, the lease agreements signed for the hotels that are in the process of being developed or converted have not been modified in any way with respect to the conditions agreed upon and in force though, given the current situation, it is foreseeable that in the case of the Hotel Radisson Collection Bilbao, which is expected to open in the first quarter of 2022, it will be necessary to grant an addendum that regulates the lease payments for 2022.

In contrast, the work being performed on the properties being developed or converted has been slowed down in part as a precautionary measure adopted by the Company; they have also been partially affected by the pandemic generated by COVID-19 though not generating significant delays.

- Liquidity risk: the deferrals of lease installments described in the previous section have reduced the cash flows expected for the year 2021. However, in July 2021 funds were obtained from a capital increase carried out in the amount of 89.3 million euros (Note 10.1). At December 31, 2021 the Company's working capital is positive, amounting to 75 million euros (2020: positive working capital amounting to 17 million euros), with cash and cash equivalents totaling 45 million euros (2020: 20 million euros).

  The directors and Management of the Company are constantly supervising the changing situation as well as the effects it may have on credit markets and consider that given Millenium's sound financial position at December 31, 2021, the Company will be able to maintain its solvency while fulfilling its short-term payment obligations and there is no material uncertainty regarding continuity of its operations.

- Valuation risk for the assets and liabilities recognized in the balance sheet: during 2021, due to the effects of the crisis provoked by COVID-19 in the economy, as indicated above, the hotel sector was badly affected, which influenced cash flows and consequently the value of Millenium's property investments, to which it applies the "Discounted cash flow method" for valuation purposes. The valuation methodology for investment properties was not modified, though it was influenced by the following aspects of the pandemic, amongst other matters:

  - the closing of hotels
  - restricted movement for tourists

- increase in discount rates or exit yields arising from the uncertainty of the future.

However, the independent experts have determined that the environment of uncertainty in which the valuations of the previous year were made, due to the effects of COVID-19, has dissipated and therefore they have not issued their valuation reports on the basis of "material valuation uncertainty" (in accordance with VPS3 and VPGA 10 of the Valuation Manual issued by RICS) that they incorporated in their valuation reports as of December 31, 2020, due to the environment of extraordinary uncertainty in which they found themselves.

- Credit risk: one of the implications considered by the Company in light of COVID-19 has been the assessment of client credit risk in the current market environment. To date, the directors of the Company have assessed the possible impacts in this context, taking the characteristics of Millenium's contracts into account together with the guarantees received from the lessees in each case, as well as the new agreements reached in 2020 and 2021 with the lessees of the operational hotels, which were signed with a view to overcoming this difficult moment in the market and facilitating compliance with the contractually established terms. Thus, no impairment losses were recognized during the year for doubtful debts.

Given the changing circumstances and numerous uncertainties regarding the outlook for the pandemic, the definitive consequences of the pandemic for Millenium's operations are uncertain and will to a great extent depend on the rate at which vaccinations advance in coming months as well as the capacity of all affected economic agents to react and adapt. In light of this situation, the directors and Management of the Company are constantly monitoring the developing situation with a view to successfully dealing with the possible impacts which may arise.

3. APPROPRIATION OF PROFIT

The directors proposed the following appropriation of profit for 2021, a proposal expected to be ratified by the shareholders in general meeting:

(Euros)	**2021**
Basis of appropriation	
Income statement (loss)	(9,465,536)
	(9,465,536)
Appropriation to:	
Prior year losses	(9,465,536)
	(9,465,536)

3.1. Distribution of results and management of capital

As indicated in Note 1.1, the Company has availed itself of the special tax regime established in the SOCIMI Law. In accordance with said Law, the Company is obliged to distribute gains obtained during the year in the form of dividends to their shareholders, once the corresponding mercantile obligations have been fulfilled, and must agree upon the distribution within the six months subsequent to the closing of each reporting period, as follows:

a) 100% of the gains arising from dividends or profit-sharing based on interests held in other SOCIMIs or other interests whose main corporate purpose is the acquisition of urban properties.

b) At least 50% of the gains arising from transfer of properties and shares or participation units to which section 1 of article 2 of the SOCIMI Law refers, realized once the deadlines have elapsed to which section 3 of article 3 of this Law refers, relating to compliance with the main corporate purpose. The remaining gains must be reinvested in other properties or interests relating to compliance with the corporate purpose within three years subsequent to the transfer date. In default thereof, said gains must be distributed in their entirety together with the gains, if any, which arise in the year in which the reinvestment period ends. If the items subject to reinvestment are transferred within the holding period, any corresponding gains must be distributed in their entirety together with the gains, if any, which arise from the year in which they were transferred. The obligation to distribute does not affect the portion of gains attributable to years in which the Company did not file taxes under the special tax regime established in the SOCIMI Law.

c) At least 80% of the remaining gains obtained.

When the distribution of dividends is performed with a charge against reserves arising from gains obtained during a year in which the special tax regime was applied, the distribution will obligatorily be on the terms referred to in the previous section.

The Company is obliged to transfer 10% of profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders (Note 12.3).

In accordance with the stipulations of the SOCIMI Law, the Company's bylaws do not establish any other unrestricted reserve apart from the legal reserve.

Notes to the financial statements for the year ended December 31, 2021

4. RECOGNITION AND MEASUREMENT POLICIES

The main recognition and measurement accounting criteria which the Company applied in the preparation of these financial statements are the following:

4.1. Property, plant, and equipment

PP&E items are initially measured at either acquisition or production cost. The cost of PP&E items acquired in a business combination is the fair value as of the acquisition date.

Following initial measurement, PP&E items are stated at cost less accumulated depreciation and any accumulated impairment losses recognized.

In addition, another component of PP&E items is the initial estimate of the present value of asset dismantling or retirement obligations and other associated costs, such as the cost of restoring assets, when these obligations trigger the recognition of provisions.

Expenses for repairs which do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the income statement in the year incurred. Expenses incurred to upgrade, expand or improve an asset that increase its productive capacity or prolong its useful life are capitalized as an increase in the carrying amount of the item, while the carrying amounts of any substituted assets are derecognized.

Once available for use, PP&E items are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives for the different PP&E items are as follows:

	Useful lives
Plant	3.5 years
Furniture	10 years
Data processing equipment	4 years

The Company reviews the assets' residual values, useful lives, and depreciation methods at each year end, adjusting them prospectively where applicable.

4.2. Investment properties

The Company classifies as investment properties those non-current assets that are buildings which it holds to obtain rent, capital gains, or both, rather than for production purposes or services other than renting, administrative purposes, or their sale in the ordinary course of its business. In addition, investment properties also include the land and buildings whose future use has not been decided upon at the moment of their inclusion in Company equity. Likewise, properties which are under construction or being improved for future use as investment properties, are also classified as investment properties.

These assets are initially measured at cost, determined as either acquisition or production cost. Following initial measurement, they are stated at cost less accumulated amortization and, if applicable, any accumulated impairment losses recognized.

The cost of those assets which require more than one year to be ready for use includes any related prior finance expenses which meet capitalization requirements.

In addition, the carrying amounts of investment properties also include a component corresponding to the initial estimate of the present value of asset dismantling or retirement obligations and other associated costs, such as the cost of restoring assets, when these obligations lead to recognizing provisions.

Expenses for repairs which do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the income statement in the year incurred. Expenses incurred to upgrade, expand or improve an asset that increase its productive capacity or prolong its useful life are capitalized as an increase in the carrying amount of the item, while the carrying amounts of any substituted assets are derecognized.

Costs relating to major repairs of investment properties, irrespective of whether the items affected are replaced or not, are identified as a component of the cost of the asset at the date of recognizing the asset in equity, and depreciated over the time remaining until the next major repair.

Once available for use, investment properties are depreciated on a straight-line basis over their estimated useful lives, determined to be 33-50 years.

At least at each semi-annual closing, the Company assesses whether any investment properties are impaired by comparing the carrying amounts to the recoverable amounts. The recoverable amount is the fair value less costs to sell. When the carrying amount exceeds its recoverable amount, the asset is considered impaired. Impairment losses and any reversals are recognized in the income statement. Impairment losses are reversed only if the originating circumstances have ceased to exist. The reversal is limited to the carrying amount of the asset that would have been determined had the impairment loss not been recognized previously.

The fair value of investment properties is determined taking as reference values the appraisals undertaken by external independent experts, so that at each year-end the fair value reflects the market conditions of the investment properties at that date. The valuation reports issued by the independent experts only contain the usual caveats and/or qualifications regarding the scope of the results obtained from the appraisals performed, which refer to acceptance that the information provided by the Company is complete and correct, and that the appraisal was carried out in accordance with the valuation standards published by the Royal Institute of Chartered Surveyors in Great Britain.

The main methodology utilized to determine the fair value of investment properties consists in discounting cash flows, based on the estimated expected future cash flows from the investment properties using an appropriate discount rate to calculate the present value of these cash flows. Said rate takes current market conditions into account and reflects all forecasts and risks relating to the cash flows and the investment. In order to calculate the residual value of the assets for the last year of the forecasts made regarding cash flows, a net exit yield is applied.

Note 6 includes detailed information on the net exit yields considered and the rate used for discounting projected cash flows.

4.3. Leases

Leases are classified as finance leases when, based on the economic terms of the arrangement, they substantially transfer all the risks and rewards incidental to ownership of the leased item to the lessee. All other lease arrangements are classified as operating leases.

Company as lessee

Assets acquired under finance lease arrangements are recognized, based on their nature, at the lower of the fair value of the leased item or the present value at the outset of the lease term of the minimum lease payments agreed upon, including the associated purchase option. A financial liability is recognized for the same amount. Contingent installments, service expenses, and reimbursable taxes (by the lessor) are not included in the calculation of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability. The total finance expense incurred in connection with the lease arrangement is recognized in the income statement in the year accrued using the effective interest rate method. Assets are depreciated, amortized, impaired, and derecognized using the same criteria applied to assets of a similar nature.

Operating lease payments are recognized in the income statement as they accrue.

Company as lessor

Income from operating leases is recognized in the income statement when accrued. Direct costs attributable to the lease agreement increase the value of the leased asset and are recognized as an expense over the term of the lease on the same basis as lease income.

At both December 31, 2021 and 2020 the Company has leased most of the hotels included in its investment properties under operating lease agreements, though only the Eurostars Lucentum and Meliá Bilbao hotels currently generate income (Notes 6.1 and 16.1).

4.4. Financial assets

Classification and measurement

The Company's financial assets are classified into the following categories:

Financial assets at amortized cost

A financial asset is included under this category, even when it is listed for trading on an organized market, if the Company holds the investment with a view to receiving the cash flows arising from execution of the contract, and the contractual terms of the financial asset give rise to cash flows on specified dates that are solely collections of principal and interest on the outstanding principal.

The contractual cash flows that are solely collections of principal and interest on the outstanding principal are inherent to an agreement which has the nature of an ordinary or common loan, without prejudice to the fact that the transaction may be agreed upon at a zero interest rate or a rate below the market.

Management of a portfolio of financial assets to obtain its contractual cash flows does not imply that the Company must necessarily hold all the instruments to maturity; they can also be managed with this objective in mind, even if they are sold or are expected to be sold in the future. Thus, the Company must take the frequency, amounts, and timing for sales from prior years into account together with the motivation for these sales and the expectations generated with regard to future sales.

The Company's management of these investments depends on circumstances and does not depend on its intentions for an individual instrument. The Company can have more than one policy for managing its financial instruments and, in some circumstances, it may be appropriate to separate a portfolio of financial assets into smaller portfolios to reflect the level at which the Company manages its financial assets.

In general, this category includes trade and non-trade receivables:

a) Trade receivables: these correspond to those financial assets which arise from the sale of goods and the rendering of services in the course of the Company's business operations with deferred collection; and

b) Non-trade receivables: these correspond to those financial assets which, not corresponding to equity instruments or derivative instruments, are not commercial in origin and have fixed or determinable payments which arise from loans or credits granted by the Company.

Financial assets classified under this category are initially measured at fair value, which, unless there is evidence to the contrary, is the transaction price, deemed equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Nevertheless, trade receivables which mature within less than one year with no explicit contractual interest rate, as well as loans to personnel, dividends receivable, and called-up payments on equity instruments, the amount of which is expected in the short term, can be carried at nominal value when the effect of not discounting the cash flows is not significant.

Subsequently, the financial assets included in this category are measured at their amortized cost. Interest accrued is recognized in the income statement using the effective interest rate method.

However, receivables maturing within a year that in keeping with the description in the preceding paragraph are initially stated at nominal value will continue to be measured at nominal value unless they have become impaired.

When the contractual cash flows of a financial asset measured at amortized cost are modified due to financial difficulties of the issuer, the Company analyzes whether it is appropriate to account for an impairment loss.

In guarantees extended for operating leases, the difference between the fair value and the amount disbursed is considered as a prepayment for the lease and is taken to the income statement over the lease term. When assessing the fair value of guarantees, the minimum contractual term is considered as the remaining period.

Financial assets at cost

This category includes equity investments in companies over which the Company has control (group companies), joint control through a statutory or contractual arrangement with one or more partners (jointly controlled entities) or has significant influence (associates).

These financial assets are measured initially at cost. In the absence of evidence to the contrary, this corresponds to the transaction price, which is equivalent to the fair value of the consideration delivered plus directly attributable transaction costs.

When an investment is newly classified as a group company, jointly controlled entity, or associate, the cost is deemed to be the investment's recognized carrying amount immediately prior to the company being classified as such. Where applicable, previous value adjustments associated with this investment recognized directly in equity will remain there until the investment is either sold or impaired.

Initial measurement includes any preemptive subscription rights or similar that have been acquired.

Subsequent to initial recognition, these financial assets are measured at cost, less any accumulated impairment losses.

When preferential subscription or similar rights are sold or separated for the purpose of exercising them, the cost of these rights decreases the carrying amount of the respective assets.

Financial assets at fair value through profit or loss

The Company classifies a financial asset under this category provided that none of the other categories are applicable.

At any rate, financial assets held for trading are included under this category. The Company considers that a financial asset is being held for trading when at least one of the following three circumstances apply:

a) It was issued or acquired for the purpose of selling in the short term;

b) At initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking; or

c) They correspond to derivative financial instruments, provided that they are not financial guarantee contracts and have not been designated as hedging instruments.

In addition to the above, at initial recognition the Company has the option to designate a financial asset irrevocably at fair value through profit or loss, which it would otherwise have included in another category (usually denominated as the "the fair value option"). This option can be chosen if any valuation inconsistencies or accounting asymmetries which would arise if the assets or liabilities were measured on a different basis are eliminated or significantly reduced.

Financial assets classified under this category are measured at fair value on initial recognition, which is normally assumed to be the transaction price (equivalent to the fair value of the consideration delivered) provided there is no evidence to the contrary. Directly attributable transactions costs are recognized in the income statement for the reporting period (that is, they are not capitalized).

Subsequent to initial recognition, the Company measures the financial assets under this category at fair value through profit or loss (finance cost).

Notes to the financial statements for the year ended December 31, 2021

Derecognition of financial assets

The Company derecognizes a financial asset (or part of it) when the contractual rights to the cash flows from the asset have either expired or been transferred. The Company must have transferred substantially all risks and rewards inherent in ownership, which is assessed by comparing the Company's exposure before and after the transfer to the changes in value and in timing, net of the transferred asset. The risks and rewards inherent to ownership of a financial asset are deemed to have been substantially transferred when its exposure to such changes is no longer significant with respect to the total change in the present value of the future net cash flows associated with the financial asset (such as firm asset sales, assignments of trade receivables in factoring transactions in which the Company does not retain any credit or interest rate risk, sales of financial assets under repurchase agreements at fair value, and securitizations of financial assets in which the transferring entity does not retain subordinated financing or grant any type of guarantee or assume any other type of risk).

If the Company has not substantially transferred or retained the risks and rewards inherent to ownership of the financial asset, it is derecognized if control over the asset has not been retained. This is determined based on the transferee's unilateral ability to transfer the asset entirely to an unrelated third party without imposing conditions. If the Company retains control over the asset, it continues to recognize the asset at the amount of its exposure to changes in the value of the transferred asset; that is, to the extent of its continuing involvement in the financial asset, recognizing an associated liability as well.

When a financial asset is derecognized, the difference between the consideration received, net of attributable transaction costs, including any new asset obtained less any liability assumed, and the carrying amount of the financial asset, determines the gain or loss generated upon derecognition, and is included in the income statement for the year to which it relates.

The aforementioned criteria are also applied when transferring a group of financial assets or parts thereof.

The Company does not derecognize financial assets and recognizes a financial liability at an amount equal to the consideration received in the sale of financial assets in which it has substantially retained the risks and rewards incidental to ownership, such as discounted bills, factoring with recourse, disposals of financial assets under repurchase agreements at fixed prices or at the sale price plus interest, and securitizations of financial assets in which the seller retains subordinate financing or other types of guarantees which substantially absorb estimated losses.

Interest income and dividends received from financial assets

Interest and dividends from financial assets accrued subsequent to acquisition are recognized as income in the income statement. Interest is recognized using the effective interest rate method and dividends are recognized when the right to receive them is established.

To this end, financial assets are recognized separately upon initial measurement based on maturity and unmatured accrued explicit interest at that date. Explicit interest refers to the contractual interest rate applied to the financial instrument.

In addition, when distributed dividends are derived unmistakably from profit generated prior to the date of acquisition, based on the conclusion that the amounts distributed exceed the profit generated by the investee since acquisition, the dividends are not recognized as income but rather decrease the carrying amount of the investment.

Impairment of financial assets

The carrying amount of financial assets is corrected in the income statement when there is objective evidence of an impairment loss.

To determine impairment losses on financial assets, the Company assesses the potential loss of individual as well as groups of assets with similar risk exposure.

In the case of financial assets measured at amortized cost, the impairment loss will correspond to the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, including any cash flows arising from execution of collateral and personal guarantees, discounted at the effective interest rate as calculated when the financial asset was initially recognized. For financial assets with variable interest rates, the effective interest rate at the annual balance sheet date is used as per the contractual terms. Impairment loss on groups of financial assets is computed using models based on statistical formula or valuation methods.

However, the present value of future cash flows can be substituted by the Company with the instrument's market value, provided that it is reliable enough to be considered representative of the recoverable amount.

The recognition of interest accrued on credit-impaired financial assets follows the general rules, without prejudice to the fact that the Company must simultaneously assess whether said amount is recoverable, recognizing the corresponding impairment loss if applicable.

In the case of equity investments in group companies, jointly controlled entities, and associates, impairment loss is measured as the difference between the carrying amount of the asset and the recoverable amount, which is the greater of the asset's fair value, less costs to sell, and the present value of future cash flows derived from the investment. Unless better evidence is available, impairment is estimated taking into account the investee's equity adjusted for any unrealized capital gains existing on the measurement date.

Impairment losses, as well as reversals thereof when the losses decrease as a result of events occurring after their recognition, are recognized in the income statement as an expense or income, respectively. The reversal of an impairment loss is limited to the carrying amount that would have been recognized on the reversal date had the original impairment not been recognized.

4.5. Financial liabilities

Classification and measurement

Financial liabilities at amortized cost

In general, this category includes trade and non-trade payables:

a) Trade payables: these correspond to those financial liabilities which arise from the purchase of goods and services in the course of the Company's business operations with deferred payment; and

b) Non-trade payables: these correspond to financial liabilities which, not corresponding to derivative instruments, do not have a commercial origin but arise from loan or credit transactions carried out by the Company.

Participative loans which have the characteristics of a common or ordinary loan are also included under this category without prejudice to the fact that the transaction is agreed upon at a zero interest rate or at a rate below that offered by the market.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received, adjusted by directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortized cost. Interest accrued is recognized in the income statement using the effective interest rate method.

Nevertheless, trade payables falling due within one year for which there is no contractual interest rate, as well as called-up payments on shares, payment of which is scheduled in the short term, are carried at their nominal value when the effect of not discounting the cash flows is not material.

In guarantees received for operating leases, the difference between the fair value and the amount disbursed is considered revenue received in advance for the lease and recognized in the income statement over the lease term. When assessing the fair value of guarantees, the minimum contractual term is considered as the remaining period.

Derecognition of financial liabilities

The Company derecognizes a financial liability, or a part of the financial liability, as soon as the related obligations are extinguished; that is, when they have been settled or cancelled, or when they have expired. Own financial liabilities acquired may also be derecognized, even if the entity intends to resell them in the future.

When debt instruments are exchanged with a lender, the original financial liability is derecognized and the new financial liability is recognized to the extent that their contractual terms are substantially different. Financial liabilities whose contractual terms are substantially modified are treated in the same manner.

The difference between the carrying amount of a financial liability, or the part of that liability that has been derecognized, and the consideration paid, including any related expenses incurred or commissions paid, which also includes any asset transferred other than cash or liability assumed, is recognized in the income statement for the reporting period in which it arises.

When debt instruments are exchanged with contractual terms that are not substantially different, the original financial liability is not derecognized and any transaction costs or commissions paid are recognized as an adjustment to their carrying amount. From that date onwards, the new amortized cost of the financial liability is calculated using the effective interest rate, which is the rate that equates the carrying amount of the financial liability at the modification date to the cash flows payable under the new terms.

Accordingly, the contractual terms are considered to be substantially different when, amongst other factors, the present value of the cash flows from the new contract, including any commissions paid, net of any commissions received, differs by at least 10% of the present value of the cash flows yet to be paid on the original contract, when the effective interest rate of the original liability has been applied to both. Certain modifications in the determination of cash flows may not meet this quantitative criterion but may also result in a substantial modification to the liability, such as a change in the liability's remuneration from a fixed to a variable interest rate, the restatement of the liability in a different currency, a fixed interest rate loan that is converted into a participative loan, amongst other cases.

4.6. Fair value

Fair value corresponds to the price receivable from sale of an asset or the price that would be paid for transferring or canceling a liability in an arms length transaction between market participants at the measurement date. Fair value is determined without applying any deduction for transaction costs which may be incurred as a result of the disposal or use by other means. The results of a forced or urgent transaction, or those arising as a consequence of a situation involving involuntary liquidation, can never be considered as fair value.

Fair value is estimated for a specific date and, given that the market conditions can vary over time, this value may be inadequate at another date. In addition, when estimating fair value, the company takes the conditions of the asset or liability into account which market participants would take into account when fixing the price of the asset or liability at the measurement date.

In general, fair value is calculated by reference to a reliable market value. For those items with respect to which there is an active market, fair value is obtained via application of valuation models and techniques. Valuation models and techniques include the use of references to recent arm's length transactions between knowledgeable and willing parties, if available, as well as references to the fair value of other assets that are substantially the same, discounting methods for estimated future cash flows, and the models generally used to value options.

At any rate, the valuation techniques employed are consistent with accepted methodologies used in the market for setting prices, and that technique which has demonstrably obtained the most realistic estimates for prices is used, if possible. Likewise, the techniques take observable market data into account together with other factors which the participants would consider when setting a price, limiting the use of subjective considerations and unobservable or unverifiable data to the maximum extent possible.

The Company periodically evaluates the effectiveness of the valuation techniques used, employing observable prices in recent transactions with the same asset that is being valued as a reference, or using prices based on observable market data or indices which are available and applicable.

Thus, a hierarchy emerges with respect to the variables utilized in the determination of fair value and a fair value hierarchy is established which permits classification at three levels:

- Level 1: estimates which use unadjusted listed prices in active markets for identical assets and liabilities to which the Company has access at the measurement date.
- Level 2: estimates which use listed prices in active markets for similar instruments or other valuation methodologies in which all significant variables are based on directly or indirectly observable market data.
- Level 3: estimates in which a significant variable is not based on observable market data.

An estimate of fair value is classified at the same fair value hierarchy level as the lowest level variable which is significant in the result of the valuation. For these purposes, a significant variable is one that has a decisive influence on the result of the estimate. When assessing the importance of a specific variable for the estimate, the specific conditions of the asset or liability being valued are taken into account.

4.7. Cash and cash equivalents

This heading includes cash in hand, current accounts, short-term deposits, and purchases of assets under resale agreements that meet the following criteria:

- They are readily convertible to cash
- They mature within less than three months from the acquisition date
- The risk of change in value is insignificant
- They form part of the Company's usual cash management policy.

4.8. Corporate income tax

Income tax payable or receivable comprises current tax payable or receivable as well as deferred tax expenses or income.

Current tax is the amount that the Company pays in settlement of the income tax returns for the year. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, are accounted for as a reduction in current tax. Similarly, tax loss carryforwards from prior years effectively applied in the current reporting period also reduce tax payable.

Deferred tax expense or income corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include the temporary differences, identified as those amounts expected to be payable or recoverable, arising from the difference between the carrying amounts of assets and liabilities and their tax bases, as well as any unused tax loss carryforwards and unused tax credits. These amounts are measured at the tax rates that are expected to apply when the corresponding temporary differences or tax credits are realized or settled.

As indicated in Note 1.1, the Company opted for application of the special tax regime for SOCIMIs from January 1, 2017. This decision was communicated to the tax authorities on July 26, 2017.

The general applicable tax rate is 25%, while the tax rate applicable to the SOCIMIs is 0%. However, when the dividends the Company distributes to its shareholders who hold more than 5% interest are exempt or file taxes at a rate less than 10%, the Company will be subject to a special rate of 19%, which will be considered the rate for corporate income tax, on the amount of the dividend distributed to said shareholders. Should this be applicable, this special rate must be settled by the Company within twelve months from the dividend distribution date. In addition, effective for the tax periods starting from January 1, 2021, in accordance with the modification introduced by the second final provision of Law 11/2021, of July 9, the Company shall be subjected to a special tax rate of 15% on the amount of profits obtained during the year which are not used for distribution, provided that the revenue was not taxed at the general corporate income tax rate and the revenue is not subject to the regulated reinvestment period in letter b) of section 1 in article 6 of the SOCIMI Law. Said tax rate shall be considered as the corporate income tax rate.

Notes to the financial statements for the year ended December 31, 2021

Deferred tax liabilities are recognized for all taxable temporary differences, except for those which (i) arise from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit (tax loss), or (ii) are associated with investments in subsidiaries, associates, and jointly controlled entities where the Company can control the timing of the reversal of the temporary difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax assets are only recognized to the extent that it is considered probable that the Company will have future taxable income to enable their application and provided the SOCIMI regime allows for this possibility.

Deferred tax assets and liabilities arising from transactions involving direct credits or debits to equity headings are also accounted for with a balancing entry in equity.

Recognized deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made when there are doubts as to their future recoverability. Similarly, unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow them to be recovered.

Deferred tax assets and liabilities are measured using the tax rates expected to prevail upon their reversal, based on tax legislation approved, and in accordance with the manner in which the Company reasonably expects to recover the asset's carrying amount or settle the liability.

Deferred tax assets and deferred tax liabilities are not discounted and are classified as non-current assets or non-current liabilities.

4.9. Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the balance sheet as current or non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Company's normal operating cycle, which is less than one year, and it is expected that they will be sold, consumed, realized or settled within the course of that cycle; if they differ from the aforementioned assets and are expected to mature, be sold or settled within one year; if they are held for trading or are cash and cash equivalents the use of which is not restricted to more than one year. All other assets and liabilities are presented as non-current.

4.10. Income and expenses

In accordance with the accruals principle, income and expenses are recognized on an accruals basis, regardless of when actual payment or collection occurs.

The Company recognizes revenue from a contract when control over the services contracted are transferred to the client and it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and costs incurred or to be incurred can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, less any trade discounts, rebates or similar items granted by the Company and interest on the nominal amount of credit extended. Applicable indirect taxes on transactions that are reimbursed by third parties are not included. Expenses are recognized when incurred, regardless of the payment date.

Rental income is recognized on a straight-line basis over the term of the contract, even if the contract establishes incremental payments.

4.11. Transactions with related parties

Related-party transactions are measured in keeping with the accounting policies described above, except for the following:

- Non-monetary contributions of a business to a group company are generally measured at the carrying amount of the assets and liabilities delivered as reflected in the consolidated financial statements at the date on which the transaction takes place.

- In mergers and spin-offs, acquired items are generally recognized at the amount at which they are stated in the consolidated financial statements once the transaction is completed. Any resulting differences are recognized in reserves.

Given that the prices of related party transactions are adequately supported, the Company's directors consider that there are no risks which might result in significant tax liabilities in the future.

4.12. Treasury shares

Treasury shares are recognized in equity as a decrease in “Capital and reserves” when acquired. No loss or gain is shown in the income statement on sale or cancellation. Income and expenses incurred in connection with transactions with treasury shares are recognized directly in equity as a decrease in reserves.

4.13. Provisions and contingencies

Liabilities for which the amount and settlement date are uncertain are recognized as provisions when the Company has a present obligation (legal, contractual, constructive or tacit) arising from past events, the settlement of which is expected to result in an outflow of resources, the amount of which can be measured reliably.

Provisions are measured at the present value of the best possible estimate of the amount needed to cancel the obligation or transfer it to a third party, recognizing any corresponding adjustments to the provisions as a finance cost as they accrue. Provisions expiring within one year are not discounted when the financial effect is not material. Provisions are reviewed at each balance sheet date and adjusted to reflect the best current estimate of the corresponding liability.

Compensation receivable from a third party when obligations corresponding to provisions are settled is recognized as an asset without reducing the provision, provided there is no doubt that this reimbursement will actually be received and that it does not exceed the amount of the liability recognized. If the risk has been legally or contractually externalized, and the Company is thereby not liable for the cost of settling the obligation, this reimbursement is deducted from the amount of the provision.

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company and those present obligations that arise from past events for which it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or for which the amount of the obligation cannot be measured with sufficient reliability. These liabilities are not recognized in the financial statements but are disclosed in the accompanying explanatory notes, unless the possibility of an outflow of resources is remote.

4.14. Remuneration plan for Board members and executives

The incentive plan known as "Promote" was approved by the shareholders in their ordinary general meeting on May 10, 2019. It was exclusively designed to promote and remunerate certain members of Millenium Management Team, in accordance with the conditions established in the respective contracts of each executive Board member or employee. This plan is of indefinite duration and involves accruing the right to receive shares as an incentive when, for each calculation period (the financial year), the conditions established therein are met.

These conditions mainly establish that the total returns generated for shareholders be greater than a specified percentage. These returns are measured as the total amount of dividends distributed plus the restated carrying amounts of assets (EPRA NAV), excluding any capital increase carried out during each calculation period. Thus, this remuneration is focused on generating returns for the shareholders obtained via active management rather than portfolio volume.

The right to the incentive is calculated annually on an accruals basis, and is settled via the delivery of shares. Should it not be possible to deliver all the shares accrued, settlement will be in cash. The beneficiaries cannot dispose of said shares for a period of one year counted from the date on which they are delivered.

Notes to the financial statements for the year ended December 31, 2021

4.15. Termination benefits

In accordance with prevailing labor legislation, the Company is required to pay indemnities to employees who are dismissed under certain circumstances. Reasonably quantifiable indemnity payments are recognized as an expense in the year in which the Company creates a valid expectation on the part of the affected third parties that the dismissals will occur.

4.16. Non-current assets held for sale

The Company classifies assets whose carrying amount is expected to be mainly recovered through a sales transaction, rather than through continuing use, as “Non-current assets held for sale” when the following criteria are met:

- They are immediately available for sale in their present condition, subject to the normal terms of sale; and
- It is highly probable that they will be sold.

Non-current assets held for sale are accounted for at the lower of their carrying amount and fair value less costs to sell, except deferred tax assets, assets arising from employee benefits, and financial assets other than investments in group companies, jointly controlled entities and associates, which are measured according to specific standards. These assets are not amortized/depreciated and, where necessary, the corresponding impairment loss is recognized to ensure that the carrying amount does not exceed fair value less cost to sell.

The associated liabilities are classified under "Liabilities associated with non-current assets held for sale."

Notes to the financial statements for the year ended December 31, 2021

5. PROPERTY, PLANT, AND EQUIPMENT

The movements in items composing "Property, plant, and equipment" are as follows:

(Euros)	12/31/20	Additions/ Allowances	Derecognitions	Transfers	12/31/21
Cost					
Plant	42,679	4,092	-	-	46,771
Furniture	9,954	32,684	-	-	42,638
Data processing equipment	9,679	7,018	-	-	16,697
	62,312	43,794	-	-	106,106
Accumulated depreciation					
Plant	(15,636)	(13,742)	-	-	(29,378)
Furniture	(206)	(1,850)	-	-	(2,056)
Data processing equipment	(2,559)	(3,101)	-	-	(5,660)
	(18,401)	(18,693)	-	-	(37,094)
Net carrying amount	**43,911**				**69,012**

(Euros)	12/31/19	Additions/ Allowances	Derecognitions	Transfers	12/31/20
Cost					
Plant	41,809	870	-	-	42,679
Furniture	-	9,954	-	-	9,954
Data processing equipment	5,385	4,294	-	-	9,679
	47,194	15,118	-	-	62,312
Accumulated depreciation					
Plant	(2,584)	(13,052)	-	-	(15,636)
Furniture	-	(206)	-	-	(206)
Data processing equipment	(786)	(1,773)	-	-	(2,559)
	(3,370)	(15,031)	-	-	(18,401)
Net carrying amount	**43,824**				**43,911**

The additions recognized for both years correspond to items acquired in connection with the refurbishment work performed on the offices which the Company leases to Grupomillenium Investment Partners, S.L. (Note 16.3).

Notes to the financial statements for the year ended December 31, 2021

6. INVESTMENT PROPERTIES

At December 31, 2021 the Company recognized the following investment properties:

Investment property	Location	Status
Hotel Eurostars Lucentum	Avenida Alfonso el Sabio 11, Alicante	Operating
Hotel Alma Sevilla	Plaza San Francisco 11-12, Seville	In development
Hotel Radisson Collection Bilbao	Gran Vía Don Diego López de Haro 4, Bilbao	In development
Hotel JW Marriott	Carrera de San Jerónimo 9-11, Madrid	In development
Hotel Meliá Bilbao	Lehendakari Leizaola 29, Bilbao	Operating
Hotel Palacetes de Córdoba	Cabezas 13, 15, and 19, and Caldereros 3, Córdoba	In development
Hotel Nobu	Miraconcha 32, San Sebastián	In development
Hotel Alcalá-Cedaceros	Alcalá 26, Madrid	In development

At December 31, 2020 the Company recognized the following investment properties:

Investment property	Location	Status
Hotel Eurostars Lucentum	Avenida Alfonso el Sabio 11, Alicante	Operating
Hotel Alma Sevilla	Plaza San Francisco 11-12, Seville	In development
Hotel Radisson Collection Bilbao	Gran Vía Don Diego López de Haro 4, Bilbao	In development
Hotel JW Marriott	Carrera de San Jerónimo 9-11, Madrid	In development
Hotel Meliá Bilbao	Lehendakari Leizaola 29, Bilbao	Operating
Hotel Palacetes de Córdoba	Cabezas 15 and 19, and Caldereros 3, Córdoba	In development
Hotel Nobu	Miraconcha 32, San Sebastián	In development

Notes to the financial statements for the year ended December 31, 2021

The breakdown and movements for investment properties at December 31, 2021 are as follows:

(Euros)	12/31/20	Additions/Allowances	Derecognitions	Transfers	12/31/21
Cost					
Land	128,761,972	31,085,142	-	-	159,847,114
Buildings	89,595,216	32,362,950	-	-	121,958,166
Advances	-	1,000,000	-	-	1,000,000
	218,357,188	64,448,092	-	-	282,805,280
Accumulated depreciation					
Buildings	(1,614,879)	(948,751)	-	-	(2,563,630)
	(1,614,879)	(948,751)	-	-	(2,563,630)
Impairment losses					
Buildings	(2,248,251)	(1,262,593)	1,750,899	-	(1,759,945)
	(2,248,251)	(1,262,593)	1,750,899	-	(1,759,945)
Net carrying amount	**214,494,058**				**278,481,705**

On July 28, 2021 the Company acquired a property located at calle Cabezas N.º 13 in Córdoba for an amount of 320 thousand euros, with the expenses associated with this transaction amounting to 46 thousand euros.

On December 28, 2021 the Company acquired a property located at calle Alcalá 26 in Madrid for a price of 36,750 thousand euros. The expenses associated with this acquisition amounted to 643 thousand euros.

Further, on November 11, 2021 a downpayment of 1 million euros was made for the purchase of a property located in Madrid, the definitive acquisition of which is subject to a series of conditions which the seller must fulfill.

In addition, the additions during the year include more expenses incurred as compared to those foreseen for certain property purchases made in 2020, amounting to 11 thousand euros.

The remaining additions during 2021 correspond to costs capitalized in connection with the construction and refurbishment work for various hotels, amounting to a total of 25,679 thousand euros, of which 1,731 thousand euros correspond to finance expenses.

The breakdown of investment properties and corresponding movements at December 31, 2020 are as follows:

(Euros)	12/31/19	Additions/Allowances	Derecognitions	Transfers	12/31/20
Cost					
Land	112,980,632	12,999,764	(7,225)	2,788,801	128,761,972
Buildings	75,868,288	13,528,967	(13,238)	211,199	89,595,216
Advances	1,627,233	2,000,000	(627,233)	(3,000,000)	-
	190,476,153	28,528,731	(647,696)	-	218,357,188
Accumulated depreciation					
Buildings	(666,128)	(948,751)	-	-	(1,614,879)
	(666,128)	(948,751)	-	-	(1,614,879)
Impairment losses					
Buildings	-	(2,248,251)	-	-	(2,248,251)
	-	(2,248,251)	-	-	(2,248,251)
Net carrying amount	**189,810,025**				**214,494,058**

On March 30, 2020 the Company acquired a property located at calle Caldereros N.º 3 in Córdoba for an amount of 1,200,000 euros as well as a plot of land located at calle Cabezas N.º 15 in Córdoba for an amount of 350,000 euros. The expenses associated with these acquisitions amounted to 207 thousand euros.

On June 23, 2020 another downpayment amounting to 2,000,000 de euros was made for the purchase of two premises located on the ground floor of the future Hotel JW Marriott. These premises were acquired on October 27, 2020 with payment of the outstanding balance of the purchase price, amounting to 2,825 thousand euros. The expenses associated with this acquisition amounted to 316 thousand euros.

Further, on October 20, 2020 the Company acquired the property known as Palacio Vista Eder (the future Hotel Nobu), located at Paseo de Miraconcha N.º 32 in San Sebastián, for an amount of 10,500 thousand euros and expenses associated with this acquisition amounting to 614 thousand euros.

As far as the purchase of Meliá Bilbao Hotel in 2019 is concerned, the transaction expenses incurred were 20 thousand euros less than foreseen.

The remaining additions during 2020 correspond to costs capitalized in connection with the construction and refurbishment work for various hotels, amounting to a total of 10,514 thousand euros, of which 666 thousand euros correspond to finance expenses.

Further, on May 5, 2020 the security deposit of 627 thousand euros set up as an auction guarantee for the purchase of the property in Malaga called "Palacio de La Tinta" was returned to the Company.

Notes to the financial statements for the year ended December 31, 2021

Measurement of investment properties

The fair value indicated for each of the properties corresponds to the estimated market value based on the appraisals performed by independent experts in accordance with the valuation standards published by the Royal Institute of Chartered Surveyors (RICS) in Great Britain. In order to calculate said fair value, discount rates acceptable for a potential investor were used, in line with those applied in the market for assets with similar characteristics and locations. Further, in order to calculate the residual value of an asset for the last year of the forecasts made regarding cash flows, a net exit yield is applied.

The breakdown of the net exit yields considered and the rate used for discounting projected cash flows is as follows:

December 31, 2021	Net exit yields	Discount rate
Hotels being operated	5.50% - 6.50%	7.50% - 9.00%
Hotels in development	4.50% - 7.50%	7.50% - 10.00%

December 31, 2020	Net exit yields	Discount rate
Hotels being operated	5.75% - 6.75%	7.50% - 8.75%
Hotels in development	4.50% - 6.75%	7.75% - 8.75%

A change of a quarter percentage point in net exit yields has the following impact on the valuations used by the Company for determining the recoverable amounts of its operational hotels:

(Euros)	12/31/21			
	Net carrying amount	Fair value	-0,25% in net exit yields	+0,25% in net exit yields
Hotels being operated	69,630,721	80,400,000	82,800,000	78,300,000

(Euros)	12/31/20			
	Net carrying amount	Fair value	-0,25% in net exit yields	+0,25% in net exit yields
Hotels being operated	69,890,444	77,700,000	79,800,000	75,700,000

Notes to the financial statements for the year ended December 31, 2021

In contrast, a change of two and a half percentage points in the estimated construction costs for the hotels under development has the following impact on the valuations used by the Company for determining the recoverable amounts of said properties:

(Euros)	12/31/21			
	Net carrying amount	Fair value	-2.5% in construction costs	+2.5% in construction costs
Hotels in development	207,850,984	221,630,000	222,891,000	220,459,000

(Euros)	12/31/20			
	Net carrying amount	Fair value	-2.5% in construction costs	+2.5% in construction costs
Hotels in development	144,603,614	146,900,000	148,200,000	145,500,000

Other information

At December 31, 2021 the investment properties were mortgaged with different financial entities in guarantee of loans for an amount totaling 93,718,642 euros (2020: 65,072,392 euros; Note 13.1).

All properties are covered by insurance policies for the amount required to reconstruct and refurbish them and are located in Spain.

The Company has been leasing premises since 2020 in the building at Carrera de San Jerónimo No. 9, Madrid, where the future Hotel JW Marriott is being built, for an estimated term of 35 years. Said premises will partially be used for the aforementioned hotel and partially for restaurant areas (Note 16.3).

6.1. Operating leases

The Company has leased the investment properties listed below to third parties via operating leases:

- The Meliá Bilbao Hotel was leased for an initial duration which finalizes in September 2024 plus an automatic extension for a single period of 5 years, should neither of the parties object. Lease income from this contract, in which Millenium was subrogated at the moment of acquiring said property in November 2019, is fixed and referenced to annual CPI. In addition, as a result of the situation created by the health crisis in connection with COVID-19, on June 19, 2020 an addendum to the contract was signed to regulate income for 2020, which included a rebate on part of the income for April, May, and June 2020, as well as deferral of part of the remaining income for 2020, starting in July and paid proportionally over the course of 2021.

Notes to the financial statements for the year ended December 31, 2021

- The Eurostars Lucentum Hotel was leased for an initial period finalizing in August 2020. On June 29, 2020 an addendum to the contract was subscribed, by virtue of which it was agreed upon, amongst other matters, to extend the term by 10 additional years, the first 5 years of which (that is, until the month of August 2025) are obligatory. Subsequently, on November 8, 2021 a new addendum was subscribed, having agreed upon the deferral of the installments corresponding to October 2021 to June 2022 as well as a new payment schedule. In addition, an extension to the lease contract was included which will allow the lessee to extend the lease duration until August 2040, subject to fulfilling certain economic conditions. Revenue from this lease until August 2025 will be fixed. Subsequently a part of it will be fixed and another part variable, referenced to the revenue invoiced by the hotel.

- With respect to the future Radisson Bilbao Hotel, on March 20, 2019 the Company signed an operating lease agreement in connection with this property for a duration of 20 years, income from which will accrue once the lessee is given control over the finished property. Lease revenue from the hotel is composed of a fixed component and a variable component referenced to the operating results obtained by the hotel.

- With respect to the future Alma Sevilla Hotel, on May 14, 2019 the Company signed an operating lease agreement in connection with this property for a duration of 20 years, income from which will accrue once the lessee is given control over the finished property. Lease revenue from the hotel is composed of a fixed component and a variable component referenced to the operating results obtained by the hotel.

- Lease of the future JW Marriott Hotel for a duration of 25 years, starting from the moment the finished property is made available to the lessee and with the first 5 years of the contract established as obligatory for the lessee. Lease revenue from this hotel, to be accrued from the date of delivering the hotel, is composed of a fixed component and a variable component referenced to the operating results obtained by the hotel. On February 12, 2021 a second addendum to the lease contract for the future Hotel JW Marriott was signed, including, amongst other matters, a modification relating to certain areas of the hotel, with a view to acquiring and leasing certain premises in the same building.

- Lease of the future Nobu San Sebastián Hotel for a duration of 15 years counting from the hotel's opening date, with the first 5 years of the contract established as obligatory for the lessee and including a maximum of 3 automatic renewals for a duration of 5 years each, if none of the signing parties objects. Lease revenue from this hotel, to be accrued starting from the date on which the hotel opens, is composed of a fixed component and a variable component referenced to the operating results obtained by the hotel. In addition, this contract includes a purchase option which can only be exercised by the lessee once the 5-year lease term has elapsed.

In addition, with respect to the Meliá Bilbao Hotel, Millenium has contracted the following operating lease agreements with third parties, with respect to which it was subrogated upon acquisition of the property:

- Premises to be operated as a restaurant were leased until December 31, 2022 in accordance with the addendum signed on December 30, 2021. The revenue from this lease agreement is fixed and referenced to annual CPI.

- Four contracts ceding use of space on the rooftop terrace of the Meliá Bilbao Hotel for the installation of telecommunications antenna, maturing in September 2036 in accordance with the new contracts signed in July 2021. In all cases the revenue agreed upon is fixed and referenced to annual CPI.

In addition, Millenium has contracted operating leases with third parties for commercial office space, to which it was subrogated when acquiring the property located at calle Alcalá 26 in Madrid (Note 6) and which mature in April 2023, January 2024 and June 2026. In all cases the revenue agreed upon is fixed and referenced to annual CPI.

The income from said operating lease contracts amounted to 4,266,531 euros for the year ended December 31, 2021 (2020: 4,289,312 euros; Note16.1). The expenses associated with the investment properties that have generated said revenue are broken down as follows:

(Euros)	12/31/21	12/31/20
Depreciation (Note 16.4)	948,751	948,751
Supplies	27,839	21,818
Taxes (other than income tax)	185,412	185,335
Other operating expenses	38,599	28,768
TOTAL	**1,200,601**	**1,184,672**

The breakdown of future minimum collections from the non-cancelable operating lease contracts (without including the contracts relating to hotels under development as they are not yet in force) is as follows:

(Euros)	12/31/21	12/31/20
Within one year	5,441,887	4,371,284
Between one and five years	12,510,360	14,524,185
More than five years	390,000	77,123
TOTAL	**18,342,247**	**18,972,592**

7. EQUITY INVESTMENTS IN GROUP COMPANIES, JOINTLY CONTROLLED ENTITIES, AND ASSOCIATES

The breakdown and movements for the different items under this heading in 2021 are shown below:

(Euros)	12/31/20	Additions/ Allowances	Derecognitions / Reversals	Transfers	12/31/21
Non-current equity instruments					
Cost	79,584,704	-	-	(20,539,612)	59,045,092
Impairment losses	(1,136,114)	(9,266,169)	1,136,114	-	(9,266,169)
Net carrying amount	**78,448,590**	**(9,266,169)**	**1,136,114**	**(20,539,612)**	**49,778,923**

On July 7, 2021 the ordinary and extraordinary general shareholders meeting authorized the related-party transaction consisting in the sale of all shareholding units in Millenium Hotels C220, S.L.U. to the former Board member, Ibervalles, S.A. In accordance with the purchase-sale contract signed with Ibervalles, S.A., the transaction was subject to said approval by the shareholders of Millenium and was executed on January 31, 2022 (Note 20). Thus, during the second half of the year said stakes were reclassified to "Non-current assets held for sale" (Note 17).

In addition, at 2021 year end an impairment loss allowance amounting to 9,266 thousand euros was recognized with respect to the interests held in MHRE San Roque, S.L.U., taking the net equity of said investee into account. Further, the Company reversed the impairment losses recognized for the interests held in Varia Pza Magdalena, S.L.U., amounting to 1,136 thousand euros, taking into account the equity of said investee, adjusted by the tacit capital gains existing at the measurement date and related to the valuation of the investment properties carried out by an independent expert.

The breakdown and movements for the different items under this heading in 2020 are shown below:

(Euros)	12/31/19	Additions/ Allowances	Transfers	12/31/20
Non-current equity instruments				
Cost	63,430,912	16,153,792	-	79,584,704
Impairment losses	-	(1,136,114)	-	(1,136,114)
Net carrying amount	**63,430,912**	**15,017,678**	**-**	**78,448,590**

Notes to the financial statements for the year ended December 31, 2021

At 2020 year end, due to the fact that Varia Pza Magdalena, S.L.U. was completing the refurbishment of a hotel, whose completion and subsequent opening to the public had been delayed, affecting the generation of funds by this subsidiary, Millenium decided to make a contribution of 16,154 thousand euros to the subsidiary, without altering its share capital, corresponding to the balance of the loans granted at that date by Millenium to Varia Pza Magdalena, S.L.U., of which 15,297 thousand euros corresponded to the principal and 857 thousand euros to the interest accrued thereon (Note 15.1).

In addition, at 2020 year end the Company recognized impairment losses on the interests held in Varia Pza Magdalena, S.L.U., amounting to 1,136 thousand euros, taking into account the equity of said investee, adjusted by the tacit capital gains existing at the measurement date and related to the valuation of the investment properties carried out by an independent expert.

The information relating to group companies and associates at December 31, 2021 is as follows:

Company	Registered address	Activity
Varia Pza Magdalena, S.L.U.	Pº Castellana 102, Madrid	Acquisition and promotion of urban investment properties for leasing activities.
Alcaidesa Holding, S.A.U.	Club de Golf Alcaidesa. Avenida Pablo Cerezo S/N, San Roque, Cádiz	Acquisition and promotion of urban investment properties for leasing activities.
MHRE San Roque, S.L.U.	P. Castellana 102, Madrid	Acquisition and promotion of urban investment properties for leasing activities.

(Euros)	Net carrying amount	% of direct ownership interest	Capital	Reserves and others	Profit (loss) for the year	Total equity	Operating profit (loss)	Dividends received during the period
2021								
Varia Plaza Magdalena, S.L.U.	21,664,092	100%	505,400	20,052,281	54,419	20,612,100	499,832	-
Alcaidesa Holding, S.A.U.	15,200,000	100%	13,639,455	5,905,889	(2,398,988)	17,146,356	(2,213,996)	-
MHRE San Roque, S.L.U.	12,914,831	100%	3,000	22,109,830	(9,213,500)	12,899,330	(9,206,891)	-
	49,778,923							**-**

Notes to the financial statements for the year ended December 31, 2021

The information relating to group companies and associates at December 31, 2020 is as follows:

Company	Registered address	Activity
Millenium Hotels C220, S.L.U.	Pº Castellana 102, Madrid	Acquisition and promotion of urban investment properties for leasing activities.
Varia Pza Magdalena, S.L.U.	Pº Castellana 102, Madrid	Acquisition and promotion of urban investment properties for leasing activities.
Alcaidesa Holding, S.A.U.	Club de Golf Alcaidesa. Avenida Pablo Cerezo S/N, San Roque, Cádiz	Acquisition and promotion of urban investment properties for leasing activities.
MHRE San Roque, S.L.U.	P. Castellana 102, Madrid	Acquisition and promotion of urban investment properties for leasing activities.

(Euros)	Net carrying amount	% of direct ownership interest	Capital	Reserves and others	Profit (loss) for the year	Total equity	Operating profit (loss)	Dividends received during the period
2020								
Varia Plaza Magdalena, S.L.U.	20,527,978	100%	505,400	20,137,295	(85,014)	20,557,681	(85,014)	-
Millenium Hotels C220, S.L.U.	20,539,612	100%	60,120	12,557,140	280,854	12,898,114	610,384	74,594
Alcaidesa Holding, S.A.U.	15,200,000	100%	13,639,455	8,706,330	(2,800,441)	19,545,344	(2,761,187)	-
MHRE San Roque, S.L.U.	22,181,000	100%	3,000	22,177,979	(68,149)	22,112,830	(54,404)	-
	78,448,590							**74,594**

The profit or loss presented for the group companies, jointly controlled entities, and associates shown in the above tables corresponds entirely to continuing operations. None of the companies is listed on the stock exchange.

Notes to the financial statements for the year ended December 31, 2021

8. FINANCIAL ASSETS

The breakdown of financial assets, excluding equity investments in group companies, jointly-controlled entities, and associates (Note 7), by categories and class, is as follows:

	Loans, derivatives, and other		Total	
(Euros)	12/31/21	12/31/20	12/31/21	12/31/20
Non-current financial assets				
Assets at fair value through profit or loss				
Trading portfolio	492,400	-	492,400	-
Financial assets at amortized cost	18,074,209	7,473,357	18,074,209	7,473,357
	18,566,609	7,473,357	18,566,609	7,473,357
Current financial assets				
Financial assets at amortized cost	23,417,206	5,161,342	23,417,206	5,161,342
	23,417,206	5,161,342	23,417,206	5,161,342
TOTAL	**41,983,815**	**12,634,699**	**41,983,815**	**12,634,699**

These amounts are included in the following balance sheet headings:

	Loans, derivatives, and other		Total	
(Euros)	12/31/21	12/31/20	12/31/21	12/31/20
Non-current financial assets				
Loans to group companies (Note 15.1)	17,749,862	5,951,642	17,749,862	5,951,642
Financial investments (Note 8.2)	816,747	1,521,715	816,747	1,521,715
	18,566,609	7,473,357	18,566,609	7,473,357
Current financial assets				
Trade receivables (Note 8.1)	3,955,861	2,303,398	3,955,861	2,303,398
Trade receivables, group companies and associates (Note 15.1)	30,787	-	30,787	-
Other receivables	-	2,929	-	2,929
Loans to group companies (Note 15.1)	7,929,676	804,429	7,929,676	804,429
Financial investments (Note 8.2)	11,500,882	2,050,586	11,500,882	2,050,586
	23,417,206	5,161,342	23,417,206	5,161,342
TOTAL	**41,983,815**	**12,634,699**	**41,983,815**	**12,634,699**

The carrying amounts of these financial assets do not differ significantly from their fair value.

Notes to the financial statements for the year ended December 31, 2021

8.1. Trade receivables

The breakdown of this heading is as follows:

(Euros)	12/31/21	12/31/20
Clients	-	9,018
Invoices pending issue	1,906,644	1,487,713
Trade bills	2,049,217	806,667
TOTAL	**3,955,861**	**2,303,398**

The balance for invoices pending issue mainly includes provisions for income accrued but yet to be invoiced, associated with the payment deferrals agreed upon with the lessees of the operational hotels due to the health crisis linked to COVID-19 (Note 6.1).

Trade bills correspond to letters of credit received from the lessee of the Hotel Eurostars Lucentum in guarantee of rental payments (Note 13.2).

8.2. Current and non-current financial investments

The breakdown of these headings is as follows:

(Euros)	12/31/21	12/31/20
Non-current financial investments		
Derivative financial instruments	492,400	-
Security deposits	-	1,410,000
Guarantees	324,347	111,715
TOTAL	**816,747**	**1,521,715**
Current financial investments		
Security deposits	11,041,072	1,592,750
Guarantees	459,810	457,836
TOTAL	**11,500,882**	**2,050,586**

Current security deposits at December 31, 2021 include a fixed-term deposit of 9.5 million euros (2020: 1.5 million euros) bearing interest at a market rate and maturing in January 2022. In addition, at said date, 1.4 million euros are included corresponding to amounts withheld from the seller of Palacio Vista Eder in San Sebastián (Note 6) as a guarantee for fulfillment of certain obligations. This amount was included in non-current security deposits at December 31, 2020.

Notes to the financial statements for the year ended December 31, 2021

The guarantees relate to amounts deposited with the corresponding public authorities in connection with the property leases and the work being performed on some of said properties.

In addition, a structured deposit whose remuneration is subject to the share performance of three IBEX 35 companies is included as a derivative financial instrument.

9. INVENTORIES – ADVANCES TO SUPPLIERS

The balance of this heading at December 31, 2021 amounted to 348,868 euros (2020: 130,929 euros), corresponding to advance payments made to suppliers for services which will be rendered in future periods.

10. ACCRUALS

The balance included under assets at December 31, 2021 amounting to 306,591 euros (2020: 174,842 euros) corresponds to expenses invoiced in advance which will be settled in future periods.

The balance included under liabilities at December 31, 2021 amounting to 693 euros (2020: 13,750 euros) corresponds to income from the cession of rooftop space at the Hotel Meliá Bilbao for installation of telecommunications antenna (Note 6.1), which was invoiced in advance and will be settled in future periods.

11. CASH AND CASH EQUIVALENTS

This heading records the current accounts held by the Company, bearing market interest rates. The corresponding balances at December 31, 2021 totaled 45,252,324 euros (December 31, 2020: 20,239,353 euros). There are no restrictions on these balances.

The Company generally places cash and cash equivalents with financial institutions with high credit ratings.

Notes to the financial statements for the year ended December 31, 2021

12. EQUITY

The breakdown and movements in equity are presented in the statement of changes in equity.

12.1. Share capital

At December 31, 2021 Millenium's share capital consisted of 76,926,101 shares (December 31, 2020: 54,601,101 shares) with a nominal value of 1 euro each. All the shares are of the same class, grant the same rights, and are listed on BME Growth (previously the "*Mercado Alternativo Bursátil*").

The breakdown of shareholders holding ownership interest in the share capital of Millenium greater than 5% at December 31, 2021 is as follows:

Shareholder	% of ownership interest
CL MH Spain S.à. (controlled by Castlelake)	42.50%
Pelham Capital, Ltd.	6.97%
Alazady España, S.L. (controlled by Mr. José María Castellano)	5.84%

The breakdown of shareholders holding ownership interest in the share capital of Millenium greater than 5% at December 31, 2020 is as follows:

Shareholder	% of ownership interest
Ibervalles, S.L. (controlled by the Isidro Rincón family)	23.21%
Pelham Capital, Ltd.	9.82%
Alazady España, S.L. (controlled by Mr. José María Castellano)	8.22%
Siemprelara, S.L. (controlled by Mr. Leopoldo del Pino)	5.13%

Movements in capital during 2021

On July 29, 2021 the corresponding deed was granted for the capital increase carried out without any preferential subscription rights, approved by the ordinary and extraordinary general shareholders meeting held on July 7, 2021, as filed at the Madrid Mercantile Registry on August 18, 2021. Execution of the first disbursement for said capital increase involved subscription of a total of 22,325,000 new shares at a nominal value of one euro each and a share premium of 3 euros each (Note 12.2), so that the effective total balance corresponding to said first disbursement amounted to 89,300,000 euros.

The costs incurred for this capital increase amounted to 901,489 euros, recognized as a reduction in voluntary reserves (Note 12.3).

Movements in capital during 2020

On July 28, 2020 the corresponding deed was granted for the capital increase carried out by Millenium with preferential subscription rights. It had been approved by the extraordinary general shareholders meeting held on December 18, 2019, as filed at the Madrid Mercantile Registry on July 29, 2020. A total of 4,601,101 shares were subscribed in the capital increase at a nominal value of one euro each and a share premium of 4 euros each (Note 12.2), so that the effective total balance corresponding to the increase amounted to 23,005,505 euros.

The costs incurred for this capital increase amounted to 702,354 euros, recognized by reducing voluntary reserves (Note 12.3).

12.2. Share Premium

The share premium can be freely distributed. The year ended December 31, 2021 saw an increase in the share premium of 66,975,000 euros as a result of the capital increase approved by the shareholders in their ordinary and extraordinary general meeting held on July 7, 2021, as filed at the Mercantile Registry of Madrid on August 18, 2021. In addition, the year ended December 31, 2020 saw an increase in the share premium of 18,404,404 euros as a result of the capital increase approved by the shareholders in their extraordinary general meeting held on December 18, 2019, as filed at the Mercantile Registry of Madrid on July 29, 2020 (Note 12.1).

12.3. Reserves

The breakdown and movements in the different items comprising reserves are as follows:

(Euros)	Balance at 12/31/20	Appropriation of results	Capital increase expenses (Note 12.1)	Other changes (Note 12.4)	Balance at 12/31/21
Legal reserve	3,040,560	-	-	-	3,040,560
Voluntary reserves	51,517,253	-	(901,489)	(37,148)	50,578,616
	54,557,813	-	(901,489)	(37,148)	53,619,176
Retained earnings	(5,431,747)	(4,244,413)	-	-	(9,676,160)
TOTAL	**49,126,066**	**(4,244,413)**	**(901,489)**	**(37,148)**	**43,943,016**

Notes to the financial statements for the year ended December 31, 2021

(Euros)	Balance at 12/31/19	Appropriation of results	Capital increase expenses (Note 12.1)	Other changes (Note 12.4)	Balance at 12/31/20
Legal reserve	3,040,560	-	-	-	3,040,560
Voluntary reserves	51,615,679	-	(702,354)	603,928	51,517,253
	54,656,239	-	(702,354)	603,928	54,557,813
Retained earnings	(684,415)	(4,747,332)	-	-	(5,431,747)
TOTAL	**53,971,824**	**(4,747,332)**	**(702,354)**	**603,928**	**49,126,066**

The balance recognized under "Other changes" includes an amount of 637,018 euros corresponding to the difference generated when settling the debt relating to the "Promote" Incentive Plan in 2019 via delivery of Millenium shares (Note 12.4).

Legal reserve

In accordance with the revised Spanish Corporate Enterprises Act, until the legal reserve exceeds the limit of 20% of share capital, it cannot be distributed to shareholders and can only be used to offset losses, if no other reserves are available for this purpose. This reserve can also be used to increase share capital by the amount exceeding 10% of the new capital after the increase.

Voluntary reserves

The balance of this reserve is freely distributable. However, an amount of 57,770,640 euros is included in this reserve which can only be used under the same conditions required for capital reductions (Note 12.1).

12.4. Treasury shares

During 2021 Millenium acquired 36,747 treasury shares (2020: 593,087 treasury shares) at an average price of 4.03 euros per share (2020: 4.61 euros) and sold 41,337 treasury shares (2020: 24,935 treasury shares) at an average price of 4.80 euros per share (2020: 4.83 euros per share). The difference between the cost price and the sales price for the shares, totaling a net amount of -37,148 euros (2020: -33,090 euros) was recognized under "Voluntary reserves" (Note 12.3). Further, 396,731 treasury shares were delivered during 2020 (net of withholdings) in connection with settlement of the "Promote" Incentive Plan of 2019 at an average price of 4.53 euros per share.

At December 31, 2021 the Company held a treasury share portfolio comprised of 219,212 treasury shares, representing 0.3% of its share capital (December 31, 2020: 223,802 treasury shares, representing 0.4% of its share capital at said date).

Notes to the financial statements for the year ended December 31, 2021

13. FINANCIAL LIABILITIES

The breakdown of financial liabilities by category and class is as follows:

(Euros)	Bank borrowings (Note 13.1)		Derivatives and other		Total	
	12/31/21	12/31/20	12/31/21	12/31/20	12/31/21	12/31/20
Non-current financial liabilities						
Financial liabilities at amortized cost or at cost	87,168,869	60,231,796	203,374	1,423,332	87,372,243	61,655,128
	87,168,869	60,231,796	203,374	1,423,332	87,372,243	61,655,128
Current financial liabilities						
Financial liabilities at amortized cost or at cost	5,187,300	4,173,626	13,395,337	4,660,688	18,582,637	8,834,314
	5,187,300	4,173,626	13,395,337	4,660,688	18,582,637	8,834,314
TOTAL	**92,356,169**	**64,405,422**	**13,598,711**	**6,084,020**	**105,954,880**	**70,489,442**

These amounts are included in the following balance sheet headings:

(Euros)	Note	12/31/21	12/31/20
Non-current financial liabilities			
Bank borrowings	13.1	87,168,869	60,231,796
Other financial liabilities	13.2	203,374	1,423,332
		87,372,243	61,655,128
Current financial liabilities			
Bank borrowings	13.1	5,187,300	4,173,626
Other financial liabilities	13.2	3,459,217	806,667
Trade and other payables	13.3	9,936,120	3,854,021
		18,582,637	8,834,314
TOTAL		**105,954,880**	**70,489,442**

The carrying amounts of the financial liabilities do not differ significantly from their fair value.

The breakdown of maturities for financial liabilities at December 31, 2021, without taking into account debt arrangement expenses, is as follows:

(Euros)	Current	Non-current						Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total non-current	
Bank borrowings	5,187,300	5,131,381	5,735,374	6,238,301	25,029,199	46,510,894	88,645,149	93,832,449
Other financial liabilities	3,459,217	49,514	94,170	-	46,357	13,333	203,374	3,662,591
Trade and other payables	9,936,120	-	-	-	-	-	-	9,936,120
TOTAL	**18,582,637**	**5,180,895**	**5,829,544**	**6,238,301**	**25,075,556**	**46,524,227**	**88,848,523**	**107,431,160**

Notes to the financial statements for the year ended December 31, 2021

The breakdown of maturities for financial liabilities at December 31, 2020, without taking into account debt arrangement expenses, is as follows:

(Euros)	Current	Non-current						Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total non-current	
Bank borrowings	4,173,626	4,755,725	4,784,520	4,815,576	4,847,103	41,757,227	60,960,151	65,133,777
Other financial liabilities	806,667	1,410,000	3,750	2,500	-	7,082	1,423,332	2,229,999
Trade and other payables	3,854,021	-	-	-	-	-	-	3,854,021
TOTAL	**8,834,314**	**6,165,725**	**4,788,270**	**4,818,076**	**4,847,103**	**41,764,309**	**62,383,483**	**71,217,797**

13.1. Bank borrowings

The breakdown of bank borrowings at December 31, 2021 is as follows:

Type of debt	Nominal interest rate	Year of maturity	Outstanding balance	Non-current	Current
Mortgage loans			**93,718,642**	**88,645,149**	**5,073,493**
Hotel Eurostars Lucentum	2.25%	2030	10,953,726	10,013,059	940,667
Hotel Radisson Collection Bilbao (Tranche A)	2.38%	2026	11,784,000	11,352,000	432,000
Hotel Radisson Collection Bilbao (Tranche B - capex)	2.40%	2026	11,263,540	10,850,620	412,920
Hotel Carrera de San Jerónimo - Tranche A (2014)	2.95%	2030	14,945,989	13,321,816	1,624,173
Hotel Carrera de San Jerónimo - Tranche A (2016)	2.95%	2026	1,478,053	1,166,320	311,733
Hotel Carrera de San Jerónimo - Tranche B	2.95%	2027	10,500,000	10,500,000	-
Hotel Carrera de San Jerónimo - loan ICO's guarantee	3.35%	2027	10,834,834	10,834,834	-
Hotel Meliá Bilbao - Loan 1	Euribor + 1%	2036	15,067,094	14,147,094	920,000
Hotel Meliá Bilbao - Loan 2	Euribor + 1%	2036	1,195,406	1,115,406	80,000
Hotel Meliá Bilbao - Loan 3	Euribor + 2%	2036	5,696,000	5,344,000	352,000
Unpaid accrued interest			**108,191**	**-**	**108,191**
Debt arrangement expenses			**(1,476,280)**	**(1,476,280)**	**-**
Other			**5,616**	**-**	**5,616**
TOTAL			**92,356,169**	**87,168,869**	**5,187,300**

On February 12, 2021 a novation agreement was signed relating to the financing granted by Banco Santander for the purchase of the properties which comprise the future Hotel JW Marriott (Tranche A). The novation included two new loans, one for an amount of 10.5 million euros (Tranche B) to finance the cost of acquiring said properties and the premises located on their ground floor (Note 6), and another loan guaranteed by the ICO for a maximum amount of 32 million euros to be used for financing the costs incurred in the adaptation work performed on said property, which will be utilized to the extent the invoices corresponding to said work are settled. Subsequent to this novation agreement, Tranches A and B bear a fixed interest rate of 2.95% and the loan guaranteed by ICO bears a fixed interest rate of 3.35%. Tranche B and the loan guaranteed by ICO were granted for a period of 6 years including a 3-year grace period, while the previous amortization schedule was maintained for Tranche A.

Notes to the financial statements for the year ended December 31, 2021

The breakdown of bank borrowings at December 31, 2020 is as follows:

Type of debt	Nominal interest rate	Year of maturity	Outstanding balance	Non-current	Current
Mortgage loans			**65,072,392**	**60,960,151**	**4,112,241**
Hotel Eurostars Lucentum	2.25%	2030	11,502,448	10,953,726	548,722
Hotel Radisson Collection Bilbao (Tranche A)	2.38%	2026	12,100,000	11,884,000	216,000
Hotel Carrera de San Jerónimo - Tranche A (2014)	Euribor + 1.5%	2030	16,402,578	14,720,759	1,681,819
Hotel Carrera de San Jerónimo - Tranche A (2016)	Euribor + 1.5%	2026	1,756,866	1,443,166	313,700
Hotel Meliá Bilbao - Loan 1	Euribor + 1%	2036	15,987,094	15,067,094	920,000
Hotel Meliá Bilbao - Loan 2	Euribor + 1%	2036	1,275,406	1,195,406	80,000
Hotel Meliá Bilbao - Loan 3	Euribor + 2%	2036	6,048,000	5,696,000	352,000
Unpaid accrued interest			**50,740**	**-**	**50,740**
Debt arrangement expenses			**(728,355)**	**(728,355)**	**-**
Other			**10,645**	**-**	**10,645**
TOTAL			**64,405,422**	**60,231,796**	**4,173,626**

On July 7, 2020, a novation agreement was signed with Banco Sabadell with respect to the mortgage loan agreement for the Hotel Eurostars Lucentum, introducing a grace period of 12 months starting from the installment corresponding to June 2020, inclusive. In other words, during said period the Company only paid interest installments. As a consequence of this grace period, as from June 2021 the repayments of principal will increase proportionally until the end of the contract.

Further, on July 29, 2020, the novation agreement was signed for the financing contract that existed with Banco Santander for purchasing the property corresponding to the future Hotel Radisson Collection Bilbao (Tranche A of the financing), to include a new loan amounting to 11.5 million euros, used to partially finance the costs of the adaptation work on said property (Tranche B of the financing) and which was fully drawn down in September 2021.

During the year ended December 31, 2021, bank borrowings related to mortgage loans accrued interest in the amount of 1,852,886 euros (2020: 1,149,677 euros; Note 16.5).

The mortgage loans related to the Hotel Radisson Collection Bilbao and the Hotel Meliá Bilbao include the obligation to comply with a series of financial ratios in some cases, applicable once the corresponding hotel becomes operational. The loans can be called ahead of maturity in the event of failure to meet the ratios. At December 31, 2021 the Company was in compliance with the financial ratios applicable at that date (at December 31, 2020 it was also in compliance with said ratios).

13.2. Other financial liabilities

Non-current

At December 31, 2021 this heading includes guarantees received from the lessees of the Millenium properties amounting to 203,374 euros (2020: 13,332 euros). The maturities of said guarantees are the same as those for the corresponding lease agreements.

At December 31, 2020 this heading includes guarantees received in connection with the leasing of the future Hotel Nobu de San Sebastián (Note 6.1) amounting to 910,000 euros as well as a balance of 500,000 euros corresponding to amounts withheld from the seller of Palacio de Vista Eder de San Sebastián (Note 6) in guarantee of compliance with certain obligations. These amounts were reclassified to current liabilities during 2021.

Current

At December 31, 2021 this heading includes a balance of 2,049,217 euros (2020: 806,667 euros) corresponding to letters of credit received from the lessee of the Eurostars Lucentum Hotel in guarantee of rental payments (Note 8.1). In addition, a balance of 1,410,000 euros is also included, corresponding to guarantees and amounts withheld from the seller of Palacio de Vista Eder de San Sebastián which at December 31, 2020 were classified as non-current.

13.3. Trade and other payables

The breakdown of financial liabilities included under this heading is as follows:

(Euros)	12/31/21	12/31/20
Suppliers	3,817,540	2,946,152
Other payables	1,669,681	357,869
Employee benefits payable (remuneration pending payment)	1,445,674	550,000
Customer advances	3,003,225	-
TOTAL	**9,936,120**	**3,854,021**

The balance for suppliers mainly includes debts related to refurbishment work being carried out at various hotels.

The balance recognized for "Customer advances" includes an advance payment on account of 3 million euros received from Ibervalles, S.A. for the sale of the shareholding units of Millenium Hotels C220, S.L.U. (Notes 7 and 17).

14. TAX MATTERS

The breakdown of tax assets and tax liabilities is as follows:

(Euros)	12/31/21	12/31/20
Tax credits		
Other receivables from public administrations		
VAT	4,396,078	1,919,992
Withholdings on corporate income tax	3,015	3,015
TOTAL	**4,399,093**	**1,923,007**
Tax liabilities		
Other payables to public administrations		
Withholdings	219,099	1,550,697
Social security	20,113	16,622
TOTAL	**239,212**	**1,567,319**

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by the tax authorities or until the four-year inspection period has expired. The Company is open to inspection of all taxes to which it is liable for the last four years. The Company's directors and tax advisors consider that, in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to the Company's transactions.

14.1. Income tax calculation

As stated in Note 1.1, the Company is subject to the special regime established in the SOCIMI Law. In accordance with said special tax regime for the SOCIMIs, the returns generated by their activities which fulfill the stipulated requirements are exempt from taxation. Thus, during 2021 and 2020 the Company did not accrue any expenses or income for corporate income tax.

Notes to the financial statements for the year ended December 31, 2021

The reconciliation of net income and expense for the year with the corporate income tax result is as follows:

(Euros)	2021					
	Income statement			Income and expense recognized directly in equity		
	Increases	Decreases	Total	Increases	Decreases	Total
Income and expense for the year	-	-	(9,465,536)	-	-	(901,489)
Income tax	-	-	-	-	-	-
Income and expense for the year before tax			**(9,465,536)**			**(901,489)**
Permanent differences	7,641,749	-	7,641,749	-	-	-
Temporary differences	-	-	-	-	-	-
Tax result			**(1,823,787)**			**(901,489)**

(Euros)	2020					
	Income statement			Income and expense recognized directly in equity		
	Increases	Decreases	Total	Increases	Decreases	Total
Income and expense for the year	-	-	(4,244,413)	-	-	(702,354)
Income tax	-	-	-	-	-	-
Income and expense for the year before tax			**(4,244,413)**			**(702,354)**
Permanent differences	3,384,365	-	3,384,365	-	-	-
Temporary differences	-	-	-	-	-	-
Tax result			**(860,048)**			**(702,354)**

The permanent differences correspond to impairment losses recognized for the investment properties (Note 6) and the stakes held in the equity instruments of group companies (Note 7).

The reconciliation between income tax expense (income) and the result of multiplying total recognized income and expenses by applicable tax rates is not presented given that the tax rate applicable to the Company in 2021 and 2020 is 0%.

14.2. Disclosure requirements for SOCIMIs: Law 11/2009, modified by Law 16/2012 and Law 11/2021 ("the SOCIMI Law")

In accordance with the provisions of article 11 of the SOCIMI Law, information is provided below with respect to the Company or Group, as applicable:

a) *Reserves arising from years prior to application of the tax regime established in the SOCIMI Law.*

There are no reserves arising from years prior to application of the special tax regime established in the SOCIMI Law.

b) *Reserves arising from years in which the tax regime established in the SOCIMI Law was applied, differentiating the part which arises from revenue subject to a 0% tax rate, a 15% tax rate or a 19% tax rate with respect to those which, if applicable, were subject to the general tax rate.*

Reserves arising from	Reserves (euros)			
	Share premium	Legal reserve	Voluntary reserves	Total
Revenue subject to 0%, 15% or 19%	224,568,204	3,040,560	50,578,616	278,187,380
Revenue subject to general rate	-	-	-	-

The reserves disclosed mainly arise from the capital increase and capital reduction carried out during 2019 and the capital increases carried out during 2020 and 2021, years in which the Company was already included under the SOCIMI regime.

c) *Dividends distributed with a charge to profits for each year in which the tax regime established in the SOCIMI Law was applicable, differentiating the part which arises from revenue subject to a 0% tax rate, a 15% tax rate or a 19% tax rate with respect to those which, if applicable, were subject to a general tax rate.*

The Company has not distributed dividends with a charge against profits since it availed itself of the special tax regime established in the SOCIMI Law.

d) *Should dividends be distributed against reserves, designation of the year in which the reserve applied arose, disclosing whether a 0% tax rate, a 15% tax rate, a 19% tax rate or the general tax rate was applied.*

The Company has not distributed dividends with a charge against reserves since it availed itself of the special tax regime established in the SOCIMI Law.

Notes to the financial statements for the year ended December 31, 2021

e) *Date of agreement for distribution of dividends to which the letters c) and d) above refer.*

The Company has not distributed dividends since it availed itself of the special tax regime established in the SOCIMI Law.

f) *Acquisition date of the properties to be used for leases and the interests held in the share capital of entities to which section 1 of article 2 of the SOCIMI Law refers.*

Acquisition/ incorporation date	Classification of the asset	Identification	Address	Town	Use
2/16/2018	Asset owned by the Company	Building - Hotel Eurostars Lucentum	Avenida Alfonso X El Sabio, N.º 11	Alicante	Hotel business
11/7/2019	Asset owned by the Company	Building - Hotel Eurostars Lucentum	Lehendakari Leizaola 29, Bilbao	Bilbao	Hotel business

Company	Acquisition/incorporation date	Year in which the SOCIMI regime was applied
Varia Pza Magdalena, S.L.U.	September 6, 2018	2019
Millenium Hotels C220, S.L.U.	July 31, 2018	2019
Alcaidesa Holding, S.A.U.	December 10, 2019	2020
MHRE San Roque, S.L.U.	December 19, 2019	2020

g) *Identification of the assets which are eligible for the 80% referred to in section 1 of article 3 of the SOCIMI Law.*

Included in Note 6.

h) *Reserves arising from years in which the special tax regime established in the SOCIMI Law was applicable, which were utilized during the tax period for purposes other than distribution or offsetting losses, indicating the year in which said reserves arose.*

No reserves were utilized during the year ended December 31, 2021.

Notes to the financial statements for the year ended December 31, 2021

15. TRANSACTIONS WITH RELATED PARTIES

The related parties with which the Company carried out transactions in 2021 and 2020, as well as the nature of the relationship, were as follows:

Related party	Nature of the relationship
2021	
Alcaidesa Holding, S.A.U.	Group company
MHRE San Roque, S.L.U.	Group company
Millenium Hotels C220, S.L.U.	Group company
Varia Pza Magdalena, S.L.U.	Group company
Grupomillenium Investment Partners, S.L.	Entity related to Board members
Tzar Rent a Car, S.L.	Entity related to Board members
Millenium Development, S.L.	Entity related to Board members
A&J Home Systems, S.L.	Entity related to Board members
Members of the Board of Directors of Millenium	Directors
Chairman and CEO of Millenium	Senior management
Second vice-president of Millenium (1)	Senior management
2020	
Alcaidesa Golf, S.L.U. (2)	Group company
Alcaidesa Holding, S.A.U.	Group company
MHRE San Roque, S.L.U.	Group company
Millenium Hotels C220, S.L.U.	Group company
Varia Pza Magdalena, S.L.U.	Group company
Grupomillenium Investment Partners, S.L.	Entity related to Board members
Securities and Bonds, S.L.	Entity related to Board members
Tzar Rent a Car, S.L.	Entity related to Board members
Members of the Board of Directors of Millenium	Directors
Chairman and CEO of Millenium	Senior management
Second vice-president of Millenium	Senior management

(1) Until July 29, 2021.
(2) Absorbed via merger by Alcaidesa Holding, S.A.U. in September 2020.

Related party transactions relate to the Company’s normal trade operations and are carried out on an arm’s length basis, similar to transactions with unrelated parties.

Notes to the financial statements for the year ended December 31, 2021

15.1. Related parties

The breakdown of the transactions undertaken with related parties is as follows:

(Euros)	Group companies 2021	Group companies 2020	Entities related to Board members 2021	Entities related to Board members 2020	Total 2021	Total 2020
Income from management services	36,000	30,000	-	-	36,000	30,000
Income from reimbursement of expenses	2,898	-	-	-	2,898	-
Leases (Note 16.3)	-	-	(60,000)	(60,000)	(60,000)	(60,000)
Professional services	-	-	(21,161)	-	(21,161)	-
Purchase of materials	-	-	(31,401)	-	(31,401)	-
Share placement services	-	-	-	(35,661)	-	(35,661)
Transportation	-	-	(10,800)	(5,750)	(10,800)	(5,750)
Dividend income (Notes 7 and 17)	280,854	74,594	-	-	280,854	74,594
Interest income	563,013	592,858	-	-	563,013	592,858

The share placement services are related to the different capital increases carried out during 2019 and 2020 (Note 12.1) and were recognized as a lower amount of reserves (Note 12.3).

The breakdown of balances with related parties is as follows:

(Euros)	Group companies 2021	Group companies 2020	Entities related to Board members 2021	Entities related to Board members 2020	Total 2021	Total 2020
Trade receivables (Note 8)	30,787	-	-	-	30,787	-
Creditors	-	-	(28,228)	-	(28,228)	-
Non-current borrowing facilities granted (Note 8)	17,749,862	5,951,642	-	-	17,749,862	5,951,642
Current borrowing facilities granted (Note 8)	7,929,676	804,429	-	-	7,929,676	804,429

During 2021 the Company granted various loans to the Group company Varia Pza Magdalena, S.L.U. for a total amount of 662,000 euros. At December 31, 2021 the balance of the loans granted to said Group company amounts to 5,662,000 euros of principal and 224,763 euros of interest (2020: 5,000 thousand euros of principal). These loans have a common duration of one year and bear interest at a 4% nominal annual rate, which must be settled at maturity. At 2020 year end the Company decided not to demand repayment of any amounts until after March 31, 2022.

Notes to the financial statements for the year ended December 31, 2021

During 2020 the Company granted the Group company Varia Pza Magdalena, S.L.U. various loans which had accumulated a balance of 20,296,725 euros corresponding to principal and 857,068 euros corresponding to interest accrued. Due to the fact that Varia Pza Magdalena, S.L.U. was completing the refurbishment of a hotel, whose completion and subsequent opening to the public had been delayed, affecting the generation of funds by this subsidiary, Millenium decided to make a contribution of 16,154 thousand euros to the subsidiary, without altering its share capital, corresponding to the balance of the loans granted until December 31, 2020 (15,297 thousand euros of principal and 857 thousand euros of the interest; see Note 7).

In addition, during 2021 the Group company Alcaidesa Holding, S.A.U. availed itself of a balance amounting to a total of 8,265,000 euros of the loan which the Company had granted in December 2019 to the Group company Alcaidesa Golf, S.L.U. (absorbed via merger in September 2020 by Alcaidesa Holding, S.A.U.). At December 31, 2021 the balance of this loan amounts to 9,199,956 euros of principal and 182,088 euros of interest (2020: 924,956 euros of principal and 16,686 euros of interest). The amounts utilized from this loan bear interest at a 4% nominal annual rate, which must be settled at maturity. An addendum to this loan contract was signed on December 31, 2021, increasing the maximum limit up to 10,000,000 euros and establishing December 31, 2023 as the maturity date.

In addition, during 2021 the Company granted various loans to the Group company MHRE San Roque, S.L.U. for a total amount of 7,437,600 euros. At December 31, 2021 the balance of the loans granted to said Group company amounts to 8,220,100 euros of principal and 147,718 euros of interest (2020: 782,500 euros of principal and 1,285 euros of interest in 2020). These loans have a common duration of one year and bear interest at a 4% nominal annual rate, which must be settled at maturity. However, at 2021 year end the Company decided not to demand that MHRE San Roque, S.L.U. repay any amounts until after June 30, 2023.

In addition, during 2021 the Company granted various loans to the Group company Millenium Hotels C220, S.L.U. for a total amount of 1,995,854 euros. At December 31, 2021 the balance of the loans granted to said Group company amounts to 2,016,448 euros of principal and 26,464 euros of interest (2020: 20,594 euros of principal and 50 euros of interest in 2020). These loans have a common duration of one year and bear interest at a 4% nominal annual rate, which must be settled at maturity.

Subsequent to 2021 year-end, on January 27 and 28, 2022, Millenium Hotels C220, S.L.U. cancelled several of the loans it had been granted by the Company for a total amount of 1,800,040 euros, settling unpaid accrued interest amounting to 32,457 euros. The remaining balance of the loans at said date, which amounted to 216,408 euros, was contributed by the Company to the capital of Millenium Hotels C220, S.L.U. without altering the share capital of said subsidiary (Note 20).

Notes to the financial statements for the year ended December 31, 2021

15.2. Directors and senior management

At December 31, 2021, Millenium's Board of Directors consisted of 9 members, 6 of whom were men and 3 women (2020: 10 members, 7 of whom were men, together with a company represented by a man and two women).

On July 28, 2020, the ordinary and extraordinary general shareholders meeting approved an increase in the number of Board members by four additional members, appointing Ms. Macarena Sainz de Vicuña Primo de Rivera as an independent director, Mr. Javier Martínez-Piqueras Barceló as an independent director, Mr. Jorge Sanz Gras as an independent director, and Mr. Jesús Ignacio Aranguren González-Tarrio as a proprietary director.

However, on July 29, 2021 the Board of Directors agreed upon presenting the shareholders in meeting with the proposal to reduce the number of Board members. In addition, at said date, the following Board members resigned from their Board positions and all committees in which they participated: Ibervalles, S.A., Mr. Remigio Iglesias, Mr. J. Ignacio Aranguren, and Mr. Jorge Sanz. Subsequently, the Board of Directors appointed the following Board members via the co-optation system: Mr. Eduardo D'Alessandro, Ms. Leticia Fusi and Mr. Isaiah Toback, all of whom are proprietary directors. Subsequently, the extraordinary general shareholder meeting held on September 30, 2021 agreed upon, amongst other matters, limiting the number of Board members to 9 and ratifying the appointment by co-optation of Ms. Leticia Fusi, Mr. Eduardo D'Alessandro, and Mr. Isaiah Toback.

The breakdown of remuneration earned by members of the Millenium Board of Directors and its senior executives is as follows:

(Euros)	2021	2020
Directors		
Salaries	384,000	272,000
Per diems	150,000	94,000
	534,000	**366,000**
Senior management		
Salaries	1,585,630	1,349,996
	1,585,630	**1,349,996**
TOTAL	**2,119,630**	**1,715,996**

Millenium had not contracted any commitments relating to pension plans for its directors or senior management at December 31, 2021 and 2020.

At December 31, 2021 and 2020 the Company had not granted any loans or advances to Board members or senior management, nor had it pledged any guarantees on their behalf.

Notes to the financial statements for the year ended December 31, 2021

In 2021, the Company paid 57,055 euros of civil liability insurance premiums on behalf of its directors to cover potential damages caused in the course of carrying out their duties (2020: 26,516 euros). Likewise, a life insurance premium was settled in favor of senior management, amounting to 9,598 euros (2020: 8,003 euros).

For the purposes of article 229 of Spain's Corporate Enterprises Act, the directors have stated that they are not party to any conflicts with respect to the interests of Millenium.

16. INCOME AND EXPENSES

16.1. Lease income

The amount recognized under this heading corresponds entirely to the revenue received from leasing the hotels owned by the Company (Note 6.1). The breakdown by geographical markets is as follows:

(Euros)	2021	2020
Alicante	1,679,895	1,659,879
Bilbao	2,586,636	2,629,433
TOTAL	**4,266,531**	**4,289,312**

16.2. Employee benefits expense

The breakdown of this heading is the following:

(Euros)	2021	2020
Wages and salaries	3,460,246	2,648,300
Social security payable by the company	175,908	122,245
TOTAL	**3,636,154**	**2,770,545**

Notes to the financial statements for the year ended December 31, 2021

The breakdown by category of the Company's employees is as follows:

Categories	Number of persons employed at year end			Average number persons employed during the year	Average number of persons with disability >33% employed during the for the year
	Men	Women	Total		
2021					
Chief Executive Officer	1	-	1	1	-
Remaining management team	2	1	3	5	-
Department directors	2	1	3	2	-
Other employees	2	6	8	6	-
TOTAL	**7**	**8**	**1**	**14**	**-**
2020					
Chief Executive Officer	1	-	1	1	-
Remaining management team	4	1	5	5	-
Department directors	1	-	1	1	-
Other employees	1	5	6	4	-
TOTAL	**7**	**6**	**1**	**11**	**-**

16.3. External services

The breakdown of this heading is as follows:

(Euros)	2021	2020
Leases and royalties	182,741	83,794
Repairs and maintenance	11,328	4,938
Independent professional services	907,462	763,124
Transportation	12,633	6,210
Insurance premiums	95,412	73,497
Banking and similar services	6,275	4,837
Publicity, advertising, and public relations	69,923	16,685
Supplies	33,831	26,745
Other services	23,047	23,499
TOTAL	**1,342,652**	**1,003,329**

The Company has leased its offices in Madrid from Grupomillenium Investment Partners, S.L. until March 23, 2023 (Note 5). Subsequently, this contract will automatically be renewed for one-year periods unless the lessee (the Company) expressly states otherwise. The costs incurred in this contract amounted to 60,000 euros for the year ended December 31, 2021 (2020: 60,000 euros; Note15.1).

In addition, the Company has been leasing premises since 2020 in the building at Carrera de San Jerónimo No. 9, Madrid, where the future Hotel JW Marriott is being built, for an initial term of 25 years including automatic 10-year renewals (Note 7). The costs incurred in this contract amounted to 118,000 euros for the year ended December 31, 2021 (2020: 19,667 euros).

The future minimum payments under said lease agreements, non-cancelable at each annual closing date, are as follows:

(Euros)	12/31/21	12/31/20
Within one year	165,000	135,000
Between one and five years	495,000	540,000
More than five years	2,260,000	2,380,000
TOTAL	**2,920,000**	**3,055,000**

16.4. Depreciation

The breakdown of this heading is as follows:

(Euros)	2021	2020
Depreciation of PP&E (Note 5)	18,693	15,031
Depreciation of investment properties (Note 6)	948,751	948,751
TOTAL	**967,444**	**963,782**

16.5. Finance costs

The breakdown of this heading is as follows:

(Euros)	2021	2020
Interest on borrowings from credit entities (Note 13.1)	1,852,886	1,149,677
Other finance costs	470,229	142,811
TOTAL	**2,323,115**	**1,292,488**

Notes to the financial statements for the year ended December 31, 2021

17. NON-CURRENT ASSETS HELD FOR SALE

On July 7, 2021 the ordinary and extraordinary general shareholders meeting authorized the related-party transaction consisting in the sale of all the shareholding units held by the Company in Millenium Hotels C220, S.L. to the former Board member, Ibervalles, S.A. In accordance with the purchase-sale contract signed with Ibervalles, S.A., the transaction was subject to said approval by the shareholders of Millenium and was executed on January 31, 2022 at a price of 27.5 million euros (Note 20), having received an advance payment on account of 3 million euros on July 30, 2021 (Note 13.3), with 500 million euros withheld by the buyer as a guarantee until April 30, 2022. Thus, during the second half of the year the net carrying amount of said interest held was reclassified to "Non-current assets held for sale" (Note 7).

The breakdown of this heading is as follows:

(Euros)	Net carrying amount	% of direct ownership interest	Capital	Reserves	Profit (loss) for the year	Total equity	Operating profit (loss)	Dividends received during the year
Millenium Hotels C220, S.L.U.	20,539,612	100%	60,120	12,740,506	65,815	12,866,441	399,962	280,854

18. RISK MANAGEMENT POLICIES

The Company manages its capital and financial structure with a view to ensuring it can meet current payment obligations, investment commitments, and debts, while maximizing returns generated for its shareholders.

The management policies for financial risk within the sector in which the Company operates are fundamentally determined by the analysis of investment projects, management of building occupancy, and the situation of financial markets:

- Credit risk: the Company's credit risk mainly arises from the risk of non-payment of rental installments by the tenants of their properties. The Company manages said risk by careful selection of tenants and requesting security deposits or guarantees in the contracts to be signed. No losses arising from uncollectible debts were recognized during 2021 or 2020.

- Liquidity risk: this is the risk that the Company will have a shortage of funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at all times. At December 31, 2021 the Group recognized positive working capital in the amount of 75 million euros (2020: 17 million euros), with cash in hand amounting to 45 million euros (2020: 20 million euros). Thus, in light of its financial situation at December 31, 2021 the directors of the Company consider that it will be able to meet its payment obligations in the short term.

Notes to the financial statements for the year ended December 31, 2021

- Market risks: this represents one of the main risks to which the Company is exposed as a consequence of low property occupancy or downward renegotiation of the lease agreements when they expire. Materialization of this risk would decrease Company revenue and negatively affect the valuation of assets. Taking into account the location of the Company's properties and the duration of the lease agreements in force (Note 6.1), the directors consider this a moderate risk.

- Interest rate risk: at December 31, 2021 approximately 77% of the debt held by the Company with credit entities is subject to a fixed interest rate (2020: 37%). The remaining debt owed to credit entities is referenced to Euribor, so that given the stability of this reference rate, the directors consider this risk as low.

19. OTHER INFORMATION

19.1. Audit fees

The fees accrued during the year for services rendered by the auditor of accounts or other firms belonging to its network are broken down as follows:

(Euros)	2021	2020
Audit services	41,600	41,000
Other accounting review and assurance work	26,830	24,690
Other non-audit services	-	158,000
TOTAL	**68,430**	**223,690**

19.2. Information on average payment periods for suppliers. Third additional provision, "Disclosure requirements" of Law 15/2010 of July 5

The information on average supplier payment periods is broken down as follows:

(Days)	2021	2020
Average supplier payment period	29.2	23.6
Ratio of transactions paid	32.7	30.5
Ratio of transactions pending payment	3.1	0.7
(Euros)	**2021**	**2020**
Total payments made	32,822,843	10,388,615
Total payments outstanding	4,381,700	3,097,254

Notes to the financial statements for the year ended December 31, 2021

20. EVENTS AFTER THE BALANCE SHEET DATE

The following significant events took place from December 31, 2021 to the date of authorization of the accompanying financial statements:

- On January 27 and 28, 2022, Millenium Hotels C220, S.L.U. cancelled several of the loans it had been granted by the Company for a total amount of 1,800,040 euros, settling unpaid accrued interest amounting to 32,457 euros. The remaining balance of the loans at said date, which amounted to 216,408 euros, was contributed by the Company to the capital of Millenium Hotels C220, S.L.U. without altering the share capital of said subsidiary.
- On January 31, 2022 the sale to the former Board member Ibervalles, S.A. of all the shareholding units held by the Company in Millenium Hotels C220, S.L.U. was formalized as approved at the ordinary and extraordinary general shareholder meeting held on July 7, 2021 for a price of 27.5 million euros.
- On February 17, 2022 the modification of Millenium's corporate name was filed at the Mercantile Registry, as approved by the extraordinary shareholder meeting held on September 30, 2021.

21. ADDITIONAL NOTE FOR ENGLISH TRANSLATION

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries.

Management report for the year ended December 31, 2021

Situation of the market in which the Company performs its activity

During 2021 the tourism sector in general and hotel segment in particular were negatively affected by the pandemic generated by corona virus (COVID-19) mainly due to the decrease in hotel occupancy. In some cases, this situation has led to a worse financial position for the lessees of the hotels, who tried to compensate the decrease in their income by renegotiating the contractual terms of the leases in force and reducing the hotel lease payments.

Further, during 2021 the measures taken by the Government of Spain and its autonomous communities to control the appearance of new outbreaks of COVID-19 were still in place, including the limitations to mobility during the night and between communities as well as earlier closing hours and limitations to capacity in the hotel and restaurant business activities, amongst others.

In light of this unprecedented situation, the Company's activity was affected in various areas, and its directors decided to maintain the measures adopted in 2020 to mitigate the effects of the pandemic arising from COVID-19.

Business performance and situation

In this unprecedented context of high uncertainty, the Company obtained a negative result of 9.5 million euros during 2021 (2020: negative result of 4.2 million euros), which included impairment losses on stakes held in Group companies for a net amount of 8.1 million euros (2020: impairment losses of 3.5 million euros).

In addition, at December 31, 2021, the Company recognized net equity amounting to 335 million euros (2020: 256 million euros) subsequent to a new capital increase carried out in July, which obtained 89.3 million euros (2020: 23 million euros).

During 2021 the Company acquired a property in the city of Cordoba, which together with the other three properties acquired in previous years will make up the future Hotel Palacetes de Cordoba, and a building in Calle Alcalá 26 in Madrid which has 7 floors above ground and two below ground, occupying a total of 5,343 square meters and located at Calle Alcalá and Gran Vía in Madrid, the cultural and commercial epicenter of the capital where some of the most important international luxury hotels are also located. These acquisitions and investments in work performed during the year totaled 64.5 million euros (2020: 28.5 million euros), resulting in a market value of 302 million euros (GAV) for the real estate portfolio at 2021 year-end (2020: 224.6 million euros).

Management report for the year ended December 31, 2021

It is important to note that only two of the hotels in the Company's portfolio have been in operation since the beginning of the year, as the rest of the real estate assets are in the transformation and repositioning phase, and that the property at Calle Alcalá 26 in Madrid, which momentarily has tenants leasing several floors for use as commercial office space, was acquired on December 28, 2021.

Further, with a view to overcoming this challenging market environment and facilitating compliance with the contract in force, on November 8, 2021, Millenium subscribed an addendum with the lessee of the Hotel Eurostars Lucentum in Alicante, having agreed upon a deferral for a part of the amounts due corresponding to the months of October 2021 to June 2022, as well as a new payment schedule. In addition, an extension to the lease agreement has been included which, subject to the fulfillment of certain economic conditions, allows the lessee to extend its term until August 2040. The remaining conditions which regulated the contract remain in force.

In addition, during 2021 the lessee of the Meliá Bilbao Hotel filed a lawsuit against Millenium in application of the jurisprudential doctrine of rebus sic stantibus, requesting the reduction of lease payments corresponding to the years 2021 to 2024 given the adverse consequences provoked by the pandemic. The claim was answered with a request for it to be completely dismissed. The pre-trial hearing had been scheduled for November 21, 2021, but prior to the hearing the parties requested the suspension of the proceedings in order to negotiate an end to the dispute. In the opinion of the directors, based on the opinion of the Company's legal advisors, setting aside a provision to cover this item is not necessary at December 31, 2021. In addition, it is worth highlighting that said lessee is up to date with all rent payments accrued during fiscal year 2021.

Further, at the date of this management report, the lease agreements signed for the hotels that are in the process of being developed or converted have not been modified in any way with respect to the conditions agreed upon and in force though, given the current situation, it is foreseeable that for the Radisson Collection Bilbao Hotel, which is expected to open in the first quarter of 2022, it will be necessary to grant an addendum that regulates the lease payments for 2022.

In contrast, the work being performed on the properties being developed or converted has been slowed down in part as a precautionary measure adopted by the Company; they have also been partially affected by the pandemic generated by COVID-19 though not generating significant delays.

The main objective of the Company for the coming months is to complete the work in progress in order to ensure the portfolio is securely profitable within the next 12-18 months. However, there are numerous uncertainties regarding the future of the pandemic, which will to a great extent depend on the pace of vaccinations in the coming months. In light of this situation, the directors and Management of the Company are constantly monitoring the developing situation with a view to successfully dealing with the possible impacts which may arise.

Management report for the year ended December 31, 2021

Description of the main risks and uncertainties facing the Company

The risk factors which can affect the Company, as well as the policies implemented to mitigate them, are broken down as follows:

- Credit risk: the Company's credit risk mainly arises from the risk of non-payment of rental installments by the tenants of its properties. The Company manages said risk by careful selection of tenants and requesting security deposits or guarantees in the contracts to be signed. No losses arising from uncollectible debts were recognized during 2021 or 2020.

- Liquidity risk: this is the risk that the Company will have a shortage of funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at all times. At December 31, 2021 the Group recognized positive working capital in the amount of 75 million euros (2020: 17 million euros), with cash in hand amounting to 45 million euros (2020: 20 million euros). Thus, in light of its financial situation at December 31, 2021 the directors of the Company consider that it will be able to meet its payment obligations in the short term.

- Market risks: this represents one of the main risks to which the Company is exposed as a consequence of low property occupancy or downward renegotiation of the lease agreements when they expire. Materialization of this risk would decrease Company revenue and negatively affect the valuation of assets. Taking into account the location of the Company's properties and the duration of the lease agreements in force, the directors consider this a moderate risk.

- Interest rate risk: at December 31, 2021 approximately 77% of the debt held by the Company with credit entities is subject to a fixed interest rate (2020: 37%). The remaining debt owed to credit entities is referenced to Euribor, so that given the stability of this reference rate, the directors consider this risk as low.

Research and development activities

The Company did not conduct any R&D activities during the year ended December 31, 2021.

Treasury shares

During the year ended December 31, 2021 Millenium acquired 36,747 treasury shares (2020: 593,087 treasury shares) at an average price of 4.03 euros per share (2020: 4.61 euros per share) and sold 41,337 treasury shares (2020: 24,935 treasury shares) at an average price of 4.80 euros per share (2020: 4.83 euros per share).

Management report for the year ended December 31, 2021

At December 31, 2021 the Company held a treasury share portfolio comprised of 219,212 treasury shares, representing 0.3% of its share capital (December 31, 2020: 223,802 treasury shares, representing 0.4% of its share capital at said date).

Average supplier payment period

The average supplier payment period was 29.2 days for the year ended December 31, 2021 (2020: 23.6 days).

Use of financial instruments

The Company contracted a derivative financial instrument during 2021, consisting of a structured deposit whose remuneration is subject to the share performance of three IBEX 35 companies.

Events after the reporting date

No events occurred subsequent to year end other than those described in Note 20 to the accompanying financial statements.

Authorization of the financial statements and management report for the year ended December 31, 2021.

At the meeting of the Board of Directors of MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. (formerly MILLENIUM HOTELS REAL ESTATE I, SOCIMI, S.A.) on March 16, 2022, its members authorized the financial statements and management report of MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. (formerly MILLENIUM HOTELS REAL ESTATE I, SOCIMI, S.A.) for the year ended December 31, 2021, consisting of the documents attached above, initialed by the Secretary of the Board of Directors for purposes of identification, with all of the members of the Board of Directors signing this last page.

F. Javier Illán Plaza
Chairman and Chief Executive Officer

Eduardo D'Alessandro Cishek
Board member

Leticia Fusi Aizpurua
Board member

José María Castellano Ríos
Board member

Isaiah Toback
Board member

María Isabel Dutilh Carvajal
Board member

Macarena Sainz de Vicuña Primo de Rivera
Board member

Javier Martínez-Piqueras Barceló
Board member

Jaime Montalvo Correa
Board member

ORGANISATIONAL STRUCTURE AND INTERNAL CONTROL SYSTEM OF MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. FOR COMPLIANCE WITH THE INFORMATION OBLIGATIONS DETERMINED BY THE MARKET

March 16, 2022

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1. INTRODUCTION

Millenium Hospitality Real Estate SOCIMI, S.A., (henceforth, the "Company" or "MHRE") is a public limited company incorporated on 6 June 2017 and whose registered office is situated at Paseo de la Castellana 102, 2ºplanta, 28046 Madrid.

The Company has the following corporate purpose pursuant to article 2 of its articles of association:

1. *The Company's main corporate purpose is the carrying out of the following activities, both in national territory and abroad:*

   a) *the acquisition and promotion of real estate of an urban nature for their lease, including building rehabilitation activity under the terms set out in Law 37 enacted on 28 December 1992 regarding Value-added Tax;*

   b) *the holding of shares or shareholdings in the capital of Listed Public Limited Real Estate Market Investment Companies (henceforth, "**SOCIMI**") or in the capital of other entities not residing in Spanish territory which have the same corporate purpose as the former and which are subject to a regime similar to that determined for SOCIMI with regard to the obligatory policy, by law or under the articles of association, regarding the distribution of profits;*

   c) *the holding of shares or shareholdings in the capital of other entities, resident or non-resident in Spanish territory, whose main corporate purpose is the acquisition of real estate of an urban nature for their lease and which are subject to the same regime as that determined for SOCIMI with regard to the obligatory policy, by law or under the articles of association, regarding the distribution of profits, and meeting the investment requirements referred to in article 3 of the SOCIMI Law;*

   d) *the holding of shares or shareholdings of Collective Real Estate Investment Institutions regulated in Law 35 enacted on 4 November 2003 on Collective Investment Institutions or the regulation replacing it in the future.*

2. *Along with the economic activity deriving from the ain corporate purpose, the Company may carry out other ancillary activities, assuming this to mean those whose income, as a whole, represents less than 20% of Company income in said taxation period or those which may be regarded as ancillary in accordance with the law applicable at any time, including:*

   a) *the purchase, sale, rental, parcelling and urban development of plots, land and properties of any nature, being able to proceed with the construction thereof and their disposal in full, partially or on a horizontal property regime basis;*

   b) *the complete construction of buildings; and*

   c) *the acquisition, tenure, use and administration of corporate shareholdings, national and foreign securities or any type of securities that grant a stake in companies on their own behalf and without any intermediation activity, as well as their administration and management.*

3. *All those activities are excluded for whose exercising the law demands special requirements which cannot be complied with by the Company. If the legal provisions require for the exercising of any activity included within the corporate purpose any professional title, prior administrative authorisation, registration on a public register or any other requirement, said activity cannot be started until the administrative or other requirements demanded have been complied with.*
4. *The activities forming part of the corporate purpose may be wholly or partially carried out, directly or indirectly, and through the ownership of stakes in other companies with an identical or similar purpose.*

In order to comply with its purpose, the Company defines, amongst other elements, a set of strategies, systems, processes, policies and procedures in the context of internal control, through its administration body, seeking to guarantee:

- ✓ Efficient, profitable performance of activity in the medium and long-term, ensuring the effective use of assets and resources, the continuity of the business and of the Company itself, through suitable management and control of the risks of the activity, prudent, appropriate evaluation of the assets and liability, as well as the implementation of protection mechanisms from unauthorised, wilful or negligent uses;

- ✓ The existence of financial and management information which is complete, relevant, reliable and timely, backing up decision-making and control processes internally and externally;

- ✓ The respect for the legal and regulatory provisions applicable, as well as for professional and ethical uses and standards, internal and statutory rules, rules of conduct and the relationship with counterparties, the guidelines of the governing bodies and recommendations of the supervisory authorities, in order to protect the institutions' reputation and prevent the latter from being subject to any sanctions.

The Company is required, particularly the members of the management bodies, to always behave and act in accordance with the principle of good faith and the highest standards of due diligence, transparency and loyalty.

With this in mind, the Board of Directors of the Company has approved the internal rules of conduct in the context of the securities' market of the Company (the "Internal Rules of Conduct") which have been published at the Company website (www.mhre.es).

As provided for in article 1 of the Internal Rules of Conduct, it sets out to regulate the rules of conduct to be followed by the Company, its administration bodies, employees and other parties related with securities' markets.

2. GENERAL PRINCIPLES

With a view to accomplishing the aforementioned objectives, the internal control system of the Company is based on:

- A suitable control system which reflects the importance of internal control and determines the structure and discipline of the remaining elements going to make up the internal control system.

- A solid risk management system which allows the identification, supervision and control of all the risks that may influence the strategy and objectives defined by the Company, ensuring compliance therewith and the taking of those measures required to properly deal with any undesired deviations.

- An efficient information and communication system created to ensure the receipt, processing and exchange of relevant, complete and consistent data, within a timeframe and in a manner that allow the effective, timely performance of the management and control of the activity and risks of the Company.

In any case, this system must be fit in with the size, nature and complexity of the activity, as well as the nature and scale of the risks assumed or which are going to be assumed.

In this regard, the Company is putting into effect a Crime prevention model and a Complaints' Channel, thereby complying with the European Community standards on the criminality and the liability of legal persons. Said model will allow everyone, whether natural or legal persons with relationships with the Company, to draw up consultations or communicate any possible breaches of the Code of Ethics and Conduct, on which work is also being carried out, which will duly complement the Internal Rules of Conduct in force. By means of all the above, Millenium is taking a further step towards the greater transparency and assurance of compliance with the most demanding Liability and Good Corporate Governance Practices.

The Board of Directors is responsible for implementing and maintaining a suitable, effective internal control system which respects the aforementioned principles and guarantees compliance with the objectives set out above. It is thus the competence of the Board of Directors to detail the objectives and principles that constitute the basis for the internal control system, incorporating them into the strategy and policies of the Company.

3. ORGANISATIONAL AND GOVERNING STRUCTURE

Governance Structure

The administration body of the Company is the Board of Directors whose main responsibility if the management, representation and administration of the business thereof in accordance with the prevailing law and with the stipulations of the Articles of Association and the approved Internal Rules of Conduct.

The administration body of the Company is regulated in articles 30 to 38 of the Corporate Articles of Association of the Company.

The current composition of the Board is 9 members, who are the following:

- Mr. F. Javier Illán Plaza (managing director)
- Mr. Eduardo D'Alessandro Cishek (director representing controlling shareholders)
- Ms. Leticia Fusi Aizpurua (director representing controlling shareholders)
- Mr. Isaiah Toback (director representing controlling shareholders)
- Mr. Jose María Castellano Rios (director representing controlling shareholders)
- Ms. Isabel Dutilh Carvajal (independent director)
- Mr. Jaime Montalvo Correa (independent director)
- Ms. Macarena Sainz de Vicuña Primo de Rivera (independent director)
- Mr. Javier Martinez-Piqueras (external director)

In addition, Juan Gomez- Acebo Sainz de Heredia performs the post of non-Board member Secretary and Iván Picó the post of non-Board member Assistant Secretary.

The Board of Directors has two committees:

(i) Risk control and audit committee: formed by two non-executive directors representing controlling shareholders and three independent directors.

(ii) Appointments and remunerations committee: formed by two non-executive directors representing controlling shareholders and three independent directors.

In addition, the Board of Directors has the Executive Real Estate Committee as the permanent internal body with delegated powers of the Board of Directors and executive duties within its scope of action. This Committee is formed by a number of members of no less than three and no more than six, with the CEO of the Company being a permanent member and the rest shall be shareholders who represent at least 20% of the share capital of the Company, except for any exceptions that the Board of Directors may decide upon. In the event of vacancies, the Board of Directors may appoint any of its members as a member of this committee. At present it consists of:

- Mr. Javier Illán
- Mr. Javier Martinez-Piqueras
- Ms. Leticia Fusi

Furthermore, the Board of Directors has the Investments and Strategy Committee as the advisory body on investment and strategy matters. This committee is an informative body formed to the benefit of the shareholders and it is formed by the Executive Directors and the Investments Manager of the Company as permanent members and shareholders representing at least 5% of the share capital of the Company.

Organisational Structure

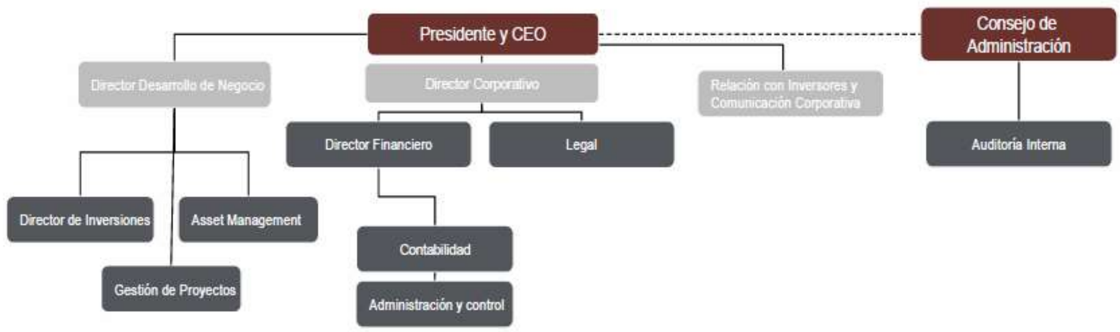
We boast a highly efficient, wholly integrated structure which enables us to acquire, build, renew, rent, maintain and administrate our real estate portfolio in an effective, efficient manner.

Our company comprises highly qualified employees with great sectorial experience, making our team one of the most qualified of its type in Spain. Our operating office is centralised in Madrid.

Our structure is divided up into 3 major areas (i) Business development, (ii) the Corporate Department which includes the financial and legal areas and (iii) Relationship with Investors.

To which we can add the support from external service companies which provide auxiliary services such as: payroll settlement, maintenance staff, computing support etc.

The table below shows our current organisational structure:



(i) **Business Development Area:** This department encompasses the identification and selection of assets in accordance with the investment strategy of the company, its reconversion, where applicable, and management, as well as its subsequent marketing with hotel groups whose positioning falls within the 4 or 5-star segment.

The main departmental areas are:

- ✓ Investments' Area: Responsible for the search, follow-up, analysis and implementation of all investment operations, as well as disinvestment proposals. Liaising with hotel operators and brands also falls within its competence.
- ✓ Asset Management Area: Follow-up and control of the assets in operation.
- ✓ Project Management Area: Technical implementation of development and reconversion projects.

(ii) **Corporate Manager:** The following departments report to the latter:

- **Financial:** He is the main party responsible for financial control duties, which mainly include: financial accounting, internal reports, treasury and budget control. He also seeks to guarantee that the group has enough liquidity to finance both its operations as well as its possible investment opportunities. In particular, he periodically supervises any debt maturities, the evolution of interest rates, refinancing and hedging opportunities and potential opportunities for the overall improvement in the financial structure.
- **Legal area:** he is involved, providing support, in asset management and investment decisions, supervising matters related with the tax, corporate and corporate governance structure and he defines the policies, procedures and actions of the Company to ensure compliance with laws and

regulations. He also takes part in the negotiation of agreements (including any acquisition and lease agreements). He is also responsible for supervising and monitoring any legal matters related with the group, such as legal proceedings and permits and licences, either directly or through the supervision of an external legal advisor. Part of this service is currently outsourced to the firm of lawyers Uria y Menéndez.

(iii) **Relationship with Investors' Department:** Its aim is to construct a sound, long-lasting relationship with the financial community (*regulatory, investors and analysts*) through open, permanent dialogue which enables it to know and understand our business. With this in mind, we are advocating a strategy based on maximum transparency which consists of constant communication channels that guarantee that our stakeholders have information which is clear, truthful, complete, homogeneous and simultaneous.

4. RISK MANAGEMENT

The business, activities and results of MHRE are subject both to intrinsic factors, exclusive to the Company, as well as external factors.

MHRE has carried out an identification and assessment process for those risks which it believes may affect the Company more and, in particular, the financial information provided by it.

After said analysis, it is worth highlighting the following risks:

(1) Risks pertaining to the financing of the Company: indebtedness level, any difficulties with regard to obtaining financing in due time and form, variation in interest or lack of liquidity to comply with the dividends' distribution policy of the Company.

(2) Risks related with the management of the Company: recent incorporation, dependency on key people and possible influence of prominent shareholders.

(3) Risks related with Company activity: concentration of activity on the hotel market, real estate investment, failure to obtain or delay in the obtaining of licences or permits, delays in assets reconversion or development works, damages to real estate assets, court and out-of-court claims and valuation of the assets' portfolio.

(4) Risks associated with the real estate and hotel sector: economic or political climate, high competence, normative changes and the illiquidity of hotel assets.

(5) Fiscal risks: loss of special fiscal regime, change in tax legislation and possible payment of special encumbrance.

(6) Risks pertaining to Company shares: lack of liquidity, evolution in share price and lack of interest of shareholders.

Furthermore, the Company considers the following aspects as involving greater risk to the reliability of financial information:

(1) Recognition of income owing to the various possibilities of types of contracts and their posting characteristics. Lease agreements may be of various natures, as well as containing specific clauses that should be considered individually when posting lease income. The Company shall duly post any lease income on a straight-line basis, generating a receivable for any amounts accrued which are yet to be billed.

(2) Posting and valuation of Company assets The valuation of real estate investments is carried out in line with an estimate of the expected future cash flows for said assets. Any valuation exercise entails an important uncertainty factor. With a view to minimising this risk, on a half-yearly basis the Company commissions the valuation of the real estate it owns to independent external experts of recognised prestige.

(3) Payments and processing of expenses: Expenses are imputed in line with the accruals criterion, in other words, when there is a real flow of goods and services that they represent, irrespective of the time when the monetary or financial flow deriving from them occurs. In line with the nature of the expenses, they are posted as the higher cost of the assets or on the income statement.

(4) Payment defaults and default management: One of the main operating risks faced by a real estate company is payment default. With this in mind, the Company has put into place certain mechanisms with a view to minimising said risk, such as: (i) use of legal sureties and guarantees; and (ii) carrying out the detailed, periodic follow-up of all the invoices which have not bene paid, including any periodic complaints about them.

(5) Fraud: Fraud is taken to mean the committing of intentional errors in financial information so that it will not provide a true picture of the financial position and net worth of the Company. With this in mind, it is worth pointing out that in addition to the audit of the Company annual accounts, the interim consolidated financial statements are drawn up and reviewed every six months. In addition, the Company is currently putting into place a Crime Prevention Model and Complaints' Channel.

5. RISK CONTROL SYSTEM

The Company takes control to mean any activity carried out to mitigate the risks that may entail a significant n negative impact on objectives or which may lead to fraud or errors in the financial information reported internally and to third parties.

Below we have duly described the internal control activities carried out:

(1) Setting strategies and objectives:

The Company has a medium-term strategic plan which has been approved by the Board of Directors.

The Company strategy and objective which pursued is focused on the acquisition of real estate assets in the prime areas of the most important cities in Spain and Portugal whose operation shall be intended for hotels that operate in the luxury segment (4* and 5*).

(2) Internal Rules of Conduct:

The Company Management has defined Internal Rules of Conduct in matters related with the Securities' Market for all Company employees, with a view to settling the bases for an ethical environment in line with the regulations in force in each area and avoiding any unlawful actions and procedures.

The Company is responsible for ensuring that all its staff, including directors and managers, are aware of said code of good conduct parameters.

(3) Abilities, training and evaluation of staff:

The Company is aware of the importance of having a qualified work team which is why it has staff endowed with the capacities required to perform their duties suitably and boasting experience in the sector with a view to achieving an optimal result in their duties.

In this regard it is worth highlighting that the profiles of the main parties responsible for the monitoring and supervision of the financial information include the following characteristics.

- University and postgraduate education.
- Relevant experience in the sector in different areas (investment, accounting and financial, legal and technical analysis).
- Experience in finance.

(4) Real Estate Executive Committee:

The Company has a Real Estate Executive Committee to analyse the various investment or sale of assets activities and to approve those operations that fit in with Company strategy. The duties it has which cannot be delegated include:

- The evaluation and approval of the real estate investment and disinvestment of the Company submitted by the Management Team. The investment proposals presented by the Management Team must include:
    - The anticipated acquisition amount, the associated costs (transactional, technical etc.), as well as the envisaged investment in capex;
    - Detailing of the terms of the financial debt to be taken out with regard to the real estate to be acquired and their impact on the financial leverage policy of the Company; and
    - The detailed financial projections of project costs and income, as well as the estimates of the income and revenue to be generated by the relevant operator.

- To sanction lease and/or hotel management agreements with the Company operators;
- To evaluate and approve the proposals for new hirings of members of the Management Team; and
- To approve the general Capex policy of the Company, the general indebtedness policy of the Company, provided that it does not contravene the Management Policy of the Company or is not a power which cannot be delegated of the Board of Directors, the monthly follow-up of the financial statements and the projections of the Company and, on an annual basis, the budget and the projections of the Company.

This committee meets up on a monthly basis and it must inform the Board of Directors of the matters dealt with and the decisions adopted.

(5) Planning and budgetary:

At year-end, an annual budget is drawn up for the next financial year prepared by the Financial Department of the Company and approved by the Board of Directors.

In addition, in light of each investment opportunity a detailed analysis is carried out (financial model) which provides all the elements with a view to approving, where applicable, the submission of an offer by the Company once it has been approved by the Real Estate Executive Committee.

(6) Posting of income and receivables:

The Financial Department is responsible for managing the rentals of all assets that are leased.

In the main, and along with the Business Development area, it is responsible for managing contracts with lessees and ensuring compliance with the agreed conditions.

(7) Posting and valuation of assets:

As regards the posting of the assets acquired, it is worth mentioning that the policies are defined by the Financial Management of the Company.

As regards the valuation of real estate investments, as explained previously, this is carried out in line with an estimate of the expected future cash flows for said leased assets. With this in mind, the Financial Department, under the supervision of the CEO of the Company, duly posts any impairments based on the fair value of the assets obtained from the valuation reports drawn up by independent experts of recognised prestige.

(8) Posting of the debt at depreciated cost and monitoring of financial covenants

The calculation of the depreciated cost of the debt, the classification between the short and long-term bearing in maturities thereof, as well as the expense defrayed on interest, is calculated internally by the Financial Department of the Company. The Financial Department also carries out the monitoring of the financial covenants to which the financing agreements may be subject.

(9) Closure and reporting system

From an administrative– accounting perspective, the Company carries out internally through its Administration Department, which reports to the Financial Department, the accounting and tax management duties.

With a view to affording greater transparency to its shareholders and monitoring the earnings of the Company, which allows speedy decision-making, as well as the drawing up of annual accounts, interim consolidated financial statements are drawn up, being summarised on a half-yearly basis. Said financial statements are drawn up by the Board of Directors of the Company, subjected to limited audits by the accounts' auditor of the Company and notified to the shareholders and the market.

(10) Information and communication

All the financial statements drawn up by the Company are reviewed and prepared by the Board of Directors, making this available to the shareholders for their review and, where applicable, approval (in the case of annual accounts).

Along with each communication made to the shareholders with regard to the financial statements approved, the CEO of the Company duly informs about the main events which have occurred during the financial year or period, the main acquisitions made, a short explanation about the Company's evolution, as well as providing information about the investment pipeline of the Company and the prospects for the forthcoming periods.

(11) Monitoring activities

The objective of the monitoring and supervision activities is to determine whether the different components of the internal control system thereof work properly.

The Board of Directors of the Company maintains an ongoing supervision position with regard to the activities, carrying out a review of the main KPIs of the Company on at least a quarterly basis, with a view to gaining ongoing knowledge of the main events gradually occurring in the Company with a view to ensuring that the financial information set out in the financial statements is consistent and coherent with the information reported in regular fashion and with the earnings of the Company.

As far as the transfer of the information is concerned, this is carried out in a manner which is fluid, regular and homogeneous thanks to the constant contact between the Management Team and the Board of Directors, allowing the information published at the website, the corporate and financial submissions, the statements made and the other information issued to the market to be consistent and comply with standards requested by the regulations issued by the regulatory entity of BME Growth.

6. DOCUMENT MANAGEMENT SYSTEM

The purpose of the Document Management system is to manage the Company documentation in a proactive, efficient manner, as well as to delimit the control of accesses to certain documentation in compliance with the Legislation on Data Protection.

The Company has distinguished between: (i) Sensitive Documentation; and (ii) Documentation.

(1) Sensitive Documentation is that which forms part of the Company and whose loss, impairment or harm would be inconvenient for the Company, and that which contains information that not all Company employees should necessarily know. This documentation includes: (i) all the ownership titles of the Company and its investees; (ii) the deeds of the Company; (iii) the financing agreements, loan and/or credit policies with or without a mortgage guarantee; (iv) any other rights-in-rem of the Company; (v) any communications pertaining to the previous sections of the Company and/or of its Directors or Managers; (vi) the annual accounts of the Company and its investees, its tax returns and bank statements; (v) the minutes of the Board of Directors and (vi) any documentation pertaining to employees - if there is any - and social security.

(2) Documentation, or other information, is taken to mean any document not included in the previous section.

Sensitive documentation will be scanned and digitised in a digital archive by the Legal Department or the Financial Department of the Company, as the case may be, which shall also be responsible for safeguarding it and which may only be accessed by the members of the Board of Directors, where applicable and indispensable, the members of the Investment Committee and the Corporate Department of the Company.

Physically, said documentation is filed in a closed Archive room to which only the Corporate Department of the Company has access.

The other documentation is scanned by any of the Company employees and is filed both in digital format and in a physical archive, with all Company employees having access to it.

7. NOTIFICATION OF THE PRESENT REPORT

The present Report on the Organisational Structure and Control Systems of the Company for Compliance with Market Information Obligations is available for consultation at the Company website: www.mhre.es

8. CONCLUSION

The Company, represented by its Board of Directors, is endowed with an organisational structure and internal control system which allows it to comply with the information obligations determined by the Market.