MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A.
ORDINARY AND EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

1. PLACE, DATE AND TIME OF THE MEETING

The Board of Directors of Millenium Hotels Real Estate I SOCIMI, S.A. (the "Company"), in the meeting held on 26 April 2023 has resolved to call to the shareholders to the Ordinary and Extraordinary General Shareholders' Meeting to be held at Paseo de la Habana, 74, 28036, Madrid, on 30 May 2023, at 11:00 hours, at first call or, if the necessary quorum is not reached, on the following day, at the same place and time, at second call.

It is foreseen that the General Meeting will be held on first call, that is to say, on 30 May 2023, at the place and time indicated above.

2. AGENDA

1. Approval of the individual and consolidated annual accounts for the 2022 financial year and the corresponding management reports, application of the result and approval of the corporate management and the performance of the Board of Directors during the 2022 financial year.

2. Approval of the offsetting of losses from previous years in the amount of -12,012,057.25 euros against special voluntary reserves. Delegation of powers.

3. Approval and authorization to the Board of Directors to request and process the change of trading market for all the shares representing the Company's share capital of the BME Growth segment of BME MTF Equity to the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges through the Spanish Stock Exchange Interconnection System (SIBE) (Continuous Market). Delegation of powers.

4. Re-election of Mr. Jose María Castellano Ríos as director, with the qualification of proprietary director, for the statutory term of four years.

5. Re-election of Mr. Jaime Montalvo Correa as director, with the qualification of independent director, for the statutory term of four years.

6. Re-election of Ms. Isabel Dutilh Carvajal as director, with the qualification of independent director, for the statutory term of four years.

7. Re-election of Mr. Javier Illán Plaza as director, with the qualification of executive director, for the statutory term of four years.

8. Renewal of the delegation to the board of directors, with express powers of substitution, of the power to increase the share capital under the terms and conditions of article 297.1.b) of the Capital Companies Act, for a maximum period of two years, with the power to exclude the pre-emptive subscription right up to the limit of 20% of the share capital in accordance with the provisions of article 506 of the Capital Companies Act.

9. Renewal of the delegation to the Board of Directors of the power to issue bonds, debentures and other fixed income securities, exchangeable or convertible into shares of the Company, as well as warrants or other similar securities that may give the right, directly or indirectly, to subscribe or acquire shares of the Company or other companies, whether in its group or not, for a maximum period of two years, as well as, if applicable, the power to increase the share capital under the terms and conditions of Articles 286, 297. 1.b), 417 and 511 of the Capital Companies Act, with the power to exclude pre-emptive subscription rights up to a limit of 20% of the share capital and authorization for the Company to guarantee fixed income issues made by subsidiary companies.

10. Delegation of powers.

3. ATTENDANCE, DELEGATION AND REMOTE VOTING

3.1 Attendance

The attendance, representation and voting rights of the shareholders shall be governed by the provisions of the law and the Company's Bylaws in force.

Pursuant to the provisions of article 24 of the Articles of Association, all shareholders of the Company shall be entitled to attend the General Meeting, regardless of the number of shares they hold, provided that their shares are registered in their name in the relevant book-entry register five calendar days prior to the date on which the General Meeting is to be held.

Shareholders who attend without having expressed their vote prior to the General Meeting shall be deemed to vote in favour of all the proposed resolutions formulated by the administrative body on the items included on the Agenda.

Telematic attendance at the General Meeting is not provided for.

3.2 Delegation

Any shareholder entitled to attend could be represented at the General Shareholders' Meeting by another person, even if such person is not a shareholder. The delegation must be conferred in writing and specifically for this General Shareholders' Meeting.

Representation may be made by post to the Company's registered office (c/ Paseo de la Castellana, 102, 2º, 28046 Madrid) by sending a letter stating the representation granted or by e-mail by sending the corresponding card to the following address: mariapardo@mhre.es.

The documents containing the proxies for the General Shareholders' Meeting must include, at least, the following information: (i) the date of the General Shareholders' Meeting and the Agenda; (ii) the identity of the represented party and the representative; (iii) the number of shares owned by the shareholder granting the representation; and (iv) the instructions as to how the shareholder granting the representation is to vote on each of the items on the Agenda. If no instructions for the exercise of the vote are included or if no doubts arise as to the recipient or scope of the representation, it shall be understood that: (i) the delegation is made in favor of the Chairman of the Board of Directors, (ii) it refers to all the items comprising the Agenda of the General Shareholders' Meeting and, (iii) it is pronounced by the vote in favor of all the proposals made by the Board of Directors. In the event that any other matter may be submitted to vote at the General Shareholders' Meeting that does not appear on the Agenda, being therefore unknown at the date of the delegation, the representative shall abstain from voting, unless he/she has elements of judgment to consider it more favorable to the interests of the represented party to vote in favor of or against such proposal.

Without prejudice to the provisions of the preceding paragraph, unless expressly indicated and with precise instructions from the represented party to the contrary, in the event that the representative is in a situation of conflict of interest, it shall be understood that the represented party has also appointed, jointly and successively, as representatives, the Chairman of the General Shareholders' Meeting and, if the latter is in a situation of conflict of interest, the Secretary of the General Shareholders' Meeting and, if the latter is, in turn, in a situation of conflict of interest, the Vice-Secretary of the Board of Directors.

3.3 Remote voting

Any shareholder entitled to attend may cast his vote by distance voting by (i) postal correspondence addressed to the registered office of the Company (Paseo de la Castellana, 102, 2º, 28046 Madrid), sending a letter stating the direction of his vote on all the proposed resolutions of the General Meeting; or (ii) by e-mail, sending the corresponding card to the following address: mariapardo@mhre.es. If the direction of the vote is not indicated in respect of any of the items on the agenda, it shall be understood that the vote is in favour of all the proposed resolutions formulated by the administrative body on the matters included on the Agenda.

The representation and remote voting shall only be valid when they are received by the Company before 11:59 p.m. on the day prior to the day scheduled for the holding of the General Shareholders' Meeting on first call. Otherwise, the representation shall be deemed not to have been granted and the vote shall be deemed not to have been cast.

The representation granted and the vote cast by postal or electronic correspondence may be cancelled by personal attendance of the shareholder or by express revocation of the shareholder, carried out by the same means used to grant the representation or cast the vote, respectively, within the established term.

The Company reserves the right to modify, suspend, cancel or restrict the remote voting and delegation mechanisms when technical or security reasons require or impose so.

4. RIGHT TO INFORMATION

In accordance with the provisions of the Corporate Act (Ley de Sociedades de Capital), shareholders are entitled to examine the following documents at the registered office (Paseo de la Castellana, 102, 2º, 28046 Madrid):

a) This notice of call.

b) The attendance, delegation and remote voting card template.

c) The proposal of the resolutions to be adopted at the General Shareholders' Meeting formulated by the Board of Directors.

d) Individual and consolidated annual accounts and management reports.

e) The report on the offsetting of losses against special voluntary reserves.

f) Report on the proposed renewal of the delegation to the Board of Directors of the power to increase the share capital.

g) The report with the proposed renewal of the delegation to the Board of Directors of the power to issue bonds, debentures and other fixed-income securities, exchangeable or convertible into shares of the Company, as well as warrants or other similar securities that may give the right, directly or indirectly, to subscribe or acquire shares of the Company or other companies, whether or not in its group.

h) The report with the proposal for the re-election of directors of the company.

Likewise, shareholders shall have the right to consult at the Company's registered office and to request the delivery or shipment of the aforementioned documents free of charge. It is also informed that said documentation is available to the shareholders on the Company's website: www.mhre.es

In accordance with the provisions of Article 197 of the Corporate Act and article 9 of the Regulations of the General Shareholders' Meeting (Reglamento de la Junta General), until the seventh day prior to the date scheduled for the Meeting, shareholders may request from the Board of Directors the information or clarifications they deem necessary regarding the matters included in the agenda or submit in writing the questions they deem pertinent. All such requests for information can be made by delivering the request to the Company's registered office or sending it to the Company's registered office (Paseo de la Castellana, 102, 2º, 28046 Madrid).

The shareholder's request must include it/his/her name and surname, accrediting the shares its/he/she owns, so that this information may be compared with the list of shareholders and the number of shares in his name provided by the person in charge of the book-entry registry. The shareholder shall be responsible for proving that the request has been sent to the Company in due time and form.

Finally, the shareholders attending in person may verbally request, during the General Meeting, any information or clarification they deem appropriate regarding the matters included in the Agenda.

5. SUPPLEMENT TO THE CALL OF MEETING

Pursuant to the provisions of article 172 of the Capital Companies Act and article 19 of the Company Bylaws, shareholders representing, at least, five percent of the share capital are entile to request the publication of a supplement to the call of the General Shareholders' Meeting, including one or more items on the Agenda. The exercise of this right must be made by means of reliable notification to be received at the registered office (Paseo de la Castellana, 102, 2º, 28046 Madrid) within five days following the publication of the call. The supplement to the notice of meeting shall be published, at least, fifteen days prior to the date set for the meeting of the Meeting.

6. PROTECTION OF PERSONAL DATA

The personal data that the shareholders send to the Company to exercise their rights to attend, delegate and vote at the General Shareholders' Meeting or that are provided by the banks and securities companies and agencies in which said shareholders have their shares deposited, through the entity responsible for keeping the book-entry registry, shall be processed by the Company as the party responsible for the processing for the purpose of managing the shareholder relationship and the exercise of the shareholder's rights at the General Shareholders' Meeting, managing and controlling the holding of the General Shareholders' Meeting and complying with its legal obligations. The data will be communicated to the notary who will attend and draw up the notarial minutes of the General Meeting. The processing of data is necessary for the purposes indicated and the legal bases that legitimize such processing are based on his relationship as a shareholder and the fulfillment of legal obligations.

These data may be provided to third parties in the exercise of the right to information provided for by law, or be accessible to the public insofar as they are made available at the General Meeting.

Personal data will be kept for the duration of the shareholder relationship and, after that, for a period of 6 years solely for the purpose of any legal or contractual actions, unless, exceptionally, a longer limitation period for any legal or contractual actions applies.

The owner of the data may exercise the right of access, rectification, opposition, deletion, limitation of processing, portability or any other rights recognized by the applicable regulations on data protection, with respect to the data processed by the Company. These rights may be exercised in accordance with the provisions of the law, by sending a letter to Millenium Hotels Real Estate I, SOCIMI, S.A. (Paseo de la Castellana, 102, 2º, 28046 Madrid), attaching a copy of your ID card or equivalent identification document. The owners of the data may also file a complaint at the Spanish Data Protection Agency (www.agpd.es).

In the event that in the delegation card the shareholder includes personal data referring to other individuals and in the event that a third party attends the General Meeting as the shareholder's representative, said shareholder must inform them of the points contained in the preceding paragraphs and comply with any other requirements that may be applicable for the transfer of the personal data to the Company, without the Company having to take any additional action with regard to the interested parties.

In Madrid, on 26 April 2023.

Mr. Juan Gómez-Acebo
Secretary of the Board of Directors

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PROPOSAL OF THE BOARD OF DIRECTORS TO THE ORDINARY AND EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING OF MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. TO BE HELD ON 30 AND 31 MAY 2023, IN FIRST AND SECOND CALL, RESPECTIVELY

The resolutions proposed by the Board od Directors of Millenium Hospitality Real Estate, SOCIMI, S.A. (the ***Company***) to be approved in the General Shareholders' Meeting are the following:

ITEM ONE OF THE AGENDA

APPROVAL OF THE INDIVIDUAL AND CONSOLIDATED ANNUAL ACCOUNTS FOR THE 2022 FINANCIAL YEAR AND THE CORRESPONDING MANAGEMENT REPORTS, APPLICATION OF THE RESULT AND APPROVAL OF THE CORPORATE MANAGEMENT AND THE PERFORMANCE OF THE BOARD OF DIRECTORS DURING THE 2022 FINANCIAL YEAR.

(a). Approval of the individual and consolidated annual account for the 2022 financial year and the corresponding management reports.

It is resolved to approve the annual accounts (comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the financial statements) and the management report of the Company for the year ended 31 December 2022, prepared by the Board of Directors, the annual accounts of the consolidated group (comprising the consolidated statements of financial position, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the consolidated notes to the financial statements) and the consolidated management report for the same financial year, also prepared by the Board of Directors.

The auditors of the Company, Ernst & Young, S.L., have issued the corresponding audit reports, from which it appears that both the annual accounts and the individual and consolidated management reports approved comply with the requirements of article 269 of the Capital Companies Act.

It is resolved to empower the Chairman and the Secretary of the Board of Directors so that either of them, without distinction, may formalise the filing of the annual accounts and management reports of the Company and the consolidated group with the Mercantile Registry, in the terms provided by law, identifying them with their signature and indicating their destination, as well as to issue the corresponding certificates, in accordance with the provisions of articles 279 of the Capital Companies Act and 366 of the Mercantile Registry Regulations.

(b). Application of the result

It is resolved to approve the Board of Directors' proposal for the appropriation of the profit for the year ended 31 December 2022, as detailed below:

Result for the financial year 2022: -12,012,157 euros

Application:

To results of previous years -12,012,157 euros.

(c). Approval of the company's management and the Board of Directors' actions

It is also resolved to approve the management and performance of the Board of Directors of the Company for the year ended 31 December 2022.

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ITEM TWO OF THE AGENDA

APPROVAL OF AN OFFSET OF NEGATIVE RESULTS FROM PREVIOUS YEARS OF EUR 12,012,157.25 AGAINST SPECIAL VOLUNTARY RESERVES. DELEGATION OF POWERS.

To allocate, in order to improve and strengthen the balance sheet of Millenium Hospitality Real Estate, SOCIMI, S.A. (the "**Company**"), the amount of EUR 12,012,157.25 from the account "*Special voluntary reserves for capital reduction"* to offset in full the account "*Negative results from previous years"*, subject to the prior approval of the item One on the agenda of the general meeting relating, among others, to the approval of the individual annual accounts for financial year 2022 and application of income.

In this regard, it is hereby stated that, once the item One on the agenda of the general meeting has been approved, (i) the account "*Negative results from previous years"* of the Company's individual balance sheet as closed at 31 December 2022 will amount to a negative balance of EUR 12,012,157.25; and (ii) at 31 December 2022, the Company will have "*Special voluntary reserves for capital reduction"* amounting to EUR 38,628, 944.94.

This resolution will be executed after the end of the period for the creditors of the Company to exercise the right to oppose provided for in article 334 of the consolidated text of the Spanish Companies Law approved by Royal Decree 1/2010, of July 2 (*Ley de Sociedades de Capital aprobado por el Real Decreto 1/2010, de 2 de julio* or the "**LSC**"), as established by article 336 of the same law.

In accordance with article 334 of the LSC, creditors of the Company whose credits have arisen before the date of the last announcement of the resolution to offset negative results, have not matured at that time and until such credits are secured, have the right to oppose the offset which is the object of this resolution.

The balance sheet that serves as the basis for approving the offset of previous results is the one closed as of 31 December 2022, as verified by the Company's auditors, Ernst & Young, S.L., on 15 March 2023 and submitted for approval by the general meeting under item One on the agenda of this meeting.

It is hereby resolved to authorise the board of directors, as broadly as necessary by law, with express powers of substitution, to perform all necessary or appropriate actions to implement this resolution and, in particular, without limitation, to:

i) extend and develop this resolution;

ii) carry out all necessary actions to meet the requirements established in the LSC and other applicable legislation, including, where applicable, the offset of other reserves not included in this resolution;

iii) carry out the necessary actions and formalities to obtain the necessary waivers and authorisations for the full implementation of this resolution;

iv) perform on behalf of the Company any actions, declaration or procedure required before the Spanish Securities Markets Commission ("**CNMV**"), BME Growth segment of BME MTF Equity, Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U., the Governing Companies of the Stock Exchanges, the Securities Settlement and Clearing Service and any other public or private body or entity or registry, Spanish or foreign, in relation to this resolution;

v) execute on behalf of the Company any public or private documents as necessary or appropriate and, in general, perform as many procedures as required for the best execution of this resolution;

vi) prepare and publish any announcements that may be necessary or appropriate in relation to this resolution;

vii) correct, clarify, interpret, specify or supplement this resolution, or any other documents or deeds executed in its execution and, in particular, any defects, omissions or errors, of substance or form, which prevent the registry of the resolutions and their consequences in the Commercial Registry, the Official Registers of the CNMV, BME Growth segment of BME MTF Equity or any other registers; and

viii) in general, perform any actions necessary or appropriate for the successful implementation of this resolution.

ITEM THREE OF THE AGENDA

APPROVAL AND AUTHORISATION TO THE BOARD OF DIRECTORS TO APPLY FOR AND EXECUTE THE CHANGE IN THE TRADING MARKET OF ALL THE SHARES REPRESENTING THE ENTIRE SHARE CAPITAL OF THE COMPANY FROM THE BME GROWTH SEGMENT OF BME MTF EQUITY TO THE STOCK EXCHANGES OF BARCELONA, BILBAO, MADRID AND VALENCIA THROUGH THE SPANISH STOCK EXCHANGE INTERCONNECTION SYSTEM (SIBE, *SISTEMA DE INTERCONEXIÓN BURSÁTIL ESPAÑO* OR *MERCADO CONTINUO*). DELEGATION OF POWERS.

To authorise and delegate the to the board of directors the necessary powers to apply for the delisting of the shares representing the share capital of Millenium Hospitality Real Estate, SOCIMI, S.A. (the "**Company**") from BME Growth the segment of BME MTF Equity ("**BME Growth**") and the simultaneous official admission to trading on the Stock Exchanges of Barcelona, Bilbao, Madrid and Valencia (the "**Stock Exchanges**"), as well as the inclusion in the Spanish Stock Exchange Interconnection System (SIBE or *Sistema De Interconexión Bursátil Español*) of all the shares representing the share capital of the Company currently outstanding and those that may be issued after the approval of this resolution.

It is hereby expressly stated that in the case of a future request of delisting from the Stock Exchanges, such request will be subject to the same formalities as the request for admission, and, in such case, the interest of any shareholders or bondholders that oppose or vote against the resolution will be guaranteed in the terms provided for in current legislation. In addition, it is hereby expressly stated that the Company is subject to any rules that exist or could be enacted in the future regarding the Stock Exchanges, and, specifically, on trading, permanence and delisting from the official listing in particular.

It is resolved to authorise the board of directors, as broadly as necessary by law, with express powers of substitution, to perform all necessary or appropriate actions to implement this resolution and, in particular, without limitation, to:

i) execute this resolution and, in particular, determine the date on which it must take effect within the period provided in the last paragraph of this resolution;

ii) examine the possibility of applying for admission to trading of the Company's shares on regulated or unregulated, domestic or foreign, markets other than the Stock Exchanges, if appropriate or necessary, and to this end, to initiate the relevant procedures and engage such advisors as may be necessary;

iii) apply for admission to official trading of all the Company's share capital on the Stock Exchanges, and for its inclusion in the Stock Exchange Interconnection System (SIBE), completing any necessary or appropriate formalities for this purpose with the National Securities Market Commission ("**CNMV**"), the Governing Companies of the Stock Exchanges, Sociedad de Bolsas, S.A., Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("**Iberclear**") and any other public or private bodies, entities or registries;

iv) draft, sign and file, where appropriate, with the CNMV or any other relevant supervisory authorities, in connection with the admission to trading of the shares, the corresponding prospectus (or any parts comprising it) and any supplements to the prospectus that may be required, assuming liability for their content, and any other documents that may be necessary or appropriate;

v) take all necessary or appropriate steps to effectively delist all of the Company's shares from BME Growth before said body, Iberclear or any other competent public or private body, entity, authority or registry;

vi) perform on behalf of the Company any action, declaration or procedure, as well as to draft, sign and file any additional or complementary documentation, announcement or information that may be necessary or appropriate with the Commercial Registry, BME Growth, the CNMV, the Stock Exchange Governing Companies, Sociedad de Bolsas, S.A., Iberclear and any other public or private, national or foreign body, entity, authority or registry for the purpose of implementing this resolution;

vii) negotiate, sign and execute on behalf of the Company any public or private documents that may be necessary or appropriate for the delisting and simultaneous admission to trading of all the shares provided for by this resolution and, in general, to perform any formalities that may be necessary or appropriate to implement this resolution, and to correct, clarify, interpret, specify or supplement this resolution and, in particular, any defects, omissions or errors, of substance or form, resulting from the verbal or written classification, that may prevent entry of the resolution and its consequences in the Commercial Registry, BME Growth, the Official Registers of the CNMV or any other registers;

viii) draft and publish any announcements that may be necessary or appropriate;

ix) appoint any financial or non-financial entities, legal advisors and any entities that may be necessary or appropriate for the successful implementation of this resolution; and

x) in general, perform as many actions as are necessary or appropriate for the successful completion of the delisting of BME Growth and the simultaneous admission to trading of all the shares on the Stock Exchanges.

This resolution will automatically cease to have any force or effect if the official admission to trading of the shares on the Stock Exchanges and their inclusion in the Stock Exchange Interconnection System (SIBE) has not been approved by 11:59pm on 30 May 2024.

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ITEM FOUR OF THE AGENDA

RE-ELECTION OF MR. JOSE MARÍA CASTELLANO RÍOS AS DIRECTOR, WITH THE CATEGORY OF PROPRIETARY DIRECTOR, FOR THE STATUTORY PERIOD OF FOUR YEARS.

To re-elect, at the proposal of the board of directors, Mr. Jose María Castellano Ríos, of legal age, of Spanish nationality, with national ID number [...] in force, and with address for these purposes at Paseo de la Castellana 102, 2º, 28046 Madrid (Spain) as director of Millenium Hospitality Real Estate, SOCIMI, S.A., with the category of "proprietary" for the statutory period of four years as of the date of this general meeting.

The proposed resolution for the general meeting is accompanied by a supporting report from the board of directors evaluating the competence, experience and merits of Mr. Jose María Castellano Ríos and the role played within Millenium Hospitality Real Estate, SOCIMI, S.A. since his appointment, as well as a favourable report from the appointments and remunerations committee. The report and the proposal have been made available to the shareholders as from the publication of the notice of the general meeting.

Mr. Jose María Castellano Ríos will accept his re-election by any means valid in law.

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ITEM FIVE OF THE AGENDA

RE-ELECTION OF MR. JAIME MONTALVO CORREA AS DIRECTOR, WITH THE CATEGORY OF INDEPENDENT DIRECTOR, FOR THE STATUTORY PERIOD OF FOUR YEARS.

To re-elect, at the proposal of the appointments and remuneration committee, Mr. Jaime Montalvo Correa of legal age, of Spanish nationality, with national ID number [...] in force, and with address for these purposes at Paseo de la Castellana 102, 2º, 28046 Madrid (Spain) as director of Millenium Hospitality Real Estate, SOCIMI, S.A., with the category of “proprietary” for the statutory period of four years as of the date of this general meeting.

The proposed resolution for the general meeting is accompanied by a supporting report from the board of directors evaluating the competence, experience and merits of Mr. Jaime Montalvo Correa and the role played within Millenium Hospitality Real Estate, SOCIMI, S.A. since his appointment, as well as a favourable report from the appointments and remunerations committee. The report and the proposal have been made available to the shareholders as from the publication of the notice of the general meeting.

Mr. Jaime Montalvo Correa will accept his re-election by any means valid in law.

ITEM SIX OF THE AGENDA

RE-ELECTION OF MS. ISABEL DUTILH CARVAJAL AS DIRECTOR, WITH THE CATEGORY OF INDEPENDENT DIRECTOR, FOR THE STATURORY PERIOD OF FOUR YEARS.

To re-elect, at the proposal of the appointments and remunerations committee, Ms. Isabel Dutilh Carvajal, of legal age, of Spanish nationality, with national ID number [...] in force, and with address for these purposes at Paseo de la Castellana 102, 2º, 28046 Madrid (Spain) as director of Millenium Hospitality Real Estate, SOCIMI, S.A., with the category of "independent" for the statutory period of four years as of the date of this general meeting.

The proposed resolution for the general meeting is accompanied by a supporting report from the board of directors evaluating the competence, experience and merits of Ms Isabel Dutilh Carvajal and the role she has played within Millenium Hospitality Real Estate, SOCIMI, S.A. since her appointment, as well as the proposal issued by the appointments and remunerations committee. The report and the proposal have been made available the shareholders as from the publication of the notice of the general meeting.

Ms. Isabel Dutilh Carvajal will accept her re-election by any means valid in law.

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ITEM SEVEN OF THE AGENDA

RE-ELECTION OF MR. JAVIER ILLÁN PLAZA AS DIRECTOR, WITH THE CATEGORY OF EXECUTIVE DIRECTOR, FOR THE STATUTORY PERIOD OF FOUR YEARS.

To re-elect, at the proposal of the board of directors, Mr. Javier Illán Plaza, of legal age, of Spanish nationality, with national ID number [...] in force, and with address for these purposes at Paseo de la Castellana 102, 2º, 28046 Madrid (Spain) as director of Millenium Hospitality Real Estate, SOCIMI, S.A., with the category of "executive" for the statutory period of four years as of the date of this general meeting.

The proposed resolution for the general meeting is accompanied by a supporting report from the board of directors evaluating the competence, experience and merits of Mr. Javier Illán Plaza and the role played within Millenium Hospitality Real Estate, SOCIMI, S.A. since his appointment, as well as a favourable report from the appointments and remunerations committee. These reports have been made available to the shareholders as from the publication of the notice of the general meeting.

Mr. Javier Illán Plaza will accept his re-election by any means valid in law.

ITEM EIGHT OF THE AGENDA

APPROVAL OF THE RENEWAL OF THE DELEGATION TO THE BOARD OF DIRECTORS, WITH EXPRESS POWERS OF SUBSTITUTION, OF THE AUTHORITY TO INCREASE THE SHARE CAPITAL UNDER THE TERMS AND CONDITIONS OF ARTICLE 297.1.B) OF THE LSC, FOR A MAXIMUM PERIOD OF TWO YEARS, WITH THE AUTHORITY TO EXCLUDE PRE-EMPTION RIGHTS UP TO THE LIMIT OF 20% OF THE SHARE CAPITAL IN ACCORDANCE WITH ARTICLE 506 OF THE LSC.

To delegate to the board of directors, as broadly as may be required by law, in accordance with article 297.1.b) of the the consolidated text of the Spanish Companies Law as approved by Royal Legislative Decree 1/2010 of 2 July (the "**LSC**"), the authority to increase share capital, without prior consultation to the general meeting, on one or more occasions and at any time, for a period of two years from the date of this general meeting, in the maximum amount permitted by law, this is, up to half of the share capital of Millenium Hospitality Real Estate, SOCIMI, S.A. (the "**Company**") on the date of this authorisation (i.e., up to a maximum nominal amount of EUR 58,016,243.50, equivalent to half of the share capital at the date of this resolution, which is set at EUR 116,032,487).

The capital increase or increases may be carried out by issuing new ordinary shares or any other type or class of shares, including redeemable shares, with or without voting rights, in accordance with the applicable legal requirements —with or without a share premium—. The consideration for the new shares to be issued will consist of cash contributions to the shareholder equity or the transformation of unrestricted reserves (if permitted by law), in which case the capital increase or increases may be carried out by increasing the nominal value of existing shares, and expressly providing for the possibility of incomplete subscription of the shares to be issued in accordance with article 311.1 of the LSC.

The powers granted to the board of directors under this resolution include, without limitation, the authority to set the terms and conditions of each capital increase and the characteristics of the shares, to freely determine the investors and markets for which the increases are intended, and to freely offer the new unsubscribed shares within the pre-emption subscription period or periods, redraft the article of the articles of association relating to share capital, take all the necessary steps to ensure that the new shares covered by the capital increase are admitted to trading on the markets on which the shares are listed, in accordance with the relevant procedures, and request the inclusion of the new shares in the accounting records of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S. A.U. (Iberclear).

Furthermore, the board of directors is also expressly authorised to exclude, in whole or in part, the pre-emption subscription rights in relation to the share issue under this delegation up to the limit of 20% of the share capital in the terms of article 506 of the LSC.

Furthermore, the board of directors is granted the powers to:

(i) apply, if applicable, for the admission to trading on markets, regulated or not, organized or not, in Spain or abroad, of any shares that may be issued complying with the applicable rules in relation to trading, permanence and delisting.

(ii) apply, if applicable or the exclusion from trading of the shares, with the same formalities as the application for admission and with strict compliance of the applicable securities markets regulation; and

(iii) to delegate all or part of the powers referred to in this resolution to any member of the board of directors.

The board of directors is hereby authorised to, in turn, delegate the powers delegated under this resolution to any member of the board of directors or to any other person, whether or not a member of the board.

It is hereby stated that the corresponding directors' report justifying the proposed delegation to increase the share capital has been made available to the shareholders.

Finally, it is also proposed that resolution Five approved by the ordinary shareholders meeting held on 7 July 2021 be revoked, by which the board of directors was authorized to increase share capital of the Company.

This document is a translation of an original text in Spanish.
In case of any discrepancy between both texts, the Spanish version will prevail.

ITEM NINE OF THE AGENDA

APPROVAL OF THE RENEWAL OF THE DELEGATION TO THE BOARD OF THE AUTHORITY TO ISSUE BONDS, DEBENTURES AND OTHER FIXED-INCOME SECURITIES EXCHANGEABLE FOR OR CONVERTIBLE INTO SHARES OF THE COMPANY, AND WARRANTS OR OTHER SIMILAR SECURITIES THAT MAY GIVE THE RIGHT, DIRECTLY OR INDIRECTLY, TO SUBSCRIBE OR ACQUIRE SHARES IN THE COMPANY OR OF OTHER COMPANIES, WHETHER OR NOT IN ITS GROUP, FOR A MAXIMUM PERIOD OF TWO YEARS, AND, WHERE APPROPRIATE, THE AUTHORITY TO INCREASE THE SHARE CAPITAL UNDER THE TERMS AND CONDITIONS OF ARTICLES 286, 297.1.B), 417 AND 511 OF THE LSC, WITH THE AUTHORITY TO EXCLUDE PRE-EMPTION RIGHTS OF SUBSCRIPTION UP TO THE LIMIT OF 20% OF THE SHARE CAPITAL, AND AUTHORISATION FOR THE COMPANY TO GUARANTEE FIXED-INCOME ISSUES BY SUBSIDIARIES.

To delegate to the board of directors, pursuant to the general regime on the issuance of debentures and in accordance with the provisions of articles 286, 297, 417 and 511 of the consolidated text of the Spanish Companies Law, approved by Royal Legislative Decree 1/2010 of 2 July (Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital, the “**LSC**”), 319 of the Regulation of the Commercial Registry and 11 of the Articles of Association the powers to issue bonds, debentures and other securities of a similar nature, which may be converted (including contingently) into the newly issued of Millenium Hospitality Real Estate, SOCIMI, S.A. (the “**Company**”) or exchangeable (including contingently) into existing shares of the Company or of other companies, whether or not belonging to its group, and promissory notes, privileged shares, warrants or other similar securities that may directly or indirectly entitle the holder to subscribe new shares or to acquire outstanding shares of the Company or of other companies, whether or not belonging to its group, and any securities or financial instruments conferring a share in the Company’s profits.

It is also proposed that resolution Six of the ordinary general shareholders meeting held on 7 July 2021 be revoked, under which the board of directors was authorized to issue bonds, debentures and other fixed-income securities, exchangeable or convertible into shares, warrants, promissory notes and privileged shares.

1. TERMS OF THE DELEGATION

(i) The issue of the securities covered by this delegation may be performed once or several times, at any time, within a maximum period of two years from the date this resolution is approved.

(ii) Maximum amount of the delegation: under this delegation, the board of directors may issue the securities provided for in this resolution for a maximum amount in accordance to which the capital increases, if any, made under this delegation, plus any capital increases also resolved under other authorisations in force proposed by the board of directors to the general meeting in accordance to article 297.1.b) of the LSC, do not exceed a nominal amount of half of the share capital on the date of delegation (i.e., up to a maximum nominal amount of EUR 58,016,243.50, equivalent to half of the share capital at the date of this resolution, set at EUR 116,032,487). The amount of the capital increases that, if applicable, are made under this delegation to meet the conversion of debentures, warrants or other securities, will be considered included within the limit available at any given time to increase the share capital.

To calculate the above limit, the maximum number of shares into which debentures may be converted will be taken into account by reference to their initial conversion ratio, if fixed, or their minimum conversion ratio, if variable, without prejudice to any adjustments that may be made to the conversion ratio after the issue of the securities.

Likewise, in the case of warrants, the sum of premiums and exercise prices of the warrants for the issues agreed under this delegation will be taken into account.

Lastly, if the terms of these instruments provide for the possibility of paying the coupon in exchange for newly issued shares, the maximum number of shares that may be issued from issue until maturity of the securities to cover the payment of the coupon will also be taken into account for the purpose of calculating the maximum amount consumed under this delegation, calculated based on the listed price of the shares at the time of issue.

(iii) Issues made in accordance with this delegation may be addressed to all types of investors, whether Spanish or foreign.

(iv) The delegation of powers agreed to herein shall extend as broadly as may be required by law to the fixing of the terms, regime, aspects and conditions of each issue. In particular it shall fall with the board of directors to determine, as an example and not limited to the following, for each issue, and with express powers to sub-delegate, among others, its amount, always within the quantitative global limit expressed, the place of issue —domestic or foreign— and the currency and, if foreign, its equivalent in euros; the denomination or form, whether they are bonds or debentures, including subordinated ones, warrants (which may be settled by physical delivery of the shares or, as the case may be, by differences) or any other admitted by the law; the date or dates of issue; the number of securities and their nominal value, which in the case of bonds and convertible/exchangeable securities, shall not be less than the nominal value of the shares; and in the case of warrants and similar securities, the price of issuance and/or premium, the exercise price —which may be fixed or variable— and the procedure, term and other conditions applicable to the exercise of the right to subscription of the underlying shares or, where applicable, the exclusion of such right; the fixed or variable interest rate, dates and coupon payment procedures; the perpetual or amortizable nature of the debt, and in the latter case, the term of amortization and the date or the dates of maturity; guarantees, the repayment rate, premiums and lots; the form of representation, by means of bonds or book entries; antidilution clauses; the subscription system; the range of securities and any subordination clauses; the legislation applicable to issuance; when applicable, request admission to trading in regulated or not regulated markets, whether organized or not, domestic or foreign, of the securities issued with the requisites required in each case by the regulations in force; and, in general, any other condition of issuance, as well as, where appropriate, appoint the commissioner and approve the fundamental rules that are to govern the legal relations between the Company and the syndicate of holders of the securities issued, should the constitution of said syndicate prove necessary or be decided upon.

Likewise, the board of directors is authorized, when it deems appropriate, and subject, if applicable, to obtaining the necessary authorizations and conformity of the assemblies of the relevant syndicates of holders of securities, to change the conditions of the amortization of the securities issued and their respective term, and the rate of interest which, if applicable, accrued by those within each of the issuances carried out under this authorization.

(v) In the case of the issuance of convertible debentures or bonds, and for the purposes of determining the bases and modalities of conversion, it is agreed to establish the following criteria:

— <u>Convertible or exchangeable debentures and bonds</u>

a) The securities that are issued under this agreement will be convertible (including contingently) into newly issued shares of the Company and/or exchangeable (including contingently) into outstanding shares in the Company or other companies, whether or not of its group, according to a conversion ratio which is fixed (determined or is determinable) or variable, which the board of directors will be empowered to determine whether they are convertible and/or exchangeable as well as to determine if they are necessarily, voluntarily or contingently convertible and/or exchangeable, and in the case of being voluntarily convertible and/or exchangeable, at the option of their holder or of the issuer, with the frequency and for the period that is established in the issuance agreement.

b) The board may also establish, in the event that the issue is convertible and exchangeable, that the issuer reserves the right to choose at any given time between conversion into new shares or their exchange for outstanding shares of the Company or other companies, whether or not of its group, specifying the nature of the shares to be delivered at the time of conversion or exchange, or to choose to deliver a combination of newly issued shares and outstanding shares of the Company or other companies, whether or not of its group, and even to settle the difference in cash. In any event, the issuer must respect the equal treatment of all holders of fixed-income securities that it converts and/or exchanges on the same date.

c) For the purpose of conversion or exchange, the securities will be valued at their nominal amount (which may include accrued and unpaid interest) and the new shares to be issued for conversion, or the outstanding shares to be exchanged, at the fixed price (determined or determinable), specified in the board of directors' resolution adopted in exercise of this authorization, based on the market price of the Company's shares on the date(s) or in the period(s) taken as a reference in that resolution, with or without discount or premium, the board of directors being able to decide the criteria for conversion and/or exchange it considers most appropriate.

d) In the case of a variable conversion or exchange ratio, the price of the shares for the purposes of the conversion or exchange will be determined by the board of directors, which may include a premium or, if applicable, a discount on the price per share resulting from the established criteria. The premium or discount may be different for each conversion or exchange date of each issue (or, where applicable, each tranche of an issue).

e) When the conversion and/or exchange takes place, any fractions of shares to be delivered to the holder of the securities will be rounded down to the nearest whole number and each holder will receive the difference in cash.

f) Under no circumstances, will the value of the share for the purpose of determining the ratio of conversion of securities into shares be less than the nominal value of the share. Likewise, in accordance with article 415 of the LSC, securities must not be converted into shares when the nominal value of the fixed-income securities is less than that of the shares.

g) At the time of approval of an issuance of convertible and/or exchangeable debentures or bonds under the authorization granted in this resolution, the board of directors will issue a report determining and specifying the basis and procedures of conversion applicable to the securities in question, based on the criteria set out above. This report will be accompanied by the auditor's report referred to in article 414 of the LSC if the issue of convertible or exchangeable debentures or bonds exceeds 20% of the Company's share capital or if so required by the applicable regulations.

— Warrants and other similar securities that may directly or indirectly entitle the holder to subscribe or acquire shares in the Company, whether newly issued or outstanding

In the case of the issue of warrants, to which by analogy the provisions of the LSC for convertible debentures for the determination of the basis and modalities of their exercise shall apply, the board of directors is empowered to determine, in the broadest terms, the criteria applicable to the exercise of the rights of subscription or acquisition of shares of the Company or of another company, belonging to its group or not, derived from the securities of this kind issued under the delegation granted hereby, the criteria set out before for convertible and/or exchangeable bonds and debentures, with the necessary adjustments in order to make them compatible with the legal and financial regime governing such securities.

(vi) The holders of convertible and/or exchangeable securities and warrants shall have all the rights recognized by the legislation in force, as long as the conversion and/or exchange into shares thereof is possible.

(vii) This authorization to the board of directors also includes, without limitation, the delegation, in its favor, of the following powers:

a) The authority to increase the capital by the amount required to attend to the requests of conversion and/or exercise of the right to subscribe for shares, in accordance with article 297.1.b) of the LSC. Said authority may only be exercised to the extent that the board of directors, adding the share capital increased to meet the issuance of convertible debentures, warrants and other equivalent securities and the remaining capital increases that may have been agreed to under the authorizations granted by the general meeting, does not exceed the limit of half of the amount of share capital as per the LSC.

This authorization to increase the capital includes that of issuing and putting into circulation, on one or more occasions, shares representative of the share capital that are necessary to carry out the conversion and/or exercise of the right of subscription of shares, as well as that of amendment of the article of the articles of association related to the amount of capital and shares and, where appropriate, cancelling the part of such capital increase that has not proved necessary for the conversion and/or exercise of the right of subscription for shares.

(b) The powers to exclude in whole or in part, under the provisions of article 511 of the LSC, in relation to article 417 of said Law, the pre-emptive subscription rights of shareholders, with a limit the maximum aggregate limit, that is, together with the capital increases carried out by virtue of the delegation conferred in this resolution, added to the capital increases excluding the pre-emptive subscription right to be carried out within the scope of the authorization granted under item Eight of the agenda, of 20% of the share capital on the date of the delegation (i.e., up to a maximum nominal amount of 23,206,497.40 euros, equivalent to half of the share capital at the date of this resolution, which is set at 116,032,487 euros), so long as this is required to raise financial resources in domestic or international markets or it is in the Company's interest.

In any case, if the board of directors were to resolve to exclude the pre-emptive subscription rights of shareholders in relation to a concrete issuance which it may decide to carry out under the present authorization, it shall issue, at the time of approving the issuance and pursuant to the applicable legislation, a report detailing the specific reasons of company interest that justify such measure, which will be the object of the report by an auditor, different from the Company's auditor, appointed by the Commercial Registry, as referred to in articles 414, 417 and 511 of the LSC, when the amount of the issue is higher than 20% of the Company's share capital or when so required by applicable regulations. These reports will be made available to the shareholders and reported to the first general meeting held after the issue resolution.

(c) The authority to develop and specify the basis and modalities of conversion, exchange and/or exercise of the rights of subscription and/or acquisition of shares, resulting from the issued securities, in accordance with the criteria set out above.

(d) The authority to guarantee, in the name of the Company, within the aforementioned limits, new fixed-income issuance convertible and/or exchangeable or warrants, carried out, while this resolution is in force, by its subsidiaries.

(viii) The delegation to the board of directors comprises the broadest powers which are necessary in law for the interpretation, application, implementation and development of the agreements to issue securities that are convertible or exchangeable into shares of the Company, on one or more occasions, and corresponding capital increase, where applicable, also granting it powers to rectify and complement them in all that were necessary, as well as for the fulfilment of all legally required requisites, it being possible to rectify omissions or defects of such agreements, indicated by whichever authorities, officials or bodies, domestic or foreign, also being empowered to adopt as many agreements and grant as many public or private documents considered necessary or convenient for the adaptation of the previous agreements of the issuance of convertible or exchangeable securities and the corresponding increase of capital to the verbal or written qualification of the Commercial Registry or, in general, of any other competent domestic or foreign authorities, officials or institutions.

2. ADMISSION TO TRADING OF THE SECURITIES

The board of directors is empowered, as broadly as necessary in the law, to carry out the procedures and actions necessary for admission to trading of the securities before the competent authorities of any domestic or foreign securities markets.

In particular, but not limited to the following, the board of directors may:

(i) apply, where appropriate, to trading on domestic or foreign, regulated or not regulated markets, of the securities issued by the Company pursuant to this delegation;

(ii) apply, where appropriate, for the delisting of the referred securities, with the same formalities as the application for admission and with strict compliance of the applicable regulations. In such case, the board of directors will guarantee the interests of shareholders or bondholders who oppose or do not vote on the resolution as provided for in the applicable law; and

(iii) adopt the resolutions as it deems necessary or advisable in order to redeem or convert the securities representing debentures, bonds or securities issued by the Company into book entries, when so required so that such securities may be admitted to trading and, once admitted, remain admitted to trading on regulated or not regulated markets, organized or not, granting for such purpose such public or private documents as may be required.

It is also hereby stated that the Company submits to the existing rules, or any rules that may be issued in the future, on the stock markets, in particular, any rules on trading, permanence and delisting.

3. POWER OF SUBSTITUTION

The board of directors is empowered to sub-delegate the powers referred to in this resolution to any member of the board of directors or any other person it deems appropriate, the powers of development, implementation, execution, interpretation and correction of the agreements referred to in this agreement.

This document is a translation of an original text in Spanish.
In case of any discrepancy between both texts, the Spanish version will prevail.

ITEM TEN OF THE AGENDA

DELEGATION OF POWERS

Delegating, as broad as admitted, to the directors and the Secretary Non-Member, Mr. Juan Gómez-Acebo Sáenz de Heredia, all necessary faculties for interpreting, clarifying, rectifying, remedying, executing and taking into effect the resolutions adopted by the General Shareholders' Meeting, including executing all necessary private and public documents, the publication of announcements that may be legally required, inscription in any relevant registry and carrying out as many steps are required to such purpose, likewise, among other, the faculties of remedying, clarifying, interpreting, completing or precising, if case, the resolutions adopted and, in particular, remedying the defects, omissions or mistakes that may be realized, including those realized verbally or by written by the Mercantile Registry, and that may impede the effectiveness of these resolutions, including the faculty of requesting the partial inscriptions of the resolutions in the case that, for any reason, it is not possible the total inscriptions of the resolutions.

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

MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
consolidated Management Report
for the year ended
December 31, 2022

Ernst & Young, S.L.
Calle de Raimundo Fernández Villaverde, 65
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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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.:

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, 2022, 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 consolidated equity and the consolidated financial position of the Group at December 31, 2022 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 applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations 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 misstatements in our audit of the consolidated financial statements of the current period. These risks were addressed in 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 consolidated statement of financial position shows an amount of 578,444 thousand euros in "Investment properties" at December 31, 2022, corresponding to the carrying amount of the buildings it owns, which represent 84% of total assets.

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").

Given the significance of the amounts involved and the fact that determining the fair values of investment properties requires that independent experts, Group management and the parent's directors make significant estimates that entail applying judgments to determine the assumptions used (in particular, assumptions underlying estimated rents, discount rates and exit yields used for investment properties), we determined this to be a key audit matter.

Information on applicable measurement standards, the methodologies and principal assumptions and related disclosures are provided in Notes 4.3 and 7 of the explanatory notes to the consolidated financial statements.

Our response

In relation to this matter, our audit procedures included:

- Understanding the process designed by parent management to identify whether there are indications of impairment and to determine the fair value of assets recorded as "Investment properties," and assessing the design and implementation of the relevant controls in place in that process.
- Obtaining the valuation reports prepared by the independent experts engaged by parent management to appraise the real estate portfolio, assessing the competence, capacity, and objectivity of the experts for the purpose of using their work as audit evidence.
- Reviewing the appraisal models used by independent experts to determine the recoverable amounts of a sample of assets, with the involvement of our valuation specialists, focusing particularly on the mathematical coherence of the models and the reasonableness of the rents, comparable data, discount rates, initial exit yields, and the sensitivity analysis used.
- Reviewing the disclosures included in the explanatory notes to the consolidated financial statements and assessing their conformity with the financial reporting framework.

Assessment of compliance with the requirements of the SOCIMIs special tax regime

Description

As explained in Note 1.1 of the explanatory notes to the accompanying consolidated financial statements, the parent and its subsidiaries avail themselves of the special tax regime for SOCIMIs established in Law 11/2009, of October 26, which regulates Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario "SOCIMI" (Spanish REITs), effective as of their respective dates of incorporation. One of the main characteristics of these entities is that they are not subject to corporate income tax.

Under the special tax regime, SOCIMIs are subject to compliance with certain requirements regarding, inter alia, corporate purpose, minimum share capital, equity investment, the income generated by these investments, trading on a regulated market or multilateral trading system, as well as information and mandatory distribution of profits. The assessment of compliance with some of these requirements involves estimates that entail judgments on the part of the parent management to establish the assumptions underlying those estimates.

Due to the complexity of making these estimates when assessing compliance with some of the aforementioned requirements and to the fact that failure to comply with these requirements, if not remedied, could render the parent ineligible to avail itself of the special tax regime, and given that, should this occur, the parent and its subsidiaries would be taxed under the general corporate income tax regime, which would have a significant impact on the consolidated financial statements, we determined this to be a key audit matter.

The information on applying the special tax regime for Spanish SOCIMIs and compliance with the related requirements is provided in Notes 1.1, 4.9 and 14.3 of the explanatory notes to the consolidated financial statements.

Our response

In relation to this matter, our audit procedures included the following:

- Understanding parent management's process for assessing compliance with the of the special SOCIMI regime requirements.
- Obtaining the documentation prepared by parent management related to compliance with the above requirements.
- Reviewing and assessing the reasonableness of the information obtained and its completeness with regard to all matters contemplated by prevailing regulations at the date of analysis, with the involvement of our tax specialists.
- Reviewing the disclosures included in the explanatory notes to the consolidated financial statements and assessing their conformity with the financial reporting framework.

Other information: consolidated management report

Other information refers exclusively to the 2022 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover 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 obtained during the audit, and to assess and report on whether the content and presentation of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, 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 2022 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors for the consolidated financial statements

The directors of the parent company 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 is 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 directors of the parent company 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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 management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 remain solely responsible for our audit opinion.

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

From the significant risks communicated with the directors of the parent company, 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 assessed risks.

We describe those 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 15, 2023

MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. AND SUBSIDIARIES

Consolidated financial statements and consolidated management report for the year ended December 31, 2022

Consolidated statement of financial position at December 31, 2022

(Expressed in euros)

ASSETS	Notes	12/31/2022	12/31/2021
NON-CURRENT ASSETS		**602,269,955**	**405,829,116**
Intangible assets	6	23,248	-
Property, plant, and equipment	6	19,257,122	17,304,370
Investment properties	7	578,444,000	387,702,000
Financial investments	8	2,044,851	822,746
Trade receivables	8	2,500,734	-
CURRENT ASSETS		**89,610,124**	**122,699,831**
Inventories	9	918,965	427,547
Trade and other receivables		14,672,391	13,021,504
Trade receivables	8	4,274,497	4,898,892
Other receivables	8	761	-
Receivable from public administrations	14	10,397,133	8,122,612
Financial investments	8	956,606	12,254,977
Other current assets	8	601,197	421,343
Cash and cash equivalents	10	72,460,965	53,545,370
		89,610,124	**79,670,741**
Assets held for sale	5	-	43,029,090
TOTAL ASSETS		**691,880,079**	**528,528,947**

EQUITY AND LIABILITIES	Notes	12/31/2022	12/31/2021
EQUITY		**539,428,164**	**372,160,949**
Capital and reserves		**539,428,164**	**372,419,934**
Share capital	11.1	116,032,487	76,926,101
Share premium	11.2	341,887,362	224,568,204
Reserves and retained earnings	11.3	70,761,203	62,458,447
Shares of the Parent company	11.4	(1,039,664)	(1,006,627)
Profit for the year attributed to the Parent company		11,786,776	9,473,809
Unrealized gains (losses) reserve	**11.5**	**-**	**(258,985)**
NON-CURRENT LIABILITIES		**125,963,181**	**113,634,618**
Borrowings		123,448,887	111,120,324
Bank borrowings	12.1	118,019,627	108,081,012
Finance lease payables	12.1	-	28,915
Other financial liabilities	12.3	5,429,260	3,010,397
Deferred tax liabilities	14	2,514,294	2,514,294
CURRENT LIABILITIES		**26,488,734**	**42,733,380**
Provisions	13	88,034	161,886
Borrowings		8,442,439	9,764,229
Bank borrowings	12.1	6,181,001	5,993,965
Finance lease payables	12.1	-	173,234
Other financial liabilities	12.3	2,261,438	3,597,030
Trade and other payables		17,931,927	12,566,031
Suppliers and other payables	12.4	14,829,451	10,448,445
Employee benefits payable (remuneration pending payment)	12.4	2,232,537	1,444,780
Payables to public administrations	14	503,388	346,634
Customer advances	12.4	366,551	326,172
Other current liabilities		26,334	53,351
		26,488,734	**22,545,497**
Liabilities associated with assets held for sale	5	-	20,187,883
TOTAL EQUITY AND LIABILITIES		**691,880,079**	**528,528,947**

The accompanying notes 1 to 20 are an integral part of the consolidated statement of financial position at December 31, 2022.

Consolidated separate income statement for the year ended December 31, 2022

(Expressed in euros)

	Notes	2022	2021
Continuing operations			
Revenue		**12,323,093**	**8,467,546**
Lease income	7.4 & 16.1	9,875,588	7,149,381
Income from services provided	16.1	2,174,075	1,117,913
Sales income	16.1	273,430	200,252
Cost of sales		**(160,143)**	**(116,735)**
Other operating income		**746,283**	**183,031**
Employee benefits expense	**16.2**	**(6,589,019)**	**(4,939,113)**
Other operating expenses		**(4,705,959)**	**(3,186,788)**
External services	16.3	(3,791,186)	(2,219,290)
Taxes (other than income tax)		(914,773)	(967,498)
Impairment losses on accounts receivable	**8.1**	**(74,058)**	**(872,726)**
Change in fair value of investment properties	**7**	**14,988,227**	**12,749,794**
Depreciation and amortization	**6**	**(856,351)**	**(670,820)**
Impairment losses and gains (losses) on disposal of non-current assets		**(2,458,289)**	**(839,257)**
Impairment losses and losses	6	(2,433,756)	(839,257)
Gains (losses) on disposals and other		(24,533)	-
Gains (losses) due to loss of control over subsidiaries	**5**	**860,198**	**-**
OPERATING PROFIT		**14,073,982**	**10,774,932**
Finance income		**25,736**	**84,706**
From marketable securities & other financial instruments		25,736	84,706
Finance costs	**16.4**	**(2,014,078)**	**(1,362,861)**
Third-party borrowings		(2,014,078)	(1,362,861)
Changes in fair value of financial instruments	**8.2**	**(292,187)**	**(7,600)**
Exchange gains (losses)		**(6,677)**	**(15,368)**
FINANCE COST		**(2,287,206)**	**(1,301,123)**
PROFIT (LOSS) BEFORE TAX		**11,786,776**	**9,473,809**
Corporate income tax	14	-	-
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**11,786,776**	**9,473,809**
Profit for the year attributed to the Parent company		**11,786,776**	**9,473,809**
Profit for the year attributed to minority interests		**-**	**-**

EARNINGS PER SHARE			
Basic earnings per share	4.20	**0.12**	**0.15**

The accompanying notes 1 to 20 are an integral part of the consolidated separate income statement for the year ended December 31, 2022.

Consolidated statement of comprehensive income for the year ended December 31, 2022

(Expressed in euros)

	Notes	2022	2021
Consolidated profit (loss) for the year (I)		**11,786,776**	**9,473,809**
Income and expense recognized directly in consolidated equity			
From cash flow hedges	11.5	-	57,444
From other adjustments	11.3	(1,152,261)	(901,489)
Tax effect	11.5	-	-
Total income and expense recognized directly in consolidated equity (II)		**(1,152,261)**	**(844,045)**
Amounts transferred to the consolidated separate income statement			
From cash flow hedges	11.5	258,985	125,922
Tax effect	11.5	-	-
Total amounts transferred to the consolidated statement of profit or loss (III)		**258,985**	**125,922**
Total consolidated income and expense recognized (I+II+III)		**10,893,500**	**8,755,686**
Total consolidated income and expense recognized and attributed to the Parent company		**10,893,500**	**8,755,686**
Total consolidated income and expense recognized and attributed to minority interests		**-**	**-**

The accompanying notes 1 to 20 are an integral part of the consolidated statement of comprehensive income for the year ended December 31, 2022.

Consolidated statement of changes in equity for the year ended December 31, 2022

(Expressed in euros)

	Share capital (Note 11.1)	Share premium (Note 11.2)	Reserves and retained earnings (Note 11.3)	Shares of the Company company (Note 11.4)	Profit (loss) for the year attributed to the Company company	Unrealized gains (losses) reserve (Note 11.5)	Total
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**
Consolidated income and expense recognized	**-**	**-**	**(1,152,261)**	**-**	**11,786,776**	**258,985**	**10,893,500**
Transactions with partners or owners:	**39,106,386**	**117,319,158**	**(18,792)**	**(33,037)**	**-**	**-**	**156,373,715**
Capital increases (reductions) (Note 11.1)	39,106,386	117,319,158	-	-	-	-	156,425,544
Transactions with shares of the Parent company (net)	-	-	(18,792)	(33,037)	-	-	(51,829)
Other changes in equity	**-**	**-**	**9,473,809**	**-**	**(9,473,809)**	**-**	**-**
Balance at December 31, 2022	**116,032,487**	**341,887,362**	**70,761,203**	**(1,039,664)**	**11,786,776**	**-**	**539,428,164**

The accompanying notes 1 to 20 are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2022.

Consolidated cash flow statement for the year ended December 31, 2022

(Expressed in euros)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**11,786,776**	**9,473,809**
Adjustments to profit		**(10,409,306)**	**(8,957,016)**
Depreciation and amortization	6	856,351	670,820
Impairment losses	6 & 8.1	2,507,814	1,711,983
Changes in provisions	13	(73,852)	108,852
Gains (losses) from derecognition and disposals of assets		24,533	-
Finance income		(25,736)	(84,706)
Finance costs	16.4	2,014,078	1,362,861
Exchange gains (losses)		6,677	15,368
Changes in fair value of financial instruments	8.2	292,187	7,600
Changes in fair value of investment properties	7	(14,988,227)	(12,749,794)
Other income and expenses		(1,023,131)	-
Changes in working capital		**418,689**	**260,106**
Inventories		(491,418)	(14,753)
Trade and other receivables		(4,225,679)	(4,862,575)
Other current assets		(203,093)	(237,731)
Trade and other payables		5,365,896	5,245,031
Other current liabilities		(27,017)	130,134
Other cash flows from operating activities		**(1,595,757)**	**(1,101,445)**
Interest paid		(1,621,493)	(1,172,343)
Interest received		25,736	70,898
Cash flows from operating activities		**200,402**	**(324,546)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(181,819,007)**	**(94,415,163)**
Intangible assets and PP&E		(3,551,916)	(7,500,799)
Investment properties		(176,556,463)	(76,168,605)
Other financial assets		(1,710,628)	(10,745,759)
Payments on investments		**36,900,537**	**1,505,491**
Intangible assets and PP&E		1,654	893
Investment properties	7	1,004,100	-
Other financial assets		11,494,707	1,504,598
Assets held for sale	5	24,400,076	-
Cash flows from (used in) investing activities		**(144,918,470)**	**(92,909,672)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		**155,221,454**	**88,411,816**
Issue of equity instruments	11.1	155,273,283	88,398,511
Acquisition of equity instruments of the Parent company	11.4	(143,836)	(148,097)
Disposal of equity instruments of the Parent company	11.4	92,007	161,402
Proceeds from and payments of financial liabilities		**8,418,886**	**37,710,388**
Issues		16,528,774	53,099,284
Bank borrowings		15,505,279	52,903,152
Other borrowings		1,023,495	196,132
Repayment and redemption of		(8,109,888)	(15,388,896)
Bank borrowings		(6,322,431)	(15,290,582)
Other borrowings		(1,787,457)	(98,314)
Cash flows from financing activities		**163,640,340**	**126,122,204**
Net foreign exchange difference		(6,677)	(15,368)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**18,915,595**	**32,872,618**
Cash and cash equivalents at beginning of period		53,545,370	20,672,752
Cash and cash equivalents at end of period	10	72,460,965	53,545,370

The accompanying notes 1 to 20 are an integral part of the consolidated cash flow statement for the year ended December 31, 2022.

Notes to the consolidated financial statements for the year ended December 31, 2022

1. GENERAL INFORMATION ON THE GROUP

MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. ("the Parent" or "MHRE") and subsidiaries ("the Group" or "the MHRE 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 HOTELS REAL ESTATE I, SOCIMI, S.A. to the current version, with the resulting modification to article 1 of its bylaws duly filed at the Mercantile Registry on February 17, 2022.

Notes to the consolidated financial statements for the year ended December 31, 2022

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.

Further, on January 31, 2022 the sale to the former Board member Ibervalles, S.A. of all the shareholding units held by MHRE in Millenium Hotels C220, S.L.U. was formalized, as approved at the ordinary and extraordinary general shareholder meeting held on July 7, 2021 (Note 5). 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 consolidated statement of financial position at December 31, 2021.

Notes to the consolidated financial statements for the year ended December 31, 2022

The subsidiaries which together with the Parent form a part of the consolidation scope at December 31, 2022 are broken down as follows:

Company	Registered business address	Activity	Group company owning the interest	% of direct ownership interest	Auditor	Consolidation method	Functional currency
Varia Pza Magdalena, S.L.U.	Paseo de la Castellana 102, Madrid	(*)	MHRE	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	(**)	MHRE	100%	Ernst & Young, S.L.	Full consolidation	Euros
MHRE San Roque, S.L.U.	Paseo de la Castellana 102, Madrid	(*)	MHRE	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.

The subsidiaries included in the consolidation scope together with the Parent at December 31, 2021 are broken down as follows:

Company	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	(*)	MHRE	100%	Ernst & Young, S.L.	Full consolidation	Euros
Varia Pza Magdalena, S.L.U.	Paseo de la Castellana 102, Madrid	(*)	MHRE	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	(**)	MHRE	100%	Ernst & Young, S.L.	Full consolidation	Euros
MHRE San Roque, S.L.U.	Paseo de la Castellana 102, Madrid	(*)	MHRE	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.

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 MHRE 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.

Consequently, at December 31, 2022 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.

- 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.

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.

Notes to the consolidated financial statements for the year ended December 31, 2022

At December 31, 2022, 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, 2022 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.

The consolidated financial statements have been prepared by MHRE'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 significant 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 and consolidated financial position at December 31, 2022, as well as its consolidated results, changes in consolidated equity, and consolidated cash flows for the year then ended.

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 MHRE 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. These 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 Russian war against Ukraine (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.

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 4.3 and 7)

Notes to the consolidated financial statements for the year ended December 31, 2022

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, consolidated separate 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 2022, 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 MHRE and the companies under its control (subsidiaries), referring to the year ended December 31, 2022 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.

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 is 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 consolidated separate 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 consolidated separate income statement for the corresponding year.

At December 31, 2022 and 2021, all subsidiaries were consolidated using the full consolidation method (Note 1).

2.7. Effect of war in Ukraine on the consolidated financial statements

On February 24, 2022, Russia invaded Ukraine and started a war with uncertain geopolitical consequences worldwide. Although the Group's operations have not been directly affected by the ongoing conflict or the international sanctions imposed, the indirect effects, such as the increase in prices, the impact on construction costs, and the increase in the cost of energy, are currently affecting all economic agents in the sector.

Thus, progress in the work on buildings which are being reconverted or developed was affected by supply chain problems for materials on a global level as well as by the Russian war against Ukraine, though without generating significant delays or increases in costs.

Notes to the consolidated financial statements for the year ended December 31, 2022

In light of this situation, Parent Management and its directors are continually 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, 2022 and the funds obtained from the second capital increase executed in May 2022 amounting to 156.4 million euros (Note 11.1), the Group will be able to maintain its solvency while fulfilling its short-term payment obligations disclosed in the interim condensed consolidated statement of financial position at December 31, 2022 as there is no material uncertainty regarding continuity of the Group's operations.

3. APPROPRIATION OF PARENT COMPANY PROFIT

The directors of MHRE propose the following appropriation of the Parent's profit for 2022, a proposal expected to be approved by the shareholders in general meeting:

(Euros)	2022
Basis of appropriation	
Profit (loss) for the year	(12,012,157)
	(12,012,157)
Appropriation to:	
Prior year losses	(12,012,157)
	(12,012,157)

3.1. Distribution of results and management of capital

As indicated in Note 1.1, MHRE 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 on the terms referred to in the previous section.

MHRE 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, MHRE'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. Intangible assets

Intangible assets are initially measured at cost, determined as either acquisition or production cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized systematically on a straight-line basis over their estimated useful life, taking into account their residual value. Amortization methods and periods are reviewed at the end of each reporting period, and adjusted prospectively where applicable. Intangible assets are tested for impairment at least at the end of each reporting period and any impairment is recognized.

Notes to the consolidated financial statements for the year ended December 31, 2022

Software

Software includes the costs incurred when acquiring software from third parties. These expenses are amortized on a straight-line basis over the useful life of the asset (four years).

Expenses for repairs which do not prolong the useful life of assets and maintenance expenses are taken to the consolidated separate income statement in the year incurred.

4.2. 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 recognition, 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 consolidated separate 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 carrying amount of the assets, while the carrying amounts of any replaced items 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
Buildings	25-50 years
Machinery	5 years
Plant	3.5 years
Furniture	10 years
Data processing equipment	4 years
Transport equipment	5 years

Notes to the consolidated financial statements for the year ended December 31, 2022

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

4.3. 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 consolidated separate 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 carrying amount 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.

Notes to the consolidated financial statements for the year ended December 31, 2022

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.

4.4. Leases

Leases are classified as finance leases when, based on the economic terms of the arrangement, all risks and rewards incidental to ownership of the leased item are substantially transferred 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 upon 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 consolidated separate income statement for the year in which it is incurred, using the effective interest rate method. Assets are depreciated, amortized, impaired, and derecognized using the same criteria applied to assets of a similar nature.

The Group entered into a finance lease agreement with CAIXABANK in 2010 in order to finance the Hotel Vía Castellana, which formed a part of its investment properties classified under "Assets held for sale" at December 31, 2021 (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.

- **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.

Notes to the consolidated financial statements for the year ended December 31, 2022

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 consolidated separate 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.

Notes to the consolidated financial statements for the year ended December 31, 2022

At December 31, 2022, the Group had arranged operating lease agreements for most of the hotel properties included in its investment properties, though only the Hotel Vía Castellana, Hotel Eurostars Lucentum, Hotel Meliá Bilbao, Hotel Radisson Collection Sevilla, Hotel Radisson Collection Bilbao, and Hotel Iberostar Las Letras, as well as the office building located at calle Alcalá 26 (Madrid) and the Club House Restaurant of the La Hacienda Alcaidesa Links Golf Resort (Cádiz), generated revenue during the year, given that the remaining properties are under development or being reconverted (Notes 5, 7, and 16.1).

4.5. 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.

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.

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 consolidated separate 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.

Notes to the consolidated financial statements for the year ended December 31, 2022

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.

4.6. 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:

Notes to the consolidated financial statements for the year ended December 31, 2022

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 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 income statement when the liabilities are derecognized, with any interest accrued recognized as per the effective interest rate method.

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 income statement.

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

Notes to the consolidated financial statements for the year ended December 31, 2022

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 income statement.

4.7. 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.

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 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 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 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.

4.8. 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 usual cash management strategy.

4.9. 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, 2022 was 25%, while the tax rate applicable to the SOCIMIs was 0%. However, when the dividends distributed by MHRE to its shareholders with a stake greater than 5% are exempt or file taxes at a rate less than 10%, MHRE 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 MHRE 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.

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

Notes to the consolidated financial statements for the year ended December 31, 2022

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.

4.10. 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.

4.11. 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 consolidated separate 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.

4.12. 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.

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

4.13. Transactions with related parties

Related-party transactions are accounted for in accordance with the measurement standards described above.

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

4.14. 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 consolidated separate 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.

4.15. 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

Notes to the consolidated financial statements for the year ended December 31, 2022

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.

4.16. 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.

Notes to the consolidated financial statements for the year ended December 31, 2022

4.17. 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."

4.18. 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 specific members of the MHRE 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, calculated as per the recommendations of the European Public Real Estate Association (EPRA Net Asset Value or "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 consolidated financial statements for the year ended December 31, 2022

4.19. 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.

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.

Notes to the consolidated financial statements for the year ended December 31, 2022

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 4.3, 5, and 7)
- Derivative financial instruments (Notes 4.6, 4.7, 5, and 8.2)

The following table shows the fair value hierarchy for the Group's assets and liabilities at 2022 year end:

		Fair value measurement used (Euros)			
2022	**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	12/31/2022	251,340,000	-	-	251,340,000
Hotels in development	12/31/2022	317,504,000	-	-	317,504,000
Alcaidesa Golf - Club House Restaurant	12/31/2022	2,900,000	-	-	2,900,000
Financial investments					
Derivative financial instruments (Note 8.2)	12/31/2022	700,213	-	700,213	-

There were no transfers between Levels 1 and 2 during 2022.

The following table shows the fair value hierarchy for the Group's assets and liabilities at 2021 year end:

		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 investments					
Derivative financial instruments (Note 8.2)	12/31/2021	492,400	-	492,400	-
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.

Notes to the consolidated financial statements for the year ended December 31, 2022

4.20. 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.

	2022	2021
Profit (loss) attributable to shareholders of MHRE (euros)	11,786,776	9,473,809
Weighted average number of shares circulating (shares)	100,061,064	63,862,657
Basic earnings per share (euros)	**0.12**	**0.15**

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.

5. ASSETS HELD FOR SALE

On July 7, 2021, the ordinary and extraordinary general shareholder meeting of MHRE authorized the related-party transaction for the sale of all the shareholding units held by the Parent 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 MHRE and was executed on January 31, 2022 at a price of 27.5 million euros, of which an advance payment on account of 3 million euros had been received previously on July 30, 2021. In addition, 500 thousand euros had been withheld by the buyer on the signing date as a guarantee until April 30, 2022, of which 433 thousand euros were finally returned, so that the profit recognized for this transaction amounted to 860.2 thousand euros.

Consequently, the assets associated with said transaction were classified under "Assets held for sale" and the liabilities associated with these assets were classified under "Liabilities associated with assets held for sale" in the consolidated statement of financial position at December 31, 2021.

Notes to the consolidated financial statements for the year ended December 31, 2022

The breakdown of the main headings for assets and liabilities classified as held for sale at December 31, 2021 is as follows:

(Euros)	12/31/2021
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 included 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 were being leased to third parties other than the hotel operator.

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

In addition, non-current and current borrowings included 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.

6. INTANGIBLE ASSETS AND PP&E

The balance recognized for PP&E at December 31, 2022 and 2021 mainly corresponds to PP&E items associated with the golf courses of La Hacienda Alcaidesa Links Golf Resort in the municipality of San Roque, Cádiz, which boast a club house and are being exploited by the Group temporarily.

Notes to the consolidated financial statements for the year ended December 31, 2022

The breakdown and movements in the items recognized under "Intangible assets" are as follows:

(Euros)	12/31/2021	Additions/ Allowances	Derecognitions/Amounts applied	Transfers	12/31/2022
Cost					
Software	-	23,288	-	-	23,288
	-	23,288	-	-	23,288
Accumulated amortization					
Software	-	(40)	-	-	(40)
	-	(40)	-	-	(40)
Net carrying amount	**-**				**23,248**

The additions during the year mainly correspond to the costs of implementing a new ERP which was acquired from a third party and is expected to be initiated in the first quarter of 2023.

There were no movements under this heading during 2021.

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

(Euros)	12/31/2021	Additions/ Allowances	Derecognitions/Amounts applied	Transfers	12/31/2022
Cost					
Land	2,443,368	-	-	-	2,443,368
Buildings	5,216,674	36,553	-	9,966,494	15,219,721
Machinery	191,857	4,285	(14,714)	-	181,428
Plant	318,751	201,023	-	-	519,774
Furniture	50,141	29,564	-	69,084	148,789
Data processing equipment	26,857	27,301	-	-	54,158
Transport equipment	390,668	-	(390,668)	-	-
Right-of-use assets	3,238,772	1,859,351	(246,632)	-	4,851,491
PP&E under construction	7,087,770	3,229,902	-	(10,035,578)	282,094
	18,964,858	5,387,979	(652,014)	-	23,700,823
Accumulated depreciation					
Buildings	(309,569)	(314,222)	-	11,431	(612,360)
Machinery	(143,135)	(37,640)	-	-	(180,775)
Plant	(48,891)	(108,331)	-	-	(157,222)
Furniture	(11,628)	(14,257)	-	-	(25,885)
Data processing equipment	(12,223)	(14,659)	-	-	(26,882)
Transport equipment	(273,364)	(105,831)	379,195	-	-
Right-of-use assets	(403,414)	(261,371)	116,228	-	(548,557)
	(1,202,224)	(856,311)	495,423	11,431	(1,551,681)
Impairment losses					
Buildings	(458,264)	(2,433,756)	-	-	(2,892,020)
	(458,264)	(2,433,756)	-	-	(2,892,020)
Net carrying amount	**17,304,370**				**19,257,122**

Notes to the consolidated financial statements for the year ended December 31, 2022

The additions during 2022 mainly correspond to the remodeling work at the "Alcaidesa Links" golf course which reopened on July 15, 2022, and, to a lesser extent, the refurbishment of premises leased from a third party with a view to expanding office space at the MHRE headquarters. Further, the additions under "Right-of-use assets" correspond to the novation agreement reached with respect to the rental contract for the MHRE offices located in Madrid at Paseo de la Castellana 102 with a view to including more leased space, amongst other matters, and the new rental contract for the premises located in Madrid at Paseo de la Castellana 98 for purposes of expanding its office space, and the leasing of premises in the building located in Madrid at Carrera de San Jerónimo N.º 9, where the future Hotel JW Marriott is being built (Note 7).

Furthermore, as a consequence of the appraisals which an independent expert carried out at June 30, 2022 and December 31, 2022 with respect to the assets associated with the golf courses, which are temporarily being exploited by the Group, an impairment loss of 2,433.8 thousand euros was recognized.

(Euros)	12/31/2020	Additions/ Allowances	Derecognitions/Amounts applied	Transfers	12/31/2021
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 MHRE's offices. The transfers correspond to items associated with the restaurant located in the club house of the golf courses at the La Hacienda Alcaidesa Links Golf Resort, which were transferred to investment properties in May 2021 since the restaurant was leased to a specialized operator in the restaurant segment (Note 7.1).

In addition, as a consequence of the appraisals which an independent expert carried out at June 30, 2022 and December 31, 2022 with respect to the assets associated with said golf courses, impairment losses amounting to 839 thousand euros were recognized during 2021 (allowances amounting to 1,669 thousand euros in the first half of 2021 and reversals amounting to 830 thousand euros in the second half of 2021). Furthermore, given the remodeling work at the "Alcaidesa Links" golf course and the derecognition of old construction work which was affected by said remodeling, of the impairment allowances previously recognized for said item, an impairment loss of 1,362 thousand euros was applied.

6.1. Right-of-use assets

The Parent has leased its offices in Madrid from Grupomillenium Investment Partners, S.L. until March 31, 2023. However, on February 28, 2023 an addendum to the contract was signed in order to extend its duration until March 31, 2026 (Note 20). The lease payments made in connection with said contract amounted to 104,883 euros for the year ended December 31, 2022 (2021: 60,000 euros; Note17.1).

In addition, the Parent has been leasing premises from a third party since 2022 with a view to expanding office space at its headquarters. This contract was arranged for a duration of 60 months, of which the first 30 months are obligatory. The lease payments made in connection with said contract amounted to 72,203 euros in 2022 (2021: 0 euros).

Likewise, the Parent is leasing two premises on the ground floor of the building located at Carrera de San Jerónimo No. 9 in Madrid, where the future Hotel JW Marriott is being built (Note 7), for estimated terms of 35 and 25 years. Said premises will partially be used for the aforementioned hotel and partially for restaurant areas. The lease payments made in connection with said contracts amounted to 162,480 euros in 2022 (2021: 118,000 euros).

Further, the Group company C220 has leased certain corridors in the building where the Hotel Vía Castellana is located (Note 5) to the Owners Association of said building until October 2025.

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

(Euros)	12/31/2022	12/31/2021
Within one year	186,040	130,404
Between one and five years	645,549	340,682
More than five years	3,645,013	2,460,341
TOTAL	**4,476,602**	**2,931,427**

6.2. Other PP&E leases

During 2022, the Group company Grupo Alcaidesa Holding, S.L.U. canceled the finance lease arrangements it had subscribed for certain machinery items and buggies utilized on the golf courses. The carrying amounts of PP&E items acquired under said finance leases are as follows:

(Euros)	12/31/2022	12/31/2021
Machinery	-	48,722
Transport equipment (buggies)	-	117,304
TOTAL	**-**	**166,026**

The terms of these finance lease contracts were as follows:

- The lease terms contracted were for a duration of 5 years in all cases, maturing in July 2022, January 2023, and August 2023.
- The interest rate was fixed (2.90%).
- Upkeep and maintenance expenses were assumed by the lessee.
- The price of the purchase option was equivalent to the last installment payable on the finance lease.
- There were no contingency payments.

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

(Euros)	12/31/2022	12/31/2021
Within one year	-	173,234
Between one and five years	-	28,915
More than five years	-	-
TOTAL	**-**	**202,149**

Notes to the consolidated financial statements for the year ended December 31, 2022

7. INVESTMENT PROPERTIES

At December 31, 2022, the Group held the following investment properties:

Investment property	Location	Status
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	Operating
Hotel Iberostar Las Letras	Gran Vía 11, Madrid	Operating
Alcaidesa Golf - Club House Restaurant	San Roque, Cádiz	Operating
Hotel JW Marriott	Carrera de San Jerónimo 9-11, Madrid	In development
Hotel Nobu Sevilla (*)	Plaza San Francisco 11-12, Seville	In development
Hotel Nobu San Sebastián	Miraconcha 32, San Sebastián	In development
Hotel & Villas La Hacienda	San Roque, Cádiz	In development
Hotel Palacetes de Córdoba	Cabezas 13, 15, and 19, and Caldereros 3, Córdoba	In development
Hotel Nobu Madrid	Alcalá 26, Madrid	In development
Hotel Zorrilla	Zorrilla 19, Madrid	In development
El Palmar project	El Palmar de Vejer, Cádiz	In development

(*) On January 26, 2023, MHRE reached an agreement with Alma Gestión de Hoteles, S.L.U. for early termination of the lease agreement relating to the property located in Seville at Plaza San Francisco 11-12. Subsequently, a lease contract was signed with the Spanish Mercer hotel chain to operate said property under the Nobu brand (Note 20).

Notes to the consolidated financial statements for the year ended December 31, 2022

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
Alcaidesa Golf - Club House Restaurant	San Roque, Cádiz	Operating
Hotel Radisson Collection Bilbao	Gran Vía de Don Diego López de Haro 4, Bilbao	In development
Hotel JW Marriott	Carrera de San Jerónimo 9-11, Madrid	In development
Hotel Nobu Sevilla (2)	Plaza San Francisco 11-12, Seville	In development
Hotel Nobu San Sebastián	Miraconcha 32, San Sebastián	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 Madrid	Alcalá 26, Madrid	In development

(1) Classified under "Assets held for sale" at December 31, 2021 (Note 5).
(2) On January 26, 2023, MHRE reached an agreement with Alma Gestión de Hoteles, S.L.U. for early termination of the lease agreement relating to the property located in Seville at Plaza San Francisco 11-12. Subsequently, a lease contract was signed with the Spanish Mercer hotel chain to operate said property under the Nobu brand (Note 20).

7.1. Movements during the year

The breakdown and movements for investment properties at December 31, 2022 are as follows:

(Euros)	12/31/2021	Additions	Derecognitions	Transfers	Changes in fair value	12/31/2022
Hotels being operated	90,000,000	72,547,941	-	81,700,000	7,092,059	251,340,000
Hotels in development	293,802,000	97,517,463	(4,100)	(81,700,000)	7,888,637	317,504,000
Alcaidesa Golf - Club House Restaurant	2,900,000	3,900	-	(11,431)	7,531	2,900,000
Advances	1,000,000	6,700,000	(1,000,000)	-	-	6,700,000
TOTAL	**387,702,000**	**176,769,304**	**(1,004,100)**	**(11,431)**	**14,988,227**	**578,444,000**

On July 27, 2022, MHRE acquired a building located at calle Zorrilla N.º 19 in Madrid for an amount of 30,000 thousand euros with a view to its conversion into a 5-star hotel. The expenses associated with this transaction amounted to 848 thousand euros. An advance payment of 1 million euros had been made in the prior year as a guarantee for said acquisition, which was returned to MHRE. The acquired property is an emblematic building of classical architecture from the late nineteenth century, located in one of the most exclusive areas of Madrid, the Gran Vía-Alcalá axis, next to the Parliament and a few meters from Plaza Canalejas and the Thyssen-Bornemisza Museum.

Subsequently, on October 27, 2022, MHRE acquired the Hotel Iberostar Las Letras, located at Gran Vía 11 in Madrid, for a price of 70,000 thousand euros. The expenses associated with this acquisition amounted to 1,189 thousand euros. This hotel boasts 109 rooms and is located at a privileged site in the Spanish capital where the Gran Vía and Alcalá streets meet, the cultural and commercial epicenter of the city nowadays, and where some of the most important international luxury hotels are also located, soon to be joined by the future Hotel JW Marriot, Hotel Zorrilla 19, and Hotel Nobu Madrid, which MHRE also owns.

Additionally, on November 11, 2022, MHRE acquired plots of land in the process of being classified for hotel use as per zoning regulations (66,592.55 m2 and 23,842 m2 which is buildable). Said land is located in the area known as El Palmar de Vejer in the municipality of Vejer de la Frontera, Cádiz, and was acquired with a view to developing a luxury eco-resort. The price paid for these plots totaled 12,000 thousand euros, while associated expenses amounted to 229 thousand euros.

Further, a balance of 6,700 thousand euros was paid in advance relating to the acquisition of some plots of land in Marbella for purposes of developing a luxury hotel complex, though definitive acquisition is subject to fulfillment of a series of suspensive conditions.

Likewise, the Club House Restaurant where the golf courses of La Hacienda Alcaidesa Links Golf Resort are located, saw additions and transfers amounting to 4 thousand and 11 thousand euros, respectively (Note 6).

The remaining additions during 2022 correspond to costs capitalized in connection with the construction and refurbishment work for various hotels, amounting to a total of 55,799 thousand euros, of which 1,697 thousand euros correspond to finance expenses (Note 12.1).

In addition, the derecognitions during the year include less expenses incurred as compared to those foreseen for certain property purchases made in 2021, amounting to 4 thousand euros.

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

(Euros)	12/31/2020	Additions	Derecognitions	Transfers	Changes in fair value	12/31/2021
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.

Further, on November 11, 2021, an advance payment of 1 million euros was made for the purchase of a property located at calle Zorrilla N.º 19 in Madrid, the definitive acquisition of which was subject to the seller fulfilling a series of conditions, which occurred in 2022.

The additions recognized 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 located at the Club House for the golf courses of the La Hacienda Alcaidesa Links Golf Resort, the associated items of which were 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., a balance of 43 million euros corresponding to the Hotel Via Castellana was reclassified to "Assets held for sale" during the second half of 2021 (Note 5).

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7.2. Other disclosures on investment properties

At December 31, 2022, the investment properties were mortgaged with different financial entities in guarantee of loans, the balance of which totaled 121,248,543 euros (2021: 111,503,441 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.

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, 2022	***Net exit yields***	***Discount rate***
Hotels being operated	4.00% - 6.50%	7.00% - 9.00%
Hotels in development	4.75% - 7.50%	8.00% - 13.00%
Alcaidesa Golf - Club House Restaurant	11.00%	12.00%

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%

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 12/31/22	254,240,000	260,146,000	249,140,000
Properties being operated at 12/31/21	129,100,000	133,201,000	125,350,000

Notes to the consolidated financial statements for the year ended December 31, 2022

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 Group for determining their fair value:

(Euros)	Carrying amount	-2.5% in construction costs	+2.5% in construction costs
Properties in development at 12/31/22	317,504,000	322,711,000	312,583,000
Properties in development at 12/31/21	257,602,000	262,509,000	252,635,000

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 corresponding to 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 fixed revenue agreed upon is referenced to annual CPI.

- The Hotel Meliá 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 MHRE was subrogated at the moment of acquiring said property in November 2019, is fixed and referenced to annual CPI.

  In addition, with respect to the Meliá de Bilbao Hotel, MHRE 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, 2023 in accordance with the addendum signed on December 30, 2022. 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 Meliá Bilbao for the installation of telecommunications antennas, maturing in September 2036 in accordance with the contracts signed in July 2021. In all cases the revenue agreed upon is fixed and referenced to annual CPI.

Notes to the consolidated financial statements for the year ended December 31, 2022

- 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 fulfills the objectives for 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.

  In addition, with respect to the building located in Seville at calle Rioja N.º 26, where part of the Hotel Radisson Collection Sevilla is located, the Group has arranged the following operating leases with third parties:

  - Lease of restaurant space for an initial obligatory duration of 5 years, 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.
  - Lease of commercial premises for a duration of 5 years, which can be renewed once for an additional 5 years, provided that none of the signing parties objects. The revenue from this lease agreement is fixed and referenced to annual CPI.

- Lease of the Hotel Radisson Collection Bilbao for an initial obligatory period from March 15, 2022 (delivery date for the hotel) to December 31, 2027, including three automatic renewals for a duration of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each period. Lease income from this hotel is composed of a fixed component scaled progressively and a variable component referenced to the operating results obtained by the hotel. These conditions were agreed upon in the contract addendum signed on March 15, 2022, which also regulated lease income for 2022.

- With respect to the future Hotel Nobu Sevilla, MHRE signed a 20-year operating lease contract for this property on May 14, 2019, counting from the hotel delivery date once the refurbishment work finalized. However, on January 26, 2023 an agreement was reached with the lessee for early termination of this contract, with MHRE settling an amount of 87.6 thousand euros as an indemnity payment. Subsequently, on March 8, 2023 MHRE signed a lease contract for this property with the Spanish Mercer hotel chain to operate said property under the Nobu brand. The lease was contracted for a period of 20 years counting form the date on which the finished property is made available to the lessee, with the first 5 years of the contract established as obligatory for the lessee. The agreement also includes three automatic renewals for a duration of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each 5-year period. Lease income 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 (Note 20).

- Lease of the future Hotel JW Marriott for a period of 25 years counting from the date on which the finished property is made available to the lessee, with the first 5 years of the contract established as obligatory for the lessee. The agreement also includes four automatic renewals for a duration of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each 5-year period. Lease income 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. The delivery date and opening of this hotel is planned for mid-March 2023.

  With respect to the property located at Carrera de San Jerónimo 9 and 11 in Madrid, the site of the future Hotel JW Marriott, the following lease contracts were signed for restaurant space:

  - On March 25, 2022, MHRE signed a lease contract for a period of 20 years counting from the date on which the restaurant opens, with the first 5 years of the contract established as obligatory for the lessee. The agreement also includes three automatic renewals for a duration of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each 5-year period. Revenue from these premises is composed of a fixed component and a variable component referenced to the volume of invoices issued by the restaurant.
  - On July 22, 2022, MHRE signed a sublease contract for restaurant space at the future Hotel JW Marriott together with the lessee of said hotel. The lease was arranged for a term of 20 years, the first 5 years of which are obligatory for the sub-lessee counting from the hotel's opening date. Revenue from this premise is composed of a fixed component and a variable component referenced to the operating results obtained by the restaurant.

- Lease of the future Hotel Nobu de San Sebastián for a duration of 20 years counting from the hotel's opening date, with the first 5 years of the contract established as obligatory for the lessee. The agreement includes a maximum of 3 automatic renewals for successive periods of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each period. Lease income 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 included a purchase option for the lessee, which became ineffective with the signing of the addendum to the contract on May 30, 2022.

- With respect to the future Hotel Nobu Madrid, on February 4, 2022 MHRE signed a 20-year operating lease agreement for this property, with the first 5 years of the contract established as obligatory for the lessee. The remaining term consists of three automatic renewals for successive periods of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each 5-year period. Lease income 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 connection with the future Hotel Nobu Madrid located at calle Alcalá 26 in Madrid, MHRE is party to operating lease contracts with third parties for commercial office space, to which it was subrogated at the moment of acquiring the property. The terms of said leases finalize between April 2023 and June 2026, given that early termination of the lease was agreed upon with one of the tenants on July 26, 2022, effective from July 29, 2022. In addition, collection of an indemnity payment amounting to 210,174 euros was agreed upon as compensation for loss of profit. The revenue agreed upon in all said contracts is fixed and referenced to annual CPI.

- The Hotel Iberostar Las Letras was leased for a period which finalizes in January 2025, including an automatic extension for a duration of 2 years, should neither of the parties object 6 months in advance. Lease income from this contract, in which MHRE was subrogated at the moment of acquiring said property on October 27, 2022, is fixed and referenced to annual CPI.

  In addition, with respect to the Hotel Iberostar Las Letras, MHRE is party to the following operating lease agreements, with respect to which it was subrogated upon acquisition of the property:

  - The leasing of premises meant for use as restaurant space, finalizing in January 2025 and including an automatic extension for a duration of 2 years, should neither of the parties object 6 months in advance. The revenue from this lease agreement is fixed and referenced to annual CPI.
  - Ceding use of space on the rooftop terrace of the Hotel Iberostar Las Letras for the installation of telecommunications antennas, maturing on September 30, 2027, including an automatic renewal for a duration of 5 years, should neither of the parties object. The revenue from this lease agreement is fixed and referenced to annual CPI.

- Lease of the restaurant at the Club House for the golf courses of the La Hacienda Alcaidesa Links Golf Resort for an initial obligatory duration of 7 years, including an automatic renewal of 5 years, provided the lessee fulfills the objectives for certain economic metrics at the end of the initial term. Revenue from this premise is made up of a fixed component and a variable component referenced to the operating results obtained by the restaurant.

Finally, the Group was party to a lease contract for the Hotel 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.

Notes to the consolidated financial statements for the year ended December 31, 2022

Revenue from this lease is composed of a fixed component and a variable component referenced to the net invoicing of the hotel. In addition, the Hotel Vía Castellana 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.

The income from all said operating lease contracts amounted to 9,875,588 euros for the year ended December 31, 2022 (2021: 7,149,381 euros; Note16.1).

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

(Euros)	2022	2021
Supplies	396,331	85,738
Taxes (other than income tax)	579,455	426,862
Other operating expenses	222,892	150,967
Impairment losses on accounts receivable (Note 8.1)	-	810,936
TOTAL	**1,198,678**	**1,474,503**

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)	12/31/2022	12/31/2021
Within one year	12,084,269	6,973,028
Between one and five years	24,139,657	19,256,954
More than five years	550,250	390,000
TOTAL	**36,774,176**	**26,619,982**

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 2021 (Note 5).

At December 31, 2021, the carrying amount recognized for the assets held for sale, acquired via finance lease contracts, were as follows:

(Euros)	12/31/2021
Hotel Vía Castellana	43,000,000
TOTAL	**43,000,000**

The finance lease agreement had the following characteristics:

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

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

(Euros)	12/31/2021
Within one year	1,525,097
Between one and five years	11,595,670
More than five years	-
TOTAL	**13,120,767**

8. FINANCIAL ASSETS

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

	Debt securities		Loans, derivatives, and other		Total	
(Euros)	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Non-current financial assets						
Assets at fair value through profit or loss						
Trading portfolio	-	-	700,213	492,400	700,213	492,400
Financial assets at amortized cost	-	-	3,845,372	330,346	3,845,372	330,346
	-	-	4,545,585	822,746	4,545,585	822,746
Current financial assets						
Financial assets at amortized cost	-	-	5,833,061	17,575,212	5,833,061	17,575,212
	-	-	5,833,061	17,575,212	5,833,061	17,575,212
TOTAL	**-**	**-**	**10,378,646**	**18,397,958**	**10,378,646**	**18,397,958**

Notes to the consolidated financial statements for the year ended December 31, 2022

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

	Debt securities		Loans, derivatives, and other		Total	
(Euros)	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Non-current financial assets						
Financial investments (Note 8.2)	-	-	2,044,851	822,746	2,044,851	822,746
Trade receivables (Note 8.1)	-	-	2,500,734	-	2,500,734	-
	-	-	4,545,585	822,746	4,545,585	822,746
Current financial assets						
Trade receivables (Note 8.1)	-	-	4,274,497	4,898,892	4,274,497	4,898,892
Other receivables	-	-	761	-	761	-
Financial investments (Note 8.2)	-	-	956,606	12,254,977	956,606	12,254,977
Other current assets	-	-	601,197	421,343	601,197	421,343
	-	-	5,833,061	17,575,212	5,833,061	17,575,212
TOTAL	**-**	**-**	**10,378,646**	**18,397,958**	**10,378,646**	**18,397,958**

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

8.1. Trade receivables

The non-current balance for trade receivables includes provisions for income accrued but yet to be invoiced, mainly associated with the payment deferrals agreed upon with the lessees of the operational hotels due to the health crisis linked to COVID-19.

The breakdown for current balances corresponding to trade receivables is as follows:

(Euros)	12/31/2022	12/31/2021
Trade receivables	1,126,750	187,467
Invoices pending issue	1,098,530	2,662,208
Trade bills	2,049,217	2,049,217
TOTAL	**4,274,497**	**4,898,892**

The balance for clients mainly includes the invoice relating to the fixed income for the last quarter of 2022 in connection with the Hotel Radisson Collection Bilbao (403 thousand euros). This invoice and others which make up this balance were collected over the course of January and February 2023.

The balance for invoices pending issue at December 31, 2022 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.

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

Notes to the consolidated financial statements for the year ended December 31, 2022

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

(Euros)	12/31/2022	12/31/2021
Opening balance	**(64,295)**	**(2,505)**
Amounts provisioned	(74,058)	(5,782,832)
Reversals	-	4,910,106
Amounts applied	-	810,936
Closing balance	**(138,353)**	**(64,295)**

The movements during 2021 were 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 7.4).

8.2. Current and non-current financial investments

The breakdown of these headings is as follows:

(Euros)	12/31/2022	12/31/2021
Non-current financial investments		
Derivative financial instruments	700,213	492,400
Guarantees	1,344,638	330,346
TOTAL	**2,044,851**	**822,746**
Current financial investments		
Deposits	646,598	11,535,011
Guarantees	310,008	719,966
TOTAL	**956,606**	**12,254,977**

Two structured deposits are included as derivative financial instruments which generate remuneration subject to the share price performance of three companies listed on the IBEX-35, one of which was incorporated during the first half of 2022 with an amount of 500 thousand euros. During 2022 the fair value of these deposits decreased by an amount of 292,187 euros (2021: 7,600 euros).

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.

The current balance recognized for deposits at December 31, 2022 mainly includes a security deposit set up as a guarantee for repayment of the mortgage loan associated with the Hotel Radisson Collection Sevilla, amounting to 543 thousand euros at year end (2021: 494 thousand euros). At December 31, 2021, said balance included an additional fixed-term deposit of 9.5 million euros, which matured in January 2022. On March 31, 2022, the Company arranged another fixed-term deposit for the same amount, which matured in November 2022. These deposits accrued interest at market rates. Likewise, at said date a balance of 1,410 thousand euros was included, corresponding to amounts withheld from the seller of Palacio Vista Eder in San Sebastián (the future Hotel Nobu San Sebastián) as a guarantee for fulfillment of certain obligations. MHRE returned said balance in March 2022 (Note 12.3).

9. INVENTORIES

The breakdown of this heading is as follows:

(Euros)	12/31/2022	12/31/2021
Golf shop merchandise	88,437	78,183
Prepayments to suppliers	830,528	349,364
TOTAL	**918,965**	**427,547**

No provisions were set aside during 2022 or 2021 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 balances at December 31, 2022 totaled 72,460,965 euros (2021: 53,545,370 euros). Of said amount, a balance of 2,875 thousand euros (2021: 6,458 thousand euros) will be restricted until the corresponding amounts are justified by evidence of *capex* investments for which the Group obtained bank financing.

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.

Notes to the consolidated financial statements for the year ended December 31, 2022

11.1. Share capital

At December 31, 2022, MHRE's share capital consisted of 116,032,487 shares (December 31, 2021: 76,926,101 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.

The breakdown of shareholders holding ownership interest in the share capital of MHRE greater than 5% at December 31, 2022 is as follows:

Shareholder	% of ownership interest
CL MH Spain S.à. (controlled by Castlelake)	49.72%
Arconas International	5.05%
Mutualidad General de Previsión de la Abogacía	5.05%

The breakdown of shareholders holding ownership interest in the share capital of MHRE 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 José María Castellano)	5.84%

Movements in capital during 2022

On May 27, 2022, the corresponding deed was granted relating to the second disbursement for the capital increase carried out by MHRE without any preferential subscription rights. It had been approved by the ordinary and extraordinary general shareholder meeting held on July 7, 2021, as filed at the Madrid Mercantile Registry on May 30, 2022. Execution of the second disbursement for said capital increase involved subscription of a total of 39,106,386 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 second disbursement amounted to 156,425,544 euros.

The expenses accrued during 2022 for this capital increase amounted to 1,141,996 euros, recognized as a reduction in reserves (Note 11.3).

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 911,251 euros (10,265 euros of which accrued in 2022 and 901,489 euros in 2021), recognized by reducing reserves (Note 11.3).

11.2. Share premium

The share premium can be freely distributed. The year ended December 31, 2022 saw an increase in the share premium of 117,319,158 euros as a result of the second disbursement for 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 contrast, the year ended December 31, 2021 saw an increase in the share premium of 66,975,000 euros as a result of the first disbursement for said capital increase approved by the shareholders in their extraordinary general meeting held on July 7, 2021, as filed at the Mercantile Registry of Madrid on August 18, 2021 (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 12/31/2021	Appropriation of profit	Capital increase expenses (Note 11.1)	Other changes	Balance at 12/31/2022
Legal reserve	3,040,560	-	-	-	3,040,560
Reserves in consolidated companies	23,834,712	-	-	4,146,255	27,980,967
Voluntary reserves	50,578,616	-	(1,152,261)	(19,160,488)	30,265,867
	77,453,888	-	(1,152,261)	(15,014,233)	61,287,394
Retained earnings	(14,995,441)	9,473,809	-	14,995,441	9,473,809
TOTAL	**62,458,447**	**9,473,809**	**(1,152,261)**	**(18,792)**	**70,761,203**

(Euros)	Balance at 12/31/2020	Appropriation of profit	Capital increase expenses (Note 11.1)	Other changes	Balance at 12/31/2021
Legal reserve	3,040,560	-	-	-	3,040,560
Reserves in consolidated companies	(159,835)	-	-	23,994,547	23,834,712
Voluntary reserves	51,517,253	-	(901,489)	(37,148)	50,578,616
	54,397,978	-	(901,489)	23,957,399	77,453,888
Retained earnings	23,994,547	(14,995,441)	-	(23,994,547)	(14,995,441)
TOTAL	**78,392,525**	**(14,995,441)**	**(901,489)**	**(37,148)**	**62,458,447**

"Other changes" for 2022 includes the offsetting of MHRE's losses from prior years (losses of 19,141,696 euros), approved at the ordinary and extraordinary general shareholders meeting held on June 22, 2022, against a special voluntary reserve, arising from the capital reduction approved by the ordinary general shareholders meeting held on May 10, 2019.

Legal reserve

The balance of this heading corresponds entirely to the Parent. 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 these reserves corresponds entirely to the Parent and is freely distributable. However, these reserves include a balance of 38,628,944 euros (2021: 57,770,640 euros) which can only be used under the same conditions required for capital reductions. The ordinary and extraordinary general shareholder meeting for MHRE held on June 22, 2022 approved, amongst other matters, offsetting the losses from prior years in the amount of 19,141,696 euros with a charge against said special voluntary reserve. Thus, the mandatory announcement was published on June 28, 2022 in the Official Gazette of the Mercantile Registry and on MHRE's corporate website, in accordance with the provisions of article 319 of the revised text of the Spanish Corporate Enterprises Act, referred to in article 335.c) of the aforementioned law. Since none of MHRE's creditors objected to offsetting the losses in a timely manner and due form, the directors of MHRE unanimously agreed to execute said operation at their meeting held on October 6, 2022.

11.4. Shares of the Parent company

During 2022 MHRE acquired 38,756 treasury shares (2021: 36,747 treasury shares) at an average price of 3.71 euros per share (2021: 4.03 euros) and sold 24,289 treasury shares (2021: 41,337 treasury shares) at an average price of 3.83 euros per share (2021: 4.80 euros per share). The difference between the cost price and the sales price for the shares, totaling a net amount of -18,792 euros (2021: -37,148 euros) was recognized under "Voluntary reserves" (Note 11.3).

At December 31, 2022 MHRE held a treasury share portfolio comprised of 233,680 treasury shares, representing 0.2% of its share capital (December 31, 2021: 219,212 treasury shares, representing 0.3% of its share capital).

Notes to the consolidated financial statements for the year ended December 31, 2022

11.5. Unrealized gains (losses) reserve

The breakdown and movements in this heading are as follows:

(Euros)	Balance at 12/31/2021	Income and expense recognized directly in consolidated equity	Tax effect of income (expense)	Transfers to the consolidated separate income statement	Tax effect of transfers	Balance at 12/31/2022
Cash flow hedges (Note 12.2)	(258,985)	-	-	258,985	-	-
TOTAL	**(258,985)**	**-**	**-**	**258,985**	**-**	**-**

(Euros)	Balance at 12/31/2020	Income and expense recognized directly in consolidated equity	Tax effect of income (expense)	Transfers to the consolidated separate income statement	Tax effect of transfers	Balance at 12/31/2021
Cash flow hedges (Note 12.2)	(442,351)	57,444	-	125,922	-	(258,985)
TOTAL	**(442,351)**	**57,444**	**-**	**125,922**	**-**	**(258,985)**

12. FINANCIAL LIABILITIES

The breakdown of financial liabilities by category is as follows:

(Euros)	12/31/2022	12/31/2021
Non-current financial liabilities		
Financial liabilities at amortized cost	123,448,887	111,120,324
Bank borrowings (Note 12.1)	118,019,627	108,081,012
Finance lease payables (Note 12.1)	-	28,915
Other financial liabilities (Note 12.3)	5,429,260	3,010,397
	123,448,887	**111,120,324**
Current financial liabilities		
Financial liabilities at amortized cost	25,870,978	21,983,626
Bank borrowings (Note 12.1)	6,181,001	5,993,965
Finance lease payables (Note 12.1)	-	173,234
Other financial liabilities (Note 12.3)	2,261,438	3,597,030
Trade and other payables (Note 12.4)	17,428,539	12,219,397
	25,870,978	**21,983,626**
TOTAL	**149,319,865**	**133,103,950**

Notes to the consolidated financial statements for the year ended December 31, 2022

The fair value of financial liabilities at amortized cost is 8,614 thousand euros less than their carrying amount at December 31, 2022 (2021: the carrying amount of financial liabilities at amortized cost did not differ significantly from fair value). Said difference arises from bank borrowings arranged at fixed rates.

The breakdown of maturities for financial liabilities at December 31, 2022, without taking into account debt arrangement expenses amounting to 1,469,371 euros, is as follows:

(Euros)	Current	Non-current						
	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	Total
Bank borrowings	6,181,001	7,171,171	22,695,138	25,715,059	39,537,820	24,369,810	119,488,998	125,669,999
Other financial liabilities	2,261,438	217,686	487,642	483,601	554,486	3,685,845	5,429,260	7,690,698
Trade and other payables	17,428,539	-	-	-	-	-	-	17,428,539
TOTAL	**25,870,978**	**7,388,857**	**23,182,780**	**26,198,660**	**40,092,306**	**28,055,655**	**124,918,258**	**150,789,236**

The breakdown of maturities for financial liabilities at December 31, 2021, without taking into account debt arrangement expenses amounting to 1,842,216 euros, is as follows:

(Euros)	Current	Non-current						
	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	Total
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**

Notes to the consolidated financial statements for the year ended December 31, 2022

12.1. Bank borrowings

The breakdown of bank borrowings at December 31, 2022 is as follows:

Type of debt	Nominal interest rate	Year of maturity	Pending balance	Non-current	Current
Mortgage loans			**121,248,543**	**115,440,362**	**5,808,181**
Hotel Eurostars Lucentum	2.25%	2030	10,013,058	9,072,391	940,667
Hotel Radisson Sevilla (Tranches A, C and Capex)	3.37%	2025	17,108,000	16,431,200	676,800
Hotel Radisson Bilbao (Tranche A)	2.38%	2026	11,352,000	10,920,000	432,000
Hotel Radisson Bilbao (Tranche B - Capex)	2.40%	2026	10,850,620	10,437,700	412,920
Hotel JW Marriott Madrid - Tranche A (2014)	2.95%	2030	13,321,817	11,649,077	1,672,740
Hotel JW Marriott Madrid - Tranche A (2016)	2.95%	2026	1,166,320	845,266	321,054
Hotel JW Marriott Madrid - Tranche B	2.95%	2027	10,500,000	10,500,000	-
Hotel JW Marriot Madrid - ICO loan guarantee	3.35%	2027	26,330,228	26,330,228	-
Hotel Meliá Bilbao - Loan 1	Euribor + 1%	2036	14,147,094	13,227,094	920,000
Hotel Meliá Bilbao - Loan 2	Euribor + 1%	2036	1,115,406	1,035,406	80,000
Hotel Meliá Bilbao - Loan 3	Euribor + 2%	2036	5,344,000	4,992,000	352,000
Other loans			**4,170,078**	**4,048,636**	**121,442**
Bankinter (ICO Alcaidesa Golf)	1.50%	2025	670,078	548,636	121,442
BBVA (Alcaidesa Golf)	Euribor + 1.90%	2028	3,500,000	3,500,000	-
Unpaid accrued interest			**239,409**	**-**	**239,409**
Debt arrangement expenses			**(1,469,371)**	**(1,469,371)**	**-**
Other			**11,969**	**-**	**11,969**
TOTAL			**124,200,628**	**118,019,627**	**6,181,001**

During 2022, a balance of 15.5 million euros was drawn down on the loan guaranteed by ICO and granted for financing the properties that will make up the future Hotel JW Marriott, covering the adaptation costs for said hotel.

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 Marriott Madrid - Tranche A (2014)	2.95%	2030	14,945,989	13,321,816	1,624,173
Hotel JW Marriott Madrid - Tranche A (2016)	2.95%	2026	1,478,053	1,166,320	311,733
Hotel JW Marriott Madrid - Tranche B	2.95%	2027	10,500,000	10,500,000	-
Hotel JW Marriot 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 schedule 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, 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.

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 "Links" golf course at the La Hacienda Alcaidesa Links Golf Resort (Note 6). Said contract included an initial grace period of 2 years.

During the year ended December 31, 2022, borrowings from credit entities for mortgage loans and finance leasing accrued interest amounting to 3,380 thousand euros (2021: 3,239 thousand euros), of which 1,697 thousand euros were capitalized in connection with hotels in development (2021: 2,190 thousand euros; Note 7.1) and 1,683 thousand euros were recognized in the consolidated separate income statement (2021: 1,049 thousand euros; Note 16.4).

The mortgage loans related to the Hotel Radisson Collection Sevilla, the Hotel Radisson Collection Bilbao, the Hotel Meliá Bilbao, and the future Hotel JW Marriott include the obligation to comply with a series of financial ratios in some cases, applicable once the corresponding hotel has been operating for a given period of time. The loans can be called ahead of maturity in the event of failure to meet the ratios. At December 31, 2022 the Group was in compliance with the ratios applicable at said date, except for one case in which the corresponding waiver had been obtained from the banking entity (same situation at December 31, 2021).

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 (Note 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. The terms and conditions of the hedging instrument and hedged item matched, so that the hedge was deemed effective

The Group valued the hedging derivative at an amount of 258,985 euros at December 31, 2021 (Note 5), recognizing the unrealized gains (losses), net of the tax effect, under consolidated equity (Note 11.5).

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

Notes to the consolidated financial statements for the year ended December 31, 2022

12.3. Other financial liabilities

The breakdown for this heading is as follows:

(Euros)	12/31/22	12/31/2021
Other non-current financial liabilities		
Guarantees received	1,138,698	209,374
Lease liabilities	4,290,562	2,801,023
TOTAL	**5,429,260**	**3,010,397**
Other current financial liabilities		
Guarantees received	2,049,217	2,959,218
Lease liabilities	186,040	130,404
Other	26,181	507,408
TOTAL	**2,261,438**	**3,597,030**

The non-current guarantees received are associated with the leasing contracts the Group has arranged for the properties it owns (Note 7.4). The maturities of said guarantees are the same as those for the corresponding lease agreements.

The guarantees received and classified as current include letters of credit received from the lessee of the Hotel Eurostars Lucentum in guarantee of rental payments (Note 8.1). In addition, at December 31, 2021, a balance of 910 thousand euros was included under guarantees, which together with the 500 thousand euros included under "Other" at said date correspond to the amounts withheld from the seller of Palacio de Vista Eder de San Sebastián (the future Hotel Nobu Sebastián) in guarantee of certain obligations (Note 8.2), returned in March 2022.

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

12.4. Trade and other payables

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

(Euros)	12/31/22	12/31/2021
Suppliers and other payables	14,829,451	10,448,445
Remuneration pending payment to employees	2,232,537	1,444,780
Customer advances	366,551	326,172
TOTAL	**17,428,539**	**12,219,397**

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

Remuneration payable to employees at December 31, 2022 mainly includes provisions for bonuses amounting to 2,069,120 euros (2021: 0 euros) as well as other items amounting to 162,906 euros (2021: 1,443,133 euros, of which 1,193,133 euros correspond to 2021 and 250,000 euros to 2020) (Note 16.2).

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

13. PROVISIONS AND CONTINGENCIES

13.1. Current provisions

The breakdown and movements for provisions included under this heading at December 31, 2022 are as follows:

(Euros)	Balance at 12/31/2021	Allowances/ (reversals)	Amounts applied	Balance at 12/31/2022
Provision for contractual claims	53,034	-	-	53,034
Provision for tax contingencies	108,852	(73,852)	-	35,000
TOTAL	**161,886**	**(73,852)**	**-**	**88,034**

The breakdown and movements for provisions included under this heading at December 31, 2021 are as follows:

(Euros)	Balance at 12/31/2020	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**

13.2. Contingencies

In 2021, the lessee of the Hotel Meliá Bilbao filed a lawsuit against MHRE 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 of the pandemic provoked by COVID-19. The claim was answered by MHRE 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 MHRE, based on the opinion of the legal advisors, setting aside a provision to cover this item is not necessary at December 31, 2022. In addition, it is worth highlighting that said lessee is up to date with all rental payments accrued during the year.

Notes to the consolidated financial statements for the year ended December 31, 2022

14. TAX MATTERS

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

(Euros)	12/31/22	12/31/2021
Tax credits		
Other receivables from public administrations		
VAT	10,343,520	8,090,316
Withholdings on corporate income tax	53,613	32,296
TOTAL	**10,397,133**	**8,122,612**
Tax liabilities		
Deferred tax liabilities	2,514,294	2,514,294
Other payables to public administrations		
VAT	83,949	4,276
Withholdings	338,659	281,680
Social security payable	80,780	60,678
TOTAL	**3,017,682**	**2,860,928**

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 Group companies are open to inspection of all taxes to which they are liable for the last four years. At December 31, 2022, the Group was subject to ongoing limited verification procedures initiated by the tax authorities with respect to VAT corresponding to Alcaidesa Holding, S.A.U. for 2021. Said procedures concluded favorably on January 20, 2023 with a refund of the amount claimed (1,225 thousand euros) plus 22 thousand euros for late payment interest (Note 20). MHRE'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, MHRE 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 2022 and 2021 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 2022 is 0% (2021: 0%).

Notes to the consolidated financial statements for the year ended December 31, 2022

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

	2022					
	Consolidated separate income statement			Income and expense recognized directly in consolidated equity		
(Euros)	Increases	Decreases	Total	Increases	Decreases	Total
Income and expense for the year	-	-	11,786,776	-	-	(893,276)
Corporate income tax	-	-	-	-	-	-
Income and expense for the year before tax			**11,786,776**			**(893,276)**
Permanent differences	-	-	-	-	-	-
Temporary differences	28,391	(27,244,555)	(27,216,164)	(258,985)	-	(258,985)
Taxable income (Tax result)			**(15,429,388)**			**(1,152,261)**

	2021					
	Consolidated separate 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)
Taxable income (Tax result)			**(13,702,324)**			**(901,489)**

The temporary differences recognized in the consolidated separate income statement mainly includes the adjustments arising from application of the IAS 40 fair value method and IFRS 16. In 2021, accelerated depreciation of investment properties financed via finance leases (Note 12.1) were also included, amounting to a negative balance of 231 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).

Notes to the consolidated financial statements for the year ended December 31, 2022

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: Consolidated separate income statement	Changes reflected in: Consolidated equity (Note 11.5)	Transfers (Note 5)	Closing balance
2022					
Deferred tax liabilities					
Valuation of investment properties	2,514,294	-	-	-	2,514,294
TOTAL	**2,514,294**	**-**	**-**	**-**	**2,514,294**

(Euros)	Opening balance	Changes reflected in: Consolidated separate 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**

The breakdown for tax loss carryforwards pending application prior to application of the SOCIMI tax regime is as follows:

Arising in	12/31/2022	12/31/2021
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 MHRE consider it unlikely that sufficient future taxable profits will be generated for their application under the special SOCIMI tax regime (Note 1.1).

Notes to the consolidated financial statements for the year ended December 31, 2022

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
MHRE San Roque, S.L.U.	-	-	-	-
Alcaidesa Holding, S.A.U.	15,744,227	2,513,400	25,814,174	44,071,801

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.	341,887,362	3,040,560	30,265,868	375,193,790
Varia Pza Magdalena, S.L.U.	-	5,442	-	5,442
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
MHRE San Roque, S.L.U.	-	-	-	-
Alcaidesa Holding, S.A.U.	-	-	-	-

The reserves of Millenium Hospitality Real Estate, SOCIMI, S.A. mainly arose from the capital increase and capital reduction carried out during 2019, and the capital increases carried out from 2020 to 2022, years in which said company was already included under the SOCIMI regime.

Notes to the consolidated financial statements for the year ended December 31, 2022

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
Dividends charged against 2021 profit			
Varia Pza Magdalena, S.L.U.	48,977	-	48,977

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
Dividends charged against 2021 profit	
Varia Pza Magdalena, S.L.U.	6/30/2022

Notes to the consolidated financial statements for the year ended December 31, 2022

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.*

All properties accounted for under "Investment properties" in the consolidated statement of financial position (Note 7) are held for purposes of leasing. However, at present, the properties which generate income are the following:

Acquisition/ date	Date of applying tax regime	Classification of the asset	Identification	Address	Use
2/16/2018	2/16/2018	Asset owned by MHRE	Building - Hotel Eurostars Lucentum	Avenida Alfonso X El Sabio, N.º 11, Alicante	Hotel business
11/7/2019	11/7/2019	Asset owned by MHRE	Building – Hotel Meliá Bilbao	Lehendakari Leizaola N.º 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 N.º 1 y c/ Rioja N.º 26, Seville	Hotel business
3/27/2019	3/27/2019	Asset owned by MHRE	Building – Hotel Radisson Collection Bilbao	Gran Vía Don Diego López de Haro N.º 4, Bilbao	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
12/28/2021	12/28/2021	Asset owned by MHRE	Building – future Hotel Nobu Madrid	Alcalá N.º 26, Madrid	Offices
10/27/2022	10/27/2022	Asset owned by MHRE	Building – Hotel Iberostar Las Letras	Gran Vía N.º 11	Hotel business

(*) 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.

In addition, the acquisition or incorporation dates relating to the interests which the Parent currently holds in the share capital of entities to which section 1, article 2 of the SOCIMI Law refers, are broken down as follows:

Company	Acquisition/incorporation date	Year in which the SOCIMI regime was applied
Varia Pza Magdalena, S.L.U.	September 6, 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* (Note 7).

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 2022 other than for the purpose of offsetting losses.

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.

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

Information by segment is provided below for the year:

	Hotel leases		Other activities		Corporate unit		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	9,875,588	7,149,380	2,447,505	1,318,166	-	-	12,323,093	8,467,546
Cost of sales	-	-	(160,143)	(116,735)	-	-	(160,143)	(116,735)
Other operating income	633,961	113,251	112,322	69,780	-	-	746,283	183,031
Employee benefits expense	-	-	(1,684,257)	(1,302,959)	(4,904,762)	(3,636,154)	(6,589,019)	(4,939,113)
Other operating expenses	(1,643,813)	(1,842,595)	(1,538,701)	(985,270)	(1,597,503)	(1,231,649)	(4,780,017)	(4,059,514)
Change in fair value of investment properties	14,988,227	12,749,794	-	-	-	-	14,988,227	12,749,794
Depreciation and amortization	(105,557)	(111,844)	(515,168)	(482,803)	(235,626)	(76,173)	(856,351)	(670,820)
Impairment losses and gains (losses) on disposal of non-current assets	-	-	(2,458,289)	(839,257)	-	-	(2,458,289)	(839,257)
Gains (losses) due to loss of control over subsidiaries	-	-	-	-	860,198	-	860,198	-
OPERATING PROFIT (LOSS)	**23,748,406**	**18,057,986**	**(3,796,731)**	**(2,339,078)**	**(5,877,693)**	**(4,943,976)**	**14,073,982**	**10,774,932**
Finance income and expenses (net)	(1,946,400)	(1,266,845)	(64,162)	(19,590)	(276,644)	(14,688)	(2,287,206)	(1,301,123)
PROFIT (LOSS) BEFORE TAX	**21,802,006**	**16,791,141**	**(3,860,893)**	**(2,358,668)**	**(6,154,337)**	**(4,958,664)**	**11,786,776**	**9,473,809**
Total assets	**600,841,009**	**448,857,000**	**17,208,280**	**16,013,399**	**73,830,790**	**63,658,548**	**691,880,079**	**528,528,947**
Total liabilities	**141,413,918**	**146,096,988**	**8,123,683**	**8,232,739**	**2,914,314**	**2,038,271**	**152,451,915**	**156,367,998**
Other disclosures								
Acquisitions of intangible assets and PP&E	1,386,578	-	3,293,680	7,457,004	731,009	43,795	5,411,267	7,500,799
Acquisitions of investment properties	176,769,304	76,764,155	-	-	-	-	176,769,304	76,764,155

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 9,875,588 euros (2021: 7,149,381 euros; Note 7.4). Additional income was obtained during 2022 from the rendering of services, amounting to 2,174,075 euros (2021: 1,117,913 euros), and from sales in the restaurant segment and sales of sports articles, amounting to a total of 273,430 euros (2021: 200,252 euros), all of which was related to the operation of two golf courses (Note 6).

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

(Euros)	2022	2021
Madrid	1,659,279	1,977,120
Alicante	1,776,423	1,679,895
Bilbao	4,403,622	2,586,635
Cádiz	2,552,971	1,395,571
Seville	1,930,798	828,325
TOTAL	**12,323,093**	**8,467,546**

16.2. Employee benefits expense

The breakdown of this heading is the following:

(Euros)	2022	2021
Wages and salaries	3,671,824	4,472,136
Provision for bonuses and other remuneration items (Note 12.4)	2,232,026	422,915
Social security payable by the company	623,823	422,915
Other personnel expenses	61,346	44,062
TOTAL	**6,589,019**	**4,939,113**

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		
2022					
Chief Executive Officer	1	-	1	1	-
Remaining management team	3	1	4	4	-
Department directors	7	3	10	10	-
Other employees	47	25	72	63	-
TOTAL	**58**	**29**	**87**	**78**	**-**
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**	**-**

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16.3. External services

The breakdown of this heading is as follows:

(Euros)	2022	2021
Leases and royalties	116,695	10,024
Repairs and maintenance	477,155	327,584
Independent professional services	1,492,592	1,010,966
Transportation	22,248	16,303
Insurance premiums	171,403	165,815
Banking and similar services	27,160	23,341
Publicity, advertising, and public relations	366,951	181,829
Supplies	924,580	398,188
Other services	192,402	85,240
TOTAL	**3,791,186**	**2,219,290**

16.4. Finance costs

The breakdown of this heading is as follows:

(Euros)	2022	2021
Interest on borrowings from credit entities (Note 12.1)	1,683,273	1,048,922
Interest on derivative instruments (Note 12.2)	10,483	125,922
Other finance costs	320,322	188,017
TOTAL	**2,014,078**	**1,362,861**

17. RELATED PARTY TRANSACTIONS

The table below lists the related parties with which the Group carried out transactions during 2022 and 2021 along with the nature of the relationship:

Related party	Nature of the relationship
2022	
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 MHRE	Directors
Chairman and CEO of MHRE	Senior management

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 MHRE	Directors
Chairman and CEO of MHRE	Senior management
Second vice-president of MHRE (1)	Senior management

(1) Until July 29, 2021.

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)	**2022**	**2021**
Lease arrangements (Note 6.1)	104,883	60,000
Professional services	56,447	21,161
Purchase of materials	4,933	37,837
Transportation	14,650	10,800
TOTAL	**180,913**	**129,798**

The Parent had leased the offices in Madrid from Grupomillenium Investment Partners, S.L. until March 31, 2023. However, on February 28, 2023 an addendum to the contract was signed in order to extend its duration until March 31, 2026 (Note 20).

The breakdown of balances with related parties is as follows:

	Entities related to Board members	
(Euros)	**12/31/22**	**12/31/2021**
Other payables	6,205	28,228
TOTAL	**6,205**	**28,228**

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17.2. Directors and senior management

The ordinary and extraordinary general MHRE shareholder meeting held on June 22, 2022 approved, amongst other matters, an increase in the number of Board members by two additional members (from 9 to 11), appointing Ms. Pilar Muñoz Sanz and Mr. Luis Basagoiti Robles as independent directors.

Previously, on July 29, 2021, the Board of Directors of MHRE agreed upon presenting the shareholders in meeting with the proposal to reduce the number of Board members from 10 to 9. In addition, at said date, the following MHRE 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 MHRE Board of Directors appointed the following Board members by co-optation: Mr. Eduardo D'Alessandro, Ms. Leticia Fusi and Mr. Isaiah Toback, all of whom are proprietary directors. Subsequently, the extraordinary general shareholder meeting held by MHRE on September 30, 2021 agreed upon, amongst other matters, limiting the number of MHRE Board members to 9 and ratifying the appointment by co-optation of Ms. Leticia Fusi, Mr. Eduardo D'Alessandro, and Mr. Isaiah Toback.

Consequently, at December 31, 2022, MHRE's Board of Directors is comprised of 11 persons, 7 of whom were men and 4 women (2021: 9 persons, 6 of whom were men and 3 women).

Further, on March 14, 2023, Ms. Macarena Sáinz de Vicuña Primo de Rivera resigned from her position on the MHRE Board as well from all the committees in which she was a member, the Board of Directors having accepted her resignation (Note 20).

The breakdown of remuneration earned by members of MHRE's Board of Directors and its senior management is as follows:

(Euros)	**2022**	**2021**
Directors		
Salaries	288,000	384,000
Per diems	128,000	150,000
	416,000	**534,000**
Senior management		
Salaries	600,000	1,585,630
Bonus	1,200,000	-
	1,800,000	**1,585,630**
TOTAL	**2,216,000**	**2,119,630**

The Group had not contracted any commitments relating to pension plans for the directors of MHRE or senior management at December 31, 2022 and 2021.

At December 31, 2022 and 2021, the Group had not granted any loans or advances to the directors of MHRE or senior management, nor had it pledged any guarantees on their behalf.

In 2022, the Group paid 57,055 euros of civil liability insurance premiums on behalf of the directors of MHRE to cover potential damages they may cause in the course of carrying out their duties (2021: 57,055 euros). Likewise, a life insurance premium was settled in favor of senior management, amounting to 10,349 euros (2021: 9,598 euros).

In accordance with article 229 of the Spanish Corporate Enterprises Act, the directors of MHRE 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 loss allowances for accounts receivable were recognized during 2022 in the amount of 74,058 euros, which mainly affects balances arising from the golf activity. In 2021, impairment loss allowances amounting to 872,726 euros were recognized, mainly due to the effect which the crisis generated by COVID-19 exceptionally had on the lessee of the Hotel Via Castellana (Note 8.1).

- 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, 2022, the Group presented a loan to value ratio (LTV), defined as financial debt divided by the fair value of the assets, of 21.2% (2021: 28.7%). If the cash balance of 72.5 million euros (2021: 53.5 million euros) were taken into account for calculation of net financial debt, the LTV would be reduced to 8.8% (2021: 16.7%). In addition, at December 31, 2022, the Group's working capital amounted to 63.1 million euros (2021: 80 million euros). Thus, in light of its financial situation at December 31, 2022, the directors of MHRE consider that the Group will be able to meet its payment obligations in the short term.

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- 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 MHRE consider this a moderate risk.

- Interest rate risk: at December 31, 2022 approximately 81% of the debt held by the Group with credit entities is subject to a fixed interest rate (December 31, 2021: 78%). The remaining debt owed to credit entities is referenced to Euribor, so that given the current policy of the European Central Bank to hike interest rates, the directors of MHRE consider this risk as moderate.

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)	2022	2021
Audit services	99,300	98,000
Other accounting review and verification work	28,654	26,830
Other non-audit services	6,990	-
TOTAL	**134,944**	**124,830**

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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)	2022	2021
Average supplier payment period	23.6	27.3
Ratio of transactions paid	27.2	28.4
Ratio of transactions pending payment	1.9	20.2
(Euros)	**2022**	**2021**
Total payments made	86,473,021	54,815,199
Total payments outstanding	14,170,596	8,915,200
Monetary volume of invoices paid within the maximum period allowed for by late payment regulations	78,722,863	N/A
Percentage of payments made within the maximum period over total payments made	91%	N/A
(Number of invoices)	**2022**	**2021**
Invoices paid within the maximum period allowed for by late payment regulations	3,590	N/A
Percentage over total invoicing	91%	N/A

20. EVENTS AFTER THE REPORTING DATE

The following significant events took place from December 31, 2022 to the date of authorization of the accompanying consolidated financial statements:

- The limited verification procedures initiated by the tax authorities with respect to VAT, corresponding to Alcaidesa Holding, S.A.U. for 2021, concluded favorably on January 20, 2023 with a refund of the amount claimed (1,225 thousand euros) plus 22 thousand euros for late payment interest (Note 14).
- On January 26, 2023, an agreement was reached with Alma Gestión de Hoteles, S.L.U. for early termination of the lease agreement relating to the future hotel located in Seville at Plaza San Francisco 11-12, with MHRE having settled 87.6 thousand euros for indemnity payments (Note 7.4).
- On February 28, 2023, an addendum was signed to the lease agreement for the offices which MHRE is leasing from Grupomillenium Investment Partners, S.L., extending the duration of the contract up to March 31, 2026 (Notes 6.1 and 17.1).

- On March 8, 2023, MHRE signed a lease contract with the Spanish Mercer hotel chain for the property located in Seville at Plaza San Francisco 11-12, in order to operate said property under the Nobu brand. The lease was contracted for a period of 20 years counting form the date on which the finished property is made available to the lessee, with the first 5 years of the contract established as obligatory for the lessee. The agreement also includes three automatic renewals for a duration of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each 5-year period. Lease income 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 (Note 7.4).
- On March 14, 2023, Ms. Macarena Sáinz de Vicuña Primo de Rivera resigned from her position on the MHRE Board as well from all the committees in which she was a member, the Board of Directors having accepted her resignation (Note 17.2).

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Situation of the market in which the Group performs its activity

Tourism activity saw significant growth during 2022, practically returning to pre-pandemic levels in spite of the war against Ukraine, stubborn inflation, and the threat of a possible recession. According to data published by the Spanish National Statistics Institute ("INE"), approximately 103 million tourists stayed in hotel establishments, only 6% below the figure recorded for 2019. Likewise, an increase in foreign tourists visiting Spain was also observed, thanks to strong pent-up demand and the desire to travel following reestablishment of international airline transport. As a consequence, 2022 saw significant rate increases and relevant occupancy levels, which helped hotel operators offset increased operating costs resulting from inflation. According to INE data, the average daily rate (ADR) per room in 5-star hotels amounted to 233 euros during 2022 (+12% compared to 2021) and the average revenue per available room (RevPar) amounted to 152 euros (+53% compared to 2021).

This recovery of the Spanish tourism market helped reinforce investor commitment to the tourism sector during a period of high economic uncertainty. In this regard, according to the Colliers Hotel Investment Report for 2022, the year concluded with 3,279 million euros in hotel investment, corresponding to existing hotels, properties to be reconverted for hotel use, and land to be used for hotel developments. The 3,000 million level was again surpassed for the second consecutive year and a new record was set, consolidating 2022 as the third best year in the historical record. It is worth highlighting that 24% of this figure corresponds to investments in Madrid, the city where 51% of the market value of the Group's gross assets value (GAV) of its real estate asset portfolio is concentrated.

Likewise, said report also emphasizes that the purchase and sale of real estate for reconversion to hotel use outperformed the most in 2022 (184 million euros in 19 transactions, representing an increase of 98% as compared to 2021) and that the purchase of land for development of hotels, almost entirely in holiday locations, reached 99 million euros in 11 transactions, representing the second best historical record, only surpassed in 2019. A significant increase in average transacted hotel prices was observed during 2022 (+7% compared to the record set in 2021). This increase is attributable to the sale of *premium* hotel assets, such as the Rosewood Villa Magna and the Bless Hotel Madrid, which exceeded 1 million euros per room, as well as other establishments that exceeded 500,000 euros per room, such as the 7Pines Ibiza Resort, the Hotel Único Madrid, or the Hotel Iberostar Las Letras acquired by MHRE. This upward trend in purchase prices was mainly driven by transactions involving numerous 5-star hotels or Grand Luxury 5-star hotels. According to CBRE data for 2022, of the total investment in the hotel sector, 37% was directed towards 5-star or Grand Luxury 5-star hotels, which is a clear indicator of the good performance and resilience that this type of hotel demonstrated during the post-pandemic recovery and with respect to future demand expected by investors.

The policy for hiking rates initiated by the Central banks with a view to combating the inflationary crisis, which is expected to continue during 2023, will increase the cost of financing, and possibly delay investment decisions given the gap between asking prices and selling prices.

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However, our country's leadership in the tourism industry, together with the quality of hotel facilities as well as interesting hotel repositioning opportunities, will continue to contribute to boosting hotel investment in coming years.

Business performance and situation of the Group

In this context, the Group obtained a positive result of 11.8 million euros during 2022 (2021: 9.7 million euros) in spite of the fact that only five of the thirteen hotels in its portfolio were being operated since the Hotel Vía Castellana had only been included in its portfolio for one month until Millenium Hotels C220, S.L.U. no longer formed part of the consolidation scope, sale of which resulted in a profit of 0.86 million euros, as explained below. In addition, the net result for the period was generated thanks to the positive change in the fair value of real estate assets, which presented a profit of 15 million euros (2021: 12.7 million euros), though also affected by impairment losses on the golf courses amounting to 2.4 million euros (0.8 million euros for the same period in 2021).

During 2022 the Group's hotel leasing activity showed clear signs of recovery with income increasing by 38% as compared to 2021, due to the opening of the Hotel Radisson Collection in Bilbao on March 15, 2022, which had been under construction the previous year, the acquisition of the Hotel Iberostar Las Letras on October 27, 2022, and the application of CPI adjustments to fixed rents. The significant positive results were mainly generated thanks to the aforementioned positive change in the fair value of real estate assets, evidencing the resilience of MHRE's asset portfolio and business model. In addition, it is worth noting that the building where the future Hotel Nobu Madrid will be located also contributed revenue (relating to office space) in 2022.

It is worth noting that on January 31, 2022 the sale of all the shares held by MHRE in Millenium Hotels C220, S.L.U. to the former director, Ibervalles, S.A., was executed. The transaction had previously been approved at the ordinary and extraordinary general shareholder meeting held on July 7, 2021, resulting in Hotel Vía Castellana no longer forming part of the Group's portfolio. The price of this sale was fixed at 27.5 million euros, of which an advance payment of 3 million euros had previously been received on July 30, 2021. In addition, on the date of signing the corresponding purchase-sale deed, 500 thousand euros were retained by the buyer as a guarantee until April 30, 2022, of which 433 thousand euros were finally returned. Consequently, the profit recognized for this transaction amounted to 860.2 thousand euros.

With respect to the Group's investments, though no acquisitions were carried out during the first half of 2022, a balance of 6,700 thousand euros was paid in advance relating to the acquisition of some plots of land in Marbella for purposes of developing a luxury hotel complex, definitive acquisition of which is subject to fulfillment of a series of suspensive conditions. However, in the second half of the year, after the second disbursement for the capital increase disclosed below, the Group carried out the following investments:

- On July 27, 2022, the Group acquired a building located at calle Zorrilla N.º 19 in Madrid for an amount of 30,000 thousand euros with a view to its conversion into a 5-star hotel. The expenses associated with this transaction amounted to 848 thousand euros. An advance payment of 1 million euros had been made in the prior year as a guarantee for said acquisition, which was returned to the Group. The acquired

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property is an emblematic building of classical architecture from the late nineteenth century, located in one of the most exclusive areas of Madrid, the Gran Vía-Alcalá axis, next to the Parliament and a few meters from Plaza Canalejas and the Thyssen-Bornemisza Museum.

- Subsequently, on October 27, 2022 the Group acquired the Hotel Iberostar Las Letras, located at Gran Vía 11 in Madrid, for a price of 70,000 thousand euros. The expenses associated with this acquisition amounted to 1,189 thousand euros. This hotel boasts 109 rooms and is located at a privileged site in the Spanish capital where the Gran Vía and Alcalá streets meet, the cultural and commercial epicenter of the city nowadays, and where some of the most important international luxury hotels are also located, soon to be joined by the future Hotel JW Marriot, Hotel Zorrilla 19, and Hotel Nobu Madrid, which the Group also owns.
- Additionally, on November 11, 2022 the Group acquired plots of land in the process of being classified for hotel use as per zoning regulations (66,592.55 m^2 and 23,842 m^2 which is buildable). Said land is located in the area known as El Palmar de Vejer in the municipality of Vejer de la Frontera, Cádiz, and was acquired with a view to developing a luxury eco-resort. The price paid for these plots totaled 12,000 thousand euros, while associated expenses amounted to 229 thousand euros.

These acquisitions, in addition to the costs capitalized in connection with construction and refurbishment work performed for several hotels and the golf courses at the La Hacienda Alcaidesa Links Golf Resort, amounting to a total of 59.1 million euros (2021: 45.3 million euros), which includes 1.7 million euros (2021: 2.2 million euros) of capitalized finance expenses, and together with the positive change in the fair value of these assets, led to a 32% increase in GAV for the Group's real estate portfolio, from 444.1 million euros in 2021 to 586.5 million euros at 2022 year end, considering 14.7 million euros for the golf courses at the La Hacienda Alcaidesa Links Golf Resort (2021: 14.4 million euros) accounted for as PP&E, and without considering advance payments relating to the purchase of properties, amounting to 6.7 million euros (2021: 1 million euros).

Progress in the work on buildings which are being reconverted or developed was affected by supply chain problems for materials on a global level as well as by the Russian war against Ukraine, though without generating significant delays or increases in costs.

In addition, the Group continued closing agreements with some of the world's leading hotel chains which operate in the luxury segment. On February 4, 2022, a lease agreement was signed for the future Hotel Nobu Madrid and on July 29, 2022 a lease agreement was signed for the future Hotel & Villas Fairmont La Hacienda, which is under development in Cadiz. In addition, subsequent to the closing of the reporting period, an agreement was reached with Alma Gestión de Hoteles, S.L.U. for early termination of the lease agreement relating to the property located in Seville at Plaza San Francisco 11-12. Subsequently, a lease agreement was signed with the Spanish Mercer hotel chain to operate said property under the Nobu brand.

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With respect to the golf courses which the Group is temporarily operating, activity was affected during the first half of 2022 as the "Alcaidesa Links" golf course remained closed in order to complete its total remodeling, which allowed it to join the prestigious European Tour Destination network. The reopening took place on July 15, 2022. In addition, as a consequence of the appraisal carried out by an independent expert for the assets associated with these golf courses at December 31, 2022, an impairment loss of 2.4 million euros was recognized (2021: 0.8 million euros).

The EPRA Net Asset Value (EPRA NAV) of the Group at December 31, 2022 is broken down as follows:

(Euros)	12/31/22	12/31/2021
EQUITY	**539,428,164**	**372,160,949**
Adjustments:		
Fair value of derivative financial instruments	-	258,985
Deferred tax related to investment properties	2,514,294	5,708,722
EPRA NAV	**541,942,458**	**378,128,656**
Total shares circulating	116,032,487	76,926,101
EPRA NAV / share	**4.67**	**4.92**

The Group's EPRA NAV increased in 2022 as a consequence of both profits obtained during the year as well as the second disbursement for the MHRE capital increase. On May 27, 2022, the corresponding deed was granted for the second disbursement relating to said capital increase carried out without any preferential rights. It had been approved by the ordinary and extraordinary general shareholder meeting held on July 7, 2021, and filed at the Madrid Mercantile Registry on May 30, 2022. Execution of the second disbursement for said capital increase involved subscription of a total of 39,106,386 new shares at a nominal value of 1 euro each and a share premium of 3 euros each, so that the effective total balance corresponding to said second disbursement amounted to 156.4 million euros (2021: 89.3 million euros). The very significant amount obtained represented the largest transaction in the Spanish primary market up to such date and proved the strength and attractiveness of the MHRE project. Subsequent to this transaction, Castlelake, through one of its funds, took its stake in MHRE's capital to 49.72%, and new reference partners entered in MHRE's capital, such as Mutualidad de la Abogacía and Arconas International, corresponding to a 5.05% stake each.

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 assets currently held fully profitable over the next 18-24 months, expecting to open the Hotel JW Marriott Madrid, Hotel Nobu Sevilla, and Hotel Nobu San Sebastián in 2023, as well as to carry out new acquisitions with the remaining funds obtained from the second disbursement of the capital increase carried out in May 2022. This will allow the Group to consolidate its portfolio, consequently increasing income, which will in turn allow it to begin distributing dividends to shareholders.

Consolidated Management Report for the year ended December 31, 2022

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 loss allowances for accounts receivable were recognized during 2022 in the amount of 74,058 euros, which mainly affects balances arising from the golf activity. In 2021, impairment loss allowances amounting to 872,726 euros were recognized, mainly due to the effect which the crisis generated by COVID-19 exceptionally had on the lessee of 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, 2022, the Group presented a loan to value ratio (LTV), defined as financial debt divided by the fair value of the assets, of 21.2% (2021: 28.7%). If the cash balance of 72.5 million euros (2021: 53.5 million euros) were taken into account for calculation of net financial debt, the LTV would be reduced to 8.8% (2021: 16.7%). In addition, at December 31, 2022, the Group's working capital amounted to 63.1 million euros (2021: 80 million euros). Thus, in light of its financial situation at December 31, 2022, the directors of MHRE 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. Based on the location of the Group's properties and the duration of the lease agreements in force, the directors of MHRE consider this a moderate risk.

- Interest rate risk: at December 31, 2022, approximately 81% of the debt held by the Group with credit entities is subject to a fixed interest rate (December 31, 2021: 78%). The remaining debt owed to credit entities is referenced to Euribor, so that given the current policy of the European Central Bank to hike interest rates, the directors of MHRE consider this risk as moderate.

Given the changing environment, the directors and Management of MHRE are constantly monitoring the developing situation with a view to successfully dealing with the possible impacts which may arise.

Consolidated Management Report for the year ended December 31, 2022

Research and development activities

The Group did not conduct any R&D activities during the year ended December 31, 2022.

Treasury shares

During 2022, MHRE acquired 38,756 treasury shares (2021: 36,747 treasury shares) at an average price of 3.71 euros per share (2021: 4.03 euros) and sold 24,289 treasury shares (2021: 41,337 treasury shares) at an average price of 3.83 euros per share (2021: 4.80 euros per share).

At December 31, 2022, MHRE held a treasury share portfolio comprised of 233,680 treasury shares, representing 0.2% of its share capital (December 31, 2021: 219,213 treasury shares, representing 0.3% of its share capital).

Average supplier payment period

The average supplier payment period was 23.6 days for the year ended December 31, 2022 (2021: 27.3 days).

Use of financial instruments

Until Millenium Hotels C220, S.L.U. exited the consolidation scope on January 31, 2022, the Group carried out cash flow hedging transactions relating to the real estate finance lease liability which said subsidiary held at a variable interest rate.

In addition, the Group contracted a new derivative financial instrument during 2022, consisting of a structured deposit amounting to 500 thousand euros, for which remuneration is subject to the share price performance of three companies listed on the IBEX 35.

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, 2022.

At the meeting of the Board of Directors of MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. on March 14, 2023, the Board members authorized the consolidated financial statements together with the consolidated management report for the year ended December 31, 2022 of MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. and subsidiaries, consisting of the documents attached above, initialed by the Secretary of the Board of Directors for purposes of identification, with all members of the Board of Directors signing this last page.

F. Javier Illán Plaza
Chairman and Chief Executive Officer

Leticia Fusi Aizpurua
Board member

Leticia Fusi Aizpurua (on behalf of **Isaiah Toback**) (*)
Board member

Leticia Fusi Aizpurua (on behalf of **Eduardo D'Alessandro Cishek**) (*)
Board member

Jaime Montalvo Correa
Board member

José María Castellano Ríos
Board member

Macarena Sainz de Vicuña Primo de Rivera
Board member

Javier Martínez-Piqueras Barceló
Board member

Luis Basagoiti Robles
Board member

María Isabel Dutilh Carvajal
Board member

Pilar Muñoz Sanz
Board member

(*) The directors Mr. Eduardo D'Alessandro Cishek and Mr. Isaiah Toback have attended the meeting of the Board by telematic means, having expressly expressed their agreement with the consolidated financial statements and the consolidated management report for the fiscal year 2022 and have proceeded to its authorization, expressly authorizing Ms. Leticia Fusi Aizpurua to sign this last page on their behalf, as recorded in the Board minutes.

Audit Report on Financial Statements
Issued by an Independent Auditor

MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2022

Building a better working world

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

Tel: 902 365 456
Fax: 915 727 238
ey.com

AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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.:

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, 2022, 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, 2022 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those regulations 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 requirements.

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

Building a better working world

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the financial statements of the current period. These risks were addressed in 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 recorded 418,020 thousand euros in "Investment properties" at December 31, 2022, which represent 70% of total Assets, corresponding to the carrying amount of buildings it owns. The 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"). Given the significance of the amounts involved and the fact that determining the fair values of investment properties requires that independent experts, management, and the Company's directors make significant estimates that entail applying judgments to determine the assumptions used (in particular, assumptions underlying estimated rents, discount rates, and exit yields used for investment properties), we determined this to be a key audit matter. Information on applicable measurement standards, the methodologies and principal assumptions, and related disclosures are provided in Notes 4.3 and 6 to the financial statements.
Our response	In relation to this matter, our audit procedures included: - Understanding the process designed by management to identify whether there are indications of impairment and to determine the fair value of assets recorded as "Investment properties," and assessing the design and implementation of the relevant controls in place in that process. - Obtaining the valuation reports prepared by the independent experts engaged by management to appraise the real estate portfolio, assessing the competence, capacity, and objectivity of the experts for the purpose of using their work as audit evidence. - Reviewing the appraisal models used by independent experts to determine the recoverable amounts of a sample of assets, with the involvement of our valuation specialists, focusing particularly on the mathematical coherence of the models and the reasonableness of the rents, comparable data, discount rates, initial exit yields, and the sensitivity analysis used. - Reviewing the disclosures made in the notes to the financial statements, assessing whether they are in conformity with the applicable financial reporting framework.

Measurement of investments in group companies

Description The Company's balance sheet at December 31, 2022 shows investments in group companies for a carrying amount of 50,011 thousand euros in "Non-current investments in group companies," which represent 8% of total assets.

Management assesses, at least at the end of each reporting period, whether there are indications of impairment and writes down these investments whenever there is objective evidence that the carrying amount of the investment is no longer recoverable, recognizing an impairment loss for the amount of the difference between carrying amount and recoverable amount.

Since determining the recoverable amount of these investments requires that management make estimates applying significant judgments related to the real estate assets held by investees, and due to the significance of the amounts involved, we determined this to be a key audit matter.

Information on the measurement standards applied when valuing the investments in group companies and the related disclosures are provided in Notes 4.5 and 7 to the financial statements.

Our response Our audit procedures related to this matter included:

- Understanding the process designed by management to determine whether there are indications of impairment and to determine the recoverable amount of investments in group companies, and assessing the design and implementation of the relevant controls in place in that process.
- Reviewing the analysis carried out by management to identify indications of the impairment of investments in group companies
- Reviewing, with the involvement of our specialists, and for a sample of assets, the appraisals carried out by the independent experts engaged by management of the real estate assets held by the investees to determine their recoverable amount, assessing the reasonableness of the underlying assumptions and the information used for their valuation.
- Reviewing the disclosures made in the notes to the financial statements, assessing whether they are in conformity with the applicable financial reporting framework.

Assessment of compliance with the requirements of the SOCIMIs special tax regime

Description As explained in Note 1.1 to the accompanying financial statements, the Company availed itself of the special tax regime for SOCIMIs established in Law 11/2009, of October 26, which regulates Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario "SOCIMI" (Spanish REITs), effective as of its formation date. One of the main characteristics of these entities is that they are not subject to corporate income tax.

Under the special tax regime, SOCIMIs are subject to compliance with certain requirements regarding, inter alia, corporate purpose, minimum share capital, equity investment, the income generated by these investments, trading on a regulated market or multilateral trading system, as well as information and mandatory distribution of profits. The assessment of compliance with some of these requirements involves estimates that entail judgments on the part of management to establish the assumptions underlying those estimates.

Due to the complexity of making these estimates when assessing compliance with some of the aforementioned requirements and to the fact that failure to comply with these requirements, if not remedied, could render the parent ineligible to avail itself of the special tax regime, and given that, should this occur, the Company would be taxed under the general corporate income tax regime, which would have a significant impact on the financial statements, we determined this to be a key audit matter.

The information on applying the special tax regime for Spanish SOCIMIs and compliance with the related requirements is provided in Notes 1.1, 4.9 and 17.2 to the financial statements.

Our response

Our audit procedures related to this matter included:

- Understanding management's process for assessing compliance with the of the special SOCIMI regime requirements.
- Obtaining the documentation prepared by management related to compliance with the above requirements.
- Reviewing and assessing the reasonableness of the information obtained and its completeness with regard to all matters contemplated by prevailing regulations at the date of analysis, with the involvement of our tax specialists.
- Reviewing the disclosures made in the notes to the financial statements, assessing whether they are in conformity with the applicable financial reporting framework.

Other information: management report

Other information refers exclusively to the 2022 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 cover 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 entity obtained during the audit, and to assess and report on whether the content and presentation of the management report are in conformity with applicable regulations. If, based on the work carried out, 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 management report is consistent with that provided in the 2022 financial statements and its content and presentation are in conformity with applicable regulations.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of 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 has no 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 of 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 significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

We describe those 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 15, 2023

MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A.

Financial Statements and Management Report
for the year ended December 31, 2022

Balance sheet at December 31, 2022
(Expressed in euros)

ASSETS	Notes	12/31/2022	12/31/2021
NON-CURRENT ASSETS		**516,755,128**	**346,896,249**
Intangible assets	5	**23,248**	**-**
Software		23,248	-
Property, plant, and equipment	5	**224,188**	**69,012**
Plant and other PP&E		224,188	69,012
Investment properties	6	**418,020,116**	**278,481,705**
Land		249,886,858	159,847,113
Buildings		168,133,258	118,634,592
Investments in group companies		**94,739,288**	**67,528,785**
Equity instruments	7	50,011,090	49,778,923
Loans to companies	8 & 15.1	44,728,198	17,749,862
Financial investments	8	**1,770,050**	**816,747**
Derivatives		700,213	492,400
Other financial assets		1,069,837	324,347
Trade receivables	8	**1,978,238**	**-**
CURRENT ASSETS		**76,630,173**	**94,263,694**
Non-current assets held for sale	18	**-**	**20,539,612**
Inventories	9	**704,494**	**348,868**
Trade and other receivables		**7,821,563**	**8,385,741**
Trade receivables	8	3,609,793	3,955,861
Trade receivables from group companies and associates	8 & 15.1	-	30,787
Other receivables	8	761	-
Receivable from public administrations	17	4,211,009	4,399,093
Investments in group companies	8 & 15.1	**-**	**7,929,676**
Loans to companies		-	7,929,676
Financial investments	8	**143,546**	**11,500,882**
Other financial assets		143,546	11,500,882
Accruals	10	**291,268**	**306,591**
Cash and cash equivalents	11	**67,669,302**	**45,252,324**
TOTAL ASSETS		**593,385,301**	**441,159,943**

The accompanying notes 1 to 21 are an integral part of the balance sheet at December 31, 2022.

Balance sheet at December 31, 2022
(Expressed in euros)

EQUITY AND LIABILITIES	Notes	12/31/2022	12/31/2021
EQUITY		**478,174,455**	**334,965,158**
Capital and reserves		**478,174,455**	**334,965,158**
Share capital	12.1	116,032,487	76,926,101
Share premium	12.2	341,887,362	224,568,204
Reserves	12.3	33,306,427	53,619,176
Treasury shares and own equity investments	12.4	(1,039,664)	(1,006,627)
Retained earnings	12.3	-	(9,676,160)
Profit for the year	3	(12,012,157)	(9,465,536)
NON-CURRENT LIABILITIES		**98,658,428**	**87,372,243**
Borrowings		**98,658,428**	**87,372,243**
Bank borrowings	13.1	97,798,296	87,168,869
Other financial liabilities	13.2	860,132	203,374
CURRENT LIABILITIES		**16,552,418**	**18,822,542**
Provisions	14	**35,000**	**-**
Borrowings		**7,383,931**	**8,646,517**
Bank borrowings	13.1	5,334,714	5,187,300
Other financial liabilities	13.2	2,049,217	3,459,217
Trade and other payables		**9,117,384**	**10,175,332**
Suppliers	13.3	3,772,709	3,817,540
Other payables	13.3	2,802,276	1,669,681
Employee benefits payable (remuneration pending payment)	13.3	2,232,338	1,445,674
Payables to public administrations	17	306,836	239,212
Customer advances	13.3	3,225	3,003,225
Accruals	10	**16,103**	**693**
TOTAL EQUITY AND LIABILITIES		**593,385,301**	**441,159,943**

The accompanying notes 1 to 21 are an integral part of the balance sheet at December 31, 2022.

Income statement for the year ended December 31, 2022

(Expressed in euros)

	Notes	2022	2021
CONTINUING OPERATIONS			
Revenue		**7,718,185**	**4,266,531**
Lease income	16.1	7,718,185	4,266,531
Other operating income		**391,626**	**72,299**
Employee benefits expense	16.2	**(4,904,761)**	**(3,636,154)**
Wages, salaries, et al		(4,621,359)	(3,460,246)
Social security costs, et al		(283,402)	(175,908)
Other operating expenses		**(3,122,655)**	**(1,840,096)**
External services	16.3	(2,382,906)	(1,342,652)
Taxes (other than income tax)		(739,749)	(497,444)
Depreciation and amortization	16.4	**(1,723,632)**	**(967,444)**
Impairment losses and gains (losses) on disposal of non-current assets		**(4,732,412)**	**488,306**
Impairment and losses	6	(4,732,412)	488,306
Other gains or losses		**(15,431)**	**(66)**
OPERATING PROFIT		**(6,389,080)**	**(1,616,624)**
Finance income		**1,496,879**	**895,997**
From equity investments		48,977	280,854
In group companies and associates	7 & 15.1	48,977	280,854
From marketable securities & other financial instruments		1,447,902	615,143
Of group companies and associates	15.1	1,433,428	563,013
Of third parties		14,474	52,130
Finance costs	16.5	**(2,809,498)**	**(2,323,115)**
Third-party borrowings		(2,809,498)	(2,323,115)
Changes in fair value of financial instruments		**(292,187)**	**(7,600)**
Trading portfolio and other	8.2	(292,187)	(7,600)
Exchange gains (losses)		**(6,677)**	**(15,368)**
Impairment and gains (losses) on disposal of financial instruments		**(5,708,224)**	**(8,130,055)**
Impairment losses and losses	7	(12,363,695)	(8,130,055)
Gains (losses) on disposal and other gains and losses	18	6,655,471	-
Other finance income and costs		**1,696,630**	**1,731,229**
Inclusion of finance costs in assets	6	1,696,630	1,731,229
FINANCE COST		**(5,623,077)**	**(7,848,912)**
PROFIT (LOSS) BEFORE TAX		**(12,012,157)**	**(9,465,536)**
Corporate income tax	17	-	-
PROFIT (LOSS) FOR THE YEAR	**3**	**(12,012,157)**	**(9,465,536)**

The accompanying notes 1 to 21 are an integral part of the income statement for the year ended December 31, 2022.

Statement of changes in equity for the year ended December 31, 2022

(Expressed in euros)

A) Statement of recognized income and expense for the year ended December 31, 2022

	Notes	2022	2021
Profit for the year (I)	**3**	**(12,012,157)**	**(9,465,536)**
Income and expense recognized directly in equity			
From other adjustments	12.1	(1,152,261)	(901,489)
Total income and expense recognized directly in equity (II)		**(1,152,261)**	**(901,489)**
Amounts transferred to the income statement		-	-
Total amounts transferred to the income statement (III)		**-**	**-**
Total recognized income and expense (I+II+III)		**(13,164,418)**	**(10,367,025)**

The accompanying notes 1 to 21 are an integral part of the statement of recognized income and expense for the year ended December 31, 2022.

Statement of changes in equity for the year ended December 31, 2022

(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, 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**
Recognized income and expense	**-**	**-**	**(1,152,261)**	**-**	**-**	**(12,012,157)**	**(13,164,418)**
Transactions with partners or owners:	**39,106,386**	**117,319,158**	**(18,792)**	**(33,037)**	**-**	**-**	**156,373,715**
Capital increases (reductions) (Note 12.1)	39,106,386	117,319,158	-	-	-	-	156,425,544
Transactions with treasury shares (net)	-	-	(18,792)	(33,037)	-	-	(51,829)
Other changes in equity	**-**	**-**	**(19,141,696)**	**-**	**9,676,160**	**9,465,536**	**-**
Balance at December 31, 2022	**116,032,487**	**341,887,362**	**33,306,427**	**(1,039,664)**	**-**	**(12,012,157)**	**478,174,455**

The accompanying notes 1 to 21 are an integral part of the statement of changes in equity for the year ended December 31, 2022.

Cash flow statement for the year ended December 31, 2022

(Expressed in euros)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**(12,012,157)**	**(9,465,536)**
Adjustments to profit		**12,114,121**	**8,328,050**
Depreciation and amortization	16.4	1,723,632	967,444
Impairment losses	6 & 7	17,096,107	7,641,749
Changes in provisions	14	35,000	-
Gains (losses) from derecognition and disposal of financial instruments	18	(6,655,471)	-
Finance income		(1,496,879)	(895,997)
Finance costs	16.5	2,809,498	2,323,115
Exchange gains (losses)		6,677	15,368
Changes in fair value of financial instruments		292,187	7,600
Other income and expenses	6	(1,696,630)	(1,731,229)
Changes in working capital		**179,860**	**1,454,152**
Inventories		(355,626)	(217,939)
Trade and other receivables		(1,414,060)	(2,913,856)
Other current assets		(7,916)	(154,988)
Trade and other payables		1,942,052	4,753,992
Other current liabilities		15,410	(13,057)
Other cash flows from operating activities		**(672,748)**	**(52,077)**
Interest paid		(719,679)	(65,885)
Interest received		46,931	13,808
Cash flows from operating activities		**(390,924)**	**264,589**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(180,818,896)**	**(93,068,119)**
Group companies and associates	15.1	(32,260,000)	(18,360,454)
Intangible assets	5	(23,288)	-
Property, plant, and equipment	5	(234,948)	(43,794)
Investment properties	6	(146,918,743)	(64,448,092)
Other financial assets		(1,381,917)	(10,215,779)
Proceeds from sale of investments		**38,758,372**	**1,782,027**
Group companies and associates	15.1	1,849,018	280,854
Investment properties	6	1,004,100	-
Other financial assets		11,493,763	1,501,173
Non-current assets held for sale	18	24,411,491	-
Cash flows from (used in) investing activities		**(142,060,524)**	**(91,286,092)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		**155,221,454**	**88,411,816**
Proceeds from issuance of equity instruments	12.1	155,273,283	88,398,511
Acquisition of own equity instruments	12.4	(143,836)	(148,097)
Disposal of own equity instruments	12.4	92,007	161,402
Proceeds from and payments of financial liabilities		**9,653,649**	**27,638,026**
Issues		16,237,435	31,597,223
Bank borrowings		16,237,435	31,597,223
Repayment and redemption of		(6,583,786)	(3,959,197)
Bank borrowings		(5,079,616)	(3,959,197)
Other borrowings		(1,504,170)	-
Cash flows from financing activities		**164,875,103**	**116,049,842**
Net foreign exchange difference		(6,677)	(15,368)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**22,416,978**	**25,012,971**
Cash and cash equivalents at beginning of period		45,252,324	20,239,353
Cash and cash equivalents at end of period	11	67,669,302	45,252,324

The accompanying notes 1 to 21 are an integral part of the cash flow statement for the year ended December 31, 2022.

Notes to the financial statements for the year ended December 31, 2022

1. GENERAL INFORMATION

The corporate purpose of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. ("the Company" or "MHRE") 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 HOTELS REAL ESTATE I SOCIMI, S.A. to the current version, with the resulting modification to article 1 of its bylaws duly filed at the Mercantile Registry on February 17, 2022.

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, 2022

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, 2022 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, 2022

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.

Notes to the financial statements for the year ended December 31, 2022

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, 2022, the Company fulfills all the requirements established in the SOCIMI Law.

Notes to the financial statements for the year ended December 31, 2022

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, 2022 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 Bolsa 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, 2022.

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 Russian war against Ukraine (Note 2.5), future events could oblige the Company to modify them in subsequent periods. Any such modifications would be done prospectively.

Notes to the financial statements for the year ended December 31, 2022

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 17.2)
- Impairment of investment properties (Notes 4.3 and 6)
- Estimating the useful lives of investment properties (Note 4.3)
- Impairment losses on investments in the equity of group companies, jointly controlled entities, and associates (Notes 4.5 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 2022, those for 2021 are also included. 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.

2.5. Effect of war in Ukraine on financial statements

On February 24, 2022, Russia invaded Ukraine and started a war with uncertain geopolitical consequences worldwide. Although the Company's operations have not been directly affected by the ongoing conflict or the international sanctions imposed, the indirect effects, such as the increase in prices, the impact on construction costs, and the increase in the cost of energy, are currently affecting all economic agents in the sector.

Thus, progress in the work on buildings which are being reconverted or developed was affected by supply chain problems for materials on a global level as well as by the Russian war against Ukraine, though without generating significant delays or increases in costs.

Company Management and its directors are continually supervising the changing situation as well as the effects it may have on credit markets, and consider that given the Company's sound financial position at December 31, 2022, and the funds obtained from the second capital increase executed in May 2022, amounting to 156.4 million euros (Note 12.1), the Company will be able to maintain its solvency while fulfilling the short-term payment obligations disclosed in the balance sheet at December 31, 2022, as there is no material uncertainty regarding continuity of the Company's operations.

Notes to the financial statements for the year ended December 31, 2022

3. APPROPRIATION OF PROFIT

The directors proposed the following appropriation of profit for 2022, a proposal expected to be ratified by the shareholders in general meeting:

(Euros)	2022
Basis of appropriation	
Income statement (loss)	(12,012,157)
	(12,012,157)
Appropriation to:	
Prior year losses	(12,012,157)
	(12,012,157)

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 said 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.

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. Intangible assets

Intangible assets are initially measured at cost, determined as either acquisition or production cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized systematically on a straight-line basis over their estimated useful life, taking into account their residual value. Amortization methods and periods are reviewed at the end of each reporting period, and adjusted prospectively where applicable. Intangible assets are tested for impairment at least at the end of each reporting period and any impairment is recognized.

Software

Software includes the costs incurred when acquiring software from third parties. These expenses are amortized on a straight-line basis over the useful life of the asset (four years).

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.

4.2. 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.

Notes to the financial statements for the year ended December 31, 2022

Following initial recognition, 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 for renovation, expansion or improvements which increase the productive capacity or prolong the useful life of assets are capitalized as an increase in the carrying amount of the assets, while the carrying amounts of any replaced items 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.

4.3. 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.

Notes to the financial statements for the year ended December 31, 2022

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 for renovation, expansion or improvements which increase the productive capacity or prolong the useful life of assets are capitalized as an increase in the carrying amount 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.

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.

4.4. Leases

Leases are classified as finance leases when, based on the economic terms of the arrangement, all risks and rewards incidental to ownership of the leased item are substantially transferred 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 agreed upon 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, 2022 and 2021, the Company had leased most of the hotels included in its investment properties under operating lease agreements, though only the Eurostars Lucentum, Meliá Bilbao, Radisson Collection Bilbao, and Iberostar Las Letras hotels currently generate income (Notes 6.1 and 16.1).

Notes to the financial statements for the year ended December 31, 2022

4.5. 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.

Notes to the financial statements for the year ended December 31, 2022

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 preferential 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).

<u>Derecognition of financial assets</u>

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.

Notes to the financial statements for the year ended December 31, 2022

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.

Notes to the financial statements for the year ended December 31, 2022

4.6. 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 canceled, 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 criteria 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.

4.7. 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 pricing 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.

4.8. 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.

Notes to the financial statements for the year ended December 31, 2022

4.9. 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.

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 liabilities are not discounted and are classified as non-current assets or non-current liabilities, respectively.

4.10. 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.

4.11. 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.

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.

4.12. Transactions with related parties

Related party transactions are measured in keeping with the accounting standards 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.

4.13. 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.

4.14. 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.

4.15. 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 specific members of the MHRE 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, calculated as per the recommendations of the European Public Real Estate Association (EPRA Net Asset Value or "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.

4.16. 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.

Notes to the financial statements for the year ended December 31, 2022

4.17. 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, 2022

5. INTANGIBLE ASSETS AND PP&E

The breakdown and movements in the items recognized under "Intangible assets" are as follows:

(Euros)	12/31/2021	Additions/ Allowances	Derecognitions	Transfers	12/31/2022
Cost					
Software	-	23,288	-	-	23,288
	-	23,288	-	-	23,288
Accumulated amortization					
Software	-	(40)	-	-	(40)
	-	(40)	-	-	(40)
Net carrying amount	**-**				**23,248**

The additions during the year mainly correspond to the costs of implementing a new ERP which was acquired from a third party and is expected to be initiated in the first quarter of 2023.

There were no movements under this heading during 2021.

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

(Euros)	12/31/2021	Additions/ Allowances	Derecognitions	Transfers	12/31/2022
Cost					
Plant	46,771	190,576	-	-	237,347
Furniture	42,638	21,201	-	-	63,839
Data processing equipment	16,697	23,171	-	-	39,868
	106,106	234,948	-	-	341,054
Accumulated depreciation					
Plant	(29,378)	(67,799)	-	-	(97,177)
Furniture	(2,056)	(5,085)	-	-	(7,141)
Data processing equipment	(5,660)	(6,888)	-	-	(12,548)
	(37,094)	(79,772)	-	-	(116,866)
Net carrying amount	**69,012**				**224,188**

Notes to the financial statements for the year ended December 31, 2022

(Euros)	12/31/2020	Additions/ Allowances	Derecognitions	Transfers	12/31/2021
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**

The additions during 2022 mainly correspond to the refurbishment work carried out at premises which are being leased from a third party for purposes of expanding office space at the Company's headquarters (Note 16.3). In contrast, the additions recognized for 2021 correspond to items acquired in connection with the refurbishment work performed on the offices which the Company leases from Grupomillenium Investment Partners, S.L. (Note 16.3).

Notes to the financial statements for the year ended December 31, 2022

6. INVESTMENT PROPERTIES

At December 31, 2022, the Company recognized the following investment properties:

Investment property	Location	Status
Hotel Eurostars Lucentum	Avenida Alfonso X el Sabio 11, Alicante	Operating
Hotel Meliá Bilbao	Lehendakari Leizaola 29, Bilbao	Operating
Hotel Radisson Collection Bilbao	Gran Vía Don Diego López de Haro 4, Bilbao	Operating
Hotel Nobu Sevilla (*)	Plaza San Francisco 11-12, Sevilla	In development
Hotel JW Marriott	Carrera de San Jerónimo 9-11, Madrid	In development
Hotel Palacetes de Córdoba	Cabezas 13, 15, and 19, and Caldereros 3, Córdoba	In development
Hotel Nobu San Sebastián	Miraconcha 32, San Sebastián	In development
Hotel Nobu Madrid	Alcalá 26, Madrid	In development
Hotel Zorrilla	Zorrilla 19, Madrid	In development
Hotel Iberostar Las Letras	Gran Vía 11, Madrid	Operating
El Palmar project	El Palmar de Vejer, Cádiz	In development

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 Nobu 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 San Sebastián	Miraconcha 32, San Sebastián	In development
Hotel Nobu Madrid	Alcalá 26, Madrid	In development

(*) On January 26, 2023, the Company reached an agreement with Alma Gestión de Hoteles, S.L.U. for early termination of the lease agreement relating to the property located in Seville at Plaza San Francisco 11-12. Subsequently, a lease contract was signed with the Spanish Mercer hotel chain to operate said property under the Nobu brand (Note 21).

Notes to the financial statements for the year ended December 31, 2022

The breakdown and movements for investment properties at December 31, 2022 are as follows:

(Euros)	12/31/2021	Additions/Allowances	Derecognitions	Transfers	12/31/2022
Cost					
Land	159,847,114	90,042,759	(3,015)	-	249,886,858
Buildings	121,958,166	50,175,984	(1,085)	-	172,133,065
Advances	1,000,000	6,700,000	(1,000,000)	-	6,700,000
	282,805,280	146,918,743	(1,004,100)	-	428,719,923
Accumulated depreciation					
Buildings	(2,563,630)	(1,643,820)	-	-	(4,207,450)
	(2,563,630)	(1,643,820)	-	-	(4,207,450)
Impairment losses					
Buildings	(1,759,945)	(4,732,412)	-	-	(6,492,357)
	(1,759,945)	(4,732,412)	-	-	(6,492,357)
Net carrying amount	**278,481,705**				**418,020,116**

On July 27, 2022, the Company acquired a building located at calle Zorrilla N.º 19 in Madrid for an amount of 30,000 thousand euros with a view to its conversion into a 5-star hotel. The expenses associated with this transaction amounted to 848 thousand euros. An advance payment of 1 million euros had been made in the prior year as a guarantee for said acquisition, which was returned to the Company. The acquired property is an emblematic building of classical architecture from the late nineteenth century, located in one of the most exclusive areas of Madrid, the Gran Vía-Alcalá axis, next to the Parliament and a few meters from Plaza Canalejas and the Thyssen-Bornemisza Museum.

Subsequently, on October 27, 2022, the Company acquired the Hotel Iberostar Las Letras, located at Gran Vía 11 in Madrid, for a price of 70,000 thousand euros. The expenses associated with this acquisition amounted to 1,189 thousand euros. This hotel boasts 109 rooms and is located at a privileged site in the Spanish capital where the Gran Vía and Alcalá streets meet, the cultural and commercial epicenter of the city nowadays, and where some of the most important international luxury hotels are also located, soon to be joined by the future JW Marriot, Zorrilla 19, and Nobu Madrid hotels, which MHRE also owns.

Additionally, on November 11, 2022, the Company acquired plots of land in the process of being classified for hotel use as per zoning regulations (66,592.55 m2 and 23,842 m2 which is buildable). Said land is located in the area known as El Palmar de Vejer in the municipality of Vejer de la Frontera, Cádiz, and was acquired with a view to developing a luxury eco-resort. The price paid for these plots totaled 12,000 thousand euros, while associated expenses amounted to 229 thousand euros.

Notes to the financial statements for the year ended December 31, 2022

Further, a balance of 6,700 thousand euros was paid in advance relating to the acquisition of some plots of land in Marbella for purposes of developing a luxury hotel complex, though definitive acquisition is subject to fulfillment of a series of suspensive conditions.

The remaining additions during 2022 correspond to costs capitalized in connection with the construction and refurbishment work for various hotels, amounting to a total of 25,952 thousand euros, of which 1,697 thousand euros correspond to finance expenses.

In addition, the derecognitions during the year include less expenses incurred as compared to those foreseen for certain property purchases made in 2021, amounting to 4 thousand euros.

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

(Euros)	12/31/2020	Additions/Allowances	Derecognitions	Transfers	12/31/2021
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.

In addition, 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, an advance payment of 1 million euros was made for the purchase of a property located at calle Zorrilla N.º 19 in Madrid, the definitive acquisition of which was subject to the seller fulfilling a series of conditions, which occurred in 2022.

Notes to the financial statements for the year ended December 31, 2022

In addition, the additions during 2021 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.

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, 2022	***Net exit yields***	***Discount rate***
Hotels being operated	4.00% - 6.50%	7.00% - 9.00%
Hotels in development	4.75% - 7.50%	8.00% - 13.00%

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%

The 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:

	12/31/2022			
(Euros)	**Net carrying amount**	**Fair value**	**-0,25% in net exit *yields***	**+0,25% in net exit *yields***
Hotels being operated	182,549,609	204,640,000	208,830,000	201,050,000

Notes to the financial statements for the year ended December 31, 2022

(Euros)	12/31/2021 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

In contrast, the 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)	12/31/2022 Net carrying amount	Fair value	-2.5% in construction costs	+2.5% in construction costs
Hotels in development	228,770,507	260,970,000	262,738,000	259,289,000

(Euros)	12/31/2021 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

Other information

At December 31, 2022, the investment properties were mortgaged with different financial entities in guarantee of loans for an amount totaling 104,140,543 euros (2021: 93,718,642 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 is leasing two premises on the ground floor of the building located at Carrera de San Jerónimo No. 9 in Madrid, where the future Hotel JW Marriott is being built, for estimated terms of 35 and 25 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 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) are obligatory. Subsequently, on November 8, 2021, a new addendum was subscribed, having agreed upon the deferral of part of the installments corresponding to 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 fixed revenue agreed upon is referenced to annual CPI.

- The Hotel Meliá 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 MHRE was subrogated at the moment of acquiring said property in November 2019, is fixed and referenced to annual CPI.

  In addition, with respect to the Hotel Meliá de Bilbao, MHRE 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, 2023 in accordance with the addendum signed on December 30, 2022. 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 Meliá Bilbao for the installation of telecommunications antennas, maturing in September 2036 in accordance with the contracts signed in July 2021. In all cases the revenue agreed upon is fixed and referenced to annual CPI.

- Lease of the Hotel Radisson Collection Bilbao for an initial obligatory period from March 15, 2022 (delivery date for the hotel) to December 31, 2027, including three automatic renewals for a duration of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each period. Lease income from this hotel is composed of a fixed component scaled progressively and a variable component referenced to the operating results obtained by the hotel. These conditions were agreed upon in the contract addendum signed on March 15, 2022, which also regulated lease income for 2022.

- With respect to the future Hotel Nobu Sevilla, MHRE signed a 20-year operating lease contract for this property on May 14, 2019, counting from the hotel delivery date once the refurbishment work finalized. However, on January 26, 2023 an agreement was reached with the lessee for early termination of this contract, with MHRE settling an amount of 87.6 thousand euros as an indemnity payment. Subsequently, on March 8, 2023 the Company signed a lease contract for this property with the Spanish Mercer hotel chain to operate said property under the Nobu brand. The lease was contracted for a period of 20 years counting form the date on which the finished property is made available to the lessee, with the first 5 years of the contract established as obligatory for the lessee. The agreement also includes three automatic renewals for a duration of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each 5-year period. Lease income 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 (Note 21).

- Lease of the future Hotel JW Marriott for a period of 25 years counting from the date on which the finished property is made available to the lessee, with the first 5 years of the contract established as obligatory for the lessee. The agreement also includes four automatic renewals for a duration of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each 5-year period. Lease income 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. The delivery date and opening of this hotel is planned for mid-March 2023.

  With respect to the property located at Carrera de San Jerónimo 9 and 11 in Madrid, the site of the future Hotel JW Marriott, the following lease contracts were signed for restaurant space:

  - On March 25, 2022, MHRE signed a lease contract for a period of 20 years counting from the date on which the restaurant opens, with the first 5 years of the contract established as obligatory for the lessee. The agreement also includes three automatic renewals for a duration of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each 5-year period. Revenue from these premises is composed of a fixed component and a variable component referenced to the volume of invoices issued by the restaurant.
  - On July 22, 2022, MHRE signed a sublease contract for restaurant space at the future Hotel JW Marriott together with the lessee of said hotel. The lease was arranged for a term of 20 years, the first 5 years of which are obligatory for the sub-lessee counting from the hotel's opening date. Revenue from this premise is composed of a fixed component and a variable component referenced to the operating results obtained by the restaurant.

- Lease of the future Hotel Nobu de San Sebastián for a duration of 20 years counting from the hotel's opening date, with the first 5 years of the contract established as obligatory for the lessee. The agreement includes a maximum of 3 automatic renewals for successive periods of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each period. Lease income 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 included a purchase option for the lessee, which became ineffective with the signing of the addendum to the contract on May 30, 2022.

- With respect to the future Hotel Nobu Madrid, on February 4, 2022 MHRE signed a 20-year operating lease agreement for this property, with the first 5 years of the contract established as obligatory for the lessee. The remaining term consists of three automatic renewals for successive periods of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each 5-year period. Lease income

Notes to the financial statements for the year ended December 31, 2022

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 connection with the future Hotel Nobu Madrid located at calle Alcalá 26 in Madrid, MHRE is party to operating lease contracts with third parties for commercial office space, to which it was subrogated at the moment of acquiring the property. The terms of said leases finalize between April 2023 and June 2026, given that early termination of the lease was agreed upon with one of the tenants on July 26, 2022, effective from July 29, 2022. In addition, collection of an indemnity payment amounting to 210,174 euros was agreed upon as compensation for loss of profit. The revenue agreed upon in all said contracts is fixed and referenced to annual CPI.

- The Hotel Iberostar Las Letras was leased for a period which finalizes in January 2025, including an automatic extension for a duration of 2 years, should neither of the parties object 6 months in advance. Lease income from this contract, in which MHRE was subrogated at the moment of acquiring said property on October 27, 2022, is fixed and referenced to annual CPI.

  In addition, with respect to the Hotel Iberostar Las Letras, MHRE is party to the following operating lease agreements, with respect to which it was subrogated upon acquisition of the property:

  - The leasing of premises meant for use as restaurant space, finalizing in January 2025 and including an automatic extension for a duration of 2 years, should neither of the parties object 6 months in advance. The revenue from this lease agreement is fixed and referenced to annual CPI.
  - Ceding use of space on the rooftop terrace of the Hotel Iberostar Las Letras for the installation of telecommunications antennas, maturing on September 30, 2027, including an automatic renewal for a duration of 5 years, should neither of the parties object. The revenue from this lease agreement is fixed and referenced to annual CPI.

The income from said operating lease contracts amounted to 7,718,185 euros for the year ended December 31, 2022 (2021: 4,266,531 euros; Note16.1). The expenses associated with these income-generating investment properties are broken down as follows:

(Euros)	12/31/2022	12/31/2021
Depreciation (Note 16.4)	1,643,820	948,751
Utilities	241,883	27,839
Taxes (other than income tax)	450,474	185,412
Other operating expenses	207,687	38,599
TOTAL	**2,543,864**	**1,200,601**

Notes to the financial statements for the year ended December 31, 2022

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)	12/31/2022	12/31/2021
Within one year	10,213,148	5,441,887
Between one and five years	18,298,454	12,510,360
More than five years	372,750	390,000
TOTAL	**28,884,352**	**18,342,247**

7. EQUITY INVESTMENTS IN GROUP COMPANIES, JOINTLY CONTROLLED ENTITIES, AND ASSOCIATES

The breakdown and movements for the different items under this heading in 2022 are shown below:

(Euros)	12/31/2021	Additions/Allowances	Derecognitions/Reversals	Transfers	12/31/2022
Non-current equity instruments					
Cost	59,045,092	-	-	12,595,862	71,640,954
Impairment losses	(9,266,169)	(12,363,695)	-	-	(21,629,864)
Net carrying amount	**49,778,923**	**(12,363,695)**	**-**	**12,595,862**	**50,011,090**

On December 31, 2022, MHRE decided to make a contribution to the capital of the Group company Alcaidesa Holding, S.A.U. without altering the share capital structure of said company, totaling 12,595,862 euros classified as other owner contributions. Said amount corresponds to the balance of the loan granted by MHRE to said Group company (11,999,956 euros of principal and 595,906 euros of interest; Note 15.1), so that said amount was added on to the cost of the interests held by MHRE in said company.

In addition, impairment loss allowances amounting to 10,271 thousand and 2,093 thousand euros were recognized at 2022 year-end with respect to the interests held in MHRE San Roque, S.L.U. and Alcaidesa Holding, S.A.U., respectively, taking the net equity of said investees into account.

Notes to the financial statements for the year ended December 31, 2022

The breakdown and movements for the different items under this heading in 2021 are shown below:

(Euros)	12/31/2020	Additions/Allowances	Derecognitions/Reversals	Transfers	12/31/2021
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 MHRE and was executed on January 31, 2022. Thus, during the second half of 2021, said stakes were reclassified to "Non-current assets held for sale" (Note 18).

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 information relating to group companies and associates at December 31, 2022 is as follows:

Company	Registered address	Business 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

Notes to the financial statements for the year ended December 31, 2022

(Euros)	Net carrying amount	% of direct ownership interest	Capital	Reserves and other	Profit (loss) for the year	Total equity	Operating profit (loss)	Dividends received during the period
2022								
Varia Plaza Magdalena, S.L.U.	21,664,092	100%	505,400	20,057,723	366,987	20,930,110	1,281,503	48,977
Alcaidesa Holding, S.A.U.	25,703,559	100%	13,639,455	16,102,764	(4,255,160)	25,487,059	(3,777,181)	-
MHRE San Roque, S.L.U.	2,643,439	100%	3,000	12,896,329	(10,277,835)	2,621,494	(10,271,225)	-
	50,011,090							**48,977**

The information relating to group companies and associates at December 31, 2021 is as follows:

Company	Registered address	Business 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 other	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							**-**

The operating profit (loss) of the group companies, jointly controlled entities, and associates shown in the above tables correspond entirely to continuing operations. None of the companies is listed on the stock exchange.

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:

(Euros)	Loans, derivatives, and other 12/31/2022	Loans, derivatives, and other 12/31/2021	Total 12/31/2022	Total 12/31/2021
Non-current financial assets				
Assets at fair value through profit or loss				
Trading portfolio	700,213	492,400	700,213	492,400
Financial assets at amortized cost	47,776,273	18,074,209	47,776,273	18,074,209
	48,476,486	18,566,609	48,476,486	18,566,609
Current financial assets				
Financial assets at amortized cost	3,754,100	23,417,206	3,754,100	23,417,206
	3,754,100	23,417,206	3,754,100	23,417,206
TOTAL	**52,230,586**	**41,983,815**	**52,230,586**	**41,983,815**

These amounts are included in the following balance sheet headings:

(Euros)	Loans, derivatives, and other 12/31/2022	Loans, derivatives, and other 12/31/2021	Total 12/31/22	Total 12/31/2021
Non-current financial assets				
Loans to group companies (Note 15.1)	44,728,198	17,749,862	44,728,198	17,749,862
Financial investments (Note 8.2)	1,770,050	816,747	1,770,050	816,747
Trade receivables (Note 8.1)	1,978,238	-	1,978,238	-
	48,476,486	18,566,609	48,476,486	18,566,609
Current financial assets				
Trade receivables (Note 8.1)	3,609,793	3,955,861	3,609,793	3,955,861
Trade receivables, group companies and associates (Note 15.1)	-	30,787	-	30,787
Other receivables	761	-	761	-
Loans to group companies (Note 15.1)	-	7,929,676	-	7,929,676
Financial investments (Note 8.2)	143,546	11,500,882	143,546	11,500,882
	3,754,100	23,417,206	3,754,100	23,417,206
TOTAL	**52,230,586**	**41,983,815**	**52,230,586**	**41,983,815**

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

8.1. Trade receivables

The non-current balance for trade receivables includes provisions for income accrued but yet to be invoiced, mainly associated with the payment deferrals agreed upon with the lessees of the operational hotels due to the health crisis linked to COVID-19.

Notes to the financial statements for the year ended December 31, 2022

The breakdown for current balances corresponding to trade receivables is as follows:

(Euros)	12/31/2022	12/31/2021
Clients	603,946	-
Invoices pending issue	956,630	1,906,644
Trade bills	2,049,217	2,049,217
TOTAL	**3,609,793**	**3,955,861**

The balance for clients includes the invoice for fixed income corresponding to the last quarter of 2022 in connection with the Hotel Radisson Collection Bilbao. This invoice and others which make up this balance were collected over the course of January and February 2023.

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

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)	12/31/2022	12/31/2021
Non-current financial investments		
Derivative financial instruments	700,213	492,400
Guarantees	1,069,837	324,347
TOTAL	**1,770,050**	**816,747**
Current financial investments		
Deposits	92,750	11,041,072
Guarantees	50,796	459,810
TOTAL	**143,546**	**11,500,882**

Two structured deposits are included as derivative financial instruments which generate remuneration subject to the share price performance of three companies listed on the IBEX-35, one of which was incorporated during the first half of 2022 with an amount of 500 thousand euros. During 2022 the fair value of these deposits decreased by an amount of 292,187 euros (2021: 7,600 euros).

Notes to the financial statements for the year ended December 31, 2022

Current deposits at December 31, 2021 included a fixed-term deposit of 9.5 million euros, which matured in January 2022. On March 31, 2022, the Company arranged another fixed-term deposit for the same amount, which matured in November 2022. These deposits accrued interest at market rates. In addition, a balance of 1,410 thousand euros was included at said date under this heading, corresponding to amounts withheld from the seller of Palacio Vista Eder in San Sebastián (the future Hotel Nobu San Sebastián) as a guarantee for fulfillment of certain obligations. MHRE returned said balance in March 2022 (Note 13.2).

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.

9. INVENTORIES – PREPAYMENTS TO SUPPLIERS

The balance of this heading at December 31, 2022 amounted to 704,494 euros (2021: 348,868 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, 2022 amounting to 291,268 euros (2021: 306,591 euros) corresponds to expenses invoiced in advance which will be settled in future periods.

The balance included under liabilities at December 31, 2022 amounting to 16,103 euros (2021: 693 euros) corresponds to income invoiced in advance which will accrue 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, 2022 totaled 67,669,302 euros (December 31, 2021: 45,252,324 euros). Of said amount, a balance of 483 thousand euros (2021: 4,509 thousand euros) will be restricted until the corresponding amounts are justified by evidence of *capex* investments for which the Company obtained bank financing.

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, 2022

12. EQUITY

The breakdown and movements in equity are presented in the statement of changes in equity.

12.1. Share capital

At December 31, 2022, MHRE's share capital consisted of 116,032,487 shares (December 31, 2021: 76,926,101 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.

The breakdown of shareholders holding ownership interest in the share capital of MHRE greater than 5% at December 31, 2022 is as follows:

Shareholder	% of ownership interest
CL MH Spain S.à. (controlled by Castlelake)	49.72%
Arconas International	5.05%
Mutualidad General de Previsión de la Abogacía	5.05%

The breakdown of shareholders holding ownership interest in the share capital of MHRE 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 José María Castellano)	5.84%

Movements in capital during 2022

On May 27, 2022, the corresponding deed was granted relating to the second disbursement for the capital increase carried out by MHRE without any preferential subscription rights. It had been approved by the ordinary and extraordinary general shareholder meeting held on July 7, 2021, as filed at the Madrid Mercantile Registry on May 30, 2022. Execution of the second disbursement for said capital increase involved subscription of a total of 39,106,386 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 second disbursement amounted to 156,425,544 euros.

The expenses for this capital increase, which accrued during 2022, amounted to 1,141,996 euros, recognized as a reduction in reserves (Note 12.3).

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 911,251 euros (10,265 euros of which accrued in 2022 and 901,489 euros in 2021), recognized by reducing reserves (Note 12.3).

12.2. Share premium

The share premium can be freely distributed. The year ended December 31, 2022 saw an increase in the share premium of 117,319,158 euros as a result of the second disbursement for 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 contrast, the year ended December 31, 2021 saw an increase in the share premium of 66,975,000 euros as a result of the first disbursement for said capital increase approved by the shareholders in their extraordinary general meeting held on July 7, 2021, as filed at the Mercantile Registry of Madrid on August 18, 2021 (Note 12.1).

12.3. Reserves

The breakdown and movements in the different items comprising reserves are as follows:

(Euros)	Balance at 12/31/2021	Appropriation of results	Capital increase expenses (Note 12.1)	Other changes (Note 12.4)	Balance at 12/31/2022
Legal reserve	3,040,560	-	-	-	3,040,560
Voluntary reserves	50,578,616	-	(1,152,261)	(19,160,488)	30,265,867
	53,619,176	-	(1,152,261)	(19,160,488)	33,306,427
Retained earnings	(9,676,160)	(9,465,536)	-	19,141,696	-
TOTAL	**43,943,016**	**(9,465,536)**	**(1,152,261)**	**(18,792)**	**33,306,427**

(Euros)	Balance at 12/31/2020	Appropriation results	Capital increase expenses (Note 12.1)	Other changes (Note 12.4)	Balance at 12/31/2021
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**

"Other changes" for 2022 includes the offsetting of prior year losses (losses of 19,141,696 euros), approved at the ordinary and extraordinary general shareholder meeting held on June 22, 2022, against a special voluntary reserve arising from the capital reduction approved by the ordinary general shareholder meeting held on May 10, 2019.

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, these reserves include a balance of 38,628,944 euros (2021: 57,770,640 euros) which can only be used under the same conditions required for capital reductions. The ordinary and extraordinary general shareholder meeting for MHRE held on June 22, 2022 approved, amongst other matters, offsetting the losses from prior years in the amount of 19,141,696 euros with a charge against said special voluntary reserve. Thus, the mandatory announcement was published on June 28, 2022 in the Official Gazette of the Mercantile Registry and on MHRE's corporate website, in accordance with the provisions of article 319 of the revised text of the Spanish Corporate Enterprises Act, referred to in article 335.c) of the aforementioned law. Since none of MHRE's creditors objected to offsetting the losses in a timely manner and due form, the directors of MHRE unanimously agreed to execute said operation at their meeting held on October 6, 2022.

12.4. Company shares

During 2022 MHRE acquired 38,756 treasury shares (2021: 36,747 treasury shares) at an average price of 3.71 euros per share (2021: 4.03 euros) and sold 24,289 treasury shares (2021: 41,337 treasury shares) at an average price of 3.83 euros per share (2021: 4.80 euros per share). The difference between the cost price and the sales price for the shares, totaling a net amount of -18,792 euros (2021: -37,148 euros) was recognized under "Voluntary reserves" (Note 12.3).

At December 31, 2022, the Company held a treasury share portfolio comprised of 233,680 treasury shares, representing 0.2% of its share capital (2021: 219,213 treasury shares, representing 0.3% of its share capital at year end).

13. FINANCIAL LIABILITIES

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

	Bank borrowings (Note 13.1)		Derivatives and other		Total	
(Euros)	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Non-current financial liabilities						
Financial liabilities at amortized cost or at cost	97,798,296	87,168,869	860,132	203,374	98,658,428	87,372,243
	97,798,296	87,168,869	860,132	203,374	98,658,428	87,372,243
Current financial liabilities						
Financial liabilities at amortized cost or at cost	5,334,714	5,187,300	10,859,765	13,395,337	16,194,479	18,582,637
	5,334,714	5,187,300	10,859,765	13,395,337	16,194,479	18,582,637
TOTAL	**103,133,010**	**92,356,169**	**11,719,897**	**13,598,711**	**114,852,907**	**105,954,880**

These amounts are included in the following balance sheet headings:

(Euros)	Note	12/31/2022	12/31/2021
Non-current financial liabilities			
Bank borrowings	13.1	97,798,296	87,168,869
Other financial liabilities	13.2	860,132	203,374
		98,658,428	87,372,243
Current financial liabilities			
Bank borrowings	13.1	5,334,714	5,187,300
Other financial liabilities	13.2	2,049,217	3,459,217
Trade and other payables	13.3	8,810,548	9,936,120
		16,194,479	18,582,637
TOTAL		**114,852,907**	**105,954,880**

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, 2022, without taking into account debt arrangement expenses, is as follows:

(Euros)	Current	Non-current						
	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	Total
Bank borrowings	5,334,714	5,697,415	6,128,960	24,888,205	38,695,607	23,598,975	99,009,162	104,343,876
Other financial liabilities	2,049,217	49,514	310,595	46,357	-	453,666	860,132	2,909,349
Trade and other payables	8,810,548	-	-	-	-	-	-	8,725,927
TOTAL	**16,194,479**	**5,746,929**	**6,439,555**	**24,934,562**	**38,695,607**	**24,052,641**	**99,869,294**	**115,979,152**

Notes to the financial statements for the year ended December 31, 2022

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**

13.1. Bank borrowings

The breakdown of bank borrowings at December 31, 2022 is as follows:

Type of debt	Nominal interest rate	Year of maturity	Outstanding balance	Non-current	Current
Mortgage loans			**104,140,543**	**99,009,162**	**5,131,381**
Hotel Eurostars Lucentum	2.25%	2030	10,013,058	9,072,391	940,667
Hotel Radisson Collection Bilbao (Tranche A)	2.38%	2026	11,352,000	10,920,000	432,000
Hotel Radisson Collection Bilbao (Tranche B - capex)	2.40%	2026	10,850,620	10,437,700	412,920
Hotel JW Marriott Madrid - Tranche A (2014)	2.95%	2030	13,321,817	11,649,077	1,672,740
Hotel JW Marriott Madrid - Tranche A (2016)	2.95%	2026	1,166,320	845,266	321,054
Hotel JW Marriott Madrid - Tranche B	2.95%	2027	10,500,000	10,500,000	-
Hotel JW Marriot Madrid - ICO loan guarantee	3.35%	2027	26,330,228	26,330,228	-
Hotel Meliá Bilbao - Loan 1	Euribor + 1%	2036	14,147,094	13,227,094	920,000
Hotel Meliá Bilbao - Loan 2	Euribor + 1%	2036	1,115,406	1,035,406	80,000
Hotel Meliá Bilbao - Loan 3	Euribor + 2%	2036	5,344,000	4,992,000	352,000
Unpaid accrued interest			**191,364**	**-**	**191,364**
Debt arrangement expenses			**(1,210,866)**	**(1,210,866)**	**-**
Other			**11,969**	**-**	**11,969**
TOTAL			**103,133,010**	**97,798,296**	**5,334,714**

During 2022, a balance of 15.5 million euros was drawn down on the loan guaranteed by ICO and granted for financing the properties that will make up the future Hotel JW Marriott, covering the adaptation costs for said hotel.

Notes to the financial statements for the year ended December 31, 2022

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 JW Marriott Madrid - Tranche A (2014)	2.95%	2030	14,945,989	13,321,816	1,624,173
Hotel JW Marriott Madrid - Tranche A (2016)	2.95%	2026	1,478,053	1,166,320	311,733
Hotel JW Marriott Madrid - Tranche B	2.95%	2027	10,500,000	10,500,000	-
Hotel JW Marriot 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
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, 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.

During the year ended December 31, 2022, bank borrowings related to mortgage loans accrued interest in the amount of 2,497 thousand euros (2021: 1,853 thousand euros; Note 16.5).

The mortgage loans relating to the Hotel Radisson Collection Bilbao, the Hotel Meliá Bilbao, and the future Hotel JW Marriott Madrid, include the obligation to comply with a series of financial ratios in some cases, applicable once the corresponding hotel has been operating for a given period of time. The loans can be called ahead of maturity in the event of failure to meet the ratios. At December 31, 2022, the Company was in compliance with the ratios applicable at said date, except for one case in which the corresponding waiver had been obtained from the banking entity. In contrast, at December 31, 2021, the Company was in compliance with all applicable ratios.

Notes to the financial statements for the year ended December 31, 2022

13.2. Other financial liabilities

Non-current

At December 31, 2022, this heading includes guarantees received from the lessees of the MHRE properties amounting to 860,132 euros (2021: 203,374 euros). The maturities of said guarantees are the same as those for the corresponding lease agreements.

Current

The balance under this heading at December 31, 2022 corresponds to letters of credit received from the lessee of the Hotel Eurostars Lucentum in guarantee of rental payments (Note 8.1). In addition, at December 31, 2021, a balance of 1,410 thousand euros was included corresponding to the amounts withheld from the seller of Palacio de Vista Eder de San Sebastián (the future Hotel Nobu Sebastián) in guarantee of certain obligations. Said balance was returned in March 2022.

13.3. Trade and other payables

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

(Euros)	12/31/2022	12/31/2021
Suppliers	3,772,709	3,817,540
Other payables	2,802,276	1,669,681
Employee benefits payable (remuneration pending payment)	2,232,338	1,445,674
Customer advances	3,225	3,003,225
TOTAL	**8,810,548**	**9,936,120**

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

Remuneration payable to employees at December 31, 2022 mainly includes provisions for bonuses amounting to 2,069,120 euros (2021: 0 euros) as well as other items amounting to 162,906 euros (2021: 1,443,133 euros, of which 1,193,133 euros correspond to 2021 and 250,000 euros to 2020) (Note 16.2).

The balance recognized for "Customer advances" at December 31, 2021 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. (Note 18).

Notes to the financial statements for the year ended December 31, 2022

14. PROVISIONS AND CONTINGENCIES

14.1. Current provisions

The breakdown and movements during the year for this heading are as follows:

(Euros)	Balance at 12/31/2021	Allowances	Amounts used and paid	Overprovisions	Balance at 12/31/2022
Provision for legal risk	-	35,000	-	-	35,000
TOTAL	**-**	**35,000**	**-**	**-**	**35,000**

The provision for legal risk was allocated in 2022 in order to cover risks assumed with respect to the buyer of the shareholding units of Millenium Hotels C220, S.L.U., which were sold at January 31, 2022 (Note 18).

14.2. Contingencies

In 2021, the lessee of the Hotel Meliá Bilbao filed a lawsuit against MHRE 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 of the pandemic provoked by COVID-19. The claim was answered by MHRE 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 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 was not necessary at December 31, 2022. In addition, it is worth highlighting that said lessee is up to date with all rental payments accrued during the year.

Notes to the financial statements for the year ended December 31, 2022

15. TRANSACTIONS WITH RELATED PARTIES

The related parties with which the Company carried out transactions in 2022 and 2021, as well as the nature of the relationship, were as follows:

Related party	Nature of the relationship
2022	
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 MHRE	Directors
Chairman and CEO of MHRE	Senior management
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 MHRE	Directors
Chairman and CEO of MHRE	Senior management
Second vice-president of MHRE (1)	Senior management

(1) Until July 29, 2021.

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, 2022

15.1. Related parties

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

	Group companies		Entities related to Board members		Total	
(Euros)	2022	2021	2022	2021	2022	2021
Income from management services	25,000	36,000	-	-	25,000	36,000
Income from reimbursement of expenses	-	2,898	-	-	-	2,898
Leases (Note 16.3)	-	-	(104,883)	(60,000)	(104,883)	(60,000)
Professional services	-	-	(56,447)	(21,161)	(56,447)	(21,161)
Purchase of materials	-	-	(4,933)	(31,401)	(4,933)	(31,401)
Transportation	-	-	(14,650)	(10,800)	(14,650)	(10,800)
Dividend income (Notes 7 and 18)	48,977	280,854	-	-	48,977	280,854
Interest income	1,433,428	563,013	-	-	1,433,428	563,013

The breakdown of balances with related parties is as follows:

	Group companies		Entities related to Board members		Total	
(Euros)	2022	2021	2022	2021	2022	2021
Trade receivables (Note 8)	-	30,787	-	-	-	30,787
Accounts payable	-	-	(6,205)	(28,228)	(6,205)	(28,228)
Non-current loans granted (Note 8)	44,728,198	17,749,862	-	-	44,728,198	17,749,862
Current loans granted (Note 8)	-	7,929,676	-	-	-	7,929,676

The breakdown for the loans granted to Group companies is as follows:

(Euros)	12/31/2022	12/31/2021
Non-current loans granted		
Alcaidesa Holding, S.A.U.	-	9,382,044
MHRE San Roque, S.L.U.	38,614,955	8,367,818
Varia Pza Magdalena, S.L.U.	6,113,243	-
	44,728,198	17,749,862
Current loans granted		
Millenium Hotels C220, S.L.U.	-	2,042,913
Varia Pza Magdalena, S.L.U.	-	5,886,763
	-	7,929,676
TOTAL	**44,728,198**	**25,679,538**

Notes to the financial statements for the year ended December 31, 2022

At December 31, 2022, the balance of the loans granted to Varia Pza Magdalena, S.L.U. corresponds to 5,662,000 euros of principal and 451,243 euros of interest (2021: 5,662,000 euros of principal and 224,763 euros of interest). 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, on December 31, 2022 an addendum to the loan contracts was signed in which June 30, 2025 was established as their maturity date.

In addition, during 2022 the Group company Alcaidesa Holding, S.A.U. availed itself of a balance amounting to a total of 2,800,000 euros (2021: 8,265,000 euros) of the loan which the Company had granted the Group company Alcaidesa Golf, S.L.U. in December 2019 (said company was absorbed via merger by Alcaidesa Holding, S.A.U. in September 2020). The amounts utilized from this loan accrued interest at a 4% nominal annual rate, to 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. At December 31, 2021, the balance of this loan amounts to 9,382,044 euros (9,199,956 euros of principal and 182,088 euros of interest). However, on December 31, 2022, MHRE decided to make a contribution to the capital of the Group company Alcaidesa Holding, S.A.U. without altering the share capital structure of said company and totaling 12,595,862 euros, classified as other owner contributions. Said amount corresponds to the balance of the loan at said date (11,999,956 euros of principal and 595,906 euros of interest – Note 7).

In addition, during 2022 the Company granted various loans to the Group company MHRE San Roque, S.L.U. for a total amount of 29,460,000 euros (2021: 7,437,600 euros). 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 any repayments from MHRE San Roque, S.L.U. until after June 30, 2023. Subsequently, on December 31, 2022 an addendum to the loan contracts was signed in which June 30, 2025 was established as their maturity date. At December 31, 2022, the balance of the loans granted to said Group company amounts to 37,680,100 euros of principal and 934,855 euros of interest (2021: 8,220,100 euros of principal and 147,718 euros of interest).

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 2,042,913 euros (2,016,449 euros of principal and 26,464 euros of interest). These loans had a common duration of one year and accrued interest at a 4% nominal annual rate, to be settled at maturity. On January 27 and 28, 2022, Millenium Hotels C220, S.L.U. canceled 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.

Notes to the financial statements for the year ended December 31, 2022

15.2. Directors and senior management

The ordinary and extraordinary general MHRE shareholder meeting held on June 22, 2022 approved, amongst other matters, an increase in the number of Board members by two additional members (from 9 to 11), appointing Ms. Pilar Muñoz Sanz and Mr. Luis Basagoiti Robles as independent directors.

Previously, 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 from 10 to 9. 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 MHRE Board members to 9 and ratifying the appointment by co-optation of Ms. Leticia Fusi, Mr. Eduardo D'Alessandro, and Mr. Isaiah Toback.

Consequently, at December 31, 2022, MHRE's Board of Directors is comprised of 11 persons, 7 of whom were men and 4 women (2021: 9 persons, 6 of whom were men and 3 women).

Further, on March 14, 2023, Ms. Macarena Sáinz de Vicuña Primo de Rivera resigned from her position on the Board as well from all the committees in which she was a member, the Board of Directors having accepted her resignation (Note 21).

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

(Euros)	**2022**	**2021**
Directors		
Salaries	288,000	384,000
Per diems	128,000	150,000
	416,000	**534,000**
Senior management		
Salaries	600,000	1,585,630
Bonus	1,200,000	-
	1,800,000	**1,585,630**
TOTAL	**2,216,000**	**2,119,630**

Notes to the financial statements for the year ended December 31, 2022

MHRE had not contracted any commitments relating to pension plans for its directors or senior management at December 31, 2022 and 2021.

At December 31, 2022 and 2021, the Company had not granted any loans or advances to Board members or senior management, nor had it pledged any guarantees on their behalf.

In 2022, 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 (2021: 57,055 euros). Likewise, a life insurance premium was settled in favor of senior management, amounting to 10,346 euros (2021: 9,598 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 MHRE.

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)	2022	2021
Alicante	1,776,423	1,679,895
Bilbao	4,403,622	2,586,636
Madrid	1,538,140	-
TOTAL	**7,718,185**	**4,266,531**

16.2. Employee benefits expense

The breakdown of this heading is the following:

(Euros)	2022	2021
Wages and salaries	2,387,246	2,267,113
Provision for bonuses and other remuneration items (Note 13.3)	2,232,026	1,193,133
Social security payable by the company	283,402	175,908
Other social security expenses	2,087	-
TOTAL	**4,904,761**	**3,636,154**

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

Categories	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
	Men	Women	Total		
2022					
Chief Executive Officer	1	-	1	1	-
Remaining management team	3	1	4	4	-
Department directors	3	1	4	4	-
Other employees	5	13	18	13	-
TOTAL	**12**	**15**	**27**	**22**	**-**
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**	**15**	**14**	**-**

16.3. External services

The breakdown of this heading is as follows:

(Euros)	2022	2021
Leases and royalties	341,574	182,741
Repairs and maintenance	49,751	11,328
Independent professional services	1,288,615	907,462
Transportation	15,727	12,633
Insurance premiums	109,507	95,412
Banking and similar services	6,763	6,275
Publicity, advertising, and public relations	162,376	69,923
Supplies	251,640	33,831
Other services	156,953	23,047
TOTAL	**2,382,906**	**1,342,652**

The Company has leased its offices in Madrid from Grupomillenium Investment Partners, S.L. until March 23, 2023 (Note 5). However, on February 28, 2023 an addendum to the contract was signed in order to extend its duration until March 31, 2026 (Note 21). The expenses related to this contract amounted to 104,883 euros in 2022 (2021: 60,000 thousand euros; Note15.1).

Notes to the financial statements for the year ended December 31, 2022

In addition, the Company has been leasing premises from a third party since 2022 with a view to expanding office space at its headquarters (Note 5). This contract was arranged for a duration of 60 months, of which the first 30 months are obligatory. The expenses related to this contract amounted to 72,203 euros in 2022 (2021: 0 thousand euros).

The Company is leasing two premises on the ground floor of the building located at Carrera de San Jerónimo No. 9 in Madrid, where the future Hotel JW Marriott is being built, for estimated terms of 35 and 25 years. Said premises will partially be used for the aforementioned hotel and partially for restaurant areas (Note 7). The expenses related to these contracts amounted to 162,480 euros in 2022 (2021: 118,000 thousand euros).

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

(Euros)	12/31/2022	12/31/2021
Within one year	395,014	165,000
Between one and five years	1,353,058	495,000
More than five years	3,941,000	2,260,000
TOTAL	**5,689,072**	**2,920,000**

16.4. Depreciation and amortization

The breakdown of this heading is as follows:

(Euros)	2022	2021
Amortization of intangible assets (Note 5)	40	-
Depreciation of PP&E (Note 5)	79,772	18,693
Depreciation of investment properties (Note 6)	1,643,820	948,751
TOTAL	**1,723,632**	**967,444**

16.5. Finance costs

The breakdown of this heading is as follows:

(Euros)	2022	2021
Interest on borrowings from credit entities (Note 13.1)	2,497,082	1,852,886
Other finance costs	312,416	470,229
TOTAL	**2,809,498**	**2,323,115**

Notes to the financial statements for the year ended December 31, 2022

17. TAX MATTERS

The breakdown of the balances relating to tax assets and tax liabilities is as follows:

(Euros)	12/31/2022	12/31/2021
Tax credits		
Other receivables from public administrations		
VAT	4,194,811	4,396,078
Withholdings on corporate income tax	16,198	3,015
TOTAL	**4,211,009**	**4,399,093**
Tax liabilities		
Other payables to public administrations		
Withholdings	274,099	219,099
Social security payable	32,737	20,113
TOTAL	**306,836**	**239,212**

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.

17.1. Corporate income tax

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 2022 and 2021 the Company 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 Company in 2022 and 2021 is 0%.

Notes to the financial statements for the year ended December 31, 2022

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

	2022					
	Income statement			Income and expense recognized directly in equity		
(Euros)	Increases	Decrease	Total	Increases	Decrease	Total
Income and expense for the year	-	-	(12,012,157)	-	-	(1,152,261)
Income tax	-	-	-	-	-	-
Income and expense for the year before tax			**(12,012,157)**			**(1,152,261)**
Permanent differences	17,096,107	-	17,096,107	-	-	-
Temporary differences	-	-	-	-	-	-
Taxable income (Tax results)			**5,083,950**			**(1,152,261)**

	2021					
	Income statement			Income and expense recognized directly in equity		
(Euros)	Increases	Decrease	Total	Increases	Decrease	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	-	-	-	-	-	-
Taxable income (Tax results)			**(1,823,787)**			**(901,489)**

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).

17.2. 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.

Notes to the financial statements for the year ended December 31, 2022

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%	341,887,362	3,040,560	30,265,867	375,193,789
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 from 2020 to 2022, 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.

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.

Notes to the financial statements for the year ended December 31, 2022

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.*

All properties accounted for under "Investment properties" in the balance sheet are held for purposes of leasing (Note 6). However, at present, the properties which generate income are the following:

Acquisition/ incorporation date	Classification of the asset	Identification	Address	Town	Current 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 Meliá Bilbao	Lehendakari Leizaola N.º 29	Bilbao	Hotel business
3/27/2019	Asset owned by the Company	Building – Hotel Radisson Collection Bilbao	Gran Vía Don Diego López de Haro N.º 4	Bilbao	Hotel business
12/28/2021	Asset owned by the Company	Building – future Hotel Nobu Madrid	Alcalá N.º 26	Madrid	Offices
10/27/2022	Asset owned by the Company	Building – Hotel Iberostar Las Letras	Gran Vía N.º 11	Madrid	Hotel business

In addition, the acquisition or incorporation dates relating to the interests which the Company currently holds in the share capital of entities to which section 1, article 2 of the SOCIMI Law refers, are broken down as follows:

Company	Acquisition/incorporation date	Year for which SOCIMI regime was applied
Varia Pza Magdalena, S.L.U.	September 6, 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.*

(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, 2022 apart from those used for offsetting losses.

18. NON-CURRENT ASSETS HELD FOR SALE

On January 31, 2022, the sale of all the shares held by MHRE in Millenium Hotels C220, S.L.U. to the former director, Ibervalles, S.A., was executed. The transaction had previously been approved at the ordinary and extraordinary general shareholder meeting held on July 7, 2021, resulting in Hotel Vía Castellana no longer forming part of the MHRE portfolio. The price of this sale was fixed at 27.5 million euros, of which an advance payment of 3 million euros had previously been received on July 30, 2021. In addition, on the date of signing the corresponding purchase-sale deed, 500 thousand euros were withheld by the buyer as a guarantee until April 30, 2022, of which 433 thousand euros were finally returned. Consequently, the profit recognized for this transaction amounted to 6.7 million euros.

Thus, the interests held by MHRE in Millenium Hotels C220, S.L.U. were classified under "Non-current assets held for sale" in the balance sheet at December 31, 2021. This heading breaks down as follows at December 31, 2021:

(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

19. 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 2022 or 2021.

- 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, 2022, the Group recognized positive working capital in the amount of 60 million euros (2021: 75 million euros), with cash in hand amounting to 68 million euros (2021: 45 million euros). Thus, in light of its financial situation at December 31, 2022 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 (Note 6.1), the directors consider this a moderate risk.

- Interest rate risk: at December 31, 2022 approximately 80% of the debt held by the Company with credit entities is subject to a fixed interest rate (2021: 77%). The remaining debt owed to credit entities is referenced to Euribor, so that given the current situation involving interest rate hikes by the European Central Bank, the directors consider this risk as moderate.

20. OTHER INFORMATION

20.1. 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)	2022	2021
Audit services	53,300	41,600
Other accounting review and assurance work	28,654	26,830
Other non-audit services	4,560	-
TOTAL	**86,514**	**68,430**

Notes to the financial statements for the year ended December 31, 2022

20.2. 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)	2022	2021
Average supplier payment period	14.7	29.2
Ratio of transactions paid	16.3	32.7
Ratio of transactions pending payment	2.2	3.1
(Euros)	**2022**	**2021**
Total payments made	50,408,345	32,822,843
Total payments outstanding	6,571,857	4,381,700
Monetary volume of invoices paid within the maximum period allowed for by late payment regulations	48,622,852	N/A
Percentage of payments made within the maximum period over total payments made	96%	N/A
(Number of invoices)	**2022**	**2021**
Invoices paid within the maximum period allowed for by late payment regulations	2,157	N/A
Percentage over total invoicing	97%	N/A

21. EVENTS AFTER THE REPORTING DATE

The following significant events took place from December 31, 2022 to the date of authorization of the accompanying financial statements:

- On January 26, 2023, an agreement was reached with Alma Gestión de Hoteles, S.L.U. for early termination of the lease agreement relating to the future hotel located in Seville at Plaza San Francisco 11-12, with MHRE having settled 87.6 thousand euros for indemnity payments (Note 6.1).
- On February 28, 2023, an addendum was signed to the lease agreement for the offices which the Company is leasing from Grupomillenium Investment Partners, S.L., extending the duration of the contract up to March 31, 2026 (Note 16.3).
- On March 8, 2023, the Company signed a lease contract with the Spanish Mercer hotel chain for the property located in Seville at Plaza San Francisco 11-12, in order to operate said property under the Nobu brand. The lease was contracted for a period of 20 years counting form the date on which the finished property is made available to the lessee, with the first 5 years of the contract established as obligatory for the lessee. The agreement also includes three automatic renewals for a duration of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each 5-year period.

Notes to the financial statements for the year ended December 31, 2022

Lease income 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 (Note 6.1)

- On March 14, 2023, Ms. Macarena Sáinz de Vicuña Primo de Rivera resigned from her position on the Board as well from all the committees in which she was a member, the Board of Directors having accepted her resignation (Note 15.2).

Management Report for the year ended December 31, 2022

Situation of the market in which the Company performs its activity

Tourism activity saw significant growth during 2022, practically returning to pre-pandemic levels in spite of the war against Ukraine, stubborn inflation, and the threat of a possible recession. According to data published by the Spanish National Statistics Institute ("INE"), approximately 103 million tourists stayed in hotel establishments, only 6% below the figure recorded for 2019. Likewise, an increase in foreign tourists visiting Spain was also observed, thanks to strong pent-up demand and the desire to travel following reestablishment of international airline transport. As a consequence, 2022 saw significant rate increases and relevant occupancy levels, which helped hotel operators offset increased operating costs resulting from inflation. According to INE data, the average daily rate (ADR) per room in 5-star hotels amounted to 233 euros during 2022 (+12% compared to 2021) and the average revenue per available room (RevPar) amounted to 152 euros (+53% compared to 2021).

This recovery of the Spanish tourism market helped reinforce investor commitment to the tourism sector during a period of high economic uncertainty. In this regard, according to the Colliers Hotel Investment Report for 2022, the year concluded with 3,279 million euros in hotel investment, corresponding to existing hotels, properties to be reconverted for hotel use, and land to be used for hotel developments. The 3,000 million level was again surpassed for the second consecutive year and a new record was set, consolidating 2022 as the third best year in the historical record. It is worth highlighting that 24% of this figure corresponds to investments in Madrid, the city where 63% of the market value of MHRE's gross assets value (GAV) of its real estate asset portfolio is concentrated.

Likewise, said report also emphasizes that the purchase and sale of real estate for reconversion to hotel use outperformed the most in 2022 (184 million euros in 19 transactions, representing an increase of 98% as compared to 2021) and that the purchase of land for development of hotels, almost entirely in holiday locations, reached 99 million euros in 11 transactions, representing the second best historical record, only surpassed in 2019. A significant increase in average transacted hotel prices was observed during 2022 (+7% compared to the record set in 2021). This increase is attributable to the sale of *premium* hotel assets, such as the Rosewood Villa Magna and the Bless Hotel Madrid, which exceeded 1 million euros per room, as well as other establishments that exceeded 500,000 euros per room, such as the 7Pines Ibiza Resort, the Hotel Único Madrid, or the Hotel Iberostar Las Letras acquired by MHRE. This upward trend in purchase prices was mainly driven by transactions involving numerous 5-star hotels or Grand Luxury 5-star hotels. According to CBRE data for 2022, of the total investment in the hotel sector, 37% was directed towards 5-star or Grand Luxury 5-star hotels, which is a clear indicator of the good performance and resilience that this type of hotel demonstrated during the post-pandemic recovery and with respect to future demand expected by investors.

The policy for hiking rates initiated by the Central banks with a view to combating the inflationary crisis, which is expected to continue during 2023, will increase the cost of financing, and possibly delay investment decisions given the gap between asking prices and selling prices.

However, our country's leadership in the tourism industry, together with the quality of hotel facilities as well as interesting hotel repositioning opportunities, will continue to contribute to boosting hotel investment in coming years.

Business performance and situation of the Company

In this context, the Company obtained a negative result of 12.1 million euros for 2022 (2021: negative 9.5 million euros), mainly penalized by impairment losses on investments in group companies, amounting to 12.5 million euros (2021: 8.1 million euros of net impairment losses), and impairment losses on investment properties, amounting to a net loss of 4.7 million euros (2021: a net gain of 0.5 million euros). In addition, it is worth noting that on January 31, 2022, the sale of all the shares held by MHRE in Millenium Hotels C220, S.L.U. to the former director, Ibervalles, S.A., was executed. The transaction had previously been approved at the ordinary and extraordinary general shareholder meeting held on July 7, 2021. The price of this sale was fixed at 27.5 million euros, of which an advance payment of 3 million euros had previously been received on July 30, 2021. In addition, on the date of signing the corresponding purchase-sale deed, 500 thousand euros were withheld by the buyer as a guarantee until April 30, 2022, of which 433 thousand euros were finally returned. Consequently, the profit recognized for this transaction amounted to 6.7 million euros.

Hotel leasing activity in 2022 showed clear signs of recovery, with Company revenue increasing by 81% as compared to 2021, due to the opening of the Hotel Radisson Collection in Bilbao on March 15, 2022, which had been under construction the previous year, the acquisition of the Hotel Iberostar Las Letras on October 27, 2022, and the application of CPI adjustments to fixed rents. It is important to note that only four of the eleven hotels in the Company's portfolio were operational in 2022, as the rest of the real estate assets are still in a transformation and repositioning phase, though the building where the future Hotel Nobu Madrid will be located also contributed revenue (relating to office space) in 2022.

Further, at December 31, 2022, the Company's equity amounted to 478 million euros (2021: 335 million euros), subsequent to execution of the second disbursement for the capital increase, without preferential subscription rights, as approved at the ordinary and extraordinary general shareholder meeting held on July 7, 2021. A balance of 156.4 million euros was raised in said capital increase (2021: 89.3 million euros). The corresponding deed for the capital increase was granted on May 27, 2022 and filed at the Madrid Mercantile Registry on May 30, 2022. Execution of this second disbursement for said capital increase involved subscription of a total of 39,106,386 new shares at a nominal value of 1 euro each and a share premium of 3 euros each. The significant amount obtained was the largest transaction in the Spanish primary market up to such date and proved the strength and attractiveness of the MHRE project. Subsequent to this transaction, Castlelake, through one of its funds, took its stake in MHRE's capital to 49.72%, and new reference partners entered in MHRE's capital, such as Mutualidad de la Abogacía and Arconas International, with a 5.05% stake each.

With respect to the Company's investments, though no acquisitions were carried out during the first half of 2022, a balance of 6,700 thousand euros was paid in advance relating to the acquisition of some plots of land in Marbella for purposes of developing a luxury hotel complex, definitive acquisition of which is subject to fulfillment of a series of suspensive conditions. However, in the second half of the year, after the aforementioned second disbursement for the capital increase, the Company carried out the following investments:

- On July 27, 2022, the Company acquired a building located at calle Zorrilla N.º 19 in Madrid for an amount of 30,000 thousand euros with a view to its conversion into a 5-star hotel. The expenses associated with this transaction amounted to 848 thousand euros. An advance payment of 1 million euros had been made in the prior year as a guarantee for said acquisition, which was returned to the Company. The acquired property is an emblematic building of classical architecture from the late nineteenth century, located in one of the most exclusive areas of Madrid, the Gran Vía-Alcalá axis, next to the Parliament and a few meters from Plaza Canalejas and the Thyssen-Bornemisza Museum.
- Subsequently, on October 27, 2022, the Company acquired the Hotel Iberostar Las Letras, located at Gran Vía 11 in Madrid, for a price of 70,000 thousand euros. The expenses associated with this acquisition amounted to 1,189 thousand euros. This hotel boasts 109 rooms and is located at a privileged site in the Spanish capital where the Gran Vía and Alcalá streets meet, the cultural and commercial epicenter of the city nowadays, and where some of the most important international luxury hotels are also located, soon to be joined by the future Hotel JW Marriot, Hotel Zorrilla 19, and Hotel Nobu Madrid, which MHRE also owns.
- Additionally, on November 11, 2022, the Company acquired plots of land in the process of being classified for hotel use as per zoning regulations (66,592.55 m2 and 23,842 m2 which is buildable). Said land is located in the area known as El Palmar de Vejer in the municipality of Vejer de la Frontera, Cádiz, and was acquired with a view to developing a luxury eco-resort. The price paid for these plots totaled 12,000 thousand euros, while associated expenses amounted to 229 thousand euros.

These acquisitions, in addition to the costs capitalized in connection with construction and refurbishment work performed for several hotels amounting to a total of 25,952 thousand euros (2021: 25,679 thousand euros), which includes 1,697 thousand euros of capitalized finance expenses (2021: 1,731 thousand euros), gave rise to a GAV amounting to 466 million euros at year-end (2021: 302 million euros).

Progress in the work on buildings which are being reconverted or developed was affected by supply chain problems for materials on a global level as well as by the Russian war against Ukraine, though without generating significant delays or increases in costs.

In addition, the Company continued closing agreements with some of the world's leading hotel chains which operate in the luxury segment. On February 4, 2022, a lease agreement was signed for the future Hotel Nobu Madrid and an agreement was reached with Alma Gestión de Hoteles, S.L.U. after the closing of the reporting period for early termination of the lease agreement relating to the property located in Seville at Plaza San Francisco 11-12.

Subsequently, a lease agreement was signed with the Spanish Mercer hotel chain to operate said property under the Nobu brand.

The main objective for the Company in coming months is to complete its work in progress so as to make its entire portfolio of assets currently held fully profitable over the next 18-24 months, expecting to open the JW Marriott Madrid, Nobu Sevilla and Nobu San Sebastián hotels in 2023, as well as to carry out new acquisitions with the remaining funds obtained from the second disbursement of the capital increase carried out in May 2022. This will allow the Company to consolidate its portfolio, consequently increasing income, which will in turn allow it to begin distributing dividends to shareholders.

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 2022 or 2021.

- 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, 2022, the Group recognized positive working capital in the amount of 60 million euros (2021: 75 million euros), with cash in hand amounting to 68 million euros (2021: 45 million euros). Thus, in light of its financial situation at December 31, 2022 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, 2022 approximately 80% of the debt held by the Company with credit entities is subject to a fixed interest rate (2021: 77%). The remaining debt owed to credit entities is referenced to Euribor, so that given the current situation involving interest rate hikes by the European Central Bank, the directors consider this risk as moderate.

Management Report for the year ended December 31, 2022

Research and development activities

The Company did not conduct any R&D activities during the year ended December 31, 2022.

Treasury shares

MHRE acquired 38,756 treasury shares during 2022 (2021: 36,747 treasury shares) at an average price of 3.71 euros per share (2021: 4.03 euros) and sold 24,289 treasury shares (2021: 41,337 treasury shares) at an average price of 3.83 euros per share (2021: 4.80 euros per share).

At December 31, 2022, the Company held a treasury share portfolio comprised of 233,680 treasury shares, representing 0.2% of its share capital (2021: 219,213 treasury shares, representing 0.3% of its share capital at year end).

Average supplier payment period

The average supplier payment period was 14.7 days for the year ended December 31, 2022 (2021: 29.2 days).

Use of financial instruments

The Company contracted a new derivative financial instrument during 2022, consisting of a structured deposit in the amount of 500 thousand euros, 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 21 to the accompanying financial statements.

Authorization of the financial statements and management report for the year ended December 31, 2022.

At the meeting of the Board of Directors of MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. on March 14, 2023, its members authorized the financial statements and management report of MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. for the year ended December 31, 2022, consisting of the documents attached above, initialed by the Secretary of the Board of Directors for purposes of identification, with all members of the Board of Directors signing this last page.

F. Javier Illán Plaza
Chairman and Chief Executive Officer

Leticia Fusi Aizpurua
Board member

Leticia Fusi Aizpurua (on behalf of **Isaiah Toback**) (*)
Board member

Leticia Fusi Aizpurua (on behalf of **Eduardo D'Alessandro Cishek**) (*)
Board member

Jaime Montalvo Correa
Board member

José María Castellano Ríos
Board member

Macarena Sainz de Vicuña Primo de Rivera
Board member

Javier Martínez-Piqueras Barceló
Board member

Luis Basagoiti Robles
Board member

María Isabel Dutilh Carvajal
Board member

Pilar Muñoz Sanz
Board member

(*) The directors Mr. Eduardo D'Alessandro Cishek and Mr. Isaiah Toback have attended the meeting of the Board by telematic means, having expressly expressed their agreement with the financial statements and the management report for the fiscal year 2022 and have proceeded to its authorization, expressly authorizing Ms. Leticia Fusi Aizpurua to sign this last page on their behalf, as recorded in the Board minutes.

MHRE

HOSPITALITY REAL ESTATE

REPORT ON THE ORGANISATIONAL STRUCTURE AND INTERNAL CONTROL SYSTEM OF MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. FOR COMPLIANCE WITH THE REPORTING OBLIGATIONS ESTABLISHED BY THE MARKET

14 March 2023

CONTENTS

1. BACKGROUND

In accordance with Circular 3/2020 dated 30 July on the information to be provided by companies listed for trading in the BME GROWTH segment of BME MTF EQUITY (BME GROWTH), issuers must publish information on the organisational structure and internal control system that the Company has in place to comply with the reporting obligations established by the Market.

The purpose of this document is to provide sufficient information to users about the capacity of Millennium Hospitality Real Estate SOCIMI, S.A. (hereinafter, the Company or MHRE) in terms of information on the general control system. It provides a non-exhaustive list for guidance purposes only of aspects related to the organisational structure and internal control system of MHRE that makes it possible to assess its compliance capacity in relation to the reporting obligations established by the Market.

2. INTRODUCTION

Millenium Hospitality Real Estate SOCIMI, S.A. is a limited company that was established on 6 June 2017, with its registered office at Paseo de la Castellana 102, 2ºplanta, 28046, Madrid.

The Company has the following corporate purpose according to Article 2 of its Articles of Association:

1. *The Company's corporate purpose is primarily to carry out the following activities, whether within the country or abroad:*
   - a) *the acquisition and development of real estate of an urban nature for leasing, including the refurbishment of buildings under the terms established in Act 37/1992 of 28 December on Value Added Tax;*
   - b) *the holding of shares or interests in the capital of real estate investment trusts (hereinafter, "**REIT**") or in that of other entities not resident in Spain that have the same corporate purpose as the former and that are subject to a regime similar to that established for REITs in terms of the mandatory, legal or statutory profit distribution policy;*
   - c) *the holding of shares or interests in the capital of other entities, whether resident in Spain or not, whose primary corporate purpose is the acquisition of real estate of an urban nature for leasing and which are subject to the same regime established for REITs in terms of the mandatory, legal or statutory profit distribution policy and that meet the investment requirements referred to in Article 3 of the REIT Act;*
   - d) *the holding of shares or interests of Real Estate Collective Investment Institutions regulated under Act 35/2003 of 4 November on Collective Investment Institutions, or any regulations that may replace it in the future.*
2. *Along with the economic activity arising from the primary corporate purpose, the Company may carry out other ancillary activities, understanding as such activities whose revenues as a whole account for less than 20 percent of the Company's revenues in each tax period, or activities that may be considered ancillary in accordance with the law applicable at any given time, including:*
   - a) *the purchase, sale, rental, subdivision and urbanisation of plots, land and buildings of any nature, as well as the construction of the same and their disposal, whether in full, partially or under a horizontal property system;*
   - b) *the entire construction of buildings; and*

c) *the acquisition, holding, enjoyment and administration of share capital, domestic and foreign transferable securities or any kinds of securities that grant an interest in companies on own account and without brokerage activity, as well as their administration and management.*

3. *All activities for which the law lays down requirements that cannot be met by the Company are excluded. If, for the exercise of any activity included in the corporate purpose, the legal provisions require a professional title, prior administrative authorisation, registration in a public registry, or any other requirement, said activity may not start until such professional or administrative requirements have been met.*

4. *The activities that are part of the corporate purpose may be carried out in whole or partially, directly or indirectly, and through interests in other companies with the same or similar purpose.*

In order to fulfil its objective, the Company defines, among other elements, a set of strategies, systems, processes, policies and procedures in the field of internal control, through its administrative body, seeking to guarantee:

- ✓ Efficient and profitable development of the activity in the medium and long term that ensures the effective use of assets and resources, the continuity of the business and of the Company itself, through adequate management and control of the risks of the activity, prudent and adequate assessment of assets and liability, as well as the implementation of protection mechanisms against unauthorised use, whether intentional or negligent;

- ✓ The existence of complete, pertinent, reliable and timely financial and management information that supports decision-making and control processes, both internally and externally;

- ✓ Respect for applicable legal and regulatory provisions, as well as professional and ethical standards and uses, internal and statutory rules, rules of conduct and relations with counterparties, guidelines from corporate bodies and recommendations from supervisory authorities, with a view to protecting the institution's reputation and preventing it being subject to penalties.

It is required that the Company, especially the members of its governing bodies, always behave and act in line with the principle of good faith and with the highest standards of diligence, transparency and loyalty.

In this regard, the Company's Board of Directors provides, among other internal regulatory policies, the Company's internal rules of conduct in the field of the stock market (the "Internal Rules of Conduct"), which has been published on the Company's website (www.mhre.es).

As stated in Article 1 of the Internal Rules of Conduct, its objective is to regulate the rules of conduct to be observed by the Company, its administrative bodies, employees and other people related to the stock markets.

1. GENERAL PRINCIPLES

In order to achieve the aforementioned objectives, the Company's internal control system is based on:

- An adequate control environment in which the importance of internal control is reflected and the structure and discipline of the remaining elements that make up the internal control system are established.

- A risk management system that makes it possible to identify, supervise and control all risks that could have an impact on the strategy and objectives defined by the Company, ensuring compliance and taking the necessary measures to adequately respond to unwanted deviations.

- An efficient information and communication system created to guarantee the reception, processing and exchange of relevant, extensive and consistent data, in a time frame and manner that allows for the effective and timely development of the management and control of the Company's activity and risks.

In any case, this system must be appropriate to the scope, nature and complexity of the activity, as well as the nature and scale of the risks assumed or to be assumed.

In this regard, the Company has a Crime Prevention Model and a Reporting Channel in place, thus complying with EU regulations on criminal matters and the liability of legal entities. This model allows all persons, whether individuals or legal entities, that are related to the Company, to ask questions or report possible breaches of the Code of Ethics and Conduct, which complements the current Internal Rules of Conduct.

The Board of Directors is responsible for implementing and maintaining an adequate and effective internal control system that respects the aforementioned principles and guarantees compliance with the aforementioned objectives. Therefore, it is the Board of Directors' remit to detail the objectives and principles that constitute the basis of the internal control system, incorporating them into the Company's strategy and policies.

2. GOVERNANCE AND ORGANISATIONAL STRUCTURE

Annual General Meeting

The Company's Annual General Meeting is regulated in Articles 17 to 29 of the Company's Articles of Association and in the AGM Regulations. It is the Company's highest body that represents all its shareholders.

In accordance with the applicable legislation, it is responsible, among other matters, for approving: (i) the financial statements and the distribution of profit; (ii) the appointment and dismissal of the members of the Board of Directors and the auditors; (iii) amendments to the Articles of Association; (iv) share capital increases or reductions; and (v) the transformation, merger, division and dissolution of the Company.

Board of Directors

The Company's administrative body is the Board of Directors, whose main responsibility is the management, representation and administration of the Company's businesses in accordance with current legislation, the provisions of the Articles of Association and the approved Internal Rules of Conduct.

The Company's administrative body is regulated in Articles 30 to 38 of the Company's Articles of Association and the Regulations of the Board of Directors.

The Board currently comprises 11 members, as follows:

- Mr. Fco. Javier Illán Plaza (CEO)
- Mr. Eduardo D'Alessandro Cishek (Director Representing Major Shareholders)
- Ms. Leticia Fusi Aizpurua (Director Representing Major Shareholders)
- Mr. Isaiah Toback (Director Representing Major Shareholders)
- Mr. Jose María Castellano Rios (Director Representing Major 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 (Outside Director)
- Mr. Luis Basagoiti Robles (Independent Director)
- Ms. Pilar Muñoz Sanz (Independent Director)

Additionally, Mr. Juan Gomez- Acebo Sainz de Heredia holds the position of Non-Board Member Secretary and Mr. Angel Vizcaino the position of Non-Board Member Deputy Secretary.

The Board of Directors has two committees:

(i) The audit and risk control committee: made up of two non-executive directors representing major shareholders and three independent directors.

(ii) The appointments and remuneration committee: made up of two non-executive directors representing major shareholders and three independent directors.

Additionally, the Board of Directors has the Real Estate Executive Committee as an internal standing body with powers delegated from the Board of Directors and executive duties within its scope of action. This Committee is made up of no less than three and no more than six members. The Company's CEO is a permanent member and the others are shareholders representing at least 20% of the Company's share capital, excepting any exceptions that may be agreed by the Board of Directors. In the case of vacancies, the Board of Directors may appoint any of its members as a member of this committee. It is currently composed of:

- Mr. Javier Illán
- Mr. Javier Martinez-Piqueras
- Ms. Leticia Fusi

On the other hand, the Board of Directors has an Investment and Strategy Committee as an advisory body on investment and strategy matters. This committee is an informative body constituted for the benefit of shareholders and is made up of the Company's Executive Directors and the Investment Director as permanent members, as well as shareholders representing at least 5% of the Company's share capital.

Organisational Structure

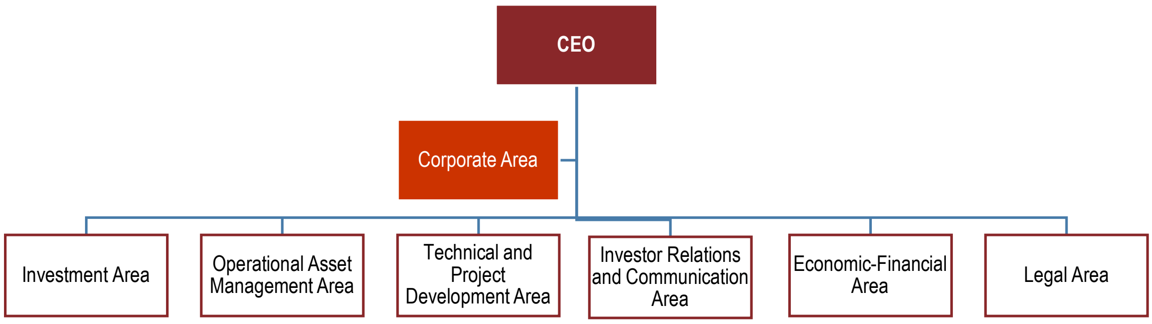
MHRE has a highly efficient and fully integrated organisational structure that enables it to effectively and efficiently acquire, build, renovate, lease, maintain and manage its property portfolio.

The human team that MHRE has is a multidisciplinary team that is highly qualified with extensive experience, which makes it one of the leading teams in the industry in Spain. The company's operational headquarters are centralised in Madrid.

The organisational structure is divided into 6 large areas, all under the direction of the CEO and the coordination of the Corporate Area. Said areas are as follows: (i) Investment Area (ii) Technical and Business Development Area, (iii) Operational Asset Management Area (iv) Investor Relations Area (v) Economic-Financial Area and (vi) Legal Area.

External service companies provide additional support in the form of ancillary services such as: payroll, maintenance staff, IT support etc.

The chart below reflects our current organisational structure:



i. **Investment Area:** Responsible for the search, monitoring, analysis and execution of all investment operations, as well as divestment proposals. Dialogue with hotel brands and operators is also included within its remit.

ii. **Operational Asset Management Area:** Monitoring and control of operating assets.

iii. **Project Management Area:** Technical implementation of development or restructuring projects.

iv. **Investor Relations Area:** Its objective is to build a solid and lasting relationship with the financial community (regulator, investors and analysts) through ongoing, open dialogue, so they can know and understand our business. To this end, we advocate a strategy based on maximum transparency, which takes the form of open communication channels to guarantee that our stakeholders have clear, truthful, complete, homogeneous and simultaneous information.

v. **Economic-Financial Area**: This encompasses financial control duties, which mainly include: financial accounting, internal reports, liquid assets and budget control. Likewise, it aims to guarantee that the group has sufficient liquidity to finance both its operations and potential investment opportunities. In particular, it regularly monitors debt maturities, interest rate trends, refinancing and hedging opportunities, and potential opportunities for the overall improvement of the financial structure. It also includes compliance duties.

vi. **Legal Area:** This area is involved, providing support, in investment and asset management decisions, it supervises matters related to the tax, corporate and corporate governance structure, and defines the Company's policies, procedures and actions to ensure compliance with laws and regulations. It is also involved in the negotiation of agreements (including acquisition and lease agreements). It is also responsible for supervising and monitoring all legal matters relating to the group, such as legal proceedings and permits and licences, whether directly or through the supervision of external legal counsel. This service is currently outsourced to external firms, although the possibility of taking on staff in the future may be assessed if the company's needs require it

3. RISK ASSESSMENT AND IDENTIFICATION

MHRE's business, activities and results are influenced by both intrinsic factors, exclusive to the Company, and by external factors.

MHRE has carried out a process to identify and assess the risks that they consider may affect the Company to a greater extent and, in particular, its financial reporting.

The following risks should be highlighted as a result of this analysis:

(1) Risks relating to the Company's financing: level of indebtedness, possible difficulties in relation to obtaining financing in a timely manner, variation in interest rates or lack of liquidity for compliance with the Company's dividend distribution policy.

(2) Risks linked to the Company's management: recently established, dependence on key people and possible influence of the main shareholders.

(3) Risks relating to the Company's activity: concentration of activity in the hotel market, real estate investment, failure to obtain or delay in obtaining licences or permits, delays in development works or asset restructuring, damage to real estate assets, risks arising from employment commitments taken on in some of the Company's lease agreements and/or arising from the possible continuity of the hotel operation on termination of said lease agreements, legal and out-of-court claims and valuation of the asset portfolio.

(4) Risks associated with the real estate and hotel industry: economic or political situation, high degree of competition, regulatory changes and illiquidity of hotel assets.

(5) Tax risks: loss of the special tax regime, change in tax legislation and possible payment of a special levy.

(6) Risks relating to the Company's shares: lack of liquidity, price development and lack of interest from shareholders.

In addition, the Company considers the following aspects of greater risk for the reliability of financial reporting:

(1) Recognition of income due to the different possible existing contract types and their accounting characteristics: Lease agreements can be of a different nature, as well as containing specific clauses that need to be considered individually when recognising income from leases. The

Company records income from leases using a straight-line method, generating an account receivable for the accrued amounts pending billing.

(2) Recognition and valuation of the Company's assets: The valuation of investment property is carried out based on an estimate of the future cash flows expected for said assets. Any valuation exercise entails a significant factor of uncertainty. In order to minimise this risk, the Company entrusts the valuation of the real estate it owns to recognised independent external experts every six months.

(3) Payments and treatment of expenses: Expenses are recognised on an accrual basis, that is, when the actual flow of goods and services that they represent occurs, regardless of when the monetary or financial flow arising from the same occurs. Depending on the nature of the expenses, they are recognised as a higher cost of the asset or on the profit and loss account.

(4) Non-payment and late payment management: One of the main operational risks that a real estate company faces is late payment. In this regard, the Company has established certain mechanisms with a view to minimising said risk, including: (i) the requirement of guarantees from lessees at the time of granting the lease agreement (legal deposits and guarantees); and (ii) the detailed and regular follow-up of unpaid invoices, including regular claims for the same.

(5) Fraud: Fraud is understood as the perpetration of intentional errors in financial reporting so that it does not reflect a true and fair view of the Company's assets and financial position. In this regard, it should be noted that in addition to the audit of the Company's annual financial statements, the consolidated interim financial statements are prepared every six months, which are also reviewed by the auditor. Additionally, the Company is implementing a Crime Prevention Model and has a Reporting Channel in place.

5. INTERNAL CONTROL SYSTEM

The Company understands by control any activity carried out to mitigate the risks that may have a significant negative impact on its objectives or that may lead to fraud or errors in the financial information reported internally and to third parties.

The main internal control activities that are carried out are described below:

(1) Establishment of strategies and objectives:

The Company's strategy is clear and defined, and its objective is the acquisition of real estate assets in prime locations of the leading tourist cities in Spain and Portugal, the operation of which is aimed at hotel operators in the luxury segment (4* and 5*).

(2) Internal Rules of Conduct:

The Company's Management has defined Internal Rules of Conduct in matters relating to the stock market for all of the Company's employees in order to lay the foundations for an ethical environment in line with current regulations in each area, and to avoid illegal actions and procedures.

The Company is responsible for ensuring that all its staff, including board members and executives, are aware of the aforementioned parameters of the code of good conduct.

(3) Staff skills, education and appraisals:

The Company is aware of the importance of having a qualified working team, consequently, it has staff with the skills required to perform their duties adequately, with extensive experience in the industry in order to achieve optimal results in their duties.

In this regard, it should be noted that the profiles of the key people responsible for the control and supervision of financial reporting include the following characteristics:

- University and postgraduate education.
- Relevant experience in the industry from different fields (investment analysis, accounting and financial, legal and technical).
- Experience in finance

(4) Real Estate Executive Committee: The Company has a Real Estate Executive Committee to analyse the different investment opportunities and sale of assets, and approve the operations that fit the Company's strategy. The non-delegable duties that it has include:

- The evaluation and approval of the Company's real estate investment or disinvestment presented by the Management Team. The investment proposals presented by the Management Team must include:
  - The expected amount of the acquisition, the associated costs (transaction, technical etc.), as well as the expected investment in Capex;
  - Detail of the conditions of the financial debt to be contracted on the properties to be acquired and its impact on the Company's financial leverage policy; and
  - Detailed financial projections of the project costs and income, as well as estimates of the rent and income to be generated by the corresponding operator.
- Approving the lease agreements and/or hotel management contracts with the Company's operators;
- Evaluating and approving proposals for recruiting new Management Team members; and
- Approving the Company's general Capex policy, the Company's general indebtedness policy, provided it does not contravene the Company's Management Policy or is not a non-delegable power held by the Board of Directors, the monthly monitoring of the financial statements and the Company's projections, as well as, on an annual basis, the Company's budget and projections.

This committee meets monthly and must report to the Board of Directors on the matters addressed and the decisions adopted.

(5) Planning and budget:

At the end of the financial year, an annual budget for the following financial year is drawn up, prepared by the Company's Finance Department and approved by the Board of Directors.

Additionally, with each investment opportunity, a detailed analysis (financial model) is carried out that provides all the elements in order to approve, if applicable, the presentation of an offer by the Company once it has been approved by the Real Estate Executive Committee.

(6) Income and accounts receivable recognition process:

The Finance Department is responsible for managing the rentals of all assets that are rented.

Together with the Investment and Operational Asset Management Areas, it is primarily responsible for managing contracts with tenants and ensuring compliance with the agreed conditions.

(7) Asset valuation and recognition process:

In relation to the recognition of acquired assets, it should be mentioned that the policies are defined by the Company's Finance Department.

In relation to the valuation of investment property, as explained above, this is carried out based on an estimate of the future cash flows expected for said leased assets. In this regard, the Finance Department, under the supervision of the Company's CEO, recognises impairments based on the fair value of the assets obtained from the valuation reports drawn up by recognised independent experts.

(8) Process for recognising debt at amortised cost and monitoring financial covenants

The calculation of the amortised cost of debt, the classification between short and long term based on the maturities, as well as the interest expense, is calculated internally by the Company's Finance Department. Likewise, the Finance Department monitors the financial covenants to which the financing contracts may be subject.

(9) Closing and reporting process

From an administrative/accounting point of view, the Company carries out its accounting and tax management functions internally through its Administration Department, which reports to Financial Management.

In order to offer its shareholders the greatest transparency and to monitor the Company's results, which enables agile decision-making, consolidated abridged interim financial statements are prepared every six months in addition to the annual financial statements. Said interim financial statements are prepared by the Company's Board of Directors, subject to limited reviews by the Company's auditor, and communicated to shareholders and the market.

(10) Communication and reporting process

All the financial statements prepared by the Company are drawn up and reviewed by the Board of Directors, and are made available to shareholders for review and, where appropriate, approval (in the case of the annual financial statements) at the Annual General Meeting.

On the other hand, to ensure coordination in the flow of information, any presentation or communication to the media or the market must be coordinated by the CEO, who will review its content and authorise publication. The CEO may, in turn, use the team or legal advisers to prepare the documentation and communications, notwithstanding the fact that, as already indicated, final authorisation must come from the CEO.

In the particular case of press releases that are going to be circulated to the media, they must have the CEO's approval for publication.

(11) Monitoring activities

The objective of monitoring and supervision activities is to determine whether the different components of the internal control system are working correctly.

The Company's Board of Directors maintains a position of continuous supervision in the activities, carrying out a review of the Company's main KPIs at least quarterly, in order to have constant knowledge of the main events that are taking place in the Company to ensure that the financial information reflected in the financial statements is consistent and in keeping with the information reported regularly and the Company's results.

As respects the transfer of information, this is carried out in a fluid, regular and homogeneous manner thanks to the constant contact between the Management Team and the Board of Directors, which means that the information published, the website, corporate and financial presentations, the statements made and the other information given to the market is consistent and meets the standards required under the regulations issued by the regulator of BME Growth.

6. CRIMINAL RISK MANAGEMENT OR COMPLIANCE

The company has started to implement a criminal risk management model that is expected to be completed in 2023, which establishes the basis of action for risk identification and management in order to prevent the perpetration of crimes that affect the organisation. It will be mandatory for all employees, executives, board members, and third parties that management deems appropriate in the provision of their services with the Company or any subsidiaries or companies directly or indirectly majority owned by the Company.

The management model being defined by the Company is based on three fundamental pillars:

- Prevention: the Company is establishing the mechanisms required to prevent or reduce the possibility of the perpetration of a crime or a breach of the code of ethics through controls that mitigate the risks, continuous risk analysis to detect possible threats and the training of employees and executives so they are aware of the controls that need to be applied and the company's regulations.

- Detection: through the means available to detect a crime or breach of the Code of Ethics, such as the reporting channel for stakeholders to communicate complaints, and the internal audit to verify the operation of the controls and management system established and detect possible breaches or inconsistencies.

- Response: in the event of a breach of the code of ethics or the perpetration of a crime, the Company is defining the means to remedy the negative effects of such breaches.

7. DOCUMENT MANAGEMENT SYSTEM

The purpose of the Document Management system is to manage the Company's documentation in a proactive and efficient manner, as well as to define the control of access to certain documentation in compliance with Data Protection legislation.

The Society has distinguished between: (i) Sensitive Documentation; and (ii) Documentation.

(1) Sensitive Documentation is that which is part of the Company and any loss, deterioration or damage to it would be an issue for the Company, and that which contains information that all Company employees should not necessarily know. This documentation includes: (i) all the title deeds of the Company and its investees (ii) the Company's deeds, (iii) financing contracts, loan and/or credit policies, whether mortgage-backed or not, (iv) all the Company's other in rem rights, (v) any communications relating to the previous sections of the Company, and/or its Board Members or Executives, (vi) the annual financial statements of the Company and its investees, their tax returns and bank statements, (vii) the minutes of meetings of the Board of Directors, and (viii) documentation relating to workers -if any- and social security.

(2) Documentation, or other information, is understood to mean any document not included in the previous section.

Sensitive documentation will be scanned and digitalised in a digital file by Legal Counsel or the Company's Finance Department, as appropriate, who will also be responsible for its custody. Only the members of the Board of Directors will have access to it, if necessary, and some of the members of the management team.

The other documentation is scanned by any of the Company's employees and filed in both digital format and in a physical file, accessed by all the Company's employees.

8. COMMUNICATION OF THIS REPORT

This Report on the Company's Organisational Structure and Control Systems for Compliance with Market Reporting Obligations is available for consultation on the Company's website: www.mhre.es

9. CONCLUSION

The Company, represented by its Board of Directors, has an organisational structure and internal control system in place that enable it to comply with the reporting obligations established by the market.

This document is a translation of an original text in Spanish.
In case of any discrepancy between both texts, the Spanish version will prevail.

REPORT PREPARED BY THE BOARD OF DIRECTORS OF MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. IN RELATION TO THE PROPOSED OFFSET OF NEGATIVE RESULTS FROM PREVIOUS YEARS AGAINST SPECIAL VOLUNTARY RESERVES, SUBMITTED FOR APPROVAL BY THE ORDINARY AND EXTRAORDINARY GENERAL MEETING CALLED FOR 30 AND 31 OF MAY 2023, ON FIRST AND SECOND CALL, RESPECTIVELY, AS ITEM TWO ON THE AGENDA

1. PURPOSE OF THE REPORT

The board of directors of Millenium Hospitality Real Estate, SOCIMI, S.A. (the "**Company**") has issued this report to justify, in accordance with articles 286 and 318.1 of the consolidated text of the of the revised text of the Spanish Companies Act approved by Royal Decree 1/2010, of July 2 (*Ley de Sociedades de Capital aprobado por el Real Decreto 1/2010, de 2 de julio* or the "**LSC**"), by reference to article 335.c) of the same law, the proposed resolution to offset negative results against special voluntary reserves for capital reduction for an amount of EUR 12,012,157.25, based on the individual balance sheet of the Company as closed on 31 December 2022.

This proposed resolution is included as item Two on the agenda of the next ordinary and extraordinary general shareholders meeting called for on 30 May 2023 on first call or, if the required quorum for that call is not reached, on 31 May 2023 in the same place, on second call.

For the referred proposal to offset special voluntary reserves to be submitted for approval of the general meeting, it is mandatory, under articles 286 and 318.1) of the LSC, by reference to article 335.c) of the same law, that the board of directors issues this report, which contains the justification for the proposed resolution, insofar as the reserve proposed to be offset is only available with the same requirements applicable to capital reductions.

Article 287 of the LSC also requires the call for the general meeting must clearly state the points to be amended and the right of all shareholders to examine at the registered office the full text of the proposed amendment and the report on it, as well as the possibility to request those documents be sent or delivered free of charge.

2. RATIONALE OF THE PROPOSAL

Taking into account that, once the application of the results for financial year 2022 is approved by the general meeting, the account "*losses from prior years*" is expected to have a negative balance of EUR 12,012,157.25, the board of directors has decided to propose to the general meeting a reduction of special voluntary reserves for capital reductions to offset the negative reserves arising from the losses for financial year 2022 reflected in the referred balance sheet.

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For these purposes, it is noted that the balance sheet that will serve as the basis for this transaction is the individual balance sheet of the Company as closed on 31 December 2022, as included in the annual accounts of the Company, the approval of which is submitted to the same general meeting under item One of the agenda. This balance sheet was prepared by the board of directors as part of the annual accounts for financial year 2022 at its meeting held on 14 March 2023 and was verified by the Company's auditor, Ernst & Young, S.L., on 15 March 2023.

Pursuant to article 322.2) of the LSC, public limited companies may not be reduce share capital for losses if the company has any kind of voluntary reserves or when the legal reserve, once the reduction has been executed, exceeds 10% of the share capital. For these purposes, it is proposed to the general meeting to approve a reduction of special voluntary reserves.

In accordance with the referred balance sheet, once item One on the agenda of the general meeting has been approved (i) the account "*Negative results from previous years"* of the individual balance sheet at 31 December 2022 will have a negative balance of EUR 12,012,157.25; and (ii) at 31 December 2022, the Company will have "*Special voluntary reserves for capital reduction"* amounting to EUR 38,628, 944.94.

In view of the above, in order to improve and strengthen the Company's balance sheet, it is proposed to the general meeting that an amount of EUR 12,012,157.25 from the account "*Special voluntary reserves for capital reduction"* fully offsets the account "*Negative results from previous years"*.

Once the amount of EUR 12,012,157.25 in the "*Special voluntary capital reduction reserves*" account is applied to offset the losses recorded in the "*Negative results from previous years"* account, this account will amount to EUR 0, with no change in the Company's share capital as a result of this offsetting.

Lastly, it is proposed to authorise the board of directors, with express powers of substitution, to perform any actions and execute any documents necessary to implement the resolution referred to in this report.

3. PROPOSED RESOLUTION

Based on the above, the proposed resolution submitted for approval by the general meeting is as follows:

"__ITEM TWO OF THE AGENDA__

APPROVAL OF AN OFFSET OF NEGATIVE RESULTS FROM PREVIOUS YEARS OF EUR 12,012,157.25 AGAINST SPECIAL VOLUNTARY RESERVES. DELEGATION OF POWERS.

*To allocate, in order to improve and strengthen the balance sheet of Millenium Hospitality Real Estate, SOCIMI, S.A. (the "**Company**"), the amount of EUR 12,012,157.25 from the account "Special voluntary reserves for capital reduction" to offset in full the account "Negative results from previous years", subject* *to the prior approval of the item One on the agenda of the general meeting relating, among others, to the approval of the individual annual accounts for financial year 2022 and application of income.*

In this regard, it is hereby stated that, once the item One on the agenda of the general meeting has been approved, (i) the account "Negative results from previous years" of the Company's individual balance sheet as closed at 31 December 2022 will amount to a negative balance of EUR 12,012,157.25; and (ii) at 31 December 2022, the Company will have "Special voluntary reserves for capital reduction" amounting to EUR 38,628, 944.94.

*This resolution will be executed after the end of the period for the creditors of the Company to exercise the right to oppose provided for in article 334 of the consolidated text of the Spanish Companies Law approved by Royal Decree 1/2010, of July 2 (Ley de Sociedades de Capital aprobado por el Real Decreto 1/2010, de 2 de julio or the "**LSC**"), as established by article 336 of the same law.*

In accordance with article 334 of the LSC, creditors of the Company whose credits have arisen before the date of the last announcement of the resolution to offset negative results, have not matured at that time and until such credits are secured, have the right to oppose the offset which is the object of this resolution.

The balance sheet that serves as the basis for approving the offset of previous results is the one closed as of 31 December 2022, as verified by the Company's auditors, Ernst & Young, S.L., on 15 March 2023 and submitted for approval by the general meeting under item One on the agenda of this meeting.

It is hereby resolved to authorise the board of directors, as broadly as necessary by law, with express powers of substitution, to perform all necessary or appropriate actions to implement this resolution and, in particular, without limitation, to:

i) extend and develop this resolution;

ii) carry out all necessary actions to meet the requirements established in the LSC and other applicable legislation, including, where applicable, the offset of other reserves not included in this resolution;

iii) carry out the necessary actions and formalities to obtain the necessary waivers and authorisations for the full implementation of this resolution;

*iv) perform on behalf of the Company any actions, declaration or procedure required before the Spanish Securities Markets Commission ("**CNMV**"), BME Growth segment of BME MTF Equity, Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U., the Governing Companies of the Stock Exchanges, the Securities Settlement and Clearing Service and any other public or private body or entity or registry, Spanish or foreign, in relation to this resolution;*

v) *execute on behalf of the Company any public or private documents as necessary or appropriate and, in general, perform as many procedures as required for the best execution of this resolution;*

vi) *prepare and publish any announcements that may be necessary or appropriate in relation to this resolution;*

vii) *correct, clarify, interpret, specify or supplement this resolution, or any other documents or deeds executed in its execution and, in particular, any defects, omissions or errors, of substance or form, which prevent the registry of the resolutions and their consequences in the Commercial Registry, the Official Registers of the CNMV, BME Growth segment of BME MTF Equity or any other registers; and*

viii) *in general, perform any actions necessary or appropriate for the successful implementation of this resolution."*

Madrid, 26 April 2023

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REPORT ISSUED BY THE BOARD OF DIRECTORS OF MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. IN RELATION TO THE PROPOSAL FOR THE RE-ELECTION OF DIRECTORS OF THE COMPANY TO BE SUBMITTED FOR APPROVAL AT THE ORDINARY AND EXTRAORDINARY GENERAL MEETING CALLED FOR 30 AND 31 MAY 2023, ON FIRST AND SECOND CALL, RESPECTIVELY, UNDER ITEMS FOUR TO SEVEN OF THE AGENDA

1. PURPOSE OF THE REPORT

The board of directors of Millenium Hospitality Real Estate, SOCIMI, S.A. (the "**Company**") has issued this report to justify the proposed resolutions to be submitted for approval at the next ordinary and extraordinary general shareholders meeting under items Four to Seven of its Agenda in relation to the re-election of directors of the Company.

In accordance with the provisions of the Regulation of the Board of Directors, the proposal to re-elect members of the board of directors is the responsibility of (i) in the case of independent directors, to the appointments and remuneration committee, which must be accompanied by a justifying report from the board of directors, and (ii) in the case of any other director, to the board of directors, following a favorable report by the appointments and remuneration committee.

As a consequence of the above, and taking into account the proposals made (in the case of the independent directors) or reported favorably (in the case of the other directors) by the appointments and remuneration committee at its meeting held on 26 April 2023, in accordance with the Regulation of the Board of Directors, included separately below is the corresponding report issued by the board of directors evaluating the competence, experience and merits of Mr. Javier Illán Plaza, Mr. José María Castellano Ríos, Mr. Jaime Montalvo Correa and Ms. Isabel Dutilh Carvajal.

It is also stated that this document contains information on the identity, curriculum and category to which the proposed candidates belong.

Consequently, the board of directors issues this report and presents its evaluation on the competence, experience and merit of Mr. Javier Illán Plaza, Mr. José María Castellano Ríos, Mr. Jaime Montalvo Correa and Ms. Isabel Dutilh Carvajal; either in accordance with the favorable report of the appointments and remuneration (**Annex I**) or the proposal made by the appointments and remuneration committee (**Annex II**), as appropriate.

2. JUSTIFYING REPORT

2.1 Mr. Javier Illán Plaza

2.1.1 Professional and biographical profile

The competence, experience and merits of Mr. Javier Illán Plaza can be inferred from his curriculum vitae, which indicates his suitability for the position of executive director.

Mr. Javier Illán Plaza began his professional career in 1994 in a family business dedicated to construction and property development. During this period, he was actively involved in the development and construction of 600 homes in La Coruña and the Hotel Vilagaros in Baqueira Beret, Spain's most luxurious ski resort.

In 1997, Mr. Illán set up his first company, focusing on property investment projects that included repositioning work. Following this success, in 2000, he founded the Millenium Group as a closed real estate investment vehicle (club deal), which included commercial assets, offices and hotels, located in prime areas of Madrid, whose value strategy was based on repositioning for subsequent rental or sale.

In 2010, alongside the club deal, a residential development division was launched, positioning the Millenium Group as a national reference in luxury residential development, with emblematic buildings such as Plaza de la Independencia 5 (Edificio Millenium), Hermanos Bécquer 4, Alfonso XII no. 24 or Alfonso XII no. 38.

In 2017, he founded Millenium Hospitality Real Estate SOCIMI, S.A., a company whose shares are admitted to trading in the BME Growth segment of BME MTF Equity, one of the 15 SOCIMIs with the highest capitalisation in the Spanish market and a benchmark in the luxury hotel market in Europe.

To date, Mr. Illán has been involved in the acquisition, repositioning and sale of assets worth approximately EUR 1,000 million.

Mr. Javier Illán Plaza is CEO of the Company and a member of its real estate executive committee.

2.1.2 Justification of the proposal

The board of directors subscribes the assessment made by the appointments and remuneration committee and accepts its conclusions. Likewise, the board of directors considers that the background and curriculum of Mr. Javier Illán Plaza, as well as the services provided to the Company since his appointment, confirm that he has the necessary competence, experience and merits to be re-elected as director.

As a result of the foregoing, the board of directors considers the re-election of Mr. Javier Illán Plaza as executive director to be justified and appropriate, in the conviction that such re-election will provide continuity to the management of the Company and its group.

2.1.3 Category

Mr. Javier Illán Plaza has carried out and will continue to carry out management functions at the Company, as a result of being named as an executive director of the Company. Consequently, pursuant to the provisions of applicable regulations, Mr. Illán will be considered an executive director.

2.2 Mr. José María Castellano Ríos

2.2.1 Professional and biographical profile

The competence, experience and merits of Mr. José María Castellano Ríos can be inferred from his curriculum vitae, which indicates his suitability for the position of proprietary director.

Mr. José María Castellano Ríos holds a PhD in Economics and Business Studies from Universidad Complutense de Madrid, is Professor of Financial Economics and Accounting at Universidad de A Coruña and is a member of the Academy of Economics and Financial Sciences.

From 1985 to 2005, he was a member of the board of Industria de Diseño Textil, S.A. (Inditex) and, since 1997, vice-chair and CEO of the same company. He is considered, together with Mr. Amancio Ortega, to be the architect of the Inditex group's international expansion and consolidation, and its successful IPO in 2001. Mr. Castellano was chair of the ONO telecommunications company from 2008 until its sale to the Vodafone group in 2014. He is currently an independent director of Naturhouse Health, S.A., a company whose shares are admitted to trading on the Spanish Stock Exchanges.

Mr. José María Castellano Ríos is chairman of the audit and risk management committee and member of the appointments and remuneration committee.

2.2.2 Justification

The board of directors subscribes the assessment made by the appointments and remuneration committee and accepts its conclusions. Likewise, the board considers that the professional background and curriculum vitae of Mr. José María Castellano Ríos, as well as the services provided to the Company since his appointment, confirm that he has the necessary competence, experience and merits to be re-elected as director.

As a result of the foregoing, the board of directors considers the re-election of Mr. José María Castellano Ríos as a proprietary director of the Company to be justified and appropriate, in the conviction that he possesses the appropriate competence, experience and merits for the performance of the duties inherent to his position.

2.2.3 Category

Mr. José María Castellano Ríos represents the shareholding of Alazady España, S.L. Consequently, pursuant to the provisions of applicable regulations, Mr. Castellano will be considered a proprietary director.

2.3 Mr. Jaime Montalvo Correa

2.3.1 Professional and biographical profile

The competence, experience and merits of Mr. Jaime Montalvo Correa can be inferred from his curriculum vitae, which indicates his suitability for the position of independent director.

Mr. Jaime Montalvo Correa holds a PhD in Law from Universidad Complutense de Madrid and has been a Professor of Employment and Social Security Law since 1973, successively, at Universidad del País Vasco, Universidad de Granada, Universidad de Oviedo and Universidad Nacional de Educación a Distancia (UNED).

In addition, Mr. Montalvo has been director of Mutua Madrileña Automovilística, S.S.P.F. since 2006 and vice-chairman of the same company since 2010. He is also a trustee of various entities, including Fundación Mutua Madrileña, Real Instituto Elcano and Fundación Comillas.

In addition to activities in the private sector, Mr. Jaime Montalvo Correa has held positions of significant institutional relevance, both in the Public Administration and in University. He has been chair of the Economic and Social Council, member of the Council of State, chair of the Spanish Court of Arbitration, elected member of the European Institute of Social Security and Rector of the United Nations University for Peace of the United Nations Organisation, Rector of Universidad Nacional de Educación a Distancia (UNED) and trustee of Universidad Internacional Menéndez Pelayo.

Mr. Jaime Montalvo Correa is chair of the appointments and remuneration committee and member of the audit and risk management committee.

2.3.2 Justification of the proposal

The board of directors subscribes the proposal of the appointments and remuneration committee and accepts its conclusions. Likewise, the board considers that the background and curriculum vitae of Mr. Jaime Montalvo Correa, as well as the services provided in the Company since his appointment, confirm that he has the necessary competence, experience and merits to be re-elected as director.

As a result of the foregoing, the board of directors considers the re-election of Mr. Jaime Montalvo Correa as independent director of the Company to be justified and appropriate, in the conviction that he has the appropriate competence, experience and merits to perform the duties inherent to his position.

2.3.3 Category

Mr. Jaime Montalvo Correa has been proposed for re-election based on his personal and professional qualifications, and may perform his duties without being conditioned by relations with the Company, its significant shareholders or its directors. Consequently, he is considered to be an independent director, since, according to the information provided by the director, he meets the requirements established in the applicable legislation.

2.4 Ms. Isabel Dutilh Carvajal

2.4.1 Professional and biographical profile

The competence, experience and merits of Ms. Isabel Dutilh Carvajal can be inferred from her curriculum vitae, which indicates her suitability for the position of independent director.

Ms. Isabel Dutilh Carvajal holds a law degree from Universidad CEU San Pablo, a master's degree in Maritime Business from Universidad Pontificia de Comillas (ICADE) and the Spanish Maritime Institute and a master's degree in Maritime Law from the University of Wales. She has also completed the "Leadership in law firms" programme at Harvard University.

Ms. Dutilh is a founding partner of Argali Abogados, S.L.P., a law firm specialising in mergers and acquisitions. She is also an independent director of Elecnor, S.A. and a member of its audit and appointments, remuneration and sustainability committees. She is also an independent director of Banco de Alcalá, S.A. and chair of its appointments and remuneration committee and is a member of its supervision and audit committee.

Ms. Isabel Dutilh Carvajal is also chair of the working group for Legal Certainty of Círculo de Empresarios, an organisation of which she was vice-chair from March 2015 to March 2021, and is also a trustee of Fundación Hay Derecho.

Ms. Isabel Dutilh Carvajal is a member of the audit and risk management committee and the appointments and remuneration committee.

2.4.2 Justification of the proposal

The board of directors subscribes the proposal of the appointments and remuneration committee and accepts its conclusions. Likewise, the board considers that the background and curriculum vitae of Ms. Isabel Dutilh Carvajal, as well as the services provided to the Company since her appointment, confirm that she has the necessary competence, experience and merits to be re-elected as director.

As a result of the above, the board of directors considers the re-election of Ms. Isabel Dutilh Carvajal as independent director to be justified and appropriate, in the conviction that she has the appropriate competence, experience and merits to perform the duties inherent to her position.

2.4.3 Category

Ms. Isabel Dutilh Carvajal has been proposed for re-election in view of her personal and professional qualities and can perform her duties without being conditioned by relations with the Company, its significant shareholders or its executives. Consequently, she is considered to be an independent director, since, according to the information provided by the director, she meets the requirements established in the applicable regulations.

3. CONCLUSIONS

The board of directors, in view of the above:

– acknowledges the favorable report issued by the appointments and remuneration committee for the re-election for the statutory period of four years of Mr. Javier Illán Plaza, as executive director, and of Mr. José María Castellano Ríos, as proprietary director, and considers it justified and appropriate to submit their re-election to the general meeting; and

– considers that the proposal submitted by the appointments and remuneration committee for the ratification and re-election for the statutory period of four years of Mr. Jaime Montalvo Correa and Ms. Isabel Dutilh Carvajal as independent directors of the Company for is justified and appropriate.

4. PROPOSED RESOLUTION

The proposed resolutions to be submitted for approval at the general meeting of shareholders of the Company are as follows:

"***ITEM FOUR OF THE AGENDA***

RE-ELECTION OF MR. JOSE MARÍA CASTELLANO RÍOS AS DIRECTOR, WITH THE CATEGORY OF PROPRIETARY DIRECTOR, FOR THE STATUTORY PERIOD OF FOUR YEARS.

To re-elect, at the proposal of the board of directors, Mr. Jose María Castellano Ríos, of legal age, of Spanish nationality, with national ID number [...] in force, and with address for these purposes at Paseo de la Castellana 102, 2º, 28046 Madrid (Spain) as director of Millenium Hospitality Real Estate, SOCIMI, S.A., with the category of "proprietary" for the statutory period of four years as of the date of this general meeting.

The proposed resolution for the general meeting is accompanied by a supporting report from the board of directors evaluating the competence, experience and merits of Mr. Jose María Castellano Ríos and the role played within Millenium Hospitality Real Estate, SOCIMI, S.A. since his appointment, as well as a favourable report from the appointments and remunerations committee. The report and the proposal have been made available to the shareholders as from the publication of the notice of the general meeting.

Mr. Jose María Castellano Ríos will accept his re-election by any means valid in law.

ITEM FIVE OF THE AGENDA

This document is a translation of an original text in Spanish.
In case of any discrepancy between both texts, the Spanish version will prevail.

RE-ELECTION OF MR. JAIME MONTALVO CORREA AS DIRECTOR, WITH THE CATEGORY OF INDEPENDENT DIRECTOR, FOR THE STATUTORY PERIOD OF FOUR YEARS.

To re-elect, at the proposal of the appointments and remuneration committee, Mr. Jaime Montalvo Correa of legal age, of Spanish nationality, with national ID number [...] in force, and with address for these purposes at Paseo de la Castellana 102, 2º, 28046 Madrid (Spain) as director of Millenium Hospitality Real Estate, SOCIMI, S.A., with the category of "proprietary" for the statutory period of four years as of the date of this general meeting.

The proposed resolution for the general meeting is accompanied by a supporting report from the board of directors evaluating the competence, experience and merits of Mr. Jaime Montalvo Correa and the role played within Millenium Hospitality Real Estate, SOCIMI, S.A. since his appointment, as well as a favourable report from the appointments and remunerations committee. The report and the proposal have been made available to the shareholders as from the publication of the notice of the general meeting.

Mr. Jaime Montalvo Correa will accept his re-election by any means valid in law.

ITEM SIX OF THE AGENDA

RE-ELECTION OF MS. ISABEL DUTILH CARVAJAL AS DIRECTOR, WITH THE CATEGORY OF INDEPENDENT DIRECTOR, FOR THE STATURORY PERIOD OF FOUR YEARS.

To re-elect, at the proposal of the appointments and remunerations committee, Ms. Isabel Dutilh Carvajal, of legal age, of Spanish nationality, with national ID number [...] in force, and with address for these purposes at Paseo de la Castellana 102, 2º, 28046 Madrid (Spain) as director of Millenium Hospitality Real Estate, SOCIMI, S.A., with the category of "independent" for the statutory period of four years as of the date of this general meeting.

The proposed resolution for the general meeting is accompanied by a supporting report from the board of directors evaluating the competence, experience and merits of Ms Isabel Dutilh Carvajal and the role she has played within Millenium Hospitality Real Estate, SOCIMI, S.A. since her appointment, as well as the proposal issued by the appointments and remunerations committee. The report and the proposal have been made available the shareholders as from the publication of the notice of the general meeting.

Ms. Isabel Dutilh Carvajal will accept her re-election by any means valid in law.

ITEM SEVEN OF THE AGENDA

RE-ELECTION OF MR. JAVIER ILLÁN PLAZA AS DIRECTOR, WITH THE CATEGORY OF EXECUTIVE DIRECTOR, FOR THE STATUTORY PERIOD OF FOUR YEARS.

This document is a translation of an original text in Spanish.
In case of any discrepancy between both texts, the Spanish version will prevail.

To re-elect, at the proposal of the board of directors, Mr. Javier Illán Plaza, of legal age, of Spanish nationality, with national ID number [...] in force, and with address for these purposes at Paseo de la Castellana 102, 2º, 28046 Madrid (Spain) as director of Millenium Hospitality Real Estate, SOCIMI, S.A., with the category of "executive" for the statutory period of four years as of the date of this general meeting.

The proposed resolution for the general meeting is accompanied by a supporting report from the board of directors evaluating the competence, experience and merits of Mr. Javier Illán Plaza and the role played within Millenium Hospitality Real Estate, SOCIMI, S.A. since his appointment, as well as a favourable report from the appointments and remunerations committee. These reports have been made available to the shareholders as from the publication of the notice of the general meeting.

Mr. Javier Illán Plaza will accept his re-election by any means valid in law."

Madrid, 26 April 2023

This document is a translation of an original text in Spanish.
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ANNEX I

REPORT ISSUED BY THE APPOINTMENTS AND REMUNERATION COMMITTEE OF MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. IN RELATION TO THE PROPOSAL FOR RE-ELECTION OF MR. JAVIER ILLÁN PLAZA AS EXECUTIVE DIRECTOR AND MR. JOSÉ MARÍA CASTELLANO RÍOS AS PROPRIETARY DIRECTOR OF THE COMPANY

1. INTRODUCTION

The appointments and remuneration committee of Millenium Hospitality Real Estate, SOCIMI, S.A. (the "**Company**"), in accordance with article 14.5.v) of the Regulation of the Board of Directors, issues this favourable report in relation to the proposals, to be submitted for approval at the next ordinary and extraordinary general shareholders meeting of the Company, in relation to the re-election, for the statutory period of four years, of Mr. Javier Illán Plaza as executive director and Mr. José María Castellano Ríos as proprietary director of the Company.

The re-elections that the board of directors proposes are a consequence of the expiration of the term for which Mr. Javier Illán Plaza and Mr. José María Castellano Ríos were appointed as directors of the Company.

Article 14.5.v) of the Regulation of the Board of Directors determines the proposal for appointment or re-election of any non-independent member of the board of directors must be made following the favorable report of the appointments and remuneration committee. Consequently, this report is prepared in order to comply with the provisions of the aforementioned article.

2. ASPECTS TAKEN INTO ACCOUNT BY THE APPOINTMENTS AND REMUNERATION COMMITTEE

2.1 Mr. Javier Illán Plaza

2.1.1 Professional and biographical profile

The competence, experience and merits of Mr. Javier Illán Plaza can be inferred from his curriculum vitae, which indicates his suitability for the position of executive director.

Mr. Javier Illán Plaza began his professional career in 1994 in a family business dedicated to construction and property development. During this period, he was actively involved in the development and construction of 600 homes in La Coruña and the Hotel Vilagaros in Baqueira Beret, Spain's most luxurious ski resort.

In 1997, Mr. Illán set up his first company, focusing on property investment projects that included repositioning work. Following this success, in 2000, he founded the Millenium Group as a closed real estate investment vehicle (club deal), which included commercial assets, offices and hotels, located in prime areas of Madrid, whose value strategy was based on repositioning for subsequent rental or sale.

In 2010, alongside the club deal, a residential development division was launched, positioning the Millenium Group as a national reference in luxury residential development, with emblematic buildings such as Plaza de la Independencia 5 (Edificio Millenium), Hermanos Bécquer 4, Alfonso XII no. 24 or Alfonso XII no. 38.

In 2017, he founded Millenium Hospitality Real Estate SOCIMI, S.A., a company whose shares are admitted to trading in the BME Growth segment of BME MTF Equity, one of the 15 SOCIMIs with the highest capitalisation in the Spanish market and a benchmark in the luxury hotel market in Europe.

To date, Mr. Illán has been involved in the acquisition, repositioning and sale of assets worth approximately EUR 1,000 million.

Mr. Javier Illán Plaza is CEO of the Company and a member of its real estate executive committee.

2.1.2 Justification

The appointments and remuneration committee believes that the existence of an executive director is the most appropriate and efficient alternative for the management of the business of the Company and its group, where immediacy in high-level strategic decision-making, as well as leadership capacity, are key factors.

In this context, the appointments and remuneration committee considers that in order for an executive director of the Company to adequately perform supervisory and control duties, as well as the other duties inherent to the position, they must adequately combine: (i) proven competence and experience; (ii) experience in the area in which the Company operates; (iii) the possibility of dedication, knowledge, commitment and absolute involvement in the business of the Company; and (iv) knowledge additional to that inherent to the activity, such as financial knowledge

The appointments and remuneration committee has assessed the professional soundness, competence, experience, qualifications, training, availability and commitment of the candidate for re-election, and his integrity, conduct and professional career, which it considers to be in line with the principles and duties contained in the Code of Ethics and Conduct of the Company, as has been observed during the time that Mr. Illán has held the position of director of the Company. The appointments and remuneration committee has also verified, to the extent possible, that none of the incompatibilities, disqualifications, prohibitions and causes of conflict of interest established by law or in the corporate governance system are present.

With regard to the work performed by Mr. Javier Illán Plaza in the Company, the appointments and remuneration committee considers that he has performed his duties with the loyalty of a faithful representative, acting in good faith, in the best interests of the Company and under the principle of personal responsibility, with freedom of judgement and independence with respect to instructions and relations with third parties, and that he has dedicated the time necessary to effectively perform his duties.

The background and curriculum vitae of Mr. Javier Illán, as well as the role he has played in the Company since his appointment, demonstrate that he has the appropriate skills, experience and merits to be re-elected executive director of the Company. His extensive experience in the Company and his profound knowledge guarantee a correct continuity in the successful management of the Company's interests.

In view of the above, the appointments and remuneration committee considers that Mr. Illán has appropriate competence, experience and merits to perform his duties as director of the Company under the terms established by law and the regulations and, consequently, reports favorably to the board of directors on the re-election of Mr. Javier Illán Plaza as executive director of the Company for the statutory period of four years.

2.1.3 Category

Mr. Javier Illán Plaza has carried out and will continue to carry out management functions in the Company, as a result being named as an executive director of the Company. Consequently, pursuant to the provisions of applicable regulations, Mr. Javier Illán Plaza will be considered an executive director.

2.2 Mr. José María Castellano Ríos

2.2.1 Professional and biographical profile

The competence, experience and merits of Mr. José María Castellano Ríos can be inferred from his curriculum vitae, which indicates his suitability for the position of proprietary director.

Mr. José María Castellano Ríos holds a PhD in Economics and Business Studies from Universidad Complutense de Madrid, is Professor of Financial Economics and Accounting at Universidad de A Coruña and is a member of the Academy of Economics and Financial Sciences.

From 1985 to 2005, he was a member of the board of Industria de Diseño Textil, S.A. (Inditex) and, since 1997, vice-chair and CEO of the same company. He is considered, together with Mr. Amancio Ortega, to be the architect of the Inditex group's international expansion and consolidation, and its successful IPO in 2001. Mr. Castellano was chair of the ONO telecommunications company from 2008 until its sale to the Vodafone group in 2014. He is currently an independent director of Naturhouse Health, S.A., a company whose shares are admitted to trading on the Spanish Stock Exchanges.

Mr. José María Castellano Ríos is chairman of the audit and risk management committee and member of the appointments and remuneration committee.

2.2.2 Justification

The appointments and remuneration committee has assessed the professional soundness, competence, experience, qualifications, training, availability and commitment of the candidate for re-election, and his integrity, conduct and professional career, which it considers to be in line with the principles and duties contained in the Code of Ethics and Conduct of the Company, as has been observed during the time that Mr. Castellano has held the position of Company director. The appointments and remuneration committee has also verified, to the extent possible, that none of the incompatibilities, disqualifications, prohibitions and causes of conflict of interest established by law or in the corporate governance system are present.

As regards the work performed by Mr. José María Castellano Ríos in the Company, the appointments and remuneration committee considers that he has performed his duties with the loyalty of a trustworthy representative, acting in good faith, in the best interests of the Company and under the principle of personal responsibility, with freedom of opinion and independence from instructions and relations with third parties, and that he has dedicated the necessary time to effectively perform his duties.

In view of the above, the appointments and remuneration committee considers that Mr. Castellano has the appropriate competence, experience and merits to perform his duties as a director under the terms established by law and the regulations and, consequently, reports favourably to the board of directors on the re-election of Mr. Castellano as a proprietary director for the statutory period of four years.

2.2.3 Category

Mr. José María Castellano Ríos represents the stake held by Alazady España, S.L. on the board of directors. Therefore, in accordance with applicable legislation, Mr. Castellano will be considered a proprietary director.

3. CONCLUSION

In view of the foregoing, the appointments and remuneration committee reports favorably on the re-election, for the statutory period of four years, of Mr. Javier Illán Plaza as executive director and Mr. José María Castellano Ríos as proprietary director of the Company.

Madrid, 26 April 2023

This document is a translation of an original text in Spanish.
In case of any discrepancy between both texts, the Spanish version will prevail.

ANNEX II

PROPOSAL MADE BY THE APPOINTMENTS AND REMUNERATION COMMITTEE OF MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. ON THE RE-ELECTION OF MR. JAIME MONTALVO CORREA AND MS. ISABEL DUTILH CARVAJAL AS INDEPENDENT DIRECTORS OF THE COMPANY

1. INTRODUCTION

The appointments and remuneration committee of Millenium Hospitality Real Estate, SOCIMI, S.A. (the "**Company**"), in accordance with article 14.5.iii) of the Regulation of the Board of Directors, hereby submits this proposal to the next ordinary and extraordinary general shareholders meeting of the Company, in relation to the re-election, for the statutory period of four years, of Mr. Jaime Montalvo Correa and Ms. Isabel Dutilh Carvajal as independent external directors of the Company.

The proposal is consequence of the expiration of the term for which Mr. Jaime Montalvo Correa and Ms. Isabel Dutilh Carvajal were appointed as directors of the Company.

Article 14.5.iii) of the Regulation of the Board of Directors establishes that the appointments and remuneration committee must propose the appointment or re-election of members of the board of directors, in the case of independent directors. Consequently, the appointments and remuneration committee submits this proposal for the re-election of the aforementioned directors.

2. ASPECTS TAKEN INTO ACCOUNT BY THE APPOINTMENTS AND REMUNERATION COMMITTEE

2.1. Mr. Jaime Montalvo Correa

2.1.1. Professional and biographical profile

The competence, experience and merits of Mr. Jaime Montalvo Correa can be inferred from his curriculum vitae, which indicates his suitability for the position of independent director.

Mr. Jaime Montalvo Correa holds a PhD in Law from Universidad Complutense de Madrid and has been a Professor of Employment and Social Security Law since 1973, successively, at Universidad del País Vasco, Universidad de Granada, Universidad de Oviedo and Universidad Nacional de Educación a Distancia (UNED).

In addition, Mr. Montalvo has been director of Mutua Madrileña Automovilística, S.S.P.F. since 2006 and vice-chairman of the same company since 2010. He is also a trustee of various entities, including Fundación Mutua Madrileña, Real Instituto Elcano and Fundación Comillas.

In addition to activities in the private sector, Mr. Jaime Montalvo Correa has held positions of significant institutional relevance, both in the Public Administration and in University. He has been chair of the

Economic and Social Council, member of the Council of State, chair of the Spanish Court of Arbitration, elected member of the European Institute of Social Security and Rector of the United Nations University for Peace of the United Nations Organisation, Rector of Universidad Nacional de Educación a Distancia (UNED) and trustee of Universidad Internacional Menéndez Pelayo.

Mr. Jaime Montalvo Correa is chair of the appointments and remuneration committee and member of the audit and risk management committee.

2.1.2. Justification of the proposal

The appointments and remuneration committee has assessed the professional soundness, competence, experience, qualifications, training, availability and commitment of the candidate for re-election, and his integrity, conduct and professional career, which it considers to be in line with the principles and duties contained in the Code of Ethics and Conduct of the Company, as has been observed during the time that Mr. Montalvo has held the position of director of the Company. The appointments and remuneration committee has also verified, to the extent possible, that none of the incompatibilities, disqualifications, prohibitions and causes of conflict of interest established by law or in the corporate governance system are present.

As regards the work performed by Mr. Jaime Montalvo Correa in the Company, the appointments and remuneration committee considers that he has performed his duties with the loyalty of a trustworthy representative, acting in good faith, in the best interests of the Company and under the principle of personal responsibility, with freedom of opinion and independence from instructions and relation to third parties, and that he has dedicated the necessary time to effectively perform his duties.

The background and curriculum of Mr. Montalvo, and the role he has played in the Company since his appointment, demonstrate that he has the appropriate competence, experience and merits to be re-elected as independent director of the Company.

In view of the above, the appointments and remuneration committee considers that Mr. Jaime Montalvo Correa has the appropriate competence, experience and merits to perform his duties as a director under the terms established by law and the regulations and, consequently, submits to the board of directors, so that it may in turn submit to the general shareholders' meeting, the proposal for the re-election of Mr. Jaime Montalvo Correa as an independent external director of the Company for the statutory period of four years.

2.1.3. Category

Mr. Jaime Montalvo Correa will not represent any shareholder on the board of directors nor will he have executive functions. Therefore, in accordance with the applicable legislation, the candidate will have the category of external independent director.

2.2. Ms. Isabel Dutilh Carvajal

2.2.1. Professional and biographical profile

The competence, experience and merits of Ms. Isabel Dutilh Carvajal can be inferred from her curriculum vitae, which indicates her suitability for the position of independent director.

Ms. Isabel Dutilh Carvajal holds a law degree from Universidad CEU San Pablo, a master's degree in Maritime Business from Universidad Pontificia de Comillas (ICADE) and the Spanish Maritime Institute and a master's degree in Maritime Law from the University of Wales. She has also completed the "Leadership in law firms" programme at Harvard University.

Ms. Dutilh is a founding partner of Argali Abogados, S.L.P., a law firm specialising in mergers and acquisitions. She is also an independent director of Elecnor, S.A. and a member of its audit and appointments, remuneration and sustainability committees. She is also an independent director of Banco de Alcalá, S.A. and chair of its appointments and remuneration committee and is a member of its supervision and audit committee.

Ms. Isabel Dutilh Carvajal is also chair of the working group for Legal Certainty of Círculo de Empresarios, an organisation of which she was vice-chair from March 2015 to March 2021, and is also a trustee of Fundación Hay Derecho.

Ms. Isabel Dutilh Carvajal is a member of the audit and risk management committee and the appointments and remuneration committee.

2.2.2. Justification of the proposal

The appointments and remuneration committee has assessed the professional soundness, competence, experience, qualifications, training, availability and commitment of the candidate for re-election, and her integrity, conduct and professional career, which it considers to be in line with the principles and duties contained in the Code of Ethics and Conduct of the Company, as has been observed during the time that Ms. Dutilh has held the position of director of the Company. The appointments and remuneration committee has also verified, to the extent possible, that none of the incompatibilities, disqualifications, prohibitions and causes of conflict of interest established by law or in the corporate governance system are present.

As regards the work performed by Ms. Dutilh in the Company, the appointments and remuneration committee considers that she has performed her duties with the loyalty of a faithful representative, acting in good faith, in the best interests of the Company and under the principle of personal responsibility, with freedom of judgement and independence with regard to third party instructions and ties, and that she has dedicated the necessary time to effectively perform her duties.

The professional background and curriculum of Ms. Dutilh, and the role she has played in the Company since her appointment, demonstrate that she has the appropriate skills, experience and merits to be re-elected as an independent director of the Company.

In view of the above, the appointments and remuneration committee considers that Ms. Isabel Dutilh Carvajal has the appropriate competence, experience and merits to perform her duties as a director of the Company under the terms established by law and the regulations and, consequently, submits to the board of directors, so that it may in turn submit to the general shareholders' meeting, the proposal for the re-election of Ms. Isabel Dutilh Carvajal as an independent external director of the Company for the statutory period of four years.

2.2.3. Category

Ms. Isabel Dutilh Carvajal will not represent any shareholder on the board of directors nor will she have executive functions. Therefore, in accordance with the provisions of the applicable regulations, the candidate will be considered an independent external director.

3. CONCLUSION

The appointments and remuneration committee, in view of the foregoing, submits to the board of directors, so that the latter in turn may submit to the general meeting of shareholders, the proposal for the re-election of Mr. Jaime Montalvo Correa and Ms. Isabel Dutilh Carvajal as independent external directors of the Company for the statutory period of four years.

Madrid, 26 April 2023

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In case of any discrepancy between both texts, the Spanish version will prevail.

REPORT PREPARED BY THE BOARD OF MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. IN RELATION TO THE PROPOSAL FOR RENEWAL OF THE DELEGATION TO THE BOARD OF DIRECTORS OF THE POWER TO INCREASE THE SHARE CAPITAL, SUBMITTED FOR APPROVAL TO THE ORDINARY AND EXTRAORDINARY GENERAL SHAREHOLDERS MEETING CALLED FOR 30 AND 31 OF MAY 2023, ON FIRST AND SECOND CALL, RESPECTIVELY, AS ITEM EIGHT OF THE AGENDA

1. PURPOSE OF THE REPORT

The board of directors of Millenium Hospitality Real Estate, SOCIMI, S.A. (the "**Company**") has issued this report pursuant to articles 286, 297.1.b) and 506 of the consolidated text of the Spanish Companies Law, approved by Royal Legislative Decree 1/2010 of 2 July (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*, the "**LSC**") in order to justify the resolution submitted for approval to the ordinary and extraordinary general shareholders meeting of the Company under item Eight of its agenda, relating to the renewal of the delegation of powers to the board of directors to increase share capital, without seeking prior approval of the general shareholders meeting, within a period of two years and for the maximum amount stipulated in the LSC, with the power to resolve to exclude the pre-emption right with the limit of 20% of the share capital and amending accordingly the article of the Company's articles of association relating to share capital.

2. JUSTIFICATION OF THE PROPOSAL

Pursuant to article 297.1.b) of the LSC, subject to the requirements for amending the articles of association, the general shareholders meeting may delegate powers to the board of directors to resolve, on one or more occasions, to increase the Company's share capital up to a certain amount, at such time and in such amount as the board of directors may decide, without seeking the prior approval of the general shareholders meeting.

Under no circumstances may such capital increases exceed half of the Company's share capital at the time the authorization is granted and all such increases must be carried out through cash contributions or by means of the transformation of unrestricted reserves (if possible under the applicable regulations) within five years of the date of approval by the general shareholders meeting.

In addition, according to article 286 of the LSC, in relation to articles 296.1 and 297.1 of the same law, the board of directors must issue a written report setting out the reasons for the proposed resolution.

The board of directors considers it is in the best interest of the Company for the board of directors to be able to have the authorisations and delegated powers permitted under current corporate law, to establish all the terms of the capital increases and decide which investors and markets to target, so as to have the capacity at all times to capture the resources that are required pursuant to corporate interests of the Company.

The purpose of the authorization is to give the Company's management body room for manoeuvre and the capacity to respond required by the competitive environment in which the Company operates, in which the success of a given transaction or strategic initiative often depends on the possibility of carrying it out swiftly, without the delays that may be caused by convening and holding a general meeting. The mechanism of delegating the power to increase capital allows the Company to take advantage of market opportunities that it may identify at any time, eliminating the uncertainty as to whether that opportunity would remain during a period when a general meeting is called. In view of this, the use of the authorization provided for in article 297.1.b) of the LSC provides the board with the appropriate degree of flexibility to meet the needs of the Company as circumstances dictate.

Therefore, the authorization provided for in article 297.1.b) of the LSC provides the board of directors with the necessary powers to carry out one or several capital increases, in line with the Company's interests and as to respond more quickly to financial needs which may arise in the future.

To such end, the board of directors submits for approval to the general shareholders meeting a resolution to delegate to the board of directors the powers to resolve to increase the Company's share capital by not more than half of its share capital at the date the authorization is granted (i.e., in aggregate, the capital increases must not exceed a nominal amount of EUR 58,016,243.50).

2.1. TERMS OF THE DELEGATION

Under the proposed resolution, the corresponding capital increase will be carried out, if applicable, within a period not exceeding two years from the date of the resolution of the general meeting and without the need to convene a general meeting nor of a future resolution, on one or several occasions, and up to the maximum amount equivalent to half of the share capital at the time of the authorisation, through the issuance of new shares, ordinary or of any other type or class permitted by law, ordinary or privileged, including redeemable shares, with or without voting rights, with or without share premium, and with the consideration consisting of cash contributions, where the board may determine the terms of the increase, all in accordance with article 297.1.b) of the LSC. The proposal expressly provides for the possibility of incomplete subscription of issued the shares, in accordance with article 311.1 of the same law.

The powers to be granted to the board include those to determine the terms of each capital increase and the characteristics of the shares, and to freely offer the new unsubscribed shares within the pre-emption subscription period or periods, redraft the article of the articles of association relating to share capital, to carry out the necessary steps to ensure that the new shares issued by virtue of the capital increase are admitted to trading on the markets on which the Company's shares are listed, in accordance with the relevant procedures, and request the inclusion of the new shares in the accounting records of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S. A.U. (Iberclear).

Furthermore, it is proposed that the board be authorised to delegate to any of its members or to any other person, whether or not a member of the board or not, any powers received from the general meeting which may be delegated.

2.2. EXCLUSION OF PRE-EMPTION SUBSCRIPTION RIGHTS

Furthermore, under article 506 of the LSC, in coordination with additional provision thirteen of the same law, when the general meeting authorises the directors to increase the share capital under article 297.1.b) of the LSC, it may also authorise the board of directors to exclude the pre-emption right in relation to the capital increases subject to the delegation with a limit of 20% of the share capital at the time of the authorisation, when required by the Company's interests.

It is hereby stated that the delegation to the board of directors to increase share capital contained in the proposal to which this report refers also includes, in accordance with article 506 of the LSC, authorisation to the directors to exclude the pre-emption rights of the shareholders, if applicable, up to a limit of 20% of the share capital at the date the authorization is granted, where the Company's interests so require it in accordance with article 506 of the LSC.

The board of directors of the Company considers that, depending on market circumstances at any given time, the exclusion of pre-emption rights, on the one hand, could be an appropriate way to achieve the purpose of this resolution as to provide the Company's management body to have the capacity at to capture the resources that are required to meet the Company's needs and, on the other hand, could be necessary for the Company's interests.

Given the uncertainty and volatility circumstances to which capital markets are subject, and in contrast to what would occur if the capital increase is carried out with pre-emption rights, excluding the pre-emption rights would allow the Company, firstly, to raise the necessary funds in the shortest possible time and, secondly, to raise funds as efficiently as possible by shortening the time required to complete effective placement period of the capital increase, thus increasing its chances of success.

To be able to take advantage of opportunities in the market, in accordance with market circumstances, it is essential to act swiftly and quickly in order to benefit from so-called "market windows". To perform a transaction recognising pre-emption rights would significantly increase the complexity of the transaction, and entailing higher costs in terms of time and money.

The above circumstances significantly limit flexibility and responsiveness to seize market opportunities for the board of directors. Such flexibility and responsiveness are convenient in view of changing market circumstances and, in particular, certain situations of credit constraints. In such cases, it is advisable that the board of directors has the means to opt for the sources of funding available at any given time, so as to obtain the most advantageous financial terms.

In any case, it is hereby stated that the exclusion, in whole or in part, of the pre-emption right represents only a power attributed to the board by the general meeting, the exercise of which will depend on the decision of the board, taking into account the circumstances in each case and in compliance with the legal requirements. In any case, if the board decides to use this authority to exclude pre-emption rights in connection with a capital increase that it may decide to perform under the delegation granted by the general meeting, it must issue, at the time it resolves to increase share capital, a report detailing the reasons of corporate interest justifying this measure, which will be made available to the shareholders and communicated to the first general meeting held after the capital increase, in accordance with article 506 of the LSC.

The nominal value of the shares to be issued plus, where applicable, the amount of the share premium must correspond to the fair value, which will be presumed to be the market value established by reference to the stock market price, provided that it is not more than 10% lower than such stock market price. However, shares may be issued at a price below fair value. In this case, the directors' report must justify that the corporate interest requires not only the exclusion of the pre-emption right, but also the proposed issue price, which must be the subject of the corresponding auditor's report referred to in article 308 of the LSC, which will specifically state the expected amount of the economic dilution and the reasonableness of the data and considerations included in the directors' report to justify it. This report will also be made available to the shareholders and communicated to the first general meeting held after the capital increase, in accordance with article 506 of the LSC.

Based on the above, the board of directors considers that this proposal is justified and responds to the needs that the Company, as a company admitted to trading on a multilateral trading system, may have to face in the future.

Lastly, the authority that will be attributed to the board of directors should the proposed resolution be passed will be with express power to sub-delegate, so as to reinforce the objective of giving the management body the ability to respond swiftly and effectively to any opportunities that may arise.

3. PROPOSED RESOLUTION TO BE SUBMITTED TO THE GENERAL MEETING

The proposed resolution that is submitted for approval to the ordinary and extraordinary general shareholders meeting of the Company is as follows:

"APPROVAL OF THE RENEWAL OF THE DELEGATION TO THE BOARD OF DIRECTORS, WITH EXPRESS POWERS OF SUBSTITUTION, OF THE AUTHORITY TO INCREASE THE SHARE CAPITAL UNDER THE TERMS AND CONDITIONS OF ARTICLE 297.1.B) OF THE LSC, FOR A MAXIMUM PERIOD OF TWO YEARS, WITH THE AUTHORITY TO EXCLUDE PRE-EMPTION RIGHTS

UP TO THE LIMIT OF 20% OF THE SHARE CAPITAL IN ACCORDANCE WITH ARTICLE 506 OF THE LSC.

*To delegate to the board of directors, as broadly as may be required by law, in accordance with article 297.1.b) of the the consolidated text of the Spanish Companies Law as approved by Royal Legislative Decree 1/2010 of 2 July (the "**LSC**"), the authority to increase share capital, without prior consultation to the general meeting, on one or more occasions and at any time, for a period of two years from the date of this general meeting, in the maximum amount permitted by law, this is, up to half of the share capital of Millenium Hospitality Real Estate, SOCIMI, S.A. (the "**Company**") on the date of this authorisation (i.e., up to a maximum nominal amount of EUR 58,016,243.50, equivalent to half of the share capital at the date of this resolution, which is set at EUR 116,032,487).*

The capital increase or increases may be carried out by issuing new ordinary shares or any other type or class of shares, including redeemable shares, with or without voting rights, in accordance with the applicable legal requirements —with or without a share premium—. The consideration for the new shares to be issued will consist of cash contributions to the shareholder equity or the transformation of unrestricted reserves (if permitted by law), in which case the capital increase or increases may be carried out by increasing the nominal value of existing shares, and expressly providing for the possibility of incomplete subscription of the shares to be issued in accordance with article 311.1 of the LSC.

The powers granted to the board of directors under this resolution include, without limitation, the authority to set the terms and conditions of each capital increase and the characteristics of the shares, to freely determine the investors and markets for which the increases are intended, and to freely offer the new unsubscribed shares within the pre-emption subscription period or periods, redraft the article of the articles of association relating to share capital, take all the necessary steps to ensure that the new shares covered by the capital increase are admitted to trading on the markets on which the shares are listed, in accordance with the relevant procedures, and request the inclusion of the new shares in the accounting records of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S. A.U. (Iberclear).

Furthermore, the board of directors is also expressly authorised to exclude, in whole or in part, the pre-emption subscription rights in relation to the share issue under this delegation up to the limit of 20% of the share capital in the terms of article 506 of the LSC.

Furthermore, the board of directors is granted the powers to:

(i) apply, if applicable, for the admission to trading on markets, regulated or not, organized or not, in Spain or abroad, of any shares that may be issued complying with the applicable rules in relation to trading, permanence and delisting.

(ii) apply, if applicable or the exclusion from trading of the shares, with the same formalities as the application for admission and with strict compliance of the applicable securities markets regulation; and

(iii) to delegate all or part of the powers referred to in this resolution to any member of the board of directors.

The board of directors is hereby authorised to, in turn, delegate the powers delegated under this resolution to any member of the board of directors or to any other person, whether or not a member of the board.

It is hereby stated that the corresponding directors' report justifying the proposed delegation to increase the share capital has been made available to the shareholders.

Finally, it is also proposed that resolution Five approved by the ordinary shareholders meeting held on 7 July 2021 be revoked, by which the board of directors was authorized to increase share capital of the Company".

Madrid, 26 April 2023

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REPORT ISSUED BY THE BOARD OF MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. IN RELATION TO THE RENEWAL OF THE DELEGATION TO THE BOARD OF DIRECTORS TO ISSUE BONDS, DEBENTURES AND OTHER FIXED-INCOME SECURITIES EXCHANGEABLE FOR OR CONVERTIBLE INTO SHARES OF THE COMPANY, AS WELL AS WARRANTS OR OTHER SIMILAR SECURITIES THAT MAY GIVE THE RIGHT, DIRECTLY OR INDIRECTLY, TO SUBSCRIBE OR ACQUIRE SHARES IN THE COMPANY OR OF OTHER COMPANIES, WHETHER OR NOT IN ITS GROUP, TO BE SUBMITTED FOR APPROVAL BY THE ORDINARY AND EXTRAORDINARY GENERAL MEETING CALLED FOR 30 AND 31 OF MAY 2023, ON FIRST AND SECOND CALL, RESPECTIVELY, AS ITEM NINE ON THE AGENDA

1. PURPOSE OF THE REPORT

The board of directors of Millenium Hospitality Real Estate, SOCIMI, S.A. (the "**Company**") has issued this report in accordance with the provisions of article 511 of the consolidated text of the Spanish Companies Law, approved by Royal Legislative Decree 1/2010 of 2 July (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*, the "**LSC**") and 319 of the Regulations of the Commercial Registry, applying, by analogy,article 297.1.b) of the LSC, to justify the proposed resolution submitted for approval by the ordinary and extraordinary general meeting under item Nine on the agenda, relating to the renewal of the delegation of powers to the board of directors to issue bonds, debentures and any other securities of a similar nature convertible (including contingently) into newly-issued shares or exchangeable (including contingently) into existing shares of the Company or of other companies, whether or not belonging to its group, and promissory notes, privileged shares, warrants or other similar securities that may directly or indirectly entitle the holder to subscribe for new shares or to acquire outstanding shares of the Company or of other companies, whether or not belonging to its group, and any securities or financial instruments conferring a share in the Company's profits, for a maximum period of two years, and, where applicable, authority to increase the share capital in the necessary amount with powers to exclude pre-emption rights up to the limit of 20% of the share capital and authorisation for the Company to guarantee fixed-income issues carried out by its subsidiaries.

2. RATIONALE FOR THE PROPOSAL

The board of directors of the Company considers that it is in the Company's best interests to have the authorisations and delegated powers permitted under current corporate law, so that it may at all times be able to raise the necessary resources on the primary securities markets to serve the Company's interests.

The purpose of this resolution is to give the Company's management body the capacity to respond required in the competitive environment in which the Company operates and the dynamics of all corporate companies, in a way which allows the Company to always be able to raise resources on the primary securities markets that are necessary for adequate management of its interests.

In particular, the issue of debentures, in their different forms, is one of the instruments for financing companies with shares admitted to trading on regulated markets or multilateral trading systems by raising external funds. These include exchangeable or convertible debentures which, on the one hand, have the advantage of offering investors the possibility of converting their credits into shares in the Company and, on the other hand, allow the Company to increase its own funds.

Also, the delegation seeks to provide the Company's management body with the room for manoeuvre and the responsiveness demanded by the competitive environment in which it operates, in which often the success of a particular transaction or a strategic initiative depends on the ability to carry it out with agility and speed, with the necessary funds for these purposes, and without the delays and costs that are inevitably involved in convening and holding a general meeting. In view of the above, the use of the delegation provided for in articles 511 and 297.1.b) of the LSC allows the board of directors to have the appropriate degree of flexibility to meet the Company's needs, depending on the circumstances.

For this purpose, under the provisions of article 319 of the Regulation of the Commercial Registry and the general regulations on the issuance of debentures, the proposed agreement formulated under item Nine on the agenda is submitted for consideration by the general shareholders meeting. In the event that warrants were to be issued, it is specifically provided that, insofar as they are compatible with their specific nature, the legal and conventional rules governing convertible and/or exchangeable debentures will apply.

2.1 AMOUNT OF THE ISSUES

This proposal expressly attributes to the board of directors the powers to issue in one or more occasions bonds, debentures and other fixed-income securities that are simple, exchangeable and/or convertible into shares of the Company or of other companies of its group, or warrants to acquire newly-issued or outstanding shares in the Company or of other companies of its group, notes and privileged shares, and to resolve, where appropriate, to increase share capital as necessary to meet the conversion or exercise, provided that such increase by delegation, individually or added to the increases that, where applicable, had been agreed under the other authorizations proposed by the board of directors to the general shareholders meeting in accordance with provisions of article 297.1.b) of the LSC, does not exceed half of the share capital. In this respect, the amount of capital increases which, where applicable, and in order to attend to the conversion or exchange of debentures, warrants or other securities, are carried out under the present delegation, shall be considered included within the limit available at all times to increase share capital.

2.2 CONVERSION OR EXCHANGE RATIO FOR THE PURPOSE OF CONVERSION OR EXCHANGE INTO SHARES

This proposal also contains the basis and methods for converting or exchanging the debentures or bonds into shares, should the board resolve to make use of this authorisation, although the board of directors is delegated the task of specifying the basis and the methods when converting or exchanging or exercising them for each specific issue, within the limits established by the general meeting.

In this case, if the board of directors decides to issue convertible or exchangeable debentures or bonds or warrants under the authorisation requested from the general meeting, at the same time as it approves the issue it must issue a directors' report detailing the specific conversion or exercise basis and methods applicable to such issue and which must also be the subject of a corresponding report by an auditor other than the Company's auditor, appointed for this purpose by the Commercial Registry, as referred to in articles 414 and 511 of the LSC when the amount of the issue reaches an amount equivalent to 20% of the share capital at the time of authorisation or when required by applicable legislation.

The directors' report must justify the rationale of the financial terms of the issue and the adequacy of the conversion ratio and its adjustment measures applied to avoid dilution of the economic interests of shareholders.

Specifically, the proposed resolution submitted by the board for approval by the general meeting provides that the securities to be issued under this resolution will be valued at their nominal amount (which may include accrued and unpaid interest) and the shares at the fixed (determined or determinable) or variable conversion rate as determined in the corresponding board resolution.

Therefore, for the purpose of the conversion or exchange, fixed income securities will be valued at their nominal amount, and the new shares to be issued for conversion, or the outstanding shares to be exchanged, at the fixed price (determined or determinable) established by the board of directors in the resolution in which it makes use of this delegation, and depending on the market price value of the Company shares on the date(s) or period(s) taken as a reference in said resolution.

In the case of a variable conversion or exchange ratio, the price of the shares for the purposes of the conversion or exchange will be determined by the board of directors, which may include a premium or, where applicable, a discount on the price per share resulting from the established criteria. The premium or discount may be different for each conversion or exchange date of each issue (or, as the case may be, each tranche of an issue).

The board of directors therefore considers it is given sufficient flexibility to determine the value of the shares for conversion purposes based on market conditions and other relevant considerations.

In the case of warrants on newly issued shares, to the extent that they are compatible with their nature, the rules governing convertible debentures of this proposal will be applicable.

Furthermore, pursuant to article 415 of the LSC, the resolution to delegate to the board powers to issue convertible securities provides, for the purposes of conversion, that the nominal value of the debentures must not be less than the nominal value of the shares. In addition, convertible bonds may not be issued for less than their nominal value.

2.3 EXCLUSION OF PRE-EMPTION SUBSCRIPTION RIGHTS

Article 417.1 of the LSC establishes the possibility for the general meeting, when deciding on the issuance of convertible debentures, to agree to the total or partial exclusion of shareholders' pre-emptive subscription rights in cases in which the interests of the Company so require. In this regard, it is noted that the authorization for the issuance of convertible and/or exchangeable securities as well as warrants or other similar securities that may give the right either directly or indirectly to the subscription or acquisition of shares of the Company includes, under the provisions of article 511 of the LSC, the granting to the board of directors of the power to exclude, either in whole or in part, shareholders' pre-emption rights, when the interests of the Company so require it.

In this case, the maximum number of shares into which the debentures may be converted on the basis of their initial conversion ratio, if fixed, or their minimum conversion ratio, if variable, plus the number of shares issued by the board of directors pursuant to the delegation of the power to increase the share capital without prior consultation of the general meeting, in force at any given time, may not exceed 20% of the number of shares comprising the share capital at the time of authorization.

The board of directors of the Company considers that the exclusion of pre-emptive subscription rights, taking into account the market context at any given time, may, on the one hand, be suitable for reaching the objective of this proposal, that is, to provide the board of directors with sufficient responsiveness to raise the resources necessary for the proper management of its interests; and, on the other hand, it is a necessary measure from the point of view of corporate interests.

To be able to take advantage of opportunities in the market, in accordance with market circumstances, it is essential to act swiftly and quickly in order to benefit from so-called "market windows". In particular, in current financial markets, as well as to obtain resources in international financial markets, a flexible and agile response is required to take advantage of the times when market conditions are in the Company's favor. To perform a transaction with pre-emption rights would significantly increase the complexity of the transaction, and would entail higher costs in terms of time and money.

The above circumstances significantly restrict the flexibility and responsiveness of the board of directors of the Company to take advantage of market opportunities. This flexibility and responsiveness is convenient in view of changing circumstances of the markets and, in particular, in certain credit constraint situations. The exclusion of pre-emption subscription rights may also be necessary where the funds are raised through the use of bookbuilding techniques or where it is otherwise in the interest of the Company to do so.

It is therefore advisable for the board of directors to have the necessary means to be able to opt at any time for the various sources of funding available in order to obtain the most advantageous financial conditions.

In any case, in accordance with article 511 of the LSC, if the board of directors decides to exclude shareholders' pre-emption rights in any or all of the issues it decides to make under this delegation, and always within the limit of 20% of the share capital at the time of authorisation, it shall issue, at the time of adopting the agreement of issuance, a report detailing the specific reasons for this measure. This report will be subject to the corresponding report by an auditor other than the company's auditor appointed by the Commercial Registry, as referred to in article 414 of the LSC, as applicable, and, in particular, when the amount of the issue reaches 20% of the share capital at the time of authorisation. These reports must be made available to the shareholders and communicated to the first general meeting held after the capital increase resolution.

2.4 ISSUE THROUGH SUBSIDIARIES

Furthermore, in order to provide the board of directors with greater flexibility and the tools that may be necessary to raise funds on the capital markets, the board is also authorised to guarantee, on behalf of the Company, issues of securities of companies belonging to its group of companies that are exchangeable for shares, convertible bonds or warrants of the Company.

2.5 ADMISSION TO TRADING

It is also provided for that securities issued under this delegation may be admitted to trading on securities markets regulated or not regulated, organised or not, both Spanish and foreign.

2.6 DELEGATION

Lastly, the powers to be attributed to the board of directors in the event the proposed resolution is approved, will be with express powers of substitution, reinforcing the aim of providing the management body with the flexibility and capacity to respond quickly and swiftly to transactions that may arise.

3. PROPOSED RESOLUTION TO BE SUBMITTED TO THE GENERAL MEETING

The proposed resolution to be submitted for approval by the ordinary and extraordinary general meeting is as follows:

"APPROVAL OF THE RENEWAL OF THE DELEGATION TO THE BOARD OF THE AUTHORITY TO ISSUE BONDS, DEBENTURES AND OTHER FIXED-INCOME SECURITIES EXCHANGEABLE FOR OR CONVERTIBLE INTO SHARES OF THE COMPANY, AND WARRANTS OR OTHER SIMILAR SECURITIES THAT MAY GIVE THE RIGHT, DIRECTLY OR INDIRECTLY, TO SUBSCRIBE OR ACQUIRE SHARES IN THE COMPANY OR OF OTHER COMPANIES, WHETHER OR NOT IN ITS GROUP, FOR A MAXIMUM PERIOD OF TWO YEARS, AND, WHERE APPROPRIATE, THE AUTHORITY TO INCREASE THE SHARE CAPITAL UNDER THE TERMS AND CONDITIONS OF ARTICLES 286, 297.1.B), 417 AND 511 OF THE LSC, WITH THE AUTHORITY TO EXCLUDE PRE-EMPTION RIGHTS OF SUBSCRIPTION UP TO THE LIMIT OF 20% OF THE SHARE CAPITAL, AND

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AUTHORISATION FOR THE COMPANY TO GUARANTEE FIXED-INCOME ISSUES BY SUBSIDIARIES.

*To delegate to the board of directors, pursuant to the general regime on the issuance of debentures and in accordance with the provisions of articles 286, 297, 417 and 511 of the consolidated text of the Spanish Companies Law, approved by Royal Legislative Decree 1/2010 of 2 July (Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital, the "**LSC**"), 319 of the Regulation of the Commercial Registry and 11 of the Articles of Association the powers to issue bonds, debentures and other securities of a similar nature, which may be converted (including contingently) into the newly issued of Millenium Hospitality Real Estate, SOCIMI, S.A. (the "**Company**") or exchangeable (including contingently) into existing shares of the Company or of other companies, whether or not belonging to its group, and promissory notes, privileged shares, warrants or other similar securities that may directly or indirectly entitle the holder to subscribe new shares or to acquire outstanding shares of the Company or of other companies, whether or not belonging to its group, and any securities or financial instruments conferring a share in the Company's profits.*

It is also proposed that resolution Six of the ordinary general shareholders meeting held on 7 July 2021 be revoked, under which the board of directors was authorized to issue bonds, debentures and other fixed-income securities, exchangeable or convertible into shares, warrants, promissory notes and privileged shares.

1. TERMS OF THE DELEGATION

(i) The issue of the securities covered by this delegation may be performed once or several times, at any time, within a maximum period of two years from the date this resolution is approved.

(ii) <u>Maximum amount of the delegation</u>: under this delegation, the board of directors may issue the securities provided for in this resolution for a maximum amount in accordance to which the capital increases, if any, made under this delegation, plus any capital increases also resolved under other authorisations in force proposed by the board of directors to the general meeting in accordance to article 297.1.b) of the LSC, do not exceed a nominal amount of half of the share capital on the date of delegation (i.e., up to a maximum nominal amount of EUR 58,016,243.50, equivalent to half of the share capital at the date of this resolution, set at EUR 116,032,487). The amount of the capital increases that, if applicable, are made under this delegation to meet the conversion of debentures, warrants or other securities, will be considered included within the limit available at any given time to increase the share capital.

To calculate the above limit, the maximum number of shares into which debentures may be converted will be taken into account by reference to their initial conversion ratio, if fixed, or their minimum conversion ratio, if variable, without prejudice to any adjustments that may be made to the conversion ratio after the issue of the securities.

Likewise, in the case of warrants, the sum of premiums and exercise prices of the warrants for the issues agreed under this delegation will be taken into account.

Lastly, if the terms of these instruments provide for the possibility of paying the coupon in exchange for newly issued shares, the maximum number of shares that may be issued from issue until maturity of the securities to cover the payment of the coupon will also be taken into account for the purpose of calculating the maximum amount consumed under this delegation, calculated based on the listed price of the shares at the time of issue.

(iii) *Issues made in accordance with this delegation may be addressed to all types of investors, whether Spanish or foreign.*

(iv) *The delegation of powers agreed to herein shall extend as broadly as may be required by law to the fixing of the terms, regime, aspects and conditions of each issue. In particular it shall fall with the board of directors to determine, as an example and not limited to the following, for each issue, and with express powers to sub-delegate, among others, its amount, always within the quantitative global limit expressed, the place of issue —domestic or foreign— and the currency and, if foreign, its equivalent in euros; the denomination or form, whether they are bonds or debentures, including subordinated ones, warrants (which may be settled by physical delivery of the shares or, as the case may be, by differences) or any other admitted by the law; the date or dates of issue; the number of securities and their nominal value, which in the case of bonds and convertible/exchangeable securities, shall not be less than the nominal value of the shares; and in the case of warrants and similar securities, the price of issuance and/or premium, the exercise price —which may be fixed or variable— and the procedure, term and other conditions applicable to the exercise of the right to subscription of the underlying shares or, where applicable, the exclusion of such right; the fixed or variable interest rate, dates and coupon payment procedures; the perpetual or amortizable nature of the debt, and in the latter case, the term of amortization and the date or the dates of maturity; guarantees, the repayment rate, premiums and lots; the form of representation, by means of bonds or book entries; antidilution clauses; the subscription system; the range of securities and any subordination clauses; the legislation applicable to issuance; when applicable, request admission to trading in regulated or not regulated markets, whether organized or not, domestic or foreign, of the securities issued with the requisites required in each case by the regulations in force; and, in general, any other condition of issuance, as well as, where appropriate, appoint the commissioner and approve the fundamental rules that are to govern the legal relations between the Company and the syndicate of holders of the securities issued, should the constitution of said syndicate prove necessary or be decided upon.*

Likewise, the board of directors is authorized, when it deems appropriate, and subject, if applicable, to obtaining the necessary authorizations and conformity of the assemblies of the relevant syndicates of holders of securities, to change the conditions of the amortization of the *securities issued and their respective term, and the rate of interest which, if applicable, accrued by those within each of the issuances carried out under this authorization.*

(v) In the case of the issuance of convertible debentures or bonds, and for the purposes of determining the bases and modalities of conversion, it is agreed to establish the following criteria:

— *Convertible or exchangeable debentures and bonds*

a) *The securities that are issued under this agreement will be convertible (including contingently) into newly issued shares of the Company and/or exchangeable (including contingently) into outstanding shares in the Company or other companies, whether or not of its group, according to a conversion ratio which is fixed (determined or is determinable) or variable, which the board of directors will be empowered to determine whether they are convertible and/or exchangeable as well as to determine if they are necessarily, voluntarily or contingently convertible and/or exchangeable, and in the case of being voluntarily convertible and/or exchangeable, at the option of their holder or of the issuer, with the frequency and for the period that is established in the issuance agreement.*

b) *The board may also establish, in the event that the issue is convertible and exchangeable, that the issuer reserves the right to choose at any given time between conversion into new shares or their exchange for outstanding shares of the Company or other companies, whether or not of its group, specifying the nature of the shares to be delivered at the time of conversion or exchange, or to choose to deliver a combination of newly issued shares and outstanding shares of the Company or other companies, whether or not of its group, and even to settle the difference in cash. In any event, the issuer must respect the equal treatment of all holders of fixed-income securities that it converts and/or exchanges on the same date.*

c) *For the purpose of conversion or exchange, the securities will be valued at their nominal amount (which may include accrued and unpaid interest) and the new shares to be issued for conversion, or the outstanding shares to be exchanged, at the fixed price (determined or determinable), specified in the board of directors' resolution adopted in exercise of this authorization, based on the market price of the Company's shares on the date(s) or in the period(s) taken as a reference in that resolution, with or without discount or premium, the board of directors being able to decide the criteria for conversion and/or exchange it considers most appropriate.*

d) *In the case of a variable conversion or exchange ratio, the price of the shares for the purposes of the conversion or exchange will be determined by the board of* *directors, which may include a premium or, if applicable, a discount on the price per share resulting from the established criteria. The premium or discount may be different for each conversion or exchange date of each issue (or, where applicable, each tranche of an issue).*

e) When the conversion and/or exchange takes place, any fractions of shares to be delivered to the holder of the securities will be rounded down to the nearest whole number and each holder will receive the difference in cash.

f) Under no circumstances, will the value of the share for the purpose of determining the ratio of conversion of securities into shares be less than the nominal value of the share. Likewise, in accordance with article 415 of the LSC, securities must not be converted into shares when the nominal value of the fixed-income securities is less than that of the shares.

g) At the time of approval of an issuance of convertible and/or exchangeable debentures or bonds under the authorization granted in this resolution, the board of directors will issue a report determining and specifying the basis and procedures of conversion applicable to the securities in question, based on the criteria set out above. This report will be accompanied by the auditor's report referred to in article 414 of the LSC if the issue of convertible or exchangeable debentures or bonds exceeds 20% of the Company's share capital or if so required by the applicable regulations.

— *Warrants and other similar securities that may directly or indirectly entitle the holder to subscribe or acquire shares in the Company, whether newly issued or outstanding*

In the case of the issue of warrants, to which by analogy the provisions of the LSC for convertible debentures for the determination of the basis and modalities of their exercise shall apply, the board of directors is empowered to determine, in the broadest terms, the criteria applicable to the exercise of the rights of subscription or acquisition of shares of the Company or of another company, belonging to its group or not, derived from the securities of this kind issued under the delegation granted hereby, the criteria set out before for convertible and/or exchangeable bonds and debentures, with the necessary adjustments in order to make them compatible with the legal and financial regime governing such securities.

(vi) The holders of convertible and/or exchangeable securities and warrants shall have all the rights recognized by the legislation in force, as long as the conversion and/or exchange into shares thereof is possible.

(vii) This authorization to the board of directors also includes, without limitation, the delegation, in its favor, of the following powers:

a) The authority to increase the capital by the amount required to attend to the requests of conversion and/or exercise of the right to subscribe for shares, in accordance with article 297.1.b) of the LSC. Said authority may only be exercised to the extent that the board of directors, adding the share capital increased to meet the issuance of convertible debentures, warrants and other equivalent securities and the remaining capital increases that may have been agreed to under the authorizations granted by the general meeting, does not exceed the limit of half of the amount of share capital as per the LSC.

This authorization to increase the capital includes that of issuing and putting into circulation, on one or more occasions, shares representative of the share capital that are necessary to carry out the conversion and/or exercise of the right of subscription of shares, as well as that of amendment of the article of the articles of association related to the amount of capital and shares and, where appropriate, cancelling the part of such capital increase that has not proved necessary for the conversion and/or exercise of the right of subscription for shares.

(b) The powers to exclude in whole or in part, under the provisions of article 511 of the LSC, in relation to article 417 of said Law, the pre-emptive subscription rights of shareholders, with a limit the maximum aggregate limit, that is, together with the capital increases carried out by virtue of the delegation conferred in this resolution, added to the capital increases excluding the pre-emptive subscription right to be carried out within the scope of the authorization granted under item Eight of the agenda, of 20% of the share capital on the date of the delegation (i.e., up to a maximum nominal amount of 23,206,497.40 euros, equivalent to half of the share capital at the date of this resolution, which is set at 116,032,487 euros), so long as this is required to raise financial resources in domestic or international markets or it is in the Company's interest.

In any case, if the board of directors were to resolve to exclude the pre-emptive subscription rights of shareholders in relation to a concrete issuance which it may decide to carry out under the present authorization, it shall issue, at the time of approving the issuance and pursuant to the applicable legislation, a report detailing the specific reasons of company interest that justify such measure, which will be the object of the report by an auditor, different from the Company's auditor, appointed by the Commercial Registry, as referred to in articles 414, 417 and 511 of the LSC, when the amount of the issue is higher than 20% of the Company's share capital or when so required by applicable regulations. These reports will be made available to the shareholders and reported to the first general meeting held after the issue resolution.

(c) The authority to develop and specify the basis and modalities of conversion, exchange and/or exercise of the rights of subscription and/or acquisition of shares, resulting from the issued securities, in accordance with the criteria set out above.

(d) The authority to guarantee, in the name of the Company, within the aforementioned limits, new fixed-income issuance convertible and/or exchangeable or warrants, carried out, while this resolution is in force, by its subsidiaries.

(viii) The delegation to the board of directors comprises the broadest powers which are necessary in law for the interpretation, application, implementation and development of the agreements to issue securities that are convertible or exchangeable into shares of the Company, on one or more occasions, and corresponding capital increase, where applicable, also granting it powers to rectify and complement them in all that were necessary, as well as for the fulfilment of all legally required requisites, it being possible to rectify omissions or defects of such agreements, indicated by whichever authorities, officials or bodies, domestic or foreign, also being empowered to adopt as many agreements and grant as many public or private documents considered necessary or convenient for the adaptation of the previous agreements of the issuance of convertible or exchangeable securities and the corresponding increase of capital to the verbal or written qualification of the Commercial Registry or, in general, of any other competent domestic or foreign authorities, officials or institutions.

2. ADMISSION TO TRADING OF THE SECURITIES

The board of directors is empowered, as broadly as necessary in the law, to carry out the procedures and actions necessary for admission to trading of the securities before the competent authorities of any domestic or foreign securities markets.

In particular, but not limited to the following, the board of directors may:

(i) apply, where appropriate, to trading on domestic or foreign, regulated or not regulated markets, of the securities issued by the Company pursuant to this delegation;

(ii) apply, where appropriate, for the delisting of the referred securities, with the same formalities as the application for admission and with strict compliance of the applicable regulations. In such case, the board of directors will guarantee the interests of shareholders or bondholders who oppose or do not vote on the resolution as provided for in the applicable law; and

(iii) adopt the resolutions as it deems necessary or advisable in order to redeem or convert the securities representing debentures, bonds or securities issued by the Company into book entries, when so required so that such securities may be admitted to trading and, once admitted, remain admitted to trading on regulated or not regulated markets, organized or not, granting for such purpose such public or private documents as may be required.

It is also hereby stated that the Company submits to the existing rules, or any rules that may be issued in the future, on the stock markets, in particular, any rules on trading, permanence and delisting.

3. POWER OF SUBSTITUTION

The board of directors is empowered to sub-delegate the powers referred to in this resolution to any member of the board of directors or any other person it deems appropriate, the powers of development, implementation, execution, interpretation and correction of the agreements referred to in this agreement."

Madrid, 26 April 2023

MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A.

ORDINARY AND EXTRAORDINARY GENERAL SHAREHOLDERS MEETING

30 AND 31 MAY 2023

Attendance, delegation and remote voting card for the Ordinary and Extraordinary General Shareholders' Meeting of MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. (the "Company"), to be held at Paseo de la Habana, 74, 28036, Madrid, on 30 May 2023, at 11:00 am, on first call and, on the following day, at the same place and time, on second call. The Ordinary and Extraordinary General Meeting will foreseeably be held at first call on 30 May 2023.

Owner:	Address:	DNI/NIF
		Number of shares

Please complete only the relevant section:

PERSONAL ATTENDANCE AT THE MEETING

Shareholders wishing to attend the Meeting in person must sign in the space provided below and present this card on the day of the Meeting at the Meeting venue, indicating, in the box provided for that purpose, how they voted. The Ordinary and Extraordinary General Meeting may be attended by any shareholder whose shares are registered in the corresponding book-entry register five (5) days prior to the date on which the Meeting is to be held.

Agenda item	1	2	3	4	5	6	7	8	9	10
In favor										
Against										
Abstention										
Blank										

Signature of the attending shareholder **Signature:**

In ________, at ________ of ______________ of 2023

REMOTE VOTING

Shareholders may vote by remote voting as indicated in the notice of this General Meeting. If the specific vote is not expressed, it shall be understood that the shareholder votes in favor of the proposed resolutions formulated by the administrative body on the matters included in the agenda of the day

Agenda item	1	2	3	4	5	6	7	8	9	10
In favor										
Against										
Abstention										
Blank										

DELEGATION

Shareholders may also grant delegations as indicated in the notice of this General Meeting. A shareholder entitled to attend may be represented at the General Meeting by another person, whether a shareholder or not. Both shareholder and representative must sign this delegation in the space provided at the end of this section. The shareholder holding this card confers his representation to:

Mr./Ms. ____ with DNI nº _____________________

To give voting instructions, please check the appropriate box in the following table.

Agenda item	1	2	3	4	5	6	7	8	9	10
In favor										
Against										
Abstention										
Blank										

In the absence of express instructions, the representative shall vote in favor of the proposed resolutions formulated by the administrative body on the matters included in the agenda.

Signature of the shareholder **Representative's signature**

In _______, at _______ of ____________ of 2023 **In _______, at _______ of ____________ of 2023**

ANNEX

AGENDA

1. Approval of the individual and consolidated annual accounts for the 2022 financial year and the corresponding management reports, application of the result and approval of the corporate management and the performance of the Board of Directors during the 2022 financial year.

2. Approval of the offsetting of losses from previous years in the amount of -12,012,057.25 euros against special voluntary reserves. Delegation of Powers.

3. Approval and authorization to the Board of Directors to request and process the change of trading market for all the shares representing the Company's share capital of the BME Growth segment of BME MTF Equity to the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges through the Spanish Stock Exchange Interconnection System (SIBE) (Continuous Market). Delegation of powers.

4. Re-election of Mr. Jose María Castellano Ríos as director, with the qualification of proprietary director, for the statutory term of four years.

5. Re-election of Mr. Jaime Montalvo Correa as director, with the qualification of independent director, for the statutory term of four years.

6. Re-election of Ms. Isabel Dutilh Carvajal as director, with the qualification of independent director, for the statutory term of four years.

7. Re-election of Mr. Javier Illán Plaza as director, with the qualification of executive director, for the statutory term of four years.

8. Renewal of the delegation to the board of directors, with express powers of substitution, of the power to increase the share capital under the terms and conditions of article 297.1.b) of the Capital Companies Act, for a maximum period of two years, with the power to exclude the pre-emptive subscription right up to the limit of 20% of the share capital in accordance with the provisions of article 506 of the Capital Companies Act.

9. Renewal of the delegation to the Board of Directors of the power to issue bonds, debentures and other fixed income securities, exchangeable or convertible into shares of the Company, as well as warrants or other similar securities that may give the right, directly or indirectly, to subscribe or acquire shares of the Company or other companies, whether in its group or not, for a maximum period of two years, as well as, if applicable, the power to increase the share capital under the terms and conditions of Articles 286, 297. 1.b), 417 and 511 of the Capital Companies Act, with the power to exclude pre-emptive subscription rights up to a limit of 20% of the share capital and authorization for the Company to guarantee fixed income issues made by subsidiary companies.

10. Delegation of powers