Madrid, 21 September 2023

Millenium Hospitality Real Estate, SOCIMI, S.A. (the "**Company**") under the provisions of Article 228 of the Stock Market Act number 6/2023 of 17 March, and related provisions, as well as Circular 3/2020 of the BME Growth segment of BME MTF Equity ("**BME Growth**"), hereby reports the following:

OTHER RELEVANT INFORMATION

The following documents are attached to this notice:

- Report on Limited Review of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2023 ("**Consolidated Interim FF.SS.**").

- Interim Condensed Consolidated Financial Statements and Interim Consolidated Management Report for the six-month period ended 30 June 2023.

- Interim Balance Sheet and Interim Statement of Profit or Loss on stand-alone basis for the six-month period ended 30 June 2023.

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

In connection with the above, it is hereby informed you that in the post-closing events of the explanatory notes to the Consolidated Interim FF.SS. the following information has been included:

(i) The opening of Hotel Nobu San Sebastián, a five-star Luxury Boutique hotel.

(ii) The execution of the compensation of prior years' losses for an amount of EUR 12,012,057 against the special voluntary reserve, as approved at the Ordinary and Extraordinary General Shareholders' Meeting of MHRE held on 30 May 2023.

(iii) The business email compromise suffered by the Company for an amount of EUR 887,000. The Company has reported the aforementioned events to the competent authorities, who have already began the corresponding investigation, and will take any legal actions as it deems appropriate in order to recover the amount of money defrauded.

Within this isolated incident no unauthorised third party accessed the Company's systems nor any confidential data. The Company has appointed an independent third party to perform a forensic IT audit, which concluded, among others, that the analysis of the available information evidences that there are no signs of compromise of any of the MHRE accounts involved. In any case, the Board has agreed to implement additional protective measures against such attacks based on the recommendations of the expert.

(iv) The appointment of Ms. Maria Pardo Martínez as Compliance Officer, a position that she will perform together with her current role as Investor Relations and Corporate Communication Officer.

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

We remain at your disposal for any further clarifications you deem appropriate.

Sincerely,
Maria Pardo Martinez
Investor Relations Director
MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI SA

Report on Limited Review

MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. and subsidiaries
Interim Condensed Consolidated Financial Statements and Interim Consolidated Management Report
for the six-months ended
June 2023

Ernst & Young, S.L.
C/ Raimundo Fernández Villaverde, 65
28003 Madrid

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

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

To the shareholders of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A, at the request of the Directors

Introduction

We have carried out a limited review of the accompanying interim condensed consolidated financial statements of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (from now on, the Parent) and subsidiaries (from now on, the Group), which consists of the consolidated statement of financial position, the interim consolidated statement of profit or loss, Interim consolidated statement of changes in equity, the Interim consolidated cash flow statement and the explanatory notes thereto (all of them condensed) for the 6-months period ended June 30, 2023. The directors are responsible for the preparation of the Company's interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed consolidated financial information and for such internal control as they determine is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on said interim condensed consolidated financial statements based on our limited review.

Scope of the review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing audit regulations in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim condensed consolidated financial statements.

Conclusion

As a result of our limited review, which under no circumstances should be considered an audit of financial statements, nothing came to our attention that would lead us to conclude that the accompanying interim condensed consolidated financial statements for the six-months ended at June 30, 2023 are not prepared, in all material respects, in conformity with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed consolidated financial statements.

Domicilio Social: Calle de Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. C.I.F. B-78970506.

A member firm of Ernst & Young Global Limited.

Emphasis of matter

We draw attention to the matter described in accompanying explanatory note 2.1, which indicates that the abovementioned interim condensed consolidated financial statements do not include all the information that would be required for complete financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and therefore, the accompanying interim condensed consolidated financial statements should be read in conjunction with the financial statements for the year ended December 31, 2022. This matter does not modify our conclusion.

Report on other legal and regulatory requirements

The accompanying interim consolidated management report for the six months ended June 30, 2023, contains such explanations as the parent's directors consider necessary regarding significant events which occurred during this period and their effect on the interim condensed consolidated financial statements. We have checked that the accounting information included in the aforementioned interim consolidated management report agrees with the interim condensed consolidated financial statements for the six months ended June 30, 2023. Our work is limited to verifying the interim consolidated management report in accordance with the scope described in this paragraph and does not include the review of information other than that obtained from the accounting records of MILLENIUM HOSPITALITY REAL ESTATE I SOCIMI, S.A. and its subsidiaries.

Other matters

This report was prepared at the request of the Board of Directors of the parent in connection with the publication of the semi-annual financial report required by circular 3/2020 of Bolsas y Mercados Españoles Sistemas de Negociación, S.A. on "Information to be provided by expanding companies incorporated for trading in the segment BME Growth of BME MTF Equity".

We will not accept any responsibility from any third parties different to the addressees of this report.

ERNST & YOUNG, S.L.

(Signed in the original in Spanish)

María Teresa Pérez Bartolomé

September 21, 2023

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

Interim condensed consolidated financial statements and interim consolidated management report for the six-month period ended
June 30, 2023

Interim consolidated statement of financial position at June 30, 2023

(In euros)

ASSETS	Notes	6/30/2023	12/31/2022
NON-CURRENT ASSETS		**615,728,650**	**602,269,955**
Intangible assets	6	52,645	23,248
Property, plant, and equipment	6	18,411,550	19,257,122
Investment properties	7	592,457,000	578,444,000
Financial investments	8	3,423,094	2,044,851
Trade receivables	8	1,384,361	2,500,734
CURRENT ASSETS		**133,192,002**	**89,610,124**
Inventories	9	898,924	918,965
Trade and other receivables		8,529,441	14,672,391
Trade receivables	8	4,265,219	4,274,497
Other receivables	8	761	761
Receivable from public administrations	14	4,263,461	10,397,133
Financial investments	8	13,305,926	956,606
Other current assets	8	1,411,078	601,197
Cash and cash equivalents	10	72,855,131	72,460,965
		97,000,500	**89,610,124**
Non-current Assets held for sale	19	36,191,502	-
TOTAL ASSETS		**748,920,652**	**691,880,079**

EQUITY AND LIABILITIES	Notes	6/30/2023	12/31/2022
EQUITY		**544,578,783**	**539,428,164**
Capital and reserves		**544,883,035**	**539,428,164**
Share capital	11.1	116,032,487	116,032,487
Share premium		341,887,362	341,887,362
Reserves and retained earnings	11.2	82,525,949	70,761,203
Shares of the Parent company	11.3	(1,033,338)	(1,039,664)
Profit for the year attributed to the Parent company		5,470,575	11,786,776
Unrealized gains (losses) reserve	**8.2**	**(304,252)**	**-**
NON-CURRENT LIABILITIES		**160,780,090**	**125,963,181**
Borrowings		158,265,796	123,448,887
Bank borrowings	12.1	152,917,969	118,019,627
Other financial liabilities	12.2	5,347,827	5,429,260
Deferred tax liabilities	14	2,514,294	2,514,294
CURRENT LIABILITIES		**43,561,779**	**26,488,734**
Provisions	13	35,000	88,034
Borrowings		7,571,271	8,442,439
Bank borrowings	12.1	6,083,026	6,181,001
Other financial liabilities	12.2	1,488,245	2,261,438
Trade and other payables		23,869,695	17,931,927
Suppliers and other payables	12.3	22,239,529	14,829,451
Employee benefits payable (remuneration pending payment)	12.3	697,765	2,232,537
Payables to public administrations	14	822,402	503,388
Customer advances	12.3	109,999	366,551
Other current liabilities		358,754	26,334
		31,834,720	**26,488,734**
Liabilities associated with non-current assets held for sale	19	11,727,059	-
TOTAL EQUITY AND LIABILITIES		**748,920,652**	**691,880,079**

The accompanying Notes 1 to 20 are an integral part of the interim consolidated statement of financial position at June 30, 2023.

Separate interim consolidated statement of profit or loss for the six-month period ended June 30, 2023

(In euros)

	Notes	6/30/2023	6/30/2022
Continuing operations			
Revenue		**9,930,362**	**5,505,400**
Lease income	7.4 & 16.1	8,272,626	4,758,966
Rendering of services	16.1	1,481,432	672,777
Sales income	16.1	176,304	73,657
Cost of sales		**(97,165)**	**(46,685)**
Other operating income		**295,390**	**317,788**
Employee benefits expense	**16.2**	**(3,504,868)**	**(3,167,616)**
Other operating expenses		**(3,441,306)**	**(2,304,101)**
External services	16.3	(2,391,344)	(1,572,217)
Taxes (other than income tax)	16.4	(1,049,962)	(731,884)
Impairment losses on receivables	**8.1**	**13,498**	**-**
Change in fair value of investment properties	**7**	**6,466,800**	**16,788,741**
Depreciation and amortization	**6**	**(413,368)**	**(328,417)**
Impairment losses and gains (losses) on disposal of non-current assets		**(1,828,952)**	**(733,301)**
Impairment and losses	6	(1,844,058)	(733,301)
Gains (losses) on disposals	6	15,106	-
Gains (losses) due to loss of control over subsidiaries		**-**	**860,198**
OPERATING PROFIT		**7,420,391**	**16,892,007**
Finance income	**16.5**	**205,662**	**6,325**
From marketable securities & other financial instruments		205,662	6,325
Finance costs	**16.6**	**(2,325,218)**	**(911,906)**
Third-party borrowings		(2,325,218)	(911,906)
Changes in fair value of financial instruments	**8.2**	**171,356**	**(198,850)**
Exchange gains (losses)		**(1,616)**	**(3,083)**
FINANCE COST		**(1,949,816)**	**(1,107,514)**
PROFIT (LOSS) BEFORE TAX		**5,470,575**	**15,784,493**
Corporate income tax	14	-	-
PROFIT (LOSS) FOR THE PERIOD		**5,470,575**	**15,784,493**
Profit for the year attributed to the Parent company		**5,470,575**	**15,784,493**
Profit for the year attributed to minority interests		**-**	**-**

EARNINGS PER SHARE			
Basic earnings per share	5	**0.05**	**0.19**

The accompanying Notes 1 to 20 are an integral part of the separate interim consolidated statement of profit or loss for the six-month period ended June 30, 2023.

Interim consolidated statement of comprehensive income for the six-month period ended June 30, 2023

(In euros)

	Notes	6/30/2023	6/30/2022
Consolidated profit (loss) for the period (I)		**5,470,575**	**15,784,493**
Income and expense recognized directly in consolidated equity			
From cash flow hedges	8.2	(304,252)	-
From other adjustments	11.2	-	(1,158,559)
Tax effect		-	-
Total income and expense recognized directly in consolidated equity (II)		**(304,252)**	**(1,158,559)**
Amounts transferred to the separate consolidated statement of profit or loss			
From cash flow hedges		-	-
Tax effect		-	-
Total amounts transferred to the separate consolidated statement of profit or loss (III)		**-**	**-**
Total consolidated income and expense recognized (I+II+III)		**5,166,323**	**14,625,934**
Total consolidated income and expense recognized and attributed to the Parent company		**5,166,323**	**14,625,934**
Total consolidated income and expense recognized and attributed to minority interests		**-**	**-**

The accompanying Notes 1 to 20 are an integral part of the interim consolidated statement of comprehensive income for the six-month period ended June 30, 2023.

Interim consolidated statement of changes in equity for the six-month period ended June 30, 2023

(In euros)

	Share capital (Note 11.1)	Share premium	Reserves and retained earnings (Note 11.2)	Shares of the Parent company (Note 11.3)	Profit (loss) for the period attributed to the Parent company	Unrealized gains (losses) reserve (Note 8.2)	Total
Balance at December 31, 2022	**116,032,487**	**341,887,362**	**70,761,203**	**(1,039,664)**	**11,786,776**	**-**	**539,428,164**
Consolidated income and expense recognized	**-**	**-**	**-**	**-**	**5,470,575**	**(304,252)**	**5,166,323**
Transactions with partners or owners:	**-**	**-**	**(22,030)**	**6,326**	**-**	**-**	**(15,704)**
Transactions with shares of the Parent company (net)	-	-	(22,030)	6,326	-	-	(15,704)
Other changes in equity	**-**	**-**	**11,786,776**	**-**	**(11,786,776)**	**-**	**-**
Balance at June 30, 2023	**116,032,487**	**341,887,362**	**82,525,949**	**(1,033,338)**	**5,470,575**	**(304,252)**	**544,578,783**
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	**-**	**-**	**(1,158,559)**	**-**	**15,784,493**	**-**	**14,625,934**
Transactions with partners or owners:	**39,106,386**	**117,319,158**	**(14,118)**	**22,751**	**-**	**-**	**156,434,177**
Capital increases (decreases)	39,106,386	117,319,158	-	-	-	-	156,425,544
Transactions with shares of the Parent company (net)	-	-	(14,118)	22,751	-	-	8,633
Other changes in equity	**-**	**-**	**9,473,809**	**-**	**(9,473,809)**	**258,985**	**258,985**
Balance at June 30, 2022	**116,032,487**	**341,887,362**	**70,759,579**	**(983,876)**	**15,784,493**	**-**	**543,480,045**

The accompanying Notes 1 to 20 are an integral part of the interim consolidated statement of changes in equity for the six-month period ended June 30, 2023.

Interim consolidated cash flow statement for the six-month period ended June 30, 2023

(In euros)

	Notes	6/30/2023	6/30/2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		**5,470,575**	**15,784,493**
Adjustments to profit		**(1,622,717)**	**(14,497,322)**
Depreciation and amortization	6	413,368	328,417
Impairment loss allowances	6 & 8.1	1,830,560	733,301
Changes in provisions	13 & 12.3	675,945	1,145,316
Gains (losses) from derecognition and disposals of non-current assets	6	(15,106)	-
Finance income	16.5	(205,662)	(6,325)
Finance costs	16.6	2,325,218	911,906
Exchange gains (losses)		1,616	3,083
Changes in fair value of financial instruments	8.2	(171,356)	198,850
Changes in fair value of investment properties	7	(6,466,800)	(16,788,741)
Other income and expenses		(10,500)	(1,023,129)
Changes in working capital		**9,660,687**	**1,652,963**
Inventories		20,041	(356,329)
Trade and other receivables		4,929,004	(100,595)
Other current assets		(859,684)	(372,366)
Trade and other payables		5,238,906	2,278,000
Other current liabilities		332,420	204,253
Other cash flows from operating activities		**(1,712,783)**	**(756,588)**
Interest paid		(1,900,971)	(756,710)
Interest received		203,465	122
Other proceeds (payments)		(15,277)	-
Cash flows from operating activities		**11,795,762**	**2,183,546**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(55,433,745)**	**(45,912,287)**
Intangible assets and PP&E	6	(1,444,145)	(2,536,333)
Investment properties		(39,799,635)	(32,276,648)
Other financial assets		(14,189,965)	(11,099,306)
Proceeds from disinvestments		**54,036**	**35,768,717**
Intangible assets and PP&E	6	18,000	-
Investment properties	7	1,434	4,098
Other financial assets		34,602	11,364,543
Business unit		-	24,400,076
Cash flows from (used in) investing activities		**(55,379,709)**	**(10,143,570)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		**(15,704)**	**155,275,618**
Proceeds from issuance of equity instruments		-	155,266,985
Acquisition of equity instruments of the Parent company	11.3	(94,598)	(66,997)
Disposal of equity instruments of the Parent company	11.3	78,894	75,630
Proceeds from and payments of financial liabilities		**43,995,433**	**3,537,942**
Issues		47,176,212	8,306,372
Bank borrowings		46,761,383	7,340,711
Other borrowings		414,829	965,661
Repayment and redemption of		(3,180,779)	(4,768,430)
Bank borrowings		(2,960,850)	(3,265,157)
Other borrowings		(219,929)	(1,503,273)
Cash flows from financing activities		**43,979,729**	**158,813,560**
Net foreign exchange difference		(1,616)	(3,083)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**394,166**	**150,850,453**
Cash and cash equivalents at beginning of period		72,460,965	53,545,370
Cash and cash equivalents at end of period	10	72,855,131	204,395,823

The accompanying Notes 1 to 20 are an integral part of the interim consolidated cash flow statement for the six-month period ended June 30, 2023.

Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2023

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 MHRE to the current version, with the resulting modification to article 1 of its bylaws duly filed at the Mercantile Registry on February 17, 2022.

Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2023

The subsidiaries which together with the Parent form a part of the consolidation scope at June 30, 2023 are broken down as follows:

Company	Registered 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 breakdown of the consolidation scope at December 31, 2022 and the corresponding movements during 2022 are disclosed in Note 1 to the consolidated financial statements for FY 2022.

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, specific environmental disclosures are not provided in the accompanying interim condensed 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)

At June 30, 2023, 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").

Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2023

The information relating to the application of the SOCIMI tax regime by each Group company is disclosed in Note 1.1 to the consolidated financial statements for FY 2022.

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, 2022, in accordance with the modification introduced by the second final provision of Law 11/2021, of July 9, the SOCIMI shall be subject to a special tax rate of 15% on the amount of profits obtained during the year which are not used for distribution, provided that the revenue was not taxed at the general corporate income tax rate and the revenue is not subject to the regulated reinvestment period in letter b) of section 1 in article 6 of the SOCIMI Law. Said tax rate shall be considered as the corporate income tax rate.

At June 30, 2023 the Parent and subsidiaries fulfill the requirements established in the SOCIMI Law.

2. BASIS OF PRESENTATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1. Financial reporting framework applicable to the Group

The interim condensed consolidated financial statements of the Group for the six-month period ended June 30, 2023 were prepared in accordance with the 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 accompanying interim condensed consolidated financial statements were prepared by the directors of the Parent and reviewed by Ernst & Young, S.L. for their publication in accordance with Circular 3/2020 of the BME on "Information to be provided by companies listed on the BME Growth segment of BME MTF Equity" and the International Accounting Standard (IAS) 34 on Interim Financial Reporting.

In keeping with IAS 34, the interim financial information has been prepared solely for the purpose of providing an update with respect to the last complete set of annual consolidated financial statements authorized for issue and accordingly focuses on new activities, events and circumstances arising in the period. It does not, therefore, duplicate the information previously reported in the annual consolidated financial statements. Thus, the interim condensed consolidated financial statements at June 30, 2023 do not include all the information required for complete consolidated financial statements prepared in accordance with IFRS-EU, so that the accompanying interim condensed consolidated financial statements must be read together with the Group's annual consolidated financial statements for the year ended December 31, 2022, which were audited by Ernst & Young, S.L. and approved by the ordinary and extraordinary general shareholder meeting held on May 30, 2023.

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 interim condensed consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended December 31, 2022, as none of the standards, interpretations or amendments that are effective for the first time in the current year have had any impact on the Group's accounting policies.

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

The Group intends to apply the standards, interpretations, and amendments to standards issued by the IASB, not mandatory in the European Union, when they become effective and 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 interim condensed consolidated financial statements.

2.3. True and fair view

The interim condensed 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 June 30, 2023, and consolidated results, consolidated changes in equity, and consolidated cash flows corresponding to the six-month period then ended.

All figures included in the interim condensed 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 interim condensed consolidated financial statements using estimates to determine the carrying amounts of certain assets, liabilities, income, and expenses, as well as related disclosures. Those estimates were made on the basis of the best available information at the reporting date. However, given the uncertainty inherent in these estimates and the uncertainty arising from the Russian war against Ukraine (Note 2.8), future events could oblige the Group to modify them in subsequent periods. Any such modifications would be done prospectively, as established in IAS 8.

Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2023

In addition to other relevant information regarding estimation of uncertainty at the closing date for the period, the key assumptions regarding the future which represent a considerable risk that the carrying amounts of assets and liabilities may require significant adjustments in the next period, are as follows:

- Compliance with the SOCIMI tax regime (Note 1.1)

- Valuation of investment properties (Note 7)

2.5. Comparison of information

In accordance with IFRS-EU, for comparative purposes, for each of the items included in the interim consolidated statement of financial position for the year ended December 31, 2022, and for each of the items included in the separate interim consolidated statement of profit or loss, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, and the interim consolidated cash flow statement, the corresponding figures for the same period in the prior year are also presented.

2.6. Consolidation principles

The consolidation and measurement standards used by the Group to prepare its interim condensed consolidated financial statements are the same as those disclosed in Note 2.6 to the consolidated financial statements for FY 2022.

2.7. Seasonal nature of Group transactions

Given the nature of the activities performed by the Group companies, the transactions carried out are not especially cyclical or seasonal in nature. Consequently, the notes to the accompanying interim condensed consolidated financial statements for the six-month period ended June 30, 2023 do not include specific seasonality disclosures.

2.8. Effects on the interim condensed consolidated financial statements arising from the Russian war against Ukraine

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.

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 June 30, 2023, and the funds obtained from the new financing arranged during the first half of 2023 in the amount of 42.3 million euros (Note 12.1), 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 June 30, 2023 as there is no material uncertainty regarding continuity of the Group's operations.

3. DISTRIBUTION OF RESULTS AND CAPITAL MANAGEMENT

As indicated in Note 1.1, MHRE and other Group companies 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 to their shareholders in the form of dividends, 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 those gains attributable to years in which the Group did not file taxes under the special tax regime established in the SOCIMI Law.

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

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

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 this reserve exceeds said amount, it cannot be distributed to shareholders.

In accordance with the stipulations of the SOCIMI Law, MHRE's bylaws do not establish any other restricted reserve apart from the legal reserve (Note 11.2).

4. CALCULATION OF FAIR VALUE

The Group applies the criteria disclosed in Note 4.19 to the consolidated financial statements for FY 2022 when calculating fair value for assets and liabilities.

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 7 and 19)
- Derivative financial instruments (Note 8.2)

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

		Fair value measurement used (Euros)			
6/30/2023	**Date of measurement**	**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)					
Operational hotels	6/30/2023	398,800,000	-	-	398,800,000
Hotels in development	6/30/2023	184,057,000	-	-	184,057,000
Alcaidesa Golf - Club House Restaurant	6/30/2023	2,900,000	-	-	2,900,000
Investment properties (Note 19)					
Operational hotel held for sale	6/30/2023	32,300,000	-	-	32,300,000
Non-current financial investments					
Derivative financial instruments (Note 8.2)	6/30/2023	2,219,217	-	2,219,217	-

There were no transfers between Levels 1 and 2 during the six-month period ended June 30, 2023.

The table which presents the fair value hierarchy for the Group's assets and liabilities at 2022 year end is included in Note 4.19 to the consolidated financial statements for FY 2022.

5. EARNINGS PER SHARE

Basic earnings per share

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

	6/30/2023	6/30/2022
Profit (loss) for the period attributable to shareholders of MHRE (euros)	5,470,575	15,784,493
Weighted average number of shares circulating (shares)	115,799,861	84,052,136
Basic earnings per share (euros)	**0.05**	**0.19**

Diluted earnings per share

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

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

6. INTANGIBLE ASSETS AND PP&E

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

(Euros)	12/31/2022	Additions/ Allowances	Derecognitions/ Amounts applied	Transfers	6/30/2023
Cost					
Software	23,288	29,517	-	-	52,805
	23,288	29,517	-	-	52,805
Accumulated amortization					
Software	(40)	(120)	-	-	(160)
	(40)	(120)	-	-	(160)
Net carrying amount	**23,248**				**52,645**

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 third quarter of 2023.

The balance recognized for PP&E at June 30, 2023 and December 31, 2022 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.

The movements in PP&E during the six-month period ended June 30, 2023 were as follows:

(Euros)	12/31/2022	Additions/ Allowances	Derecognitions/ Amounts applied	Transfers	6/30/2023
Cost					
Land	2,443,368	-	-	-	2,443,368
Buildings	15,219,721	584	-	-	15,220,305
Machinery	181,428	9,842	(31,326)	-	159,944
Plant	519,774	28,561	-	-	548,335
Furniture	148,789	11,934	-	-	160,723
Data processing equipment	54,158	9,793	-	-	63,951
Right-of-use assets	4,851,491	-	-	-	4,851,491
PP&E under construction	282,094	1,353,914	-	-	1,636,008
	23,700,823	1,414,628	(31,326)	-	25,084,125
Accumulated depreciation					
Buildings	(612,360)	(198,148)	-	-	(810,508)
Machinery	(180,775)	(11,357)	28,432	-	(163,700)
Plant	(157,222)	(49,033)	-	-	(206,255)
Furniture	(25,885)	(10,010)	-	-	(35,895)
Data processing equipment	(26,882)	(9,554)	-	-	(36,436)
Right-of-use assets	(548,557)	(135,146)	-	-	(683,703)
	(1,551,681)	(413,248)	28,432	-	(1,936,497)
Impairment losses					
Buildings	(2,892,020)	(1,844,058)	-	-	(4,736,078)
	(2,892,020)	(1,844,058)	-	-	(4,736,078)
Net carrying amount	**19,257,122**				**18,411,550**

Additions for the first half of 2023 mainly correspond to remodeling and refurbishment work carried out at the golf courses. Derecognition of machinery used for maintenance of the golf courses arose from sales amounting to 18,000 euros, generating a profit of 15,106 euros.
Furthermore, as a consequence of the appraisals carried out by an independent expert for the assets associated with the golf courses, which are temporarily being exploited by the Group, at June 30, 2023 an impairment loss allowance of 1,844 thousand euros was recognized.

The movements in PP&E during 2022 are disclosed in Note 6 to the consolidated financial statements for FY 2022.

Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2023

7. INVESTMENT PROPERTIES

At June 30, 2023, the Group held the following investment properties in portfolio:

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

(*) Classified under "Non-current Assets held for sale" at June 30, 2023 (Note 19).

Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2023

7.1. Movements during the period

The breakdown and movements for investment properties at June 30, 2023 are as follows:

(Euros)	12/31/2022	Additions	Derecognitions	Transfers	Changes in fair value	6/30/2023
Operational hotels	251,340,000	120,444	-	140,612,209	6,727,347	398,800,000
Hotels in development	317,504,000	39,681,480	(1,434)	(172,912,209)	(214,837)	184,057,000
Alcaidesa Golf - Club House Restaurant	2,900,000	45,710	-	-	(45,710)	2,900,000
Advances	6,700,000	-	-	-	-	6,700,000
TOTAL	**578,444,000**	**39,847,634**	**(1,434)**	**(32,300,000)**	**6,466,800**	**592,457,000**

The additions during the period mainly correspond to costs capitalized in connection with the construction and refurbishment work for various hotels, amounting to a total of 39,802 thousand euros, of which 482 thousand euros correspond to finance costs. Further, there were additions relating to the restaurant located at the Club House of the golf courses (Note 6), amounting to 46 thousand euros.

The breakdown and movements for investment properties at December 31, 2022 are included in Note 7.1 to the consolidated financial statements for FY 2022.

7.2. Other disclosures on investment properties

At June 30, 2023, the investment properties were mortgaged with different financial entities in guarantee of mortgage loans for a balance totaling 166,321,567 euros (December 31, 2022: 121,248,543 euros).

All properties are located in 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 June 30, 2023 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.

Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2023

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

June 30, 2023	***Net exit yields***	***Discount rate***
Operational hotels	4.00% - 6.75%	7.00% - 9.50%
Hotels in development	4.75% - 7.50%	8.00% - 13.00%
Alcaidesa Golf - Club House Restaurant	11.00%	12.00%

December 31, 2022	***Net exit yields***	***Discount rate***
Operational hotels	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%

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 properties:

(Euros)	**Carrying amount**	**-0,25% in net exit yields**	**+0,25% in net exit yields**
Properties being operated at 6/30/2023	401,700,000	412,730,000	391,780,000
Properties being operated at 12/31/2022	254,240,000	260,146,000	249,140,000

In contrast, a change of two and a half percentage points in the estimated construction costs for its properties under development has the following impact on the valuations used by the Group for determining the fair value of said properties:

(Euros)	**Carrying amount**	**-2.5% in construction costs**	**+2.5% in construction costs**
Properties in development at 6/30/2023	184,057,000	188,511,000	179,741,000
Properties in development at 12/31/2022	317,504,000	322,711,000	312,583,000

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 (Note 19) 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 Melía de Bilbao was leased for an initial duration which finalizes in September 2024 plus an automatic extension for a single period of 5 years, should neither of the parties object. Lease income from this contract, in which 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 Melía 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 Melía Bilbao for the installation of telecommunications antenna, 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 Sevilla for an initial obligatory period from June 25, 2021 (delivery date for the hotel) to December 31, 2026, including three automatic renewals for a duration of 5 years each, provided the lessee complies with certain economic metrics at the end of each 5-year 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 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 complies with certain economic metrics at the end of each 5-year 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 hotel. These conditions were agreed upon in the addendum to the contract signed on March 15, 2022.

- With respect to the 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 from April 21, 2023 (the hotel delivery date), 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 revenue from this hotel is composed of a fixed component scaled progressively and a variable component referenced to the operating results obtained by the hotel.

- Lease of the Hotel JW Marriott for a period of 25 years counting from March 27, 2023 (hotel delivery date), 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 revenue from this hotel is composed of a fixed component scaled progressively and a variable component referenced to the operating results obtained by the hotel.

With respect to the property located at Carrera de San Jerónimo 9 and 11 in Madrid, the site of the 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 March 25, 2023 (restaurant delivery date), 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 Hotel JW Marriott together with the lessee of said hotel. The lease was arranged for a period of 20 years counting from March 27, 2023 (the hotel's opening date), the first 5 years of which were established as obligatory for the sub-lessee. 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 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 5-year period. Lease revenue from this hotel, to be accrued starting from the date on which the hotel opens, is composed of a fixed component and a variable component referenced to the operating results obtained by the hotel. This hotel was opened on August 10, 2023 (Note 20).

- 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 revenue from this hotel, to be accrued starting from the date on which the hotel opens, is composed of a fixed component and a variable component referenced to the operating results obtained by the hotel.

  With respect to the future Hotel Nobu Madrid, located at calle Alcalá 26 in Madrid, MHRE is party to an operating lease contract over surface rights signed with third parties for commercial office space, corresponding to a contractual position to which it was subrogated when the property was acquired. Said lease expires in June 2026. The revenue from this contract 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 renewal for a duration of 2 years, should neither of the parties object 6 months in advance. Lease revenue 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 renewal 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 of the La Hacienda Alcaidesa Links Golf Resort golf courses for an initial obligatory duration of 7 years and 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 composed of a fixed component and a variable component referenced to the operating results obtained by the restaurant.

The income from all aforementioned operating lease contracts amounted to 8,272,626 euros for the six-month period ended June 30, 2023 (4,758,966 euros for the same period in 2022; Note16.1).

The expenses associated with the investment properties that generated this income are broken down as follows:

(Euros)	6/30/2023	6/30/2022
Supplies	97,060	180,206
Taxes (other than income tax)	474,489	260,722
Other operating expenses	186,514	116,991
Impairment losses on accounts receivable	17,077	-
TOTAL	**775,140**	**557,919**

Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2023

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)	6/30/2023	12/31/2022
Within one year	12,110,023	12,084,269
Between one and five years	18,135,384	24,139,657
More than five years	440,200	550,250
TOTAL	**30,685,607**	**36,774,176**

8. FINANCIAL ASSETS

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

	Equity instruments		Loans, derivatives, and other		Total	
(Euros)	6/30/2023	12/31/2022	6/30/2023	12/31/2022	6/30/2023	12/31/2022
Non-current financial assets						
Assets at fair value through profit or loss						
Trading portfolio	-	-	875,159	600,213	875,159	600,213
Financial assets at amortized cost	-	-	2,588,238	3,945,372	2,588,238	3,945,372
Hedging derivatives			1,344,058	-	1,344,058	-
	-	-	4,807,455	4,545,585	4,807,455	4,545,585
Current financial assets						
Financial assets at amortized cost	-	-	6,982,984	5,833,061	6,982,984	5,833,061
Financial assets at cost	12,000,000	-	-	-	12,000,000	-
	12,000,000	-	6,982,984	5,833,061	18,982,984	5,833,061
TOTAL	**12,000,000**	**-**	**11,790,439**	**10,378,646**	**23,790,439**	**10,378,646**

Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2023

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

	Equity instruments		Loans, derivatives, and other		Total	
(Euros)	6/30/2023	12/31/2022	6/30/2023	12/31/2022	6/30/2023	12/31/2022
Non-current financial assets						
Financial investments (Note 8.2)	-	-	3,423,094	2,044,851	3,423,094	2,044,851
Trade receivables (Note 8.1)	-	-	1,384,361	2,500,734	1,384,361	2,500,734
	-	-	4,807,455	4,545,585	4,807,455	4,545,585
Current financial assets						
Trade receivables (Note 8.1)	-	-	4,265,219	4,274,497	4,265,219	4,274,497
Other receivables	-	-	761	761	761	761
Financial investments (Note 8.2)	12,000,000	-	1,305,926	956,606	13,305,926	956,606
Other current assets	-	-	1,411,078	601,197	1,411,078	601,197
	12,000,000	-	6,982,984	5,833,061	18,982,984	5,833,061
TOTAL	**12,000,000**	**-**	**11,790,439**	**10,378,646**	**23,790,439**	**10,378,646**

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)	6/30/2023	12/31/2022
Trade receivables	818,463	1,126,750
Invoices pending issue	3,446,756	1,098,530
Trade bills in portfolio	-	2,049,217
TOTAL	**4,265,219**	**4,274,497**

The balance recognized for "Invoices pending issue" includes provisioned income from accrued rental payments yet to be invoiced. The increase in the balance at June 30, 2023 with respect to 2022 year end was mainly due to the opening of Hotel JW Marriott Madrid and Hotel Nobu Sevilla, both of which include staggered fixed rental payments.

The change in "Trade bills in portfolio" arose from classification to "Non-current Assets held for sale" at June 30, 2023 (Note 19).

In addition, the balance for "Trade receivables" was recognized net of an impairment loss allowance which had the following movements during the period:

(Euros)	6/30/2023	12/31/2022
Opening balance	**(138,353)**	**(64,295)**
Amounts provisioned	(50,158)	(74,058)
Reversals	63,656	-
Amounts applied	-	-
Closing balance	**(124,855)**	**(138,353)**

The breakdown of movements in impairment loss allowances for accounts receivable in 2022 is included in Note 8.1 to the consolidated financial statements corresponding to said year.

8.2. Current and non-current financial investments

The breakdown of these headings is as follows:

(Euros)	6/30/2023	12/31/2022
Non-current financial investments		
Derivative financial instruments	875,159	700,213
Hedging derivatives	1,344,058	-
Guarantees	1,203,877	1,344,638
TOTAL	**3,423,094**	**2,044,851**
Current financial investments		
Equity instruments	12,000,000	-
Loans to companies	202,197	-
Security deposits	696,024	646,598
Guarantees	407,705	310,008
TOTAL	**13,305,926**	**956,606**

Two structured deposits arranged at a nominal value of 500 thousand euros each, remuneration of which is subject to the share performance of three IBEX 35 companies, are included as derivative financial instruments. During the first half of 2023, the fair value of said deposits increased by an amount of 174,946 euros (198,850 euros during the same period in 2022).

The hedging derivatives correspond to two interest rate hedges ("CAPs") which were contracted for the new financing obtained in connection with the Hotel Iberostar Las Letras and Hotel Nobu Sevilla, covering against changes in the interest rate (Euribor) to which said financing is referenced (Note 12.1). The premiums paid for these hedging contracts amounted to a total of 1,651,900 euros. Losses of 304,252 euros were recognized under consolidated equity as a consequence of valuation at June 30, 2023, and losses of 3,590 euros were recognized in the separate interim consolidated statement of profit or loss for the first half of 2023 arising from accrual of the aforementioned premiums.

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. During the first half of 2023, the guarantee associated with the Hotel JW Marriott lease was received, amounting to 333 thousand euros and deposited with the corresponding public authorities. In addition, the guarantee associated with the Hotel Lucentum lease amounting to 282,261 euros was classified under " Non-current Assets held for sale" (Note 19).

The balance recognized under "Equity instruments" corresponds to investments made during the first half of 2023 in two investment funds, which Group Management expects to recover in the short term given that they are intended as temporary investments of cash surpluses.

"Loans to companies" includes a loan granted to the lessee of one of the restaurant premises located at the Hotel JW Marriott for a total amount of 200,000 euros. Interest accrued during the first half of 2023 amounted to 2,197 euros, pending collection at June 30, 2023 (Note 16.5). The loan was arranged at a fixed rate for a duration of one year.

9. INVENTORIES

The breakdown of this heading is as follows:

(Euros)	6/30/2023	12/31/2022
Golf shop merchandise	116,534	88,437
Prepayments to suppliers	782,390	830,528
TOTAL	**898,924**	**918,965**

The Group did not recognize a corresponding provision for impairment losses during the first half of 2023 (neither did it during the first half of 2022).

Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2023

10. CASH AND CASH EQUIVALENTS

This heading reflects the current accounts held by the Group, which bear interest at market rates and whose balance at June 30, 2023 totals 72,855 thousand euros (December 31, 2022: 72,461 thousand euros). Of said amount, a balance of 2,875 thousand euros (December 31, 2022: 2,875 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 interim consolidated statement of changes in equity.

11.1. Share capital

At June 30, 2023, MHRE's share capital consisted of 116,032,487 shares (December 31, 2022: 116,032,487 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% is as follows:

Shareholder	6/30/2023	12/31/2022
CL MH Spain S.à. (controlled by Castlelake)	49.72%	49.72%
Arconas International	5.05%	5.05%
Mutualidad General de Previsión de la Abogacía	5.05%	5.05%

11.2. Reserves and retained earnings

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

(Euros)	Balance at 12/31/2022	Appropriation results	Capital increase expenses	Other changes (Note 11.3)	Balance at 6/30/2023
Legal reserve	3,040,560	-	-	-	3,040,560
Reserves in consolidated companies	27,980,967	-	-	9,473,809	37,454,776
Voluntary reserves	30,265,867	-	-	(22,030)	30,243,837
	61,287,394	-	-	9,451,779	70,739,173
Retained earnings	9,473,809	11,786,776	-	(9,473,809)	11,786,776
TOTAL	**70,761,203**	**11,786,776**	**-**	**(22,030)**	**82,525,949**

(Euros)	Balance at 12/31/2021	Appropriation results	Capital increase expenses	Other changes (Note 11.3)	Balance at 6/30/2022
Legal reserve	3,040,560	-	-	-	3,040,560
Reserves in consolidated companies	(159,836)	-	-	-	(159,836)
Voluntary reserves	50,578,617	-	(1,158,559)	(14,118)	49,405,940
	53,459,341	-	(1,158,559)	(14,118)	52,286,664
Retained earnings	8,999,106	9,473,809	-	-	18,472,915
TOTAL	**62,458,447**	**9,473,809**	**(1,158,559)**	**(14,118)**	**70,759,579**

Legal reserve

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

Voluntary reserves

The balance of these freely distributable reserves corresponds entirely to the Parent. However, at June 30, 2023 these reserves include a balance of 38,628,944 euros (December 31, 2022: 38,628,944 euros) which can only be used under the same conditions as required for capital reductions. The ordinary and extraordinary general shareholder meeting for MHRE held on May 30, 2023 approved, amongst other matters, offsetting the losses from prior years in the amount of 12,012,057 euros with a charge against said special voluntary reserve. Thus, the mandatory announcement was published on June 5, 2023 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 September 20, 2023 (Note 20).

11.3. Shares of the Parent company

During the six-month period ended June 30, 2023, MHRE acquired 28,016 treasury shares (17,456 treasury shares during the same period in 2022) at an average price of 3.38 euros per share (3.81 euros per share during the same period in 2022) and sold 22,947 treasury shares (19,479 treasury shares during the same period in 2022) at an average price of 3.47 euros per share (3.88 euros per share during the same period in 2022). The difference between the cost price and the sales price for the shares, totaling a net amount of 22,030 euros (14,118 euros for the same period in 2022) was recognized under "Voluntary reserves" (Note 11.2).

At June 30, 2023, MHRE held a treasury share portfolio comprised of 238,749 treasury shares, representing 0.2% of its share capital (December 31, 2022: 233,680 treasury shares, representing 0.3% of its share capital).

12. FINANCIAL LIABILITIES

The breakdown of financial liabilities by category is as follows:

(Euros)	6/30/2023	12/31/2022
Non-current financial liabilities		
Financial liabilities at amortized cost	167,002,971	123,448,887
Bank borrowings (Note 12.1)	152,917,969	118,019,627
Other financial liabilities (Note 12.2)	5,347,827	5,429,260
Liabilities associated with non-current assets held for sale (Note 19)	8,737,175	-
	167,002,971	**123,448,887**
Current financial liabilities		
Financial liabilities at amortized cost	30,618,564	25,870,978
Bank borrowings (Note 12.1)	6,083,026	6,181,001
Other financial liabilities (Note 12.2)	1,488,245	2,261,438
Trade and other payables (Note 12.3)	23,047,293	17,428,539
	30,618,564	**25,870,978**
TOTAL	**197,621,535**	**149,319,865**

The breakdown of maturities for financial liabilities at June 30, 2023, without taking into account debt arrangement expenses amounting to 2,458,442 euros, 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	6,083,026	22,143,618	26,081,173	45,718,514	6,142,118	55,143,843	155,229,266	161,312,292
Other financial liabilities	1,488,245	200,912	267,271	813,953	425,023	3,640,668	5,347,827	6,836,072
Trade and other payables	23,047,293	-	-	-	-	-	-	23,047,293
TOTAL	**30,618,564**	**22,344,530**	**26,348,444**	**46,532,467**	**6,567,141**	**58,784,511**	**160,577,093**	**191,195,657**

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						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	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**

12.1. Bank borrowings

The breakdown for bank borrowings is included in Note 12.1 to the consolidated financial statements for FY 2022.

During the first half of 2023, the following financing was obtained:

- A balance of 5.7 million euros was drawn on the loan guaranteed by ICO and granted for financing the properties that will make up the Hotel JW Marriott, covering the adaptation costs for said hotel.
- On March 24, 2023, a mortgage financing agreement for a total amount of 35,000 thousand euros was signed with Caixabank, linked to the Hotel Iberostar Las Letras. A balance of 28,000 thousand euros was drawn on Tranche A on said date, with a balance of 7,000 thousand euros thus available on Tranche B, to be used for covering the *capex* relating to the planned refurbishment of said hotel. This financing was arranged for a duration of 10 years at a variable interest rate of Euribor + 2.00%, and includes a 2-year grace period.
- On March 28, 2023, a mortgage financing agreement for a total amount of 12,710 thousand euros was signed with Kutxabank, linked to the Hotel Nobu San Sebastián. A balance of 6,300 thousand euros was drawn on Tranche A on said date, with a balance of 6,410 thousand euros thus available on Tranches B and C, to be used for covering the *capex* relating to the refurbishment of said hotel. This financing was arranged for a duration of 14 years and 9 months at a variable interest rate of Euribor + 1.50%, and includes an 18-month grace period.
- On June 5, 2023, a mortgage financing agreement was signed with Unicaja for a total amount of 8,000 thousand euros, linked to the Hotel Nobu Sevilla. This financing was arranged for a duration of 10 years at a variable interest rate of Euribor + 1.75%, and includes a one-year grace period.

In contrast, during the six-month period ended June 30, 2023, borrowings from credit entities accrued finance costs amounting to 2,552 thousand euros (1,717 thousand euros during the same period in 2022), of which 482 thousand euros were capitalized in connection with hotels under development (848 thousand euros during the same period in 2022; Note 7) and 2,070 thousand euros were recognized in the separate interim consolidated statement of profit or loss (869 thousand euros during the same period in 2022; Note 16.6).

The mortgage loans related to the Hotel Radisson Collection Sevilla, the Hotel Radisson Collection Bilbao, the Hotel Melía Bilbao, the Hotel JW Marriott, the Hotel Iberostar Las Letras, and the Hotel Nobu Sevilla 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 June 30, 2023, the Group was in compliance with the ratios applicable at said date (at December 31, 2022, though the Group was not in compliance with one of the applicable ratios, the corresponding waiver had been obtained from the banking entity).

12.2. Other financial liabilities

The breakdown of this heading is as follows:

(Euros)	6/30/2023	12/31/2022
Other non-current financial liabilities		
Security deposits received	1,140,256	1,138,698
Lease liabilities	4,207,571	4,290,562
TOTAL	**5,347,827**	**5,429,260**
Other current financial liabilities		
Security deposits received	-	2,049,217
Lease liabilities	163,827	186,040
Other	1,324,418	26,181
TOTAL	**1,488,245**	**2,261,438**

The change in the current balance for security deposits received arose from letters of credit received in guarantee of rental payments for the Hotel Lucentum, which were classified under "Liabilities associated with non-current assets held for sale" at June 30, 2023 (Note 19).

The increase in the balance recognized under "Other" mainly corresponds to the 1,250 thousand euros contributed by the Marriott Group at the beginning of the Hotel JW Marriott lease as *key money* for having delivered the hotel in accordance with JW Marriott's quality standards. The Group must deliver a part of said amount to the lessee of said hotel as per the terms agreed upon in the lease agreement. Further, though said amount was contributed by the Marriott Group on a non-refundable basis, in the event of early termination of the lease agreement, the Group must return the proportionate part based on the elapsed term of the lease.

12.3. Trade and other payables

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

(Euros)	6/30/2023	12/31/2022
Suppliers and other payables	22,239,529	14,829,451
Remuneration pending payment to employees	697,765	2,232,537
Customer advances	109,999	366,551
TOTAL	**23,047,293**	**17,428,539**

The increase for "Suppliers and other payables" is mainly due to the performance of refurbishment work at various hotels (Note 7) and the golf courses (Note 6).

Remuneration payable to employees at June 30, 2023 mainly includes provisions for bonuses amounting to 61 thousand euros (December 31, 2022: 2,069 thousand euros) as well as other items amounting to 638 thousand euros (December 31, 2022: 163 thousand euros), to be paid out once 2023 ends in accordance with MHRE Management Policy.

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 each year.

13. PROVISIONS AND CONTINGENCIES

13.1. Current provisions

The breakdown and movements for provisions included under this heading at June 30, 2023 are as follows:

(Euros)	Balance at 12/31/2022	Allowances/ (reversals)	Amounts applied	Balance at 6/30/2023
Provision for contractual claims	53,034	(22,917)	(30,117)	-
Provision for tax contingencies	35,000	-	-	35,000
TOTAL	**88,034**	**(22,917)**	**(30,117)**	**35,000**

During the first half of 2023, the Group reached an out-of-court settlement with a former supplier, acknowledging a balance of 30,117 euros of the 53,034 euros claimed by the latter and thus considering the matter as concluded. Consequently, the provision which had been recognized in previous years to cover this claim was reversed in an amount of 22,917 euros, corresponding to the excess balance.

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 June 30, 2023. In addition, it is worth highlighting that said lessee is up to date with all rental payments accrued during 2023.

14. TAX SITUATION

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

(Euros)	6/30/2023	12/31/2022
Tax credits		
Other receivables from public administrations		
VAT	4,200,960	10,343,520
Withholdings on corporate income tax	62,501	53,613
TOTAL	**4,263,461**	**10,397,133**
Tax liabilities		
Deferred tax liabilities	2,514,294	2,514,294
Other payables to public administrations		
VAT	95,683	83,949
Withholdings	188,520	338,659
Provision for property tax (Note 16.4)	458,000	-
Social security	80,199	80,780
TOTAL	**3,336,696**	**3,017,682**

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. In addition, during the first half of 2023 the Group received VAT refunds corresponding to FY 2022 and amounting to a total of 8,750 thousand euros.

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. 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. Corporate 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 the six-month period ended June 30, 2023 the Group did not accrue any expenses or income related to corporate income tax (neither did it during the same period in 2022).

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 2023 is 0% (2022: 0%).

14.2. 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")

The disclosure requirements established by article 11 of the SOCIMI Law relating to Group companies which avail themselves of said special tax regime is provided in Note 14.3 to the consolidated financial statements for FY 2022.

15. SEGMENT INFORMATION

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 and accessory 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 interim condensed consolidated financial statements. However, taxes on profits are managed at the Group level and are not assigned to operating segments.

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

Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2023

Information by segment is provided below for the period:

	Hotel leases		Other activities		Corporate Unit		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenue	8,272,626	4,758,966	1,657,736	746,434	-	-	9,930,362	5,505,400
Cost of sales	-	-	(97,165)	(46,685)	-	-	(97,165)	(46,685)
Other operating income	266,288	279,341	29,102	38,447	-	-	295,390	317,788
Employee benefits expense	-	-	(1,020,625)	(744,983)	(2,484,243)	(2,422,633)	(3,504,868)	(3,167,616)
Other operating expenses	(2,420,239)	(967,182)	(1,007,569)	(494,379)		(842,540)	(3,427,808)	(2,304,101)
Change in fair value of investment properties	6,466,800	16,788,741	-	-	-	-	6,466,800	16,788,741
Depreciation and amortization	(66,644)	(38,913)	(242,489)	(192,110)	(104,235)	(97,394)	(413,368)	(328,417)
Impairment losses on assets	-	-	(1,828,952)	(733,301)	-	-	(1,828,952)	(733,301)
Gains (losses) due to loss of control over subsidiaries	-	-	-	-	-	860,198	-	860,198
OPERATING PROFIT	**12,518,831**	**20,820,953**	**(2,509,962)**	**(1,426,577)**	**(2,588,478)**	**(2,502,369)**	**7,420,391**	**16,892,007**
Finance income and expenses (net)	(2,233,246)	(878,190)	(66,744)	(32,892)	350,174	(196,432)	(1,949,816)	(1,107,514)
PROFIT (LOSS) BEFORE TAX	**10,285,585**	**19,942,763**	**(2,576,706)**	**(1,459,469)**	**(2,238,304)**	**(2,698,801)**	**5,470,575**	**15,784,493**
Total assets	**646,654,532**	**454,311,504**	**15,665,766**	**17,870,978**	**86,600,354**	**215,506,028**	**748,920,652**	**687,688,510**
Total liabilities	**194,190,542**	**132,874,392**	**8,404,001**	**8,304,388**	**1,747,326**	**3,029,685**	**204,341,869**	**144,208,465**
Other disclosures								
Acquisitions of intangible assets and PP&E	-	-	1,409,441	2,313,979	34,704	695,127	1,444,145	3,009,106
Acquisitions of investment properties	39,847,634	32,376,787	-	-	-	-	39,847,634	32,376,787

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 8,272,626 euros (2022: 4,758,966 euros; Note 7.4). During the six-month period ended June 30, 2023, additional income was obtained from the rendering of services, amounting to 1,481,432 euros (672,777 euros during the same period in 2022), and from sales of sports articles, amounting to a total of 176,304 euros (73,657 euros during the same period in 2022), 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)	6/30/2023	6/30/2022
Madrid	3,021,363	732,011
Alicante	948,380	858,127
Bilbao	2,481,866	1,982,975
Cádiz	1,711,983	796,016
Seville	1,766,770	1,136,271
TOTAL	**9,930,362**	**5,505,400**

16.2. Employee benefits expense

The breakdown of this heading is as follows:

(Euros)	6/30/2023	6/30/2022
Wages and salaries	2,371,398	1,667,333
Provision for bonuses and other remuneration items (Note 12.3)	698,862	1,185,316
Social security payable by the company	396,151	286,528
Other employee benefits expense	38,457	28,439
TOTAL	**3,504,868**	**3,167,616**

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

	Number of persons employed at end of the period			Average number of persons employed during the period	Average number of persons with disability >33% employed during the period
Categories	**Men**	**Women**	**Total**		
6/30/2023					
Chief Executive Officer	1	-	1	1	-
Remaining management team	2	1	3	4	-
Department directors	7	3	10	10	-
Other employees	45	27	72	71	-
TOTAL	**55**	**31**	**86**	**86**	**-**
6/30/2022					
Chief Executive Officer	1	-	1	1	-
Remaining management team	3	1	4	3	-
Department directors	7	3	10	11	-
Other employees	44	19	63	59	-
TOTAL	**55**	**23**	**78**	**74**	**-**

16.3. External services

The breakdown of this heading is as follows:

(Euros)	6/30/2023	6/30/2022
Leases and royalties	167,717	9,996
Repairs and maintenance	437,221	150,777
Independent professional services	1,010,427	724,023
Transportation	13,545	7,776
Insurance premiums	89,260	85,619
Banking and similar services	16,542	13,119
Publicity, advertising, and public relations	204,737	176,653
Supplies	377,615	306,342
Other services	74,280	97,912
TOTAL	**2,391,344**	**1,572,217**

16.4. Other taxes

This heading mainly includes the property tax on the real estate assets owned by the Group. The corresponding expense is recognized in the separate interim consolidated statement of profit or loss at the beginning of the year at the amount corresponding to the total expense for said tax during the year, in accordance with IFRIC 21 - Levies.

16.5. Finance income

The breakdown of this heading is as follows:

(Euros)	6/30/2023	6/30/2022
Interest from current account balances at banks	180,554	-
Interest from loans to companies (Note 8.2)	2,197	-
Other finance income	22,911	6,325
TOTAL	**205,662**	**6,325**

16.6. Finance costs

The breakdown of this heading is as follows:

(Euros)	6/30/2023	6/30/2022
Interest on bank borrowings (Note 12.1)	2,070,458	746,914
Interest on derivative instruments	-	10,483
Other finance costs	254,760	154,509
TOTAL	**2,325,218**	**911,906**

17. TRANSACTIONS WITH RELATED PARTIES

Related parties with which the Group carried out transactions during the six-month period ended June 30, 2023, and the nature of the relationship, are as follows:

Related party	Nature of the relationship
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

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 transactions carried out with related parties during the six-month period ended June 30 is as follows:

	Entities related to Board members	
(Euros)	**6/30/2023**	**6/30/2022**
Leases	59,922	44,961
Professional services	29,489	30,238
Purchase of materials	23,018	4,933
Transportation	9,550	5,650
TOTAL	**121,979**	**85,782**

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.

The breakdown of balances with related parties is as follows:

	Entities related to Board members	
(Euros)	**6/30/2023**	**12/31/2022**
Other payables	-	6,205
TOTAL	**-**	**6,205**

17.2. Directors and senior management

Effective on March 14, 2023, Ms. Macarena Sainz 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. Consequently, at June 30, 2023, MHRE's Board of Directors is comprised of 10 persons, 7 of whom were men and 3 women (December 31, 2022: 11 persons, 7 of whom were men and 4 women).

The breakdown of remuneration earned by members of the MHRE Board of Directors and senior management during the six-month period ended June 30, 2023 is as follows:

(Euros)	**6/30/2023**	**6/30/2022**
Directors		
Salaries	156,000	192,000
Per diems	93,000	73,000
	249,000	**265,000**
Senior management		
Salaries	400,000	300,000
Bonus	-	225,000
	400,000	**525,000**
TOTAL	**649,000**	**790,000**

The Group had not contracted any commitments for pension plans corresponding to the directors of MHRE or senior management at either June 30, 2023 or December 31, 2022.

At June 30, 2023 and December 31, 2022, 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.

During the six-month period ended June 30, 2023, the Group settled a balance of 57,055 euros corresponding to civil liability insurance premiums on behalf of MHRE directors to cover potential damages caused in the course of carrying out their duties (57,055 euros during the same period in 2022).

Likewise, during the six-month period ended June 30, 2023, a life insurance premium was settled in favor of senior management, amounting to 11,723 euros (10,346 euros during the same period in 2022).

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. During the first half of 2023, net reversals of impairment loss allowances for accounts receivable amounting to 13,498 euros were recognized (no allowances or reversals thereof for impairment losses on accounts receivable were recognized during the same period in 2022) (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 June 30, 2023, the Group presented a loan to value ratio (LTV), defined as financial debt divided by the fair value of the assets, of 26.6% (December 31, 2022: 21.2%). If the cash balance of 72.9 million euros (December 31, 2022: 72.5 million euros) were taken into account for calculation of net financial debt, the LTV would be reduced to 15.1% (December 31, 2022: 8.8%). In addition, at June 30, 2023, the Group's working capital amounted to 89.6 million euros (December 31, 2022: 63.1 million euros). Thus, in light of its financial position at June 30, 2023, 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. Taking into account the location of the Group's properties and the duration of the lease agreements (Note 7.4), the directors of MHRE consider this a moderate risk.

- Interest rate risk: at June 30, 2023, approximately 61% of the Group's bank borrowings bears interest at a fixed rate (December 31, 2022: 81%). Though remaining bank borrowings are referenced to Euribor, 21% of total bank borrowings are covered by interest rate hedges (“CAPs”) which were contracted to limit the upside for interest rate hikes. Given the current policy of the European Central Bank to hike interest rates, the directors of MHRE consider this risk as moderate.

19. NON-CURRENT ASSETS HELD FOR SALE

During the first half of 2023, Group Management issued a sales mandate for the Hotel Lucentum to CBRE Real Estate, S.A. To date, some offers have been received from potential buyers, though none of them are binding. Consequently, the Group classified the assets and liabilities associated with said hotel under "Non-current Assets held for sale" and "Liabilities associated with non-current assets held for sale," respectively, in the interim consolidated statement of financial position at June 30, 2023.

The breakdown of the main headings for assets and liabilities classified as held for sale at June 30, 2023 is as follows:

(Euros)	6/30/2023
Assets	
Investment properties (Note 7)	32,300,000
Non-current financial investments (Note 8.2)	282,261
Non-current trade receivables	824,162
Trade receivables	2,746,896
Other current assets	38,183
Assets classified as held for sale	**36,191,502**
Liabilities	
Non-current borrowings (Note 12)	8,737,175
Bank borrowings	8,454,914
Other financial liabilities	282,261
Current borrowings (Note 12)	2,989,884
Bank borrowings	940,667
Other financial liabilities	2,049,217
Liabilities associated with assets held for sale	**11,727,059**

20. EVENTS AFTER THE REPORTING DATE

The following significant events took place between June 30, 2023 and the date of authorization for issue of the accompanying interim condensed consolidated financial statements:

- On July 14, 2023, the Group has been the victim of a phishing scam that has resulted in an extraordinary loss of 887 thousand euros. The Group is currently exploring all possible ways to recover this amount and has agreed to implement additional means of protection against this type of attack, as well as measures to improve its internal control.
- The Hotel Nobu San Sebastián was opened on August 10, 2023.
- On September 20, 2023, the directors of MHRE unanimously resolved to offset losses from previous years in the amount of 12,012,057 euros with a charge against the special voluntary reserve, as approved at the ordinary and extraordinary general shareholder meeting of MHRE held on May 30, 2023.

Explanatory notes to the Interim condensed consolidated financial statements of the six-month period ended June 30, 2023

21. ADDITIONAL NOTE FOR ENGLISH TRANSLATION

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

Interim consolidated management report for the six-month period ended June 30, 2023

Situation of the market in which the Group performs its activity

Tourism activity saw significant growth during the first half of 2023, exceeding pre-pandemic levels in spite of the war against Ukraine, stubborn inflation, and the threat of a possible recession. According to data presented by the Spanish National Institute of Statistics ("INE" in its Spanish acronym), during the first half of 2023 overnight stays in hotels increased by 13.5% as compared to the first half of the previous year, and were higher than in the first half of 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, the first half of 2023 saw relevant increases in rates and occupancy levels which helped hotel operators offset increased operating costs resulting from inflation. Based on INE data, during the first half of 2023 the average daily room rate (ADR) in 5-star hotels amounted to 238 euros (+10% compared to the first half of 2022) and average revenue per available room (RevPar) amounted to 155 euros (+19% compared to the first half of 2022), corresponding to an average occupancy rate of 65% for said hotels (60% during the first half of 2022).

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, in accordance with the Colliers Hotel Investment Report for the first half of 2023, hotel investment activity was intense during said period and resulted in a volume of 1,383 million euros by the end of June, which places this half-year period as the fourth best in historical terms. Based on this report, the fundamentals in the tourism sector have proven to be sound: a vigorous recovery of demand in a context of very significant rate increases that have helped mitigate the effects of inflation on hotel cost structures. These circumstances have contributed to maintaining confidence amongst investors, allowing them to deploy their available liquidity.

According to Colliers, investors showed a significant commitment to quality assets, specifically, the luxury segment. This segment has proven to be highly liquid and resilient in times of maximum uncertainty, and also experienced the most vigorous recovery since Covid thanks to inelastic demand in terms of price, allowing hotels to raise rates considerably without significant sacrifices to occupancy levels. According to the Colliers report, the 5-star and Grand Luxury 5-star categories accounted for 52% of hotel investment (717 million euros) during the first half of the year.

The Colliers report also highlights the fact that in spite of the current uncertain environment, investors' interest is consolidating in *prime* urban destinations (Madrid and Barcelona) and holiday destinations (Balearic Islands, Canary Islands, and Costa del Sol), accounting for 92% of hotel investment during the first half of 2023.

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

Interim consolidated management report for the six-month period ended June 30, 2023

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

Business performance and situation of the Group

In this context, during the first half of 2023 the Group obtained a positive result of 5.5 million euros (15.8 million euros during the first half of 2022), despite the fact that only seven of the thirteen hotels in its portfolio were operational. The net result for the period was generated thanks to the significant improvement in EBITDA, which increased by slightly more than a factor of 9 as compared to the same period in the previous year, reaching 3.2 million euros (0.3 million euros during the first half of 2022), mainly due to the increase in revenue from hotel leases. In addition, during the first half of 2023 a positive change arose in the fair value of real estate assets, which presented a profit of 6.5 million euros (16.8 million euros for the same period in 2022), while impairment losses on the golf courses were recognized in an amount of 1.8 million euros (0.7 million euros for the same period in 2022). Finally, losses amounting to 1.9 million euros were recognized for the Group's finance cost (losses of 1.1 million euros during the first half of 2022), mainly as a result of the increased volume of bank borrowings and increases in interest rates.

During the first half of 2023, hotel leasing activity showed clear signs of recovery, with rental income increasing by 74% as compared to the same period in 2022, mainly a consequence of opening the Hotel JW Marriott in Madrid and Hotel Nobu Sevilla, both of which had been under construction in the previous year; the rental income obtained from the Hotel Iberostar Las Letras, which was not a part of the Group's portfolio during the first half of 2022; and CPI-adjustments to rental income, significantly contributing to the aforementioned increase in EBITDA. It is worth noting the aforementioned positive change in the fair value of real estate assets, an exception to the generalized decrease in real estate asset valuations reported by other SOCIMIs listed on the Continuous Market, evidencing the resilience of MHRE's asset portfolio and business model.

With respect to the Group's investments, during the first half of 2023 the Group did not carry out any acquisitions, though it did incur costs for the performance of construction and refurbishment work relating to various hotels and the golf courses at the La Hacienda Alcaidesa Links Golf Resort, amounting to a total of 41.2 million euros, which includes 0.5 million euros of finance expenses, and together with the positive change in the fair value of these assets, led to a 7.8% increase in GAV for the Group's real estate portfolio, which rose from 586.5 million euros at 2022 year end to 632.1 million euros at June 30, 2023. Of this amount, 14.1 million euros correspond to the golf courses at the La Hacienda Alcaidesa Links Golf Resort (December 31, 2022: 14.7 million euros), accounted for as PP&E, and 32.3 million euros correspond to the Hotel Lucentum, classified under "Non-Current Assets held for sale" at June 30, 2023. The advance payments for the purchase of properties amounting to 6.7 million euros (December 31, 2022: 6.7 million euros) are not considered in said amount.

Interim consolidated management report for the six-month period ended June 30, 2023

Progress in the work on buildings which are being reconverted or developed was affected to a certain extent 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 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 property located in Seville at Plaza San Francisco 11-12. Subsequently, on March 8, 2023, a lease agreement was signed with the Spanish Mercer hotel chain to operate said property under the Nobu brand.

The Group's *Net Asset Value* (NAV) as of June 30, 2023, calculated based on the recommendations issued by the European Public Real Estate Association ("NAV EPRA NTA"), is broken down as follows:

(Euros)	6/30/2023	12/31/2022
EQUITY	**544,578,783**	**539,428,164**
Adjustments:		
Fair value of derivative financial instruments	304,252	-
Deferred tax related to investment properties	1,257,147	1,257,147
Intangible assets accounted for in the balance sheet	(52,645)	(23,248)
NAV EPRA NTA	**546,087,537**	**540,662,063**
Total shares circulating	116,032,487	116,032,487
NAV EPRA NTA / share	**4.71**	**4.66**

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, having opened the Hotel Nobu Sevilla on August 10, 2023, as well as carry out new acquisitions with the funds remaining 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.

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. During the first half of 2023, net reversals of impairment loss allowances for accounts receivable amounting to 13,498 euros were recognized (no allowances or reversals thereof for impairment losses on accounts receivable were recognized during the same period in 2022).

- 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 June 30, 2023, the Group presented a loan to value ratio (LTV), defined as financial debt divided by the fair value of the assets, of 26.6% (December 31, 2022: 21.2%). If the cash balance of 72.9 million euros (December 31, 2022: 72.5 million euros) were taken into account for calculation of net financial debt, the LTV would be reduced to 15.1% (December 31, 2022: 8.8%). In addition, at June 30, 2023, the Group's working capital amounted to 89.6 million euros (December 31, 2022: 63.1 million euros). Thus, in light of its financial position at June 30, 2023, 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 June 30, 2023, approximately 61% of the Group's bank borrowings bears interest at a fixed rate (December 31, 2022: 81%). Though remaining bank borrowings are referenced to Euribor, 21% of total bank borrowings are covered by interest rate hedges (“CAPs”) which were contracted to limit the upside for interest rate hikes. Given the current policy of the European Central Bank to hike interest rates, the directors of MHRE consider this risk as moderate.

In light of 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.

Research and development activities

The Group did not engage in any R&D activity during the first half of 2023.

Interim consolidated management report for the six-month period ended June 30, 2023

Treasury shares

During the six-month period ended June 30, 2023, MHRE acquired 28,016 treasury shares (17,456 treasury shares during the same period in 2022) at an average price of 3.38 euros per share (3.81 euros per share during the same period in 2022) and sold 22,947 treasury shares (19,479 treasury shares during the same period in 2022) at an average price of 3.47 euros per share (3.88 euros per share during the same period in 2022).

At June 30, 2023, MHRE held a treasury share portfolio comprised of 238,749 treasury shares, representing 0.2% of its share capital (December 31, 2022: 233,680 treasury shares, representing 0.3% of its share capital).

Use of financial instruments

The Group arranges cash-flow hedges for certain loans granted by credit entities at variable interest rates. During the first half of 2023, two interest rate hedges were contracted ("CAPs") to cover against changes in the interest rate (Euribor) to which the new financing obtained is referenced in connection with the Hotel Iberostar Las Letras and Hotel Nobu Sevilla. The premiums paid for these hedging contracts amounted to a total of 1,651,900 euros. Losses of 304,252 euros were recognized under consolidated equity as a consequence of valuation at June 30, 2023, and losses of 3,590 euros were recognized in the separate interim consolidated statement of profit or loss for the first half of 2023 arising from accrual of the aforementioned premiums.

The Group has contracted derivative financial instruments comprised of two structured deposits at a nominal value of 500 thousand euros each, with the corresponding remuneration referenced to the share performance of three IBEX 35 companies. During the first half of 2023, the fair value of said deposits increased by an amount of 174,946 euros (198,850 euros during the same period in 2022).

Events after the reporting date

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

Authorization of the interim condensed consolidated financial statements and interim consolidated management report for the six-month period ended June 30, 2023

At the meeting of the Board of Directors of MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A., held on September 20, 2023, its members authorized the interim condensed consolidated financial statements together with the interim consolidated management report of MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. and subsidiaries for the six-month period ended June 30, 2023, consisting of the documents attached above, initialed by the Secretary of the Board of Directors for purposes of identification, with all of the members of the Board of Directors signing this last page.

(Signed on the Spanish version)

F. Javier Illán Plaza
Chairman and Chief Executive Officer

(Signed on the Spanish version)

Leticia Fusi Aizpurua
Board member

(Signed on the Spanish version)

Jaime Montalvo Correa
Board member

(Signed on the Spanish version)

Eduardo D'Alessandro Cishek
Board member

(Signed on the Spanish version)

José María Castellano Ríos
Board member

(Signed on the Spanish version)

Leticia Fusi Aizpurua (in representation of **Isaiah Toback**) (*)
Board member

(Signed on the Spanish version)

María Isabel Dutilh Carvajal
Board member

(Signed on the Spanish version)

Javier Martínez-Piqueras Barceló
Board member

(Signed on the Spanish version)

Luis Basagoiti Robles
Board member

(Signed on the Spanish version)

Pilar Muñoz Sanz
Board member

(*) The Board member Mr. Isaiah Toback has not attended the Board meeting, having expressly empowering Ms. Leticia Fusi Aizpurua to authorize the interim condensed consolidated financial statements and interim consolidated management report corresponding to the six-month period ended June 30, 2023, and signing here in his name, as reflected in the minutes to the Board meeting.

MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A.

Financial information (Interim balance sheet and Interim statement of profit or loss) on stand-alone basis for the six-month period ended June 30, 2023

Interim balance sheet at June 30, 2023

(In euros)

ASSETS	06/30/23 (*)	12/31/22
NON-CURRENT ASSETS	**517,285,926**	**516,755,128**
Intangible assets	52,645	23,248
Property, plant, and equipment	193,762	224,188
Investment properties	397,005,402	418,020,116
Investments in group companies	115,950,019	94,739,288
Financial investments	3,148,292	1,770,050
Trade receivables	935,806	1,978,238
CURRENT ASSETS	**121,545,889**	**76,630,173**
Non-current assets held for sale	36,191,502	-
Inventories	703,784	704,494
Trade and other receivables	3,603,610	7,821,563
Trade receivables	2,785,856	3,609,793
Other receivables	761	761
Receivable from public administrations	816,993	4,211,009
Investments in group companies	330,288	-
Financial investments	12,514,973	143,546
Other current assets	627,433	291,268
Cash and cash equivalents	67,574,299	67,669,302
TOTAL ASSETS	**638,831,815**	**593,385,301**

EQUITY AND LIABILITIES		
EQUITY	**476,586,008**	**478,174,455**
Capital and reserves	**476,890,260**	**478,174,455**
Share capital	116,032,487	116,032,487
Share premium	341,887,362	341,887,362
Reserves	33,284,397	33,306,427
Shares of the company	(1,033,338)	(1,039,664)
Retained earnings	(12,012,157)	-
Profit (loss) for the period	(1,268,491)	(12,012,157)
Financial assets at fair value with changes in equity	**(304,252)**	**-**
NON-CURRENT LIABILITIES	**134,213,333**	**98,658,428**
Financial liabilities	134,213,333	98,658,428
Bank borrowings	133,351,643	97,798,296
Other financial liabilities	861,690	860,132
CURRENT LIABILITIES	**28,032,474**	**16,552,418**
Provisions	35,000	35,000
Financial liabilities	6,225,236	7,383,931
Bank borrowings	4,927,978	5,334,714
Other financial liabilities	1,297,258	2,049,217
Trade and other payables	9,997,569	9,117,384
Suppliers	7,318,457	3,772,709
Other payables	1,811,630	2,802,276
Employee benefits payable	698,862	2,232,338
Payables to public administrations	165,395	306,836
Customer advances	3,225	3,225
Other current liabilities	47,610	16,103
Liabilities related to non-current assts held for sell	11,727,059	-
TOTAL EQUITY AND LIABILITIES	**638,831,815**	**593,385,301**

(*) Non audited

Interim statement of profit or loss for the six-month period ended June 30, 2023

(In euros)

	06/30/23 (*)	06/30/22 (*)
Continuing operations		
Revenue	**6,625,730**	**3,451,974**
Lease income	6,625,730	3,451,974
Other operating income	**225,521**	**173,936**
Employee expense	**(2,484,242)**	**(2,422,633)**
Salaries and wages	(2,292,707)	(2,296,173)
Employee benefits expense	(191,535)	(126,460)
Other operating expenses	**(2,026,639)**	**(1,469,091)**
External services	(1,555,251)	(1,110,590)
Taxes (other than income tax)	(454,311)	(358,501)
Impairment losses on receivables	(17,077)	-
Depreciation and amortization	**(1,375,819)**	**(760,392)**
Impairment losses and gains (losses) on disposal of non-current assets	**49,589**	**(1,351,935)**
Other income (loss)	**(22)**	**(13,925)**
OPERATING PROFIT (LOSS)	**1,014,118**	**(2,392,066)**
Finance income	**1,629,250**	**602,850**
From equity investments	330,288	48,977
From marketable securities & other financial instruments	1,298,962	553,873
Finance costs	**(2,308,071)**	**(1,306,435)**
Third-party borrowings	(2,308,071)	(1,306,435)
Changes in fair value of financial instruments	**171,356**	**(198,850)**
Fair value with changes in profit and loss	171,356	(198,850)
Foreign exchange gains (losses)	**(1,617)**	**(3,082)**
Impairment losses and gains (losses) on disposal of financial instruments	**(2,255,480)**	**5,000,495**
Impairment and losses	(2,255,480)	(1,654,976)
Gains (losses) on disposal and others	-	6,655,471
Finance costs capitalized in fixed assets	**481,953**	**847,664**
FINANCE PROFIT (LOSS)	**(2,282,609)**	**4,942,642**
PROFIT (LOSS) BEFORE TAX	**(1,268,491)**	**2,550,576**
Corporate income tax	-	-
PROFIT (LOSS) FOR THE PERIOD	**(1,268,491)**	**2,550,576**

(*) Non audited