Madrid, 17 April 2024

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

OTHER RELEVANCE INFORMATION

- Audit reports corresponding to the Consolidated and Individual Financial Statements for the twelve-month period ended 31 December 2023.
- Consolidated and Individual Financial Statements and Consolidated Management Report for the twelve-month period ended 31 December 2023.
- Information on the Company's organisational structure and internal control system for compliance with the reporting obligations established by the Market.

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

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

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

Best regards,

Luis Basagoiti
Chairman and CEO
Millenium Hospitality Real Estate

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

MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A.
AND SUBSIDIARIES
Consolidated Financial Statements and
consolidated Management Report
for the year ended
December 31, 2023

Building a better working world

Ernst & Young, S.L.
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28003 Madrid

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

To the shareholders of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A.:

Opinion

We have audited the consolidated financial statements of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated separate income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the explanatory notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2023 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

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

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

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

Most relevant audit issues

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

Measurement of investment properties

Description

The consolidated statement of financial position shows an amount of 616,170 thousand euros in "Investment properties" at December 31, 2023, corresponding to the carrying amount of the buildings it owns, which represent 83% of total assets.

The parent's directors periodically determine the fair value of investment properties based on appraisals conducted by independent experts in accordance with the valuation standards of the Royal Institution of Chartered Surveyors ("RICS").

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

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

Our response

In relation to this matter, our audit procedures included:

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

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

Description	As explained in Note 1.1 of the explanatory notes to the accompanying consolidated financial statements, the parent and its subsidiaries avail themselves of the special tax regime for SOCIMIs established in Law 11/2009, of October 26, which regulates Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario "SOCIMI" (Spanish REITs), effective as of their respective dates of incorporation. One of the main characteristics of these entities is that they are not subject to corporate income tax. Under the special tax regime, SOCIMIs are subject to compliance with certain requirements regarding, inter alia, corporate purpose, minimum share capital, equity investment, the income generated by these investments, trading on a regulated market or multilateral trading system, as well as information and mandatory distribution of profits. The assessment of compliance with some of these requirements involves estimates that entail judgments on the part of the parent management to establish the assumptions underlying those estimates. Due to the complexity of making these estimates when assessing compliance with some of the aforementioned requirements and to the fact that failure to comply with these requirements, if not remedied, could render the parent ineligible to avail itself of the special tax regime, and given that, should this occur, the parent and its subsidiaries would be taxed under the general corporate income tax regime, which would have a significant impact on the consolidated financial statements, we determined this to be a most relevant audit issue. The information on applying the special tax regime for Spanish SOCIMIs and compliance with the related requirements is provided in Notes 1.1, 4.9 and 14.3 of the explanatory notes to the consolidated financial statements.
Our response	In relation to this matter, our audit procedures included the following: ▷ Understanding parent management's process for assessing compliance with the of the special SOCIMI regime requirements. ▷ Obtaining the documentation prepared by parent management related to compliance with the above requirements. ▷ Reviewing and assessing the reasonableness of the information obtained and its completeness with regard to all matters contemplated by prevailing regulations at the date of analysis, with the involvement of our tax specialists. ▷ Reviewing the disclosures included in the explanatory notes to the consolidated financial statements and assessing their conformity with the financial reporting framework.

Other information: consolidated management report

Other information refers exclusively to the 2023 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

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

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2023 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

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

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

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

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

(Signed on the original version in Spanish)

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

April 10, 2024

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

Consolidated financial statements and consolidated management report for the year ended December 31, 2023

Consolidated statement of financial position at December 31, 2023

(Expressed in euros)

ASSETS	Notes	12/31/2023	12/31/2022
NON-CURRENT ASSETS		**638,548,493**	**602,269,955**
Intangible assets	6	69,194	23,248
Property, plant, and equipment	6	18,727,394	19,257,122
Investment properties	7	616,170,277	578,444,000
Financial investments	8	2,149,586	2,044,851
Trade receivables	8	1,432,042	2,500,734
CURRENT ASSETS		**105,114,348**	**89,610,124**
Inventories	9	1,241,349	918,965
Trade and other receivables		12,679,441	14,672,391
Trade receivables	8	4,280,489	4,274,497
Other receivables	8	2,003	761
Receivable from public administrations	14	8,396,949	10,397,133
Financial investments	8	23,473,477	956,606
Other current assets	8	1,079,285	601,197
Cash and cash equivalents	10	33,126,747	72,460,965
		71,600,299	**89,610,124**
Assets held for sale	5	33,514,049	-
TOTAL ASSETS		**743,662,841**	**691,880,079**

EQUITY AND LIABILITIES	Notes	12/31/2023	12/31/2022
EQUITY		**535,613,979**	**539,428,164**
Capital and reserves		**536,403,717**	**539,428,164**
Share capital	11.1	116,032,487	116,032,487
Share premium	11.2	341,887,362	341,887,362
Reserves and retained earnings	11.3	82,511,971	70,761,203
Shares of the Parent company	11.4	(1,101,380)	(1,039,664)
Profit for the year attributed to the Parent company		(2,926,723)	11,786,776
Unrealized gains (losses) reserve	**8.2**	**(789,738)**	-
NON-CURRENT LIABILITIES		**164,172,234**	**125,963,181**
Borrowings		161,657,940	123,448,887
Bank borrowings	12.1	156,395,294	118,019,627
Other financial liabilities	12.2	5,262,646	5,429,260
Deferred tax liabilities	14	2,514,294	2,514,294
CURRENT LIABILITIES		**43.876.628**	**26.488.734**
Provisions	13	535,000	88,034
Borrowings		8,479,418	8,442,439
Bank borrowings	12.1	6,924,353	6,181,001
Other financial liabilities	12.2	1,555,065	2,261,438
Trade and other payables		23,519,789	17,931,927
Suppliers and other payables	12.3	22,257,371	14,829,451
Employee benefits payable (remuneration pending payment)	12.3	349,219	2,232,537
Payables to public administrations	14	405,864	503,388
Customer advances	12,3	507,335	366,551
Other current liabilities	12	72,449	26,334
		32,606,656	**26,488,734**
Liabilities associated with assets held for sale	5	11,269,972	-
TOTAL EQUITY AND LIABILITIES		**743,662,841**	**691,880,079**

The accompanying notes 1 to 20 are an integral part of the consolidated statement of financial position at December 31, 2023.

Consolidated separate income statement for the year ended December 31, 2023
(Expressed in euros)

	Notes	2023	2022
Continuing operations			
Revenue		**22,174,784**	**12,323,093**
Lease income	16.1	18,383,468	9,875,588
Income from services provided	16.1	3,389,516	2,174,075
Sales income	16.1	401,800	273,430
Cost of sales		**(217,878)**	**(160,143)**
Other operating income		**981,288**	**746,283**
Employee benefits expense	**16.2**	**(5,932,171)**	**(6,589,019)**
Other operating expenses		**(6,204,787)**	**(4,705,959)**
External services	16.3	(5,069,245)	(3,791,186)
Taxes (other than income tax)		(1,135,542)	(914,773)
Impairment losses on accounts receivable	**8.1**	**(572,996)**	**(74,058)**
Change in fair value of investment properties	**7**	**(4,807,606)**	**14,988,227**
Depreciation and amortization	**6**	**(794,552)**	**(856,351)**
Impairment losses and gains (losses) on disposal of non-current assets	**6**	**(583,175)**	**(2,458,289)**
Impairment losses and losses		(598,282)	(2,433,756)
Gains (losses) on disposals and other		15,107	(24,533)
Gains (losses) due to loss of control over subsidiaries	**5**	**-**	**860,198**
Other gains (losses)	**13 and 19.3**	**(1,404,692)**	**-**
OPERATING PROFIT		**2,638,215**	**14,073,982**
Finance income		**1,129,111**	**25,736**
From marketable securities & other financial instruments		1,129,111	25,736
Finance costs	**16.4**	**(6,085,580)**	**(2,014,078)**
Third-party borrowings		(6,085,580)	(2,014,078)
Changes in fair value of financial instruments	**8.2**	**(118,991)**	**(292,187)**
Exchange gains (losses)		**(1,770)**	**(6,677)**
Impairment and gains (losses) on disposal of financial instruments	**8.2**	**(487,709)**	**-**
FINANCE COST		**(5,564,938)**	**(2,287,206)**
PROFIT (LOSS) BEFORE TAX		**(2,926,723)**	**11,786,776**
Corporate income tax	14	-	-
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**(2,926,723)**	**11,786,776**
Profit for the year attributed to the Parent company		**(2,926,723)**	**11,786,776**
Profit for the year attributed to minority interests		**-**	**-**

EARNINGS PER SHARE			
Basic earnings per share	4.20	**-0.03**	**0.12**

The accompanying notes 1 to 20 are an integral part of the consolidated separate income statement for the year ended December 31, 2023.

Consolidated statement of comprehensive income for the year ended December 31, 2023

(Expressed in euros)

	Notes	2023	2022
Consolidated profit (loss) for the year (I)		**(2,926,723)**	**11,786,776**
Income and expense recognized directly in consolidated equity			
From cash flow hedges	8.2	(789,738)	-
From other adjustments	11.3	-	(1,152,261)
Total income and expense recognized directly in consolidated equity (II)		**(789,738)**	**(1,152,261)**
Amounts transferred to the consolidated separate income statement			
From cash flow hedges	11.5	-	258,985
Total amounts transferred to the consolidated statement of profit or loss (III)		**-**	**258,985**
Total consolidated income and expense recognized (I+II+III)		**(3,716,461)**	**10,893,500**
Total consolidated income and expense recognized and attributed to the Parent company		**(3,716,461)**	**10,893,500**
Total consolidated income and expense recognized and attributed to minority interests		**-**	**-**

The accompanying notes 1 to 20 are an integral part of the consolidated statement of comprehensive income for the year ended December 31, 2023.

Consolidated statement of changes in equity for the year ended December 31, 2023

(Expressed in euros)

	Share capital (Note 11.1)	Share premium (Note 11.2)	Reserves and retained earnings (Note 11.3)	Shares of the Parent company (Note 11.4)	Profit (loss) for the year attributed to the Parent company	Unrealized gains (losses) reserve	Total
Balance at December 31, 2021	**76,926,101**	**224,568,204**	**62,458,447**	**(1,006,627)**	**9,473,809**	**(258,985)**	**372,160,949**
Consolidated income and expense recognized	-	-	**(1,152,261)**	-	**11,786,776**	**258,985**	**10,893,500**
Transactions with partners or owners:	**39,106,386**	**117,319,158**	**(18,792)**	**(33,037)**	-	-	**156,373,715**
Capital increases (reductions) (Note 11.1)	39,106,386	117,319,158	-	-	-	-	156,425,544
Transactions with shares of the Parent company (net)	-	-	(18,792)	(33,037)	-	-	(51,829)
Other changes in equity	-	-	**9,473,809**	-	**(9,473,809)**	-	-
Balance at December 31, 2022	**116,032,487**	**341,887,362**	**70,761,203**	**(1,039,664)**	**11,786,776**	-	**539,428,164**
Consolidated income and expenses recognized (Note 8.2)	-	-	-	-	**(2,926,723)**	**(789,738)**	**(3,716,461)**
Transactions with partners or owners:	-	-	**(36,008)**	**(61,716)**	-	-	**(97,724)**
Transactions with shares of the Parent company (net)	-	-	(36,008)	(61,716)	-	-	(97,724)
Other changes in equity	-	-	**11,786,776**	-	**(11,786,776)**	-	-
Balance at December 31, 2023	**116,032,487**	**341,887,362**	**82,511,971**	**(1,101,380)**	**(2,926,723)**	**(789,738)**	**535,613,979**

The accompanying notes 1 to 20 are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2023.

Consolidated cash flow statement for the year ended December 31, 2023

(Expressed in euros)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**(2,926,723)**	**11,786,776**
Adjustments to profit		**13,710,862**	**(10,409,306)**
Depreciation and amortization	6	794,552	856,351
Impairment loss allowances	6 & 8.2	1,085,991	2,507,814
Impairment losses on accounts receivable	8.2	572,996	-
Changes in provisions	13	-	(73,852)
Gains (losses) from derecognition and disposals of assets	6	(15,107)	24,533
Finance income		(1,129,111)	(25,736)
Finance costs	16.4	6,085,580	2,014,078
Exchange gains (losses)		1,770	6,677
Changes in fair value of financial instruments	8.2	118,991	292,187
Changes in fair value of investment properties	7	4,807,606	(14,988,227)
Other income and expenses	13 and 19.3	1,387,594	(1,023,131)
Changes in working capital		**2,660,321**	**418,689**
Inventories	9	(322,384)	(491,418)
Trade and other receivables		(1,627,275)	(4,225,679)
Other current assets		(504,788)	(203,093)
Trade and other payables		5,068,653	5,365,896
Other current liabilities		46,115	(27,017)
Other cash flows from operating activities		**(4,642,926)**	**(1,595,757)**
Interest paid		(5,363,514)	(1,621,493)
Interest received		757,012	25,736
Other payments (receipts)		(36,424)	-
Cash flows from operating activities		**8,801,533**	**200,402**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(104,439,747)**	**(181,819,007)**
Intangible assets and PP&E		(911,948)	(3,551,916)
Investment properties	7	(79,185,884)	(176,556,463)
Other financial assets		(24,341,915)	(1,710,628)
Proceeds from disposal of investments		**7,604,580**	**36,900,537**
Intangible assets and PP&E		18,003	1,654
Investment properties	7	6,700,000	1,004,100
Other financial assets		886,577	11,494,707
Assets held for sale	5	-	24,400,076
Cash flows from investing activities		**(96,835,166)**	**(144,918,470)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		**(97,724)**	**155,221,454**
Issue of equity instruments	11.1	-	155,273,283
Acquisition of equity instruments of the Parent company	11.4	(208,414)	(143,836)
Disposal of equity instruments of the Parent company	11.4	110,690	92,007
Proceeds from and payments of financial liabilities		**48,798,909**	**8,418,886**
Issues		53,816,763	16,528,774
Bank borrowings		53,300,500	15,505,279
Other borrowings		516,263	1,023,495
Repayment and redemption of		(5,017,854)	(8,109,888)
Bank borrowings		(4,611,201)	(6,322,431)
Other borrowings		(406,653)	(1,787,457)
Cash flows from financing activities		**48,701,184**	**163,640,340**
Net foreign exchange difference		(1,770)	(6,677)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(39,334,218)**	**18,915,595**
Cash and cash equivalents at beginning of period		72,460,965	53,545,370
Cash and cash equivalents at end of period	10	33,126,746	72,460,965

The accompanying notes 1 to 20 are an integral part of the consolidated cash flow statement for the year ended December 31, 2023.

Notes to the consolidated financial statements for the year ended December 31, 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 MILLENIUM HOTELS REAL ESTATE I, SOCIMI, S.A. to the current version, with the resulting modification to article 1 of its bylaws duly filed at the Mercantile Registry on February 17, 2022.

Notes to the consolidated financial statements for the year ended December 31, 2023

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

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

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

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

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

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

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

The subsidiaries which together with the Parent form a part of the consolidation scope at December 31, 2023 are broken down as follows:

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

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

The subsidiaries included in the consolidation scope together with the Parent at December 31, 2022 are broken down as follows:

Notes to the consolidated financial statements for the year ended December 31, 2023

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

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

The subsidiaries use the same reporting periods as the Parent.

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

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

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

1.1. SOCIMI regime (Spanish REIT)

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

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

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

Consequently, at December 31, 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").

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

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

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

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

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

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

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

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

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

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

In addition, the SOCIMI Law establishes the following obligations:

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

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

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

Failure to comply with the requirements established in the SOCIMI Law for applying said regime will result in the SOCIMI filing its tax return under the general regime for companies starting from the tax period in which said non-compliance occurs, unless corrected in the subsequent year. In addition, the SOCIMI is obliged to pay, together with the tax payable for said tax period, the difference between the amount resulting from applying the general tax regime and the amount paid which resulted from applying the special tax regime for previous periods, without prejudice to any late payment interest, surcharges and fines which may be applicable.
The corporate income tax rate for SOCIMIs is fixed at 0%. However, when the dividends distributed by the SOCIMI to its shareholders with a stake greater than 5% are exempt or file taxes at a rate less than 10%, the SOCIMI will be subjected to a special rate of 19%, which will be considered the corporate tax rate, on the amount of the dividend distributed to said shareholders. Should it be applicable, this special tax must be settled by the SOCIMI within two months from the date on which the dividends were distributed. In addition, effective for the tax periods starting from January 1, 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 December 31, 2023, the Parent and subsidiaries fulfill the requirements established in the SOCIMI Law (same situation as at December 31, 2022).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Financial reporting framework applicable to the Group

The Group's consolidated financial statements for the year ended December 31, 2023 were prepared in accordance with the applicable regulatory framework for financial information as established in:

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

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

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

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

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

2.2. Changes in accounting policies

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

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

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

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

2.3. True and fair view

The consolidated financial statements have been prepared based on the auxiliary accounting records of the companies included in the consolidation scope in accordance with prevailing accounting legislation to give a true and fair view of the Group's consolidated equity and consolidated financial position at December 31, 2023, as well as its consolidated results, changes in consolidated equity, and consolidated cash flows for the year then ended.

Notes to the consolidated financial statements for the year ended December 31, 2023

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

2.4. Critical issues concerning the measurement and estimation of uncertainty

The directors of MHRE have prepared the Group's consolidated financial statements using estimates to determine the carrying amounts of certain assets, liabilities, income, and expenses, as well as related disclosures. These estimates were made on the basis of the best available information at the closing date. However, given the uncertainty inherent in these estimates, future events could oblige the Group to modify them in subsequent years. Any such modifications would be done prospectively, as established in IAS 8.

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

- Compliance with the SOCIMI tax regime (Notes 1.1 and 14.3)
- Valuation of investment properties (Notes 4.3 and 7)

2.5. Comparison of information

In accordance with mercantile legislation, for comparative purposes, for each of the headings included in the consolidated statement of financial position, consolidated separate income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and the consolidated cash flow statement, in addition to the figures for 2023, those corresponding to the prior year are likewise presented. Quantitative information for the previous year is also included in the explanatory notes to the consolidated financial statements unless an accounting standard specifically states that this is not required.

2.6. Consolidation principles

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

a) The consolidated financial statements were prepared based on the accounting records of MHRE and the companies under its control (subsidiaries), referring to the year ended December 31, 2023 in all cases. Control by the Parent is considered to exist when it has effective control as per point (f) below.

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

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

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

Notes to the consolidated financial statements for the year ended December 31, 2023

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

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

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

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

Full consolidation method

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

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

At December 31, 2023 and 2022, all subsidiaries were consolidated using the full consolidation method (Note 1).

3. APPROPRIATION OF PARENT COMPANY PROFIT

The directors of MHRE propose the following appropriation of the Parent's profit for 2023, a proposal expected to be approved by the shareholders in general meeting:

(Euros)	2023
Basis of appropriation	
Profit (loss) for the year	(16,909,539)
	(16,909,539)
Appropriation to:	
Prior year losses	(16,909,539)
	(16,909,539)

3.1. Distribution of results and management of capital

As indicated in Note 1.1, MHRE and its subsidiaries have availed themselves of the special tax regime established in the SOCIMI Law. In accordance with said Law, the SOCIMIs are obliged to distribute gains obtained during the year 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 the corporate purpose within three years subsequent to the transfer date. In default thereof, said gains must be distributed in their entirety together with the gains, if any, which arise in the year in which the reinvestment period ends. If the items subject to reinvestment are transferred within the holding period, any corresponding gains must be distributed in their entirety together with the gains, if any, which arise from the year in which they were transferred. The obligation to distribute does not affect the portion of those gains attributable to years in which the Group did not file taxes under the special tax regime established in the SOCIMI Law.

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

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

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

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

4. RECOGNITION AND MEASUREMENT POLICIES

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

4.1. Intangible assets

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

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

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

Software

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

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

4.2. Property, plant, and equipment

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

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

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

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

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

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

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

4.3. Investment properties

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

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

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

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

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

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

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

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

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

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

4.4. Leases

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

Group as lessee

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

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

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

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

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

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

	Estimated years of useful life
Buildings	5-35 years

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

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

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

- **Lease liabilities**

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

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

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

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

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

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

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

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

Group as a lessor

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

At December 31, 2023, the Group had leased most of the hotels included in "Investment properties" and "Assets held for sale" under operating lease contracts, though only the Hotel Eurostars Lucentum, Hotel Meliá Bilbao, Hotel Radisson Collection Sevilla, Hotel Radisson Collection Bilbao, Hotel Nobu Sevilla, Hotel JW Marriot Madrid, Hotel Nobu San Sebastian, and Hotel Iberostar Las Letras, as well as the office building located at calle Alcalá 26 (Madrid) and the Club House Restaurant of the La Hacienda Alcaidesa Links Golf Resort (Cádiz), generated revenue during the year, given that the remaining properties are under development or being reconverted (Notes 5, 7, and 16.1).

4.5. Financial assets

Initial recognition and measurement

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

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

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

Notes to the consolidated financial statements for the year ended December 31, 2023

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

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

Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

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

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

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

Financial assets at fair value through other comprehensive income, recycling accumulated gains and losses (debt instruments)

The Group classifies a financial asset under this category provided that none of the other categories are applicable.

At any rate, financial assets held for trading are included under this category. The Company considers that a financial asset is being held for trading when at least one of the following three circumstances apply:

a) it was issued or acquired for the purpose of selling in the short term;

b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

c) it corresponds to a derivative financial instrument, provided that it is not a financial guarantee contract and has not been designated as a hedging instrument.

In addition to the above, at initial recognition the Group has the option to designate a financial asset irrevocably at fair value through profit or loss, which it would otherwise have included in another category (usually denominated as the "the fair value option"). This option can be chosen when any valuation inconsistencies or accounting asymmetries which would arise if the assets or liabilities were measured on a different basis are eliminated or significantly reduced.

Financial assets classified under this category are measured at fair value on initial recognition, which is normally assumed to be the transaction price (equivalent to the fair value of the consideration delivered) provided there is no evidence to the contrary. Directly attributable transactions costs are recognized in the income statement for the reporting period (that is, they are not capitalized).

Subsequent to initial recognition, the Group measures the financial assets under this category at fair value through profit or loss (finance cost).

Financial assets at fair value through other comprehensive income without recycling gains and losses accumulated upon disposal (equity instruments)

Financial assets which meet the following conditions are included under this category:

- the financial instrument is not held for trading and classification at amortized cost is not applicable; and

- the contractual terms of the financial asset give rise to cash flows on specified dates which are solely receipts of principal and interest on the outstanding principal.

In addition, the Company has the option to classify (irrevocably) investments in equity instruments under this category provided that they are not held for trading and must not be measured at cost (see the "at cost" category below).

The financial assets included under this category are initially measured at fair value, which, unless there is evidence to the contrary, is deemed the transaction price, which is equivalent to the fair value of the consideration paid plus any directly attributable transaction costs. In other words, these transaction costs are capitalized.

Subsequent recognition is at fair value without deducting any transaction costs which may be incurred upon disposal. Changes in fair value are recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously deferred in equity is taken to profit or loss.

Interest accrued is also recognized in the income statement, calculated using the effective interest method, together with any dividends accrued (finance income).

Cancellation

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

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

Interest earned on financial assets

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

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

Impairment of financial assets

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

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

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

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

Notes to the consolidated financial statements for the year ended December 31, 2023

In the case of assets recognized at fair value through equity, accumulated losses recognized in equity due to a decrease in fair value are recognized in profit or loss provided that there is objective evidence of impairment.

4.6. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Loans and borrowings

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

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

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

Cancellation

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

4.7. Derivative financial hedging instruments

Initial recognition and subsequent measurement

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

For purposes of hedge accounting, hedges are classified as:

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

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

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

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

Notes to the consolidated financial statements for the year ended December 31, 2023

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

- The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while the ineffective portion is recognized immediately in the income statement. The reserve for cash flow hedges is adjusted so that it is equal to the lower of accumulated gains or losses on the hedging instrument and the accumulated change in the fair value of the hedged item.
- For cash flow hedges, the accumulated amount in other comprehensive income is reclassified to the income statement as a reclassification adjustment in the same year or years during which the hedged cash flows affect results.

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

4.8. Cash and cash equivalents

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

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

4.9. Corporate income tax

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

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

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

Notes to the consolidated financial statements for the year ended December 31, 2023

expected to apply when the corresponding temporary differences or tax credits are realized or settled.

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

The general applicable tax rate for the year ended December 31, 2023 was 25%, while the tax rate applicable to the SOCIMIs was 0%. However, when the dividends distributed by MHRE to its shareholders with a stake greater than 5% are exempt or file taxes at a rate less than 10%, MHRE will be subject to a special rate of 19%, which will be considered the corporate tax rate, on the amount of the dividend distributed to said shareholders. Should it be applicable, this special tax must be settled by MHRE within two months from the date on which the dividends were distributed. In addition, effective for the tax periods starting from January 1, 2021, in accordance with the modification introduced by the second final provision of Law 11/2021, of July 9, the SOCIMIs shall be subject to a special tax rate of 15% on the amount of profits obtained during the year which are not used for distribution, provided that the revenue was not taxed at the general corporate income tax rate and the revenue is not subject to the regulated reinvestment period in letter b) of section 1 in article 6 of the SOCIMI Law. Said tax rate shall be considered as the corporate income tax rate.

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

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

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

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

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

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

Notes to the consolidated financial statements for the year ended December 31, 2023

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

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

4.11. Segmented financial reporting

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

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

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

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

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

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

4.12. Income and expenses

In accordance with the accruals principle, income is recognized when control is transferred and expenses are recognized when they are incurred, regardless of when actual payment or collection occurs.

Revenue is recognized when it is probable that the economic benefits embodied by the transaction will flow to the Group and the amount of income and costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, less any trade discounts, rebates or similar items granted by the Group, as well as interest, if any, on the nominal amount of credit extended.

Applicable indirect taxes on transactions which are reimbursed by third parties are not included in revenue.

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

4.13. Transactions with related parties

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

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

4.14. Treasury shares

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

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

4.15. Provisions and contingencies

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

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

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

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

4.16. Termination benefits

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

4.17. Assets held for sale

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

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

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

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

4.18. Remuneration plan for Board members and executives

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

These conditions mainly establish that the total returns generated for shareholders be greater than a specified percentage. These returns are measured as the total amount of dividends distributed plus the restated carrying amounts of assets, calculated as per the recommendations of the European Public Real Estate Association (EPRA Net Asset Value or "EPRA NAV"), excluding any capital increase carried out during each calculation period. Thus, this remuneration is focused on generating returns for the shareholders obtained via active management rather than portfolio volume.

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

4.19. Calculation of fair value

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements for the year ended December 31, 2023

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

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

The following table shows the fair value hierarchy for the Group's assets and liabilities at 2023 year end:

		Fair value measurement used (Euros)			
2023	**Valuation date**	**Total**	**Quoted value on active markets (Level 1)**	**Significant observable variables (Level 2)**	**Significant unobservable variables (Level 3)**
Assets measured at fair value					
Investment properties (Note 7)					
Hotels being operated	12/31/2023	424,500,000	-	-	424,500,000
Hotels in development	12/31/2023	188,137,000	-	-	188,137,000
Alcaidesa Golf - Club House Restaurant	12/31/2023	3,533,277	-	-	3,533,277
Operational hotel held for sale (Note 5)	12/31/2023	30,000,000	-	-	30,000,000
Financial investments					
Derivative financial instruments (Note 8.2)	12/31/2023	943,385	-	943,385	-

There were no transfers between Levels 1 and 2 during 2023.

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

		Fair value measurement used (Euros)			
2022	**Valuation date**	**Total**	**Quoted value on active markets (Level 1)**	**Significant observable variables (Level 2)**	**Significant unobservable variables (Level 3)**
Assets measured at fair value					
Investment properties (Note 7)					
Hotels being operated	12/31/2022	251,340,000	-	-	251,340,000
Hotels in development	12/31/2022	317,504,000	-	-	317,504,000
Alcaidesa Golf - Club House Restaurant	12/31/2022	2,900,000	-	-	2,900,000
Financial investments					
Derivative financial instruments (Note 8.2)	12/31/2022	700,213	-	700,213	-

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

4.20. Earnings per share

Basic earnings per share

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

	2023	2022
Profit (loss) attributable to shareholders of MHRE (euros)	(2,926,723)	11,786,776
Weighted average number of shares circulating (shares)	115,791,024	100,061,064
Basic earnings per share (euros)	**-0.03**	**0.12**

Diluted earnings per share

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

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

5. ASSETS HELD FOR SALE

During the first half of 2023, Group Management granted a mandate to sell Hotel Lucentum to CBRE Real Estate, S.A. Consequently, the assets and liabilities associated with said hotel were classified as "Assets held for sale" and "Liabilities associated with assets held for sale," respectively, in the financial statements at December 31, 2023.

The breakdown of the main headings for assets and liabilities classified as held for sale at December 31, 2023 is as follows:

(Euros)	12/31/2023
Assets	
Investment properties (Note 7)	30,000,000
Financial investments (Note 8.2)	282,261
Non-current trade receivables	473,947
Trade receivables	2,754,380
Other current assets	3,461
Assets classified as held for sale	**33,514,049**
Liabilities	
Non-current borrowings (Note 12)	8,280,088
Bank borrowings	7,997,827
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	**11,269,972**

Notes to the consolidated financial statements for the year ended December 31, 2023

The Group received an offer from a potential buyer during the final months of 2023, which was formalized in a purchase-sale contract signed on March 13, 2024. The definitive sales price amounted to 29.9 million euros (Note 20).

On July 7, 2021 the ordinary and extraordinary general shareholder meeting of MHRE authorized the related-party transaction for the sale of all the shareholding units held by the Parent in Milleniuim Hotels C220, S.L. to the former Board member, Ibervalles, S.A. In accordance with the purchase-sale contract signed with Ibervalles, S.A., the transaction was subject to said approval by the shareholders of MHRE and was executed on January 31, 2022 at a price of 27.5 million euros, of which an advance payment on account of 3 million euros had been received previously on July 30, 2021. In addition, 500 thousand euros had been withheld by the buyer on the signing date as a guarantee until April 30, 2022, of which 433 thousand euros were finally returned, so that the profit recognized for this transaction amounted to 860.2 thousand euros.

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	12/31/2023
Cost					
Software	23,288	46,187	-	-	69,475
	23,288	46,187	-	-	69,475
Accumulated amortization					
Software	(40)	(241)	-	-	(281)
	(40)	(241)	-	-	(281)
Net carrying amount	**23,248**				**69,194**

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

The additions during 2023 and 2022 mainly correspond to the costs of implementing a new ERP which was acquired from a third party and initiated during the second half of 2023.

Notes to the consolidated financial statements for the year ended December 31, 2023

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

(Euros)	12/31/2022	Additions/Allowances	Derecognitions/ Amounts applied	Transfers (Note 7)	12/31/2023
Cost					
Land	2,443,368	-	-	-	2,443,368
Buildings	15,219,721	150,270	-	885,626	16,255,617
Machinery	181,428	14,905	(31,326)	-	165,007
Plant	519,774	29,184	-	-	548,958
Furniture	148,789	16,247	-	-	165,036
Data processing equipment	54,158	12,423	-	-	66,581
Right-of-use assets	4,851,491	-	-	-	4,851,491
PP&E under construction	282,094	1,518,792	-	(1,761,687)	39,199
	23,700,823	1,741,821	(31,326)	(876,061)	24,535,257
Accumulated depreciation					
Buildings	(612,360)	(451,299)	-	-	(1,063,659)
Machinery	(180,775)	(14,590)	28,430	-	(166,935)
Plant	(157,222)	(48,754)	-	-	(205,976)
Furniture	(25,885)	(20,677)	-	-	(46,562)
Data processing equipment	(26,882)	(14,493)	-	-	(41,375)
Right-of-use assets	(548,557)	(244,498)		-	(793,055)
	(1,551,681)	(794,311)	28,430	-	(2,317,562)
Impairment losses					
Buildings	(2,892,020)	(598,282)	-	-	(3,490,302)
	(2,892,020)	(598,282)	-	-	(3,490,302)
Net carrying amount	**19,257,122**				**18,727,394**

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 additions in 2023 mainly correspond to the refurbishment work carried out at the golf courses as well as the finalization of the Tenth Hole and Sal Verde restaurants. Derecognition of machinery used for maintenance of the golf courses arose from sales which generated a profit of 15,107 euros. In addition, the balance recognized corresponding to the Tenth Hole restaurant was transferred to "Investment properties" during the year.

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 December 31, 2023 an impairment loss allowance of 598 thousand euros was recognized (2022: 2,434 thousand euros).

Notes to the consolidated financial statements for the year ended December 31, 2023

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

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

6.1. Right-of-use assets

The Parent has leased its offices in Madrid from Grupomillenium Investment Partners, S.L. until March 31, 2023. However, on February 28, 2023 an addendum to the contract was signed in order to extend its duration until March 31, 2026. The lease payments made in connection with said contract amounted to 119,844 euros for the year ended December 31, 2023 (2022: 104,883 euros; Note17.1).

In addition, the Parent has been leasing premises from a third party since 2022 with a view to expanding office space at its headquarters. This contract was arranged for a duration of 60 months, of which the first 30 months are obligatory. The lease payments made in connection with said contract amounted to 91,204 euros in 2023 (2022: 72,203 euros).

Notes to the consolidated financial statements for the year ended December 31, 2023

Likewise, the Parent is leasing two premises on the ground floor of the building located at Carrera de San Jerónimo No. 9 in Madrid, where the Hotel JW Marriott Madrid is located (Note 7), for estimated terms of 35 and 25 years. Said premises are partially used for the aforementioned hotel and partially for restaurant areas. The lease payments made in connection with said contracts amounted to 208,100 euros in 2023 (2022: 162,480 euros).

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

(Euros)	12/31/2023	12/31/2022
Within one year	168,172	186,040
Between one and five years	568,404	645,549
More than five years	3,553,986	3,645,013
TOTAL	**4,290,562**	**4,476,602**

7. INVESTMENT PROPERTIES

At December 31, 2023, the Group held the following investment properties:

Investment property	Location	Status
Hotel Eurostars Lucentum (*)	Avenida Alfonso X El Sabio 11, Alicante	Operating
Hotel Meliá Bilbao	Lehendakari Leizaola 29, Bilbao	Operating
Hotel Radisson Collection Sevilla	Plaza de la Magdalena 1 and c/ Rioja 26, Seville	Operating
Hotel Radisson Collection Bilbao	Gran Vía de Don Diego López de Haro 4, Bilbao	Operating
Hotel Iberostar Las Letras	Gran Vía 11, Madrid	Operating
Alcaidesa Golf - Club House Restaurant	San Roque, Cádiz	Operating
Hotel JW Marriott	Carrera de San Jerónimo 9-11, Madrid	Operating
Hotel Nobu Sevilla	Plaza San Francisco 11-12, Seville	Operating
Hotel Nobu San Sebastián	Miraconcha 32, San Sebastián	Operating
Hotel & Villas La Hacienda	San Roque, Cádiz	In development
Hotel Palacetes de Córdoba	Cabezas 13, 15, and 19, and Caldereros 3, Córdoba	In development
Hotel Nobu Madrid	Alcalá 26, Madrid	In development
Hotel Zorrilla	Zorrilla 19, Madrid	In development
El Palmar project	El Palmar de Vejer, Cádiz	In development

(*) Classified under "Assets held for sale" at December 31, 2023. (Note 5)

Notes to the consolidated financial statements for the year ended December 31, 2023

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

Investment property	Location	Status
Hotel Eurostars Lucentum	Avenida Alfonso X El Sabio 11, Alicante	Operating
Hotel Meliá Bilbao	Lehendakari Leizaola 29, Bilbao	Operating
Hotel Radisson Collection Sevilla	Plaza de la Magdalena 1 and c/ Rioja 26, Seville	Operating
Hotel Radisson Collection Bilbao	Gran Vía de Don Diego López de Haro 4, Bilbao	Operating
Hotel Iberostar Las Letras	Gran Vía 11, Madrid	Operating
Alcaidesa Golf - Club House Restaurant	San Roque, Cádiz	Operating
Hotel JW Marriott	Carrera de San Jerónimo 9-11, Madrid	In development
Hotel Nobu Sevilla (**)	Plaza San Francisco 11-12, Seville	In development
Hotel Nobu San Sebastián	Miraconcha 32, San Sebastián	In development
Hotel & Villas La Hacienda	San Roque, Cádiz	In development
Hotel Palacetes de Córdoba	Cabezas 13, 15, and 19, and Caldereros 3, Córdoba	In development
Hotel Nobu Madrid	Alcalá 26, Madrid	In development
Hotel Zorrilla	Zorrilla 19, Madrid	In development
El Palmar project	El Palmar de Vejer, Cádiz	In development

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

7.1. Movements during the year

The breakdown and movements for investment properties at December 31, 2023 are as follows:

(Euros)	12/31/2022	Additions	Derecognitions	Transfers (Notes 5 and 6)	Changes in fair value	12/31/2023
Hotels being operated	251,340,000	1,982,034	-	163,517,301	7,660,665	424,500,000
Hotels in development	317,504,000	76,327,262	-	(193,517,301)	(12,176,961)	188,137,000
Alcaidesa Golf - Club House Restaurant	2,900,000	48,526	-	876,061	(291,310)	3,533,277
Advances	6,700,000	-	(6,700,000)	-	-	-
TOTAL	**578,444,000**	**78,357,822**	**(6,700,000)**	**(29,123,939)**	**(4,807,606)**	**616,170,277**

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

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

The additions during 2023 mainly correspond to costs capitalized in connection with the construction and refurbishment work for various hotels, amounting to a total of 78,358 thousand euros, of which 482 thousand euros correspond to finance costs (Note 12.1). The most significant capex for the year corresponds to the main hotels that opened up during the year, such as the JW Marriot Madrid, Nobu San Sebastián and Nobu Sevilla hotels, as well as the work in progress corresponding to Hotel & Villas Hacienda San Roque. In addition, during the second half of 2023 the Company collected the downpayment amounting to 6,700 thousand euros it had made for the acquisition of plots of land in Marbella which was not carried out in the end.

The changes in fair value during 2023 and 2022 correspond to impairment and/or restatement of assets as a consequence of valuations carried out at year end by independent experts.

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

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

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

Likewise, additions amounting to 48 thousand euros were recognized in 2022 in connection with the Club House restaurant located at the La Hacienda Alcaidesa Links Golf Resort golf courses, while the completed construction of the Tenth Hole restaurant located at the golf course that is currently in operation gave rise to additions totaling 876 thousand euros at December 31, 2023.

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

7.2. Other disclosures on investment properties

At December 31, 2023, the investment properties were mortgaged with different financial entities in guarantee of loans, the balance of which totaled 169,820,134 euros (2022: 121,248,543 euros; Note 12.1).

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

Notes to the consolidated financial statements for the year ended December 31, 2023

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

December 31, 2023	*Net exit yields*	*Discount rate*
Hotels being operated	4.75 – 7.50%	7.50% - 10.00%
Hotels in development	5.25% - 7.00%	8.50% - 13.50%
Alcaidesa Golf - Club House Restaurant and Tenth Hole	10.50% - 11.00%	11.50% - 12.00%

December 31, 2022	*Net exit yields*	*Discount rate*
Hotels being operated	4.00% - 6.50%	7.00% - 9.00%
Hotels in development	4.75% - 7.50%	8.00% - 13.00%
Alcaidesa Golf - Club House Restaurant	11.00%	12.00%

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 12/31/2023	428,033,277	439,430,000	417,080,000
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 the Group's hotels 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 12/31/2023	188,137,000	192,019,000	184,264,000
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, included under "Assets held for sale" (Note 5), 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. On March 13, 2024, the Group closed the sales agreement for the Lucentum hotel in Alicante as planned, for an amount of 29.9 million euros.

- 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. On November 10, 2023, a new lease contract was signed including an obligatory duration until December 31, 2028, subsequent to which the contract will be renewed automatically for three additional periods of five years each, with a maximum duration until December 31, 2043. Revenue from this contract is comprised of a fixed component which is referenced to annual CPI and a variable component referenced to the annual operating income obtained by the hotels. The contract initially establishes that work will begin during the first months of 2024 to upgrade the property over an estimated duration of four and a half months (Note 20).

  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 contract is fixed and referenced to annual CPI. This contract was not renewed at its termination date.

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

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

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

- Lease of restaurant space for an initial obligatory duration of 5 years, including automatic and successive renewals of 5 years, if none of the signing parties objects. Revenue from this space is composed of a fixed component and a variable component referenced to the operating results obtained by the restaurant.
- Lease of commercial premises for a duration of 5 years, which can be renewed once for an additional 5 years, provided that none of the signing parties objects. The revenue from this lease agreement is fixed and referenced to annual CPI.

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

- With respect to the 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 income from this hotel is composed of a fixed component scaled progressively and a variable component referenced to the operating results obtained by the hotel.

- 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 income from this hotel is composed of a fixed component scaled progressively and a variable component referenced to the operating results obtained by the hotel. The delivery and opening dates for this hotel were in March 2023.

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 opening date), the first 5 years of which are obligatory for the sub-lessee. Revenue from this premise is made up 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 period. Lease income from this hotel, to be accrued starting from the date on which the hotel opens, is composed of a fixed component and a variable component referenced to the operating results obtained by the hotel. This hotel was opened on August 10, 2023.

- With respect to the future Hotel Nobu Madrid, on February 4, 2022 MHRE signed a 20-year operating lease agreement for this property, with the first 5 years of the contract established as obligatory for the lessee. The remaining term consists of three automatic renewals for successive periods of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each 5-year period. Lease income from this hotel, to be accrued starting from the date on which the hotel opens, is composed of a fixed component and a variable component referenced to the operating results obtained by the hotel.

In connection with the future Hotel Nobu Madrid located at calle Alcalá 26 in Madrid, MHRE was party to operating lease contracts with third parties for commercial office space, to which it was subrogated at the moment of acquiring the property. The terms of said leases finalize between April 2023 and June 2026, given that early termination of the lease was agreed upon with one of the tenants on July 26, 2022, effective from July 29, 2022. In addition, collection of an indemnity payment amounting to 210,174 euros was agreed upon as compensation for loss of profit. The revenue agreed upon in all said contracts is fixed and referenced to annual CPI. During December 2023, the offices relating to said asset were vacated given that the Company had agreed to early termination of the lease contract with an indemnity payment of 500 thousand euros, recognized under "Other gains (losses)" in the consolidated separate income statement.

- The Hotel Iberostar Las Letras was leased for a period which finalizes in January 2025, including an automatic extension for a duration of 2 years, should neither of the parties object 6 months in advance. Lease income from this contract, in which MHRE was subrogated at the moment of acquiring said property on October 27, 2022, is fixed and referenced to annual CPI. During November 2023, the Company terminated the contract with the current tenant and on January 4, 2024 a contract was signed with a new tenant for the hotel. Once the former tenant leaves the hotel during 2024, the necessary adaptation work will begin as the hotel is to undergo a process of refurbishment, finishing, and conditioning for its subsequent operation as a 5-star hotel under the Nômade brand. The future Hotel Nômade Madrid will boast a 5-star category, 93 rooms, of which 16 correspond to the category of suites, as well as spacious common areas including different spaces and restaurant themes, a "Members club," a spa and wellness area, and a large and luxurious rooftop. The new lease contract was arranged for a duration of 20 years and is based on variable income with a guaranteed minimum, which will allow for a significant increase in the asset's profitability (Note 20). On December 1, 2023, the Company agreed to an indemnity payment for early termination with Iberostar, amounting to 100 thousand euros, as a consequence of said entity's exit.

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

  - The leasing of premises meant for use as restaurant space, finalizing in January 2025 and including an automatic extension for a duration of 2 years, should neither of the parties object 6 months in advance. The revenue from this lease agreement is fixed and referenced to annual CPI. This lease will be included in the contract signed with Nômade.

  - Ceding use of space on the rooftop terrace of the Hotel Iberostar Las Letras for the installation of telecommunications antennas, maturing on September 30, 2027, including an automatic renewal for a duration of 5 years, should neither of the parties object. The revenue from this lease agreement is fixed and referenced to annual CPI.

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

The income from all said operating lease contracts amounted to 18,383,468 euros for the year ended December 31, 2023 (2022: 9,875,588 euros; Note16.1).

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

Notes to the consolidated financial statements for the year ended December 31, 2023

(Euros)	2023	2022
Utilities	169,397	396,331
Taxes (other than income tax)	872,027	579,455
Other operating expenses	518,207	222,892
Impairment losses on accounts receivable (Note 8.1)	572,996	74,058
TOTAL	**2,132,627**	**1,198,678**

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

(Euros)	12/31/2023	12/31/2022
Within one year	13,695,503	12,084,269
Between one and five years	51,561,891	24,139,657
More than five years	516,234	550,250
TOTAL	**65,773,628**	**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)	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Non-current financial assets						
Financial assets at fair value through other comprehensive income, recycling accumulated gains and losses						
Trading portfolio	-	-	232,964	700,213	232,964	700,213
Financial assets at fair value through other comprehensive income, without recycling gains and losses accumulated upon disposal						
Hedging derivatives			710,421	-	710,421	-
Financial assets at amortized cost	-	-	2,638,243	3,845,372	2,638,243	3,845,372
	-	-	3,581,628	4,545,585	3,581,628	4,545,585
Current financial assets						
Financial assets at fair value through profit and loss	22,364,390	-	-	-	-	-
Financial assets at amortized cost	-	-	6,470,864	5,833,061	28,835,254	5,833,061
	22,364,390	-	6,470,864	5,833,061	28,835,254	5,833,061
TOTAL	**22,364,390**	**-**	**10,052,492**	**10,378,646**	**32,416,882**	**10,378,646**

Notes to the consolidated financial statements for the year ended December 31, 2023

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

	Equity instruments		Loans, derivatives, and other		Total	
(Euros)	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Non-current financial assets						
Financial investments (Note 8.2)	-	-	2,149,586	2,044,851	2,149,586	2,044,851
Trade receivables (Note 8.1)	-	-	1,432,042	2,500,734	1,432,042	2,500,734
	-	-	3,581,628	4,545,585	3,581,628	4,545,585
Current financial assets						
Trade receivables (Note 8.1)	-	-	4,280,489	4,274,497	4,280,489	4,274,497
Other receivables	-	-	2,003	761	2,003	761
Financial investments (Note 8.2)	22,364,390	-	1,109,087	956,606	23,473,477	956,606
Other current assets	-	-	1,079,285	601,197	1,079,285	601,197
	22,364,390	-	6,470,864	5,833,061	28,835,254	5,833,061
TOTAL	**22,364,390**	**-**	**10,052,492**	**10,378,646**	**32,416,882**	**10,378,646**

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

8.1. Trade receivables

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

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

(Euros)	12/31/2023	12/31/2022
Clients	1,679,496	1,126,750
Invoices pending issue	2,600,993	1,098,530
Trade bills	-	2,049,217
TOTAL	**4,280,489**	**4,274,497**

The balance for "Clients" includes part of the invoicing issued for variable income corresponding to the JW Marriot Madrid and Radisson Sevilla hotels, in addition to the invoices corresponding to the Lona restaurant at the Hotel Nobu Madrid.

The balance recognized for "Invoices pending issue" includes provisioned income from accrued rental payments yet to be invoiced. The increase in the balance at December 31, 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 balance recognized for "Trade bills" in 2022 included those items corresponding to promissory notes received from the lessee of the Hotel Eurostars Lucentum in guarantee of rental payment (Note 12.2), reclassified to "Assets held for sale" during 2023 (Note 5). In addition, the balance for "Clients" was recognized net of an impairment loss which had the following movements during the year:

Notes to the consolidated financial statements for the year ended December 31, 2023

(Euros)	12/31/2023	12/31/2022
Opening balance	**(138,353)**	**(64,295)**
Amounts provisioned	(702,214)	(74,058)
Reversals	129,218	-
Amounts applied	-	-
Closing balance	**(711,349)**	**(138,353)**

8.2. Current and non-current financial investments

The breakdown of these headings is as follows:

(Euros)	12/31/2023	12/31/2022
Non-current financial investments		
Derivative financial instruments	232,964	700,213
Hedging derivatives	710,421	-
Guarantees	1,206,201	1,344,638
TOTAL	**2,149,586**	**2,044,851**
Current financial investments		
Deposits	672,996	646,598
Guarantees	436,091	310,008
Loans to companies	-	-
Investment funds	22,364,390	-
TOTAL	**23,473,477**	**956,606**

Two structured deposits were included as derivative financial instruments at a nominal value of 500 thousand euros each, generating remuneration subject to the share price performance of three companies listed on the IBEX-35, one of which was incorporated during the first half of 2022 with an amount of 500 thousand euros. On October 6, 2023, the Company recovered one of the deposits at an amount of 500 thousand euros. At December 31, 2023, the fair value of the remaining deposit increased by 32,750 euros (2022: a decrease of 292,187 euros).

The hedging derivatives correspond to two interest rate hedges ("CAPs") which were contracted on March 24, 2023 and June 5, 2023 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 789,738 euros were recognized under consolidated equity as a consequence of their valuation at December 31, 2023, and losses of 151,741 euros were recognized in the consolidated separate income statement for 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 "Assets held for sale" (Note 5). In addition, during 2023 the Company received several guarantees that it had deposited with the corresponding municipalities for execution of work relating to the Nobu Sevilla and Nobu San Sebastián hotels, amounting to 83,528 euros and 108,306 euros, respectively.

The equity instruments correspond to investments made during 2023 in two investment funds, which the Company expects to recover in the short term given that they are intended as temporary investments of cash surpluses. At December 31, 2023, the valuation of both funds generated a profit of 364,390 euros, recognized in the Group's consolidated separate income statement under "Finance income."

The balance recognized for "Loans to companies" includes two loans granted to two tenants: one corresponding to the restaurant located in the JW Marriott hotel, amounting to a total of 200,000 euros, and the other one corresponding to the operator of the Hotel Nobu San Sebastián, amounting to 280,000 euros. Interest accrued during 2023 and interest pending collection at December 31, 2023 amounts to 5,638 euros and 2,071 euros, respectively (Note 16.4). Both loans were arranged at a fixed rate for a duration of one year. At December 31, 2023, these loans are fully impaired.

The current balance recognized for deposits at December 31, 2023 mainly includes a security deposit set up as a guarantee for repayment of the mortgage loan associated with the Hotel Radisson Collection Sevilla, amounting to 543 thousand euros (2022: 543 thousand euros).

9. INVENTORIES

The breakdown of this heading is as follows:

(Euros)	12/31/2023	12/31/2022
Golf shop merchandise	126,889	88,437
Prepayments to suppliers	1,114,460	830,528
TOTAL	**1,241,349**	**918,965**

No provisions were set aside during 2023 or 2022 for any impairment losses on inventories.

10. CASH AND CASH EQUIVALENTS

This heading reflects the current accounts held by the Group, which bear market interest rates. The corresponding balances at December 31, 2023 totaled 33,126,747 euros (2022: 72,460,965 euros). Of said amount, a balance of 2,432 thousand euros (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.

Notes to the consolidated financial statements for the year ended December 31, 2023

11. EQUITY

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

11.1. Share capital

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

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

Movements in capital during 2023

There were no movements in the capital of the Company.

Movements in capital during 2022

On May 27, 2022, the corresponding deed was granted relating to the second disbursement for the capital increase carried out by MHRE without any preferential subscription rights. It had been approved by the ordinary and extraordinary general shareholder meeting held on July 7, 2021, as filed at the Madrid Mercantile Registry on May 30, 2022. Execution of the second disbursement for said capital increase involved subscription of a total of 39,106,386 new shares at a nominal value of one euro each and a share premium of 3 euros each (Note 11.2), so that the effective total balance corresponding to said second disbursement amounted to 156,425,544 euros.

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

11.2. Share premium

The share premium can be freely distributed.

There were no movements in the share premium during 2023, which amounted to 341,887,362 euros at December 31, 2023.

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

Notes to the consolidated financial statements for the year ended December 31, 2023

extraordinary general meeting held on July 7, 2021, as filed at the Mercantile Registry of Madrid on August 18, 2021 (Note 11.1).

11.3. Reserves and retained earnings

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

(Euros)	Balance at 12/31/2022	Appropriation of profit	Capital increase expenses (Note 11.1)	Other changes	Balance at 12/31/2023
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	-	-	(36,008)	30,229,859
	61,287,394	-	-	9,437,801	70,725,195
Retained earnings	9,473,809	11,786,776	-	(9,473,809)	11,786,776
TOTAL	**70,761,203**	**11,786,776**	-	**(36,008)**	**82,511,971**

(Euros)	Balance at 12/31/2021	Appropriation of profit	Capital increase expenses (Note 11.1)	Other changes	Balance at 12/31/2022
Legal reserve	3,040,560	-	-	-	3,040,560
Reserves in consolidated companies	23,834,712	-	-	4,146,255	27,980,967
Voluntary reserves	50,578,616	-	(1,152,261)	(19,160,488)	30,265,867
	77,453,888	-	(1,152,261)	(15,014,233)	61,287,394
Retained earnings	(14,995,441)	9,473,809	-	14,995,441	9,473,809
TOTAL	**62,458,447**	**9,473,809**	**(1,152,261)**	**(18,792)**	**70,761,203**

"Other changes" for 2023 includes the offsetting of MHRE's losses from prior years (losses of 9,473,809 euros), approved at the ordinary and extraordinary general shareholders meeting held on May 30, 2023, against a special voluntary reserve, arising from the capital reduction approved by the ordinary general shareholders meeting held on May 10, 2019.

Legal reserve

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

Voluntary reserves

The balance of this reserve is freely distributable. However, these reserves include a balance of 26,616,787 euros (2022: 38,628,944 euros) which can only be used under the same conditions required for capital reductions. The ordinary and extraordinary general shareholder meeting for MHRE held on May 30, 2023 approved, amongst other matters, offsetting the losses from prior years in the amount of 12,012,157 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.

11.4. Shares of the Parent company

During 2023, MHRE acquired 67,448 treasury shares (2022: 38,756 treasury shares) at an average price of 3.09 euros per share (2022: 3.71 euros) and sold 33,858 treasury shares (2022: 24,289 treasury shares) at an average price of 3.31 euros per share (2022: 3.83 euros per share). The difference between the cost price and the sales price for the shares, totaling a net amount of -36,008 euros (2022: -18,792 euros) was recognized under "Voluntary reserves" (Note 11.3).

At December 31, 2023, the Parent held a treasury share portfolio comprised of 267,270 treasury shares, representing 0.2% of its share capital (2022: 233,680 treasury shares, representing 0.2% of its share capital at said date).

11.5. Unrealized gains (losses) reserve

The breakdown and movements in this heading at December 31, 2023 and 2022 are as follows:

(Euros)	Balance at 12/31/2022	Income and expense recognized directly in consolidated equity	Tax effect of income (expense)	Transfers to the consolidated separate income statement	Tax effect of transfers	Balance at 12/31/2023
Cash flow hedges	-	(789,738)	-	-	-	(789,738)
TOTAL	**-**	**(789,738)**	**-**	**-**	**-**	**(789,738)**

Notes to the consolidated financial statements for the year ended December 31, 2023

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

12. FINANCIAL LIABILITIES

The breakdown of financial liabilities by category is as follows:

(Euros)	12/31/2023	12/31/2022
Non-current financial liabilities		
Financial liabilities at amortized cost	161,657,940	123,448,887
Bank borrowings (Note 12.1)	156,395,294	118,019,627
Other financial liabilities (Note 12.2)	5,262,646	5,429,260
	161,657,940	**123,448,887**
Current financial liabilities		
Financial liabilities at amortized cost	31,665,792	25,870,978
Bank borrowings (Note 12.1)	6,924,353	6,181,001
Other financial liabilities (Note 12.2)	1,555,065	2,261,438
Trade and other payables (Note 12.3)	23,113,925	17,428,539
Other current liabilities	72,449	26,334
	31,665,792	**25,897,312**
TOTAL	**193,323,732**	**149,346,199**

The fair value of financial liabilities at amortized cost is 5,529 thousand euros less than their carrying amount at December 31, 2023 (2022: 8,614 thousand euros; the carrying amount of financial liabilities at amortized cost did not differ significantly from fair value). Said difference arises from bank borrowings arranged at fixed rates.

The breakdown of maturities for financial liabilities at December 31, 2023, without taking into account debt arrangement expenses amounting to 2,016,007 euros, is as follows:

(Euros)	Current	Non-current						
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total non-current	Total
Bank borrowings	6,924,353	22,358,564	26,048,026	45,737,801	6,691,653	57,575,257	158,411,301	165,335,654
Other financial liabilities	1,555,065	205,381	483,601	554,486	118,526	3,900,652	5,262,646	6,817,711
Trade and other payables	23,113,925	-	-	-	-	-	-	23,113,925
Other current liabilities	72,449	-	-	-	-	-	-	72,449
TOTAL	**31,665,792**	**22,563,945**	**26,531,627**	**46,292,287**	**6,810,179**	**61,475,909**	**163,673,947**	**195,339,739**

Notes to the consolidated financial statements for the year ended December 31, 2023

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

(Euros)	Current	Non-current						
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total non-current	Total
Bank borrowings	6,181,001	7,171,171	22,695,138	25,715,059	39,537,820	24,369,810	119,488,998	125,669,999
Other financial liabilities	2,261,438	217,686	487,642	483,601	554,486	3,685,845	5,429,260	7,690,698
Trade and other payables	17,428,539	-	-	-	-	-	-	17,428,539
Other current liabilities	26,334	-	-	-	-	-	-	26,334
TOTAL	**25,897,312**	**7,388,857**	**23,182,780**	**26,198,660**	**40,092,306**	**28,055,655**	**124,918,258**	**150,815,570**

12.1. Bank borrowings

The breakdown of bank borrowings at December 31, 2023 is as follows:

Type of debt	Nominal interest rate	Year of maturity	Pending balance	Non-current	Current
Mortgage loans			**160,747,743**	**155,105,695**	**5,642,048**
Hotel Eurostars Lucentum (*)	2.25%	2030	9,072,391	8,131,724	940,667
Hotel Radisson Collection Sevilla (Tranches A, C and Capex)	3.37%	2025	16,431,200	15,754,400	676,800
Hotel Radisson Collection Bilbao (Tranche A)	2.38%	2026	10,920,000	10,488,000	432,000
Hotel Radisson Collection Bilbao (Tranche B - capex)	2.40%	2026	10,437,700	10,024,780	412,920
Hotel Carrera de San Jerónimo - Tranche A (2014)	2.95%	2030	11,649,077	9,926,319	1,722,758
Hotel Carrera de San Jerónimo - Tranche A (2016)	2.95%	2026	845,266	514,612	330,654
Hotel Carrera de San Jerónimo - Tranche B	2.95%	2027	10,500,000	10,355,625	144,375
Hotel Carrera de San Jerónimo - ICO loan guarantee	3.35%	2027	32,000,000	31,560,000	440,000
Hotel Meliá Bilbao - Loan 1	Euribor + 1%	2036	13,227,094	12,307,094	920,000
Hotel Meliá Bilbao - Loan 2	Euribor + 1%	2036	1,035,406	955,406	80,000
Hotel Meliá Bilbao - Loan 3	Euribor + 2%	2036	4,992,000	4,640,000	352,000
Hotel Nobu Sevilla	Euribor + 1.75%	2033	8,000,000	7,869,459	130,541
Hotel Gran Via Las Letras	Euribor + 2.00%	2033	28,000,000	28,000,000	-
Hotel Nobu San Sebastián	Euribor + 1.50%	2037	12,710,000	12,710,000	-
Other loans			**4,048,637**	**3,305,606**	**743,031**
Bankinter (ICO Alcaidesa Golf)	1.50%	2025	548,637	425,357	123,280
BBVA (Alcaidesa Golf)	Euribor + 1.90%	2028	3,500,000	2,880,249	619,751
Unpaid accrued interest			**534,603**	**-**	**534,603**
Debt arrangement expenses			**(2,016,007)**	**(2,016,007)**	**-**
Other			**4,671**	**-**	**4,671**
TOTAL			**163,319,647**	**156,395,294**	**6,924,353**

(*) Classified under liabilities associated with assets held for sale (Note 5).

The following financing operations were carried out during 2023:

A balance of 5,669 thousand euros was drawn on the loan guaranteed by ICO and granted for financing the properties that made up the Hotel JW Marriott, covering the adaptation costs for said hotel.

Notes to the consolidated financial statements for the year ended December 31, 2023

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 had been drawn on Tranche A at December 31, 2023, 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. At December 31, 2023, the entire balance of 6,300 thousand euros corresponding to Tranche A had been drawn as well as the entire balance of 6,410 thousand euros corresponding to Tranches B and C, 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 and fully drawn down at December 31, 2023. 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.

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

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

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

The mortgage loans related to the Hotel Radisson Collection Sevilla, the Hotel Radisson Collection Bilbao, the Hotel Melía Bilbao, the Hotel JW Marriott Madrid, 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 December 31, 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 for this heading is as follows:

(Euros)	12/31/2023	12/31/2022
Other non-current financial liabilities		
Guarantees received	1,140,256	1,138,698
Lease liabilities	4,122,390	4,290,562
TOTAL	**5,262,646**	**5,429,260**
Other current financial liabilities		
Guarantees received	-	2,049,217
Lease liabilities	168,172	186,040
Other	1,386,893	26,181
TOTAL	**1,555,065**	**2,261,438**

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

The guarantee associated with the Hotel Lucentum lease amounting to 282,261 euros was classified under "Liabilities associated with assets held for sale" (Note 5).

At 2022 year end, short-term guarantees included promissory notes received in the amount of 2,049,217 euros from the lessee of the Hotel Eurostars Lucentum in guarantee of rental payment (Note 8.1), classified under "Liabilities associated with assets held for sale" during 2023 (Note 5).

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

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 Company 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 Company must return the proportionate part based on the elapsed term of the lease.

Notes to the consolidated financial statements for the year ended December 31, 2023

12.3. Trade and other payables

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

(Euros)	12/31/2023	12/31/2022
Suppliers and other payables	22,257,371	14,829,451
Remuneration pending payment to employees	349,219	2,232,537
Customer advances	507,335	366,551
TOTAL	**23,113,925**	**17,428,539**

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

Remuneration payable to employees at December 31, 2023 mainly includes provisions for bonuses amounting to 121,325 euros (2022: 2,069,120 euros) as well as other items amounting to 228,178 euros (2022: 162,906 euros) (Note 16.2).

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

13. PROVISIONS AND CONTINGENCIES

13.1. Current provisions

The breakdown and movements for provisions included under this heading at December 31, 2023 are as follows:

(Euros)	Balance at 12/31/2022	Allowances/ (reversals)	Amounts applied	Balance at 12/31/2023
Provision for contractual claims	53,034	(22,912)	(30,122)	-
Provision for tax contingencies	35,000	-	-	35,000
Provisions for other commitments (Note 7.4)	-	500,000	-	500,000
TOTAL	**88,034**	**477,088**	**(30,122)**	**535,000**

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

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

On December 29, 2023, the Group signed an early termination agreement relating to the lease contract with the tenant of the building located at Alcalá 26, which gave rise to an indemnity payment in the amount of 500 thousand euros (Note 7.4).

Notes to the consolidated financial statements for the year ended December 31, 2023

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

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. On November 10, 2023, the Company and Meliá arranged a lease contract for the Hotel Meliá Bilbao. Subsequent to formalizing the contract, Meliá and the Company agreed upon requesting termination of the legal proceedings since they had reached an out-of-court settlement. On December 1, 2023, the Court handed down a ruling in which it terminated the legal proceedings.

14. TAX MATTERS

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

(Euros)	12/31/2023	12/31/2022
Tax credits		
Other receivables from public administrations		
VAT	8,247,689	10,343,520
Withholdings on corporate income tax	149,260	53,613
TOTAL	**8,396,949**	**10,397,133**
Tax liabilities		
Deferred tax liabilities	2,514,294	2,514,294
Other payables to public administrations		
VAT	115,344	83,949
Withholdings	196,706	338,659
Social security payable	93,814	80,780
TOTAL	**2,920,158**	**3,017,682**

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by the tax authorities or until the four-year inspection period has expired. The Group companies are open to inspection of all taxes to which they are liable for the last four years. At December 31, 2022, the Group was subject to ongoing limited verification procedures initiated by the tax authorities with respect to VAT corresponding to Alcaidesa Holding, S.A.U. for 2021. Said procedures concluded favorably on January 20, 2023 with a refund of the amount claimed (1,225 thousand euros) plus 22 thousand euros for late payment interest. 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.

Notes to the consolidated financial statements for the year ended December 31, 2023

14.1. Income tax calculation

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 2023 and 2022 the Group did not accrue any expenses or income for corporate income tax.

The reconciliation between income tax expense (income) and the result of multiplying total recognized income and expenses by applicable tax rates is not presented given that the tax rate applicable to the Group companies in 2023 is 0% (2022: 0%).

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

	2023					
	Consolidated separate income statement			Income and expense recognized directly in consolidated equity		
(Euros)	Increases	Decreases	Total	Increases	Decreases	Total
Income and expense for the year	-	-	(2,926,723)	-	-	(789,738)
Corporate income tax	-	-	-	-	-	-
Income and expense for the year before tax			**(2,926,723)**			(789,738)
Permanent differences	-	-	-	-	-	-
Temporary differences	48,930	(15,565,454)	(15,516,524)	789,738	-	789,738
Taxable income (Tax result)			**(18,443,247)**			-

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

The temporary differences recognized in the consolidated separate income statement mainly includes the adjustments arising from application of the IAS 40 fair value method and IFRS 16.

The temporary differences in income and expenses recognized directly in consolidated equity correspond to the measurement of the financial hedging instrument (Note 8.2).

Notes to the consolidated financial statements for the year ended December 31, 2023

14.2. Deferred tax assets and liabilities

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

(Euros)	Opening balance	Changes reflected in: Consolidated separate income statement	Changes reflected in: Consolidated equity (Note 11.5)	Transfers	Closing balance
2023					
Deferred tax liabilities					
Valuation of investment properties	2,514,294	-	-	-	2,514,294
TOTAL	**2,514,294**	**-**	**-**	**-**	**2,514,294**

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

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

Arising in	12/31/2023	12/31/2022
2016	202,296	202,296
2017	20,936	20,936
2018	27,192	27,192
2019	21	21
TOTAL	**250,445**	**250,445**

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

Notes to the consolidated financial statements for the year ended December 31, 2023

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

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

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

Company	Reserves (euros)			
	Share premium	Legal reserve	Voluntary reserves	Total
Millenium Hospitality Real Estate SOCIMI, S.A.	-	-	-	-
Varia Pza Magdalena, S.L.U.	4,494,600	-	-	4,494,600
MHRE San Roque, S.L.U.	-	-	-	-
Alcaidesa Holding, S.A.U.	15,744,227	2,513,400	25,814,174	44,071,801

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

Company	Reserves (euros)			
	Share premium	Legal reserve	Voluntary reserves	Total
<u>Revenue subject to 0%, 15% or 19%</u>				
Millenium Hospitality Real Estate SOCIMI, S.A.	341,887,362	3,040,560	30,265,868	375,193,790
Varia Pza Magdalena, S.L.U.	-	5,442	-	5,442
MHRE San Roque, S.L.U.	-	-	-	-
Alcaidesa Holding, S.A.U.	-	-	-	-
<u>Revenue subject to general rate</u>				
Millenium Hospitality Real Estate SOCIMI, S.A.	-	-	-	-
Varia Pza Magdalena, S.L.U.	-	26,139	-	26,139
MHRE San Roque, S.L.U.	-	-	-	-
Alcaidesa Holding, S.A.U.	-	-	-	-

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

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

Notes to the consolidated financial statements for the year ended December 31, 2023

Company	Revenue subject to 0%, 15% or 19%	Revenue subject to general rate	Total
Dividends charged against 2019 profit			
Millenium Hotels C220, S.L.U.	74,594	-	74,594
Dividends charged against 2020 profit			
Millenium Hotels C220, S.L.U.	280,854	-	280,854
Dividends charged against 2021 profit			
Varia Pza Magdalena, S.L.U.	48,977	-	48,977
Dividends charged against 2022 profit			
Varia Pza Magdalena, S.L.U.	330,288	-	330,288

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

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

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

Company	Date of agreement
Dividends charged against 2019 profit	
Millenium Hotels C220, S.L.U.	6/29/2020
Dividends charged against 2020 profit	
Millenium Hotels C220, S.L.U.	6/30/2021
Dividends charged against 2021 profit	
Varia Pza Magdalena, S.L.U.	6/30/2022
Dividends charged against 2022 profit	
Varia Pza Magdalena, S.L.U.	6/30/2023

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

All properties accounted for under "Investment properties" in the consolidated statement of financial position (Note 7) are held for purposes of leasing. However, at December 31, 2023 the properties which generate income are the following:

Acquisition	Date of	Classification of the asset	Identification	Address	Use

Notes to the consolidated financial statements for the year ended December 31, 2023

date	applying tax regime				
2/16/2018	2/16/2018	Asset owned by MHRE	Building - Hotel Eurostars Lucentum	Avenida Alfonso X El Sabio, N.° 11, Alicante	Hotel business
11/7/2019	11/7/2019	Asset owned by MHRE	Building – Hotel Meliá Bilbao	Lehendakari Leizaola N.° 29, Bilbao	Hotel business
7/17/2017 4/4/2019	1/1/2019	Asset owned by the group company Varia Pza Magdalena, S.L.U.	Building – Hotel Radisson Collection Sevilla	Plaza de la Magdalena N.° 1 y c/ Rioja N.° 26, Seville	Hotel business
3/27/2019	3/27/2019	Asset owned by MHRE	Building – Hotel Radisson Collection Bilbao	Gran Vía Don Diego López de Haro N.° 4, Bilbao	Hotel business
4/26/2019	4/21/2023	Asset owned by MHRE	Building – Hotel Nobu Sevilla	Plaza de San Francisco N° 11, Seville	Hotel business
10/31/2019	3/27/2023	Asset owned by MHRE	Building – Hotel JW Marriot Madrid	Sevilla N° 2, Madrid	Hotel business
10/20/2020	8/10/2023	Asset owned by MHRE	Building – Hotel Nobu San Sebastián	Mirakontxa pasealekua 32, San Sebastián	Hotel business
5/13/2021 (*)	5/13/2021 (*)	Asset owned by the group company Alcaidesa Holding, S.A.U.	Premises – Restaurant at the Club House	Club de Golf Alcaidesa. Avenida Pablo Cerezo S/N, San Roque, Cádiz	Commercial
12/28/2021	12/28/2021	Asset owned by MHRE	Building – future Hotel Nobu Madrid	Alcalá N.° 26, Madrid	Offices
10/27/2022	10/27/2022	Asset owned by MHRE	Building – Hotel Iberostar Las Letras	Gran Vía N.° 11, Madrid	Hotel business

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

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

Company	Acquisition/incorporation date	Year in which the SOCIMI regime was applied
Varia Pza Magdalena, S.L.U.	September 6, 2018	2019
Alcaidesa Holding, S.A.U.	December 10, 2019	2020
MHRE San Roque, S.L.U.	December 19, 2019	2020

g) *Identification of the assets which are eligible for the 80% referred to in section 1 of article 3 of the SOCIMI Law* (Note 7).

Notes to the consolidated financial statements for the year ended December 31, 2023

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

None of the Group companies availing themselves of the special SOCIMI tax regime applied any reserves during 2023 other than for the purpose of offsetting losses.

15. SEGMENT INFORMATION

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

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

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

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

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

Notes to the consolidated financial statements for the year ended December 31, 2023

Information by segment is provided below for the year:

	Hotel leases		Other activities		Corporate Unit		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenue	18,383,468	9,875,588	3,791,316	2,447,505	-	-	22,174,784	12,323,093
Cost of sales	-	-	(217,878)	(160,143)	-	-	(217,878)	(160,143)
Other operating income	921,174	633,961	60,114	112,322	-	-	981,288	746,283
Employee benefits expense	-	-	(2,065,054)	(1,684,257)	(3,867,117)	(4,904,762)	(5,932,171)	(6,589,019)
Other operating expenses	(1,905,617)	(1,643,813)	(1,927,365)	(1,538,701)	(2,944,801)	(1,597,503)	(6,777,783)	(4,780,017)
Change in fair value of investment properties	(4,807,606)	14,988,227	-	-	-	-	(4,807,606)	14,988,227
Depreciation and amortization	(129,190)	(105,557)	(491,105)	(515,168)	(174,257)	(235,626)	(794,552)	(856,351)
Impairment losses and gains (losses) on disposal of non-current assets	-	-	(583,175)	(2,458,289)	-	-	(583,175)	(2,458,289)
Gains (losses) due to loss of control over subsidiaries	-	-	-	-	-	860,198	-	860,198
Other gains (losses)	-		-		(1,404,692)	-	(1,404,692)	-
OPERATING PROFIT (LOSS)	**12,462,229**	**23,748,406**	**(1,433,147)**	**(3,796,731)**	**(8,390,866)**	**(5,877,693)**	**2,638,215**	**14,073,982**
Finance income and expenses (net)	(5,095,113)	(1,946,400)	(219,877)	(64,162)	(249,949)	(276,644)	(5,564,938)	(2,287,206)
PROFIT (LOSS) BEFORE TAX	**7,367,116**	**21,802,006**	**(1,653,024)**	**(3,860,893)**	**(8,640,815)**	**6,154,337**	**(2,926,723)**	**11,786,776**
Total assets	**692,914,923**	**600,841,009**	**16,114,158**	**17,208,280**	**34,633,760**	**73,830,790**	**743,662,841**	**691,880,079**
Total liabilities	**199,306,274**	**141,413,918**	**8,072,504**	**8,123,683**	**670,083**	**2,914,314**	**208,048,862**	**152,451,915**
Other disclosures								
Acquisitions of intangible assets and PP&E	-	1,386,578	1,659,040	3,293,680	99,130	731,009	1,788,008	5,411,267
Acquisitions of investment properties	78,357,822	176,769,304	-	-	-	-	78,357,822	176,769,304

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 18,383,468 euros (2022: 9,875,588 euros; Note 7.4). Additional income was obtained during 2023 from the rendering of services, amounting to 3,389,516 euros (2022: 2,174,075 euros), and from sales in the restaurant segment and sales of sports articles, amounting to a total of 401,800 euros (2022: 273,430 euros), all of which was related to the operation of two golf courses (Note 6).

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

(Euros)	2023	2022
Madrid	7,680,000	1,659,279
Alicante	1,913,000	1,776,423
Bilbao	4,951,000	4,403,622
San Sebastián	219,000	-
Cádiz	3,907,268	2,552,971
Seville	3,504,516	1,930,798
TOTAL	**22,174,784**	**12,323,093**

Notes to the consolidated financial statements for the year ended December 31, 2023

16.2. Employee benefits expense

The breakdown of this heading is as follows:

(Euros)	2023	2022
Wages and salaries	4,736,352	3,671,824
Provision for bonuses and other remuneration items (Note 12.3)	349,503	2,232,026
Social security payable by the company	749,262	623,823
Other personnel expenses	97,054	61,346
TOTAL	**5,932,171**	**6,589,019**

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

	Number of persons employed at year end			Average number of persons employed during the year	Average number of persons with disability >33% employed during the year
Categories	**Men**	**Women**	**Total**		
2023					
Chief Executive Officer	1	-	1	1	-
Remaining management team	3	1	4	3	-
Department directors	8	3	11	11	-
Other employees	50	28	78	72	-
TOTAL	**62**	**32**	**94**	**87**	**-**
2022					
Chief Executive Officer	1	-	1	1	-
Remaining management team	3	1	4	4	-
Department directors	7	3	10	10	-
Other employees	47	25	72	63	-
TOTAL	**58**	**29**	**87**	**78**	**-**

16.3. External services

The breakdown of this heading is as follows:

(Euros)	2023	2022
Leases and royalties	411,958	116,695
Repairs and maintenance	819,943	477,155
Independent professional services	2,298,503	1,492,592
Transportation	26,824	22,248
Insurance premiums	183,496	171,403
Banking and similar services	36,347	27,160
Publicity, advertising, and public relations	417,026	366,951
Supplies	689,798	924,580
Other services	185,350	192,402
TOTAL	**5,069,245**	**3,791,186**

Notes to the consolidated financial statements for the year ended December 31, 2023

16.4. Finance costs

The breakdown of this heading is as follows:

(Euros)	2023	2022
Interest on borrowings from credit entities (Note 12.1)	5,527,749	1,683,273
Interest on derivative instruments (Note 12.2)	-	10,483
Other finance costs	557,831	320,322
TOTAL	**6,085,580**	**2,014,078**

17. TRANSACTIONS WITH RELATED PARTIES

The table below lists the related parties with which the Group carried out transactions during 2023 and 2022 along with the nature of the relationship:

Related party	Nature of the relationship
2023	
Grupomillenium Investment Partners, S.L.	Entity related to Board members
Tzar Rent a Car, S.L.	Entity related to Board members
Millenium Development, S.L.	Entity related to Board members
A&J Home Systems, S.L.	Entity related to Board members
Members of the Board of Directors of MHRE	Directors
Chairman and CEO of MHRE	Senior management

Related party	Nature of the relationship
2022	
Grupomillenium Investment Partners, S.L.	Entity related to Board members
Tzar Rent a Car, S.L.	Entity related to Board members
Millenium Development, S.L.	Entity related to Board members
A&J Home Systems, S.L.	Entity related to Board members
Members of the Board of Directors of MHRE	Directors
Chairman and CEO of MHRE	Senior management

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.

Notes to the consolidated financial statements for the year ended December 31, 2023

17.1. Related parties

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

(Euros)	Entities related to Board members	
	2023	2022
Leases (Note 6.1)	119,844	104,883
Professional services	55,623	56,447
Purchase of materials	23,018	4,933
Transportation	17,050	14,650
TOTAL	**215,535**	**180,913**

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:

(Euros)	Entities related to Board members	
	12/31/2023	12/31/2022
Other payables	9,447	6,205
TOTAL	**9,447**	**6,205**

17.2. Directors and senior management

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

On November 13, 2023, Mr. Isaiah Toback resigned as a member of the Board of Directors, with the Board having accepted his resignation. In the same act, Mr. Ricardo De Armas was designated as a new member of the Company's Board of Directors in the position of a proprietary director to cover the vacancy which had arisen.

Furthermore, on January 24, 2024 Mr. Javier Illán made his position available to the Board of Directors of MHRE since he had lost the Board's trust, consequently renouncing his position as a member of the Board of Directors and resigning from all the committees which he formed a part of, as well as from his positions as Chairman and Chief Executive Officer of MHRE. The Board accepted his resignation and, in the same act, appointed Mr. Luis Basagoiti as Chairman of the Board of Directors and Chief Executive Officer of MHRE, replacing Mr. Javier Illán, while also modifying the composition of the Executive Real Estate Committee and the Appointments and Remuneration Committee (Note 20).

Consequently, at December 31, 2023, MHRE's Board of Directors was comprised of 9 persons, 6 of whom were men and 3 women (2022: 11 persons, 7 of whom were men and 4 women).

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

(Euros)	2023	2022
Directors		
Salaries	300,000	288,000
Per diems	168,000	128,000
	468,000	**416,000**
Senior management		
Salaries	800,000	600,000
Bonus	-	1,200,000
	800,000	**1,800,000**
TOTAL	**1,268,000**	**2,216,000**

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

At December 31, 2023 and 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.

In 2023, the Group paid 57,055 euros of civil liability insurance premiums on behalf of the directors of MHRE to cover potential damages they may cause in the course of carrying out their duties (2022: 57,055 euros). Likewise, a life insurance premium was settled in favor of senior management, amounting to 11,723 euros (2022: 10,349 euros).

Conflict of interest transactions:

Acquisition of the El Palmar property

In the consolidated financial statements for 2022, the Parent reported that it had acquired a plot of land in the process of being classified for hotel use as per zoning regulations (a total area of 66,592.55 m2, of which 23,842 m2 is buildable). Said land is located in the area known as El Palmar de Vejer in the municipality of Vejer de la Frontera, Cádiz, and was acquired with a view to developing a luxury eco-resort. The price paid for this plot totaled 12,000 thousand euros, while associated expenses amounted to 229 thousand euros.

The consolidated financial statements for 2022 reported that, in accordance with article 229 of the Spanish Corporate Enterprises Act, the directors of MHRE had stated that they were not party to any conflicts of interest with respect to the Group's interests.

In enactment of the Internal Audit Plan for reviewing activity in 2022 and 2023 approved by the Audit and Risk Control Committee, the entity entrusted by MHRE to provide the internal audit service, PwC, reviewed the acquisition process for various assets, including acquisition of the El Palmar plot. This review determined that Grupo Millenium Investment Partners, S.L. ("GMIP"), an entity related to the Board member, Mr. Javier Illán, given his position therein as sole director, had acquired a mortgage loan on the El Palmar plot for an amount of 3,000 thousand euros, as ratified by a public deed granted on October 28, 2020, which was unpaid and in the process of being foreclosed.

Notes to the consolidated financial statements for the year ended December 31, 2023

This loan was canceled on the same date on which MHRE acquired the plot, November 11, with a prior protocol number and before the same notary who ratified acquisition of the El Palmar plot by MHRE, with GMIP receiving 10,000 thousand euros in payment for the loan principal and interest.

The review of the transaction also concluded that Mr. Javier Illán, Chairman and CEO of MHRE at said date:

- did not inform the Board of Directors that a company related to him, GMIP, was titleholder to the mortgage loan on the plot acquired by MHRE, and neither did he report the conflict of interest to which he was exposed. Consequently, the conflict of interest could not be disclosed in the notes to the financial statements as required by the stipulations contained in article 229 of the Spanish Corporate Enterprises Act.

- did not refrain from participating in the deliberation process leading to the final decision and execution of the purchase of the El Palmar plot by MHRE. On the contrary, Mr. Javier Illán led and actively participated in this process as well as in the negotiations carried out by the company that owned the plot, Chival Promociones Inmobiliarias, S.L. ("Chival"), the creditor company holding the mortgage loan, GMIP, and the purchasing company, MHRE, in which the price finally paid for the plot, the amounts to be used for repaying the loan held by GMIP, and the amounts to be received by Chival were agreed upon. In these negotiations Mr. Illán simultaneously represented the interests of GMIP, a related company in which he was sole director, and of MHRE, in which he was Chairman and CEO, without having sought or received instructions from MHRE in view of the conflict of interest with respect to the purchase transaction for El Palmar.

The valuation of the El Palmar plot carried out by independent experts at 2023 year end, in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain, resulted in a value of 5,000 thousand euros for the plot, which represents an impairment as compared to the valuation of 7 million euros at December 31, 2022.

Acquisition in 2019 of a property located at the calle Gran Vía de Don Diego López de Haro no. 4 in Bilbao

The consolidated financial statements for 2019 reported that on March 27, 2019 the Parent had acquired a property located at the calle Gran Vía de Don Diego López de Haro no. 4 in Bilbao for an amount of 23,500,000 euros. The expenses associated with this acquisition amounted to 231,562 euros.

The financial statements for 2019 reported that, in accordance with article 229 of the Spanish Corporate Enterprises Act, the directors of MHRE had stated that they were not party to any conflicts of interest with respect to the Company's interests.

After the resignation of Mr. Javier Illán on January 24, 2024, the Board of Directors contracted KPMG Asesores, S.L. ("**KPMG**") to carry out a financial forensic investigation regarding the conduct of Mr. Illán when discharging his functions and duties in MHRE. The investigation concluded that the acquisition in 2019 of a building located at calle Gran Vía de Diego López de Haro no. 4 in Bilbao represented a conflict of interest transaction.

Notes to the consolidated financial statements for the year ended December 31, 2023

On July 20, 2018, GMIP, a related company for Mr. Javier Illán in which he was sole director, signed an earnest money contract for the property purchase prior to the division of the building into *Finca uno* for commercial use and *Finca dos* for hotel use.

On March 27, 2019, in two different purchase-sale deeds: GMIP, represented by Mr. Javier Illán, acquired *Finca uno* for an amount of 36,500,000 euros; and MHRE, also represented by Mr. Javier Illán, acquired *Finca dos* for an amount of 23,500,000 euros. On the same date, GMIP, represented by Mr. Javier Illán, sold *Finca uno* to a third party, Gran Vía 4, S.A.R.L., for an amount of 49,873,684 euros, thereby obtaining an economic profit of 13,373.684 euros in a single day.

Mr. Javier Illán, sole director of MHRE and GMIP at said date, never informed the shareholders of MHRE regarding the simultaneous acquisition and subsequent sale of *Finca uno* by GMIP, a related company, and did not abstain from participating in the decision-making process and execution of the acquisition of *Finca dos* by MHRE.

At December 31, 2023, in accordance with article 229 of the Spanish Corporate Enterprises Act, the directors of MHRE have stated that they are not party to any conflicts of interest with respect to the Group's interests.

18. RISK MANAGEMENT POLICIES

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

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

- Credit risk: the Group's credit risk mainly arises from the risk of non-payment of rental installments by the tenants of their properties. The Group manages said risk by careful selection of tenants and requesting security deposits or guarantees in the contracts to be signed. Impairment loss allowances for accounts receivable were recognized during 2023 in the amount of 572,996 euros, which mainly affects balances arising from operational hotels (in 2022, impairment loss allowances amounting to 74,058 euros were recognized, mainly affecting the balances arising from the golf activity). In addition, at December 31, 2023 the Group recognized impairment losses amounting to 487 thousand euros corresponding to two loans granted to two lessees (Note 8.2).

- Liquidity risk: this risk reflects the possibility that the Group will have insufficient funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at any point in time. At December 31, 2023, the Group presented a loan to value ratio (LTV), defined as financial debt divided by the fair value of the assets, of 26.1% (2022: 21.2%). If the cash balance of 33.1 million euros (2022: 72.5 million euros) and the balance of surplus cash which the Company dedicates to short-term temporary investments amounting to 22 million euros were taken into account for calculation of net financial debt, the LTV would be reduced to 17.7% (2022: 8.8%). At December 31, 2023, the Group's working capital amounted to 61.2 million euros

(2022: 63.1 million euros). Thus, in light of its financial situation at December 31, 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 7.1), the directors of MHRE consider this a moderate risk.

- Interest rate risk: at December 31, 2023 approximately 59% of the debt held by the Group with credit entities is subject to a fixed interest rate (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 exposure to a potential rate hike. Given the current policy of the European Central Bank to hike interest rates, the directors of MHRE consider this risk as moderate.

19. OTHER INFORMATION

19.1. Audit fees

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

(Euros)	2023	2022
Audit services	102,800	99,300
Other accounting review and verification work	29,200	28,654
Other non-audit services	7,670	6,990
TOTAL	**139,670**	**134,944**

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

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

(Days)	2023	2022
Average supplier payment period	25.7	23.6
Ratio of transactions paid	25.1	27.2
Ratio of transactions pending payment	40.8	1.9

(Euros)	2023	2022
Total payments made	88,928,215	86,473,021
Total pending payments	3,421,672	14,170,596
Monetary volume of invoices paid within the maximum period allowed for by late payment regulations	86,038,419	78,722,863
Percentage of payments made within the maximum period allowed for by late payment regulations over total payments made	97%	91%

(Number of invoices)	2023	2022
Invoices paid within the maximum period allowed for by late payment regulations	4,821	3,590
Percentage over total invoicing	90%	91%

19.3 Other information

The Group suffered business email compromise during the year, amounting to 887 thousand euros and recognized under "Other gains (losses)" in the consolidated separate income statement. The Group reported the incident to the competent authorities, who initiated the corresponding investigation, and will take whatever legal action deemed appropriate to recover the amount stolen. In this incident, which was of an isolated nature, no unauthorized third party accessed the Company's systems or any confidential data. The Group has hired the services of an independent third party who performed a forensic computer audit, which concluded, amongst other matters, that the analysis of available information sources shows that there are no indications that any of the MHRE accounts involved are compromised. At any rate, the Parent's Board of Directors has agreed to implement additional protective measures against this type of attack, in accordance with the recommendations provided by the expert.

20. EVENTS AFTER THE REPORTING DATE

The following significant events took place from December 31, 2023 to the date of authorization of the accompanying consolidated financial statements:

- On January 4, 2024, an agreement was signed with Nômade People for the opening of the Hotel Nômade Madrid, in the building it owns located at calle Gran Vía 11, at present the site of the Iberostar Gran Vía Las Letras hotel. To this end, an early lease termination agreement was reached with the current tenant, effective from June 30, 2024, which is when the repositioning work is scheduled to begin.

  The future Hotel Nômade Madrid will boast a 5-star category, 93 rooms, of which 16 correspond to the category of suites, as well as spacious common areas including different spaces and restaurant themes, a "Members club," a spa and wellness area, and a large and luxurious rooftop.

  The new lease contract was arranged for a duration of 20 years and is based on variable income with a guaranteed minimum, which will allow for a significant increase in the asset's profitability.

- On January 24, 2024 Mr. Javier Illán made his position available to the Board of Directors of MHRE since he had lost the Board's trust, consequently renouncing his position as a member of the Board of Directors and resigning from all the committees which he formed a part of, as well as from his positions as Chairman and Chief Executive Officer of MHRE. The Board of Directors of the Parent accepted his resignation and, in the same act, appointed Mr. Luis Basagoiti as Chairman of the Board of Directors and Chief Executive Officer of MHRE, replacing Mr. Javier Illán, while also modifying the composition of the Executive Real Estate Committee and the Appointments and Remuneration Committee (Note 17.2).

- On January 24, 2024, the Board of Directors entrusted KPMG Asesores, S.L. to carry out a financial forensic investigation for purposes of analyzing, clarifying and, if applicable, demonstrating possible irregularities that may have been committed by Mr. Javier Illán when discharging his functions and duties in MHRE (Note 17.2).

- On February 6, 2024, an addendum was signed to the lease contract of November 10, 2023 which the Group arranged with Meliá Bilbao, stipulating that the hotel would be closed to the public in its entirety during the first months of 2024 in order to continue with the work that is to finalize at the end of the first half of 2024.

- On March 4, 2024, the Group signed a purchase-sale contract for 100% of the shareholding units of Global Kioto, S.L.U. for an amount of 1 euro.

- On March 4, 2024, the Group signed a purchase-sale contract for 100% of the shareholding units of Hotel Villa Miraconcha, S.L.U. for an amount of 1 euro. Said entity operates the Hotel Nobu San Sebastián.

- On March 7, 2024, a lease contract was signed with Belagua to operate the future Hotel Zorrilla under the Autograph Collection brand, which belongs to the Marriot International group, a prestigious hotel firm. The hotel is located in Madrid at calle

Zorrilla 19, in the cultural and commercial epicenter of the capital. The hotel, which is expected to open during the fourth quarter of 2024, will boast 50 rooms, a restaurant, cafeteria, gym, meeting room, pool area, and spa area. The agreement reached is based on a variable income contract including minimum guaranteed income and a maximum duration of 25 years, of which the first 5 years are obligatory.

- On March 13, 2024, the Group closed the sales agreement for the Lucentum hotel in Alicante as planned, for an amount of 29.9 million euros. This sale forms part of the Company's strategy to manage a target portfolio comprised of 5-star hotel assets located in the main tourist cities of Spain and Portugal (Note 5).

- On March 21, 2024, subsequent to the findings corroborated and identified by KPMG in its expert report dated March 20, 2024 as a result of the financial forensic investigation, a lawsuit was filed against Mr. Javier Illán, as well as other individuals and legal entities related to him, regarding the conduct revealed by the internal audit and subsequent investigations which may constitute criminal offenses.

Consolidated Management Report for the year ended December 31, 2023

Situation of the market in which the Group performs its activity

Tourism activity saw significant growth during 2023, practically returning to pre-pandemic levels in spite of the war against Ukraine, stubborn inflation, and the threat of a possible recession. According to data published by the Spanish National Statistics Institute ("INE"), overnight stays in hotel establishments reached 347.1 million over the course of 2023, representing an 8.4% increase as compared to 2022. 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, 2023 saw significant rate increases and relevant occupancy levels, which helped hotel operators offset increased operating costs resulting from inflation. According to INE data, the average daily room rate (ADR) in 5-star hotels amounted to 256 euros during 2023 (+10% compared to 2022), thus representing the category with the highest increase, and average revenue per available room (RevPar) amounted to 173 euros (+13% compared to 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, according to the Colliers Hotel Investment Report for 2023, the year concluded with 4,238 million euros in hotel investment, corresponding to existing hotels, properties to be reconverted for hotel use, and land to be used for hotel developments. The 3,000 million level was again surpassed for the third consecutive year and a new record was set, consolidating 2023 as the third best year in the historical record. A total of 205 assets were transacted during the year, as compared to 163 in 2022. Hotels have positioned themselves as the most sought-after assets in the domestic real estate market, accounting for 38% of total investment. 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.

It is worth highlighting that 14% of this figure corresponds to investments in Madrid, the city where 47% of the market value of the Group's real estate asset portfolio (GAV) is concentrated.

Said report also highlights that Spain was visited by more than 84 million international travelers in 2023, thereby establishing a new historic record. This milestone represents a notable increase as compared to the 71.7 million arrivals registered in 2022, as well as an increase of 1.6% as compared to the last year before the pandemic. The bulk of the investment was directed towards existing hotels, registering 171 transactions representing 21,748 rooms at a value of 3,977 million euros (+33% vs. 2,996 million euros in 2022), while property acquisitions for purposes of conversion to hotel use decreased slightly as compared to last year, amounting to 20 transactions at a value of 164 million euros (2022: 184 million euros). At an urban level, Madrid leads hotel investment in the urban segment, boasting 21 transactions worth 601 million euros, and concentrates 14% of the total volume invested in our country, a location where MHRE holds a large percentage of its assets. During 2023, and in spite of the macroeconomic environment and interest rate hikes, the average prices per room for the transacted hotels increased up to 182,900 euros per room, which represents an increase of 8,4% as compared to the previous record set in 2022. This increase is attributable to the sale of premium assets, such as the Mandarin Oriental of Barcelona or the Autograph Collection Palacio del Retiro in Madrid, which exceeded the level of 1 million euros per room, and others such as The Standard or W, both in Ibiza, which exceeded the threshold of 500,000 euros.

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.

The path taken by central banks which involved hiking interest rates for purposes of combating the inflationary crisis foreseeably came to its end in 2023. The market is currently considering the possibility of gradual reductions in rates; the pace of these possible decreases will depend on performance of the economy and the rate of inflation. If interest rates end up falling over the coming year, financing costs associated with variable rate loans will also be reduced.

Business performance and situation of the Group

In this context, during 2023 the Group obtained a negative result amounting to 2.9 million euros (2022: a positive result amounting to 11.8 million euros), mainly arising from losses on the fair value of real estate assets as a consequence of their valuation, amounting to 4,8 million euros (2022: a net profit of 15 million euros arising from a positive change) together with a significant increase in finance costs, amounting to 5.6 million euros during the year (2022: 2 million euros) as a consequence of the increase in new financing as well as the increases in interest rates during the year. It is worth noting that only 8 of the 13 hotels which the Group holds in its portfolio were being operated. Hotel leasing activity showed clear signs of recovery, with Company revenue increasing by 80% over the same period in the previous year, mainly due to the opening of 3 hotels which were under construction during the prior year (March 27, 2023: JW Marriot Madrid; April 21, 2023: Nobu Sevilla; and August 10, 2023: Nobu San Sebastián), revenue obtained from the Iberostar Las Letras hotel, which opened its doors in the last quarter of 2022, as well as the CPI adjustment to revenue. In addition, it is worth noting that the building where the future Hotel Nobu Madrid will be located also contributed revenue (relating to office space) in 2023.

With respect to the Parent's investment activities, no acquisitions were carried out during 2023.

EBITDA generated during 2023 increased by a factor of 6 as compared to the same period in the previous year, reaching 9.9 million euros (2022: 1.6 million euros), mainly due to the increase in revenue from hotel leases.

Finally, losses amounting to 5.6 million euros were recognized for the Group's finance cost (2022: losses of 2.3 million euros), mainly due to the increased volume of bank borrowings and increases in interest rates.

With respect to the Group's investments, during 2023 the Group did not carry out any acquisitions, though it did incur significant 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 78 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 13% increase in GAV for the Group's real estate portfolio, which rose from 586.5 million euros at 2022 year end to 660.7 million euros at December 31, 2023. Of this amount, 14.5 million euros correspond to the golf courses at the La Hacienda Alcaidesa Links Golf Resort (2022: 14.7 million euros), accounted for as PP&E.

Consolidated Management Report for the year ended December 31, 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 4, 2024, a lease contract was signed for the future Hotel NÔMADE Madrid and on March 7, 2024 a lease contract was signed with Belagua to operate the future Hotel Zorrilla under the Autograph Collection brand, which belongs to the International Marriot group.

The EPRA *Net Asset Value* (EPRA NAV) of the Group at December 31, 2023 is broken down as follows:

(Euros)	12/31/2023	12/31/2022
EQUITY	**535,613,979**	**539,428,164**
Adjustments:		
Intangible assets	(69,194)	-
Fair value of derivative financial instruments	789,738	-
Deferred tax related to investment properties	1,257,147	2,514,294
EPRA NAV	**537,591,670**	**541,942,458**
Total shares circulating	116,032,487	116,032,487
EPRA NAV / share	**4.63**	**4.67**

The Group's EPRA NAV decreased in 2023, mainly due to the result obtained during the year.

The Group's main objective for coming months is to complete the work in progress in order to continue increasing the profitability of its asset portfolio; it plans to open the Hotel Zorrilla and the Hotel Meliá during 2024 after their refurbishment, as well as the Hotel & Villas Hacienda San Roque. The Group, in the ordinary course of its business, will assess potential new acquisitions of hotel assets as well as property rotation, which will allow for optimization of profitability for the 5-star hotel asset portfolio. This will allow the Company to consolidate its portfolio, consequently increasing income, which will in turn allow it to begin distributing dividends to shareholders.

Consolidated Management Report for the year ended December 31, 2023

Description of the main risks and uncertainties facing the Group

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

- Credit risk: the Group's credit risk mainly arises from the risk of non-payment of rental installments by the tenants of their properties. The Group manages said risk by careful selection of tenants and requesting security deposits or guarantees in the contracts to be signed. Impairment loss allowances for accounts receivable were recognized during 2023 in the amount of 572,996 euros, which mainly affects balances arising from operational hotels (in 2022, impairment loss allowances amounting to 74,058 euros were recognized, mainly affecting the balances arising from the golf activity). In addition, at December 31, 2023 the Group recognized impairment losses amounting to 487 thousand euros corresponding to two loans granted to two lessees.

- Liquidity risk: this risk reflects the possibility that the Group will have insufficient funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at any point in time. At December 31, 2023, the Group presented a loan to value ratio (LTV), defined as financial debt divided by the fair value of the assets, of 26.1% (2022: 21.2%). If the cash balance of 33.1 million euros (2022: 72.5 million euros) and the balance of surplus cash which the Company dedicates to short-term temporary investments amounting to 22 million euros were taken into account for calculation of net financial debt, the LTV would be reduced to 17.7% (2022: 8.8%). At December 31, 2023, the Group's working capital amounted to 61.2 million euros (2022: 63.1 million euros). Thus, in light of its financial situation at December 31, 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 December 31, 2023 approximately 59% of the debt held by the Group with credit entities is subject to a fixed interest rate (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 exposure to a potential rate hike. 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.

Consolidated Management Report for the year ended December 31, 2023

Research and development activities

The Group did not conduct any R&D activities during the year ended December 31, 2023.

Treasury shares

MHRE acquired 67,448 treasury shares during 2023 (2022: 38,756 treasury shares) at an average price of 3.09 euros per share (2022: 3.71 euros) and sold 33,858 treasury shares (2022: 24,289 treasury shares) at an average price of 3.31 euros per share (2022: 3.83 euros per share). The difference between the cost price and the sales price for the shares, totaling a net amount of -36,008 euros (2022: -18,792 euros) was recognized under "Voluntary reserves.".

At December 31, 2023, the Company held a treasury share portfolio comprised of 267,270 treasury shares, representing 0.2% of its share capital (2022: 233,680 treasury shares, representing 0.2% of its share capital at year end).

Average supplier payment period

The average supplier payment period for the year ended December 31, 2023 was 25.7 days (2022: 23.6 days).

Use of financial instruments

The Group arranges cash-flow hedges for certain loans granted by credit entities at variable interest rates. During 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 789,738 euros were recognized under consolidated equity as a consequence of their valuation at December 31, 2023, and losses of 151,741 euros were recognized in the income statement for 2023, arising from accrual of the aforementioned premiums.

Two structured deposits were included as derivative financial instruments at a nominal value of 500 thousand euros each, generating remuneration subject to the share price performance of three companies listed on the IBEX-35, one of which was incorporated during the first half of 2022 with an amount of 500 thousand euros. On October 6, 2023, the Group recovered one of the deposits at an amount of 500 thousand euros. At December 31, 2023, the fair value of the remaining deposit increased by 32,750 euros (2022: a decrease of 292,187 euros).

Events after the reporting date

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

Authorization of the consolidated financial statements and consolidated management report for the year ended December 31, 2023.

At the meeting of the Board of Directors of MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. on March 22, 2024, the Board members authorized the consolidated financial statements together with the consolidated management report for the year ended December 31, 2023 of MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. and subsidiaries, consisting of the documents attached above, initialed by the Secretary of the Board of Directors for purposes of identification, with all members of the Board of Directors signing this last page.

Luis Basagoiti Robles
Chairman and Chief Executive Officer

Leticia Fusi Aizpurua
Board member

Eduardo D'Alessandro Cishek (in representation of **Ricardo de Armas**) (*)
Board member

Eduardo D'Alessandro Cishek
Board member

Jaime Montalvo Correa
Board member

José María Castellano Ríos
Board member

María Isabel Dutilh Carvajal
Board member

Javier Martínez-Piqueras Barceló
Board member

Pilar Muñoz Sanz
Board member

(*) The Board member Mr. Ricardo de Armas attended the Board meeting via telematic connection, expressly manifesting his authorization of the financial statements and management report for the year ended December 31, 2023, and expressly empowering Mr. Eduardo D'Alessandro Cishek to authorize them by signing in his name, as reflected in the minutes to the Board meeting.

Audit Report on Financial Statements
issued by an Independent Auditor

MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2023

Ernst & Young, S.L.
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28003 Madrid

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AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

To the shareholders of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A.:

Opinion

We have audited the financial statements of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. (the Company), which comprise the balance sheet as at December 31, 2023, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2023 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

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

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

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

Most relevant audit issues

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

Measurement of investment properties

Description

The Company recorded 400,861 thousand euros in "Investment properties" at December 31, 2023, which represent 63% of total Assets, corresponding to the carrying amount of buildings it owns.

The directors periodically determine the fair value of investment properties based on appraisals conducted by independent experts in accordance with the valuation standards of the Royal Institution of Chartered Surveyors ("RICS").

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

Information on applicable measurement standards, the methodologies and principal assumptions, and related disclosures are provided in Notes 4.3 and 6 to the notes to the financial statements.

Our response

In relation to this matter, our audit procedures included:

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

Measurement of investments in group companies

Description

The Company's balance sheet at December 31, 2023 shows investments in group companies for a carrying amount of 45,326 thousand euros in "Investments in group companies," which represent 7% of total assets.

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

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

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

Our response

Our audit procedures related to this matter included:

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

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

Description

As explained in Note 1.1 to the accompanying financial statements, on July 26, 2017, the Company availed itself of the special tax regime for SOCIMIs established in Law 11/2009, of October 26, which regulates Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario "SOCIMI" (Spanish REITs), effective as of its formation date. One of the main characteristics of these entities is that they are not subject to corporate income tax.

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

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

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

Our response

Our audit procedures related to this matter included:

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

Other information: management report

Other information refers exclusively to the 2023 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the management report is to assess and report on the consistency of the management report with the financial statements based on the knowledge of the entity obtained during the audit, and to assess and report on whether the content and presentation of the management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the management report is consistent with that provided in the 2023 financial statements and its content and presentation are in conformity with applicable regulations.

Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

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

(Signed on the original version in Spanish)

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

April 10, 2024

MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A.

Financial Statements and Management Report
for the year ended December 31, 2023

Balance sheet at December 31, 2023

(Expressed in euros)

ASSETS	Notes	12/31/2023	12/31/2022
NON-CURRENT ASSETS		**552,824,987**	**516,755,128**
Intangible assets	5	**69,194**	**23,248**
Software		69,194	23,248
Property, plant, and equipment	5	**172,236**	**224,188**
Plant and other PP&E		172,236	224,188
Investment properties	6	**400,861,460**	**418,020,116**
Land		231,203,518	249,886,858
Buildings		169,657,942	168,133,258
Investments in group companies		**148,790,088**	**94,739,288**
Equity instruments	7	45,326,142	50,011,090
Loans to companies	8 and 15.1	103,463,946	44,728,198
Financial investments	8	**1,874,784**	**1,770,050**
Derivatives		943,385	700,213
Other financial assets		931,399	1,069,837
Trade receivables	8	**1,057,225**	**1,978,238**
CURRENT ASSETS		**81,478,529**	**76,630,173**
Assets held for sale	18	**24,189,211**	-
Inventories	9	**983,786**	**704,494**
Trade and other receivables		**4,041,311**	**7,821,563**
Trade receivables	8	3,196,772	3,609,793
Trade receivables from group companies and associates	8 and 15.1	5,701	-
Other receivables	8	2,003	761
Receivable from public administrations	17	836,835	4,211,009
Investments in group companies	8 and 15.1	-	-
Loans to companies		-	-
Financial investments	8	**22,648,858**	**143,546**
Equity instruments		22,364,390	-
Other financial assets		284,468	143,546
Accruals	10	**128,484**	**291,268**
Cash and cash equivalents	11	**29,486,879**	**67,669,302**
TOTAL ASSETS		**634,303,516**	**593,385,301**

The accompanying notes 1 to 21 are an integral part of the balance sheet at December 31, 2023.

Balance sheet at December 31, 2023

(Expressed in euros)

EQUITY AND LIABILITIES	Notes	12/31/2023	12/31/2022
EQUITY		**460,377,453**	**478,174,455**
Capital and reserves		**461,167,191**	**478,174,455**
Share capital	12.1	116,032,487	116,032,487
Share premium	12.2	341,887,362	341,887,362
Reserves	12.3	21,258,261	33,306,427
Treasury shares and own equity investments	12.4	(1,101,380)	(1,039,664)
Retained earnings	12,3	-	-
Profit for the year	3	(16,909,539)	(12,012,157)
Unrealized gains (losses) reserve	8.2	**(789,738)**	-
NON-CURRENT LIABILITIES		**145,782,616**	**98,658,428**
Provisions	14	**7,434,278**	-
Borrowings		**138,348,338**	**98,658,428**
Bank borrowings	13.1	137,486,648	97,798,296
Other financial liabilities	13.2	861,690	860,132
CURRENT LIABILITIES		**28,143,447**	**16,552,418**
Provisions	14	**535,000**	**35,000**
Borrowings		**6,837,048**	**7,383,931**
Bank borrowings	13.1	5,458,378	5,334,714
Other financial liabilities	13.2	1,378,670	2,049,217
Trade and other payables		**9,484,638**	**9,117,384**
Suppliers	13.3	6,313,637	3,772,709
Other payables	13.3	2,650,234	2,802,276
Employee benefits payable (remuneration pending payment)	13.3	349,503	2,232,338
Payables to public administrations	17	168,039	306,836
Customer advances	13.3	3,225	3,225
Accruals	10	**16,788**	**16,103**
Liabilities associated with assets held for sale	18	**11,269,973**	-
TOTAL EQUITY AND LIABILITIES		**634,303,516**	**593,385,301**

The accompanying notes 1 to 21 are an integral part of the balance sheet at December 31, 2023.

Income statement for the year ended December 31, 2023

(Expressed in euros)

	Notes	2023	2022
CONTINUING OPERATIONS			
Revenue		**15,311,698**	**7,718,185**
Lease income	16.1	15,311,698	7,718,185
Other operating income		**834,666**	**391,626**
Employee benefits expense	16.2	**(3,867,117)**	**(4,904,761)**
Wages, salaries, et al		(3,482,578)	(4,621,359)
Social security costs, et al		(384,539)	(283,402)
Other operating expenses		**(5,132,898)**	**(3,122,655)**
External services	16.3	(3,578,516)	(2,382,906)
Taxes (other than income tax)		(885,249)	(739,749)
Losses on, impairment of, and changes in trade provisions	8.1	(669,133)	-
Depreciation and amortization	16.4	**(3,145,605)**	**(1,723,632)**
Impairment losses and gains (losses) on disposal of non-current assets		**(6,247,076)**	**(4,732,412)**
Impairment and losses	6	(6,247,076)	(4,732,412)
Other gains or losses	14 and 20.3	**(1,390,985)**	**(15,431)**
OPERATING PROFIT		**(3,637,317)**	**(6,389,080)**
Finance income		**4,547,235**	**1,496,879**
From equity investments		330,288	48,977
In group companies and associates	7, 15.1	330,288	48,977
From marketable securities & other financial instruments		4,216,947	1,447,902
Of group companies and associates	15.1	3,118,457	1,433,428
Of third parties		1,098,490	14,474
Finance costs	16.5	**(5,573,716)**	**(2,809,498)**
Third-party borrowings		(5,573,716)	(2,809,498)
Changes in fair value of financial instruments		**(118,991)**	**(292,187)**
Trading portfolio and other	8.2	(118,991)	(292,187)
Exchange gains (losses)		**(1,768)**	**(6,677)**
Impairment and gains (losses) on disposal of financial instruments	7, 8.2 and 14	**(12,606,935)**	**(5,708,224)**
Impairment losses and losses		(12,606,935)	(12,363,695)
Gains (losses) on disposal and other gains and losses		-	6,655,471
Other finance income and costs		**481,953**	**1,696,630**
Inclusion of finance costs in assets	6	481,953	1,696,630
FINANCE COST		**(13,272,222)**	**(5,623,077)**
PROFIT (LOSS) BEFORE TAX		**(16,909,539)**	**(12,012,157)**
Corporate income tax	17	-	-
PROFIT (LOSS) FOR THE YEAR	3	**(16,909,539)**	**(12,012,157)**

The accompanying notes 1 to 21 are an integral part of the income statement for the year ended December 31, 2023.

Statement of changes in equity for the year ended December 31, 2023
(Expressed in euros)

A) Statement of recognized income and expense for the year ended December 31, 2023

	Notes	2023	2022
Profit for the year (I)	**3**	**(16,909,539)**	**(12,012,157)**
Income and expense recognized directly in equity			
Financial assets at fair value through equity	8.2	(789,738)	-
From other adjustments	12.3	-	(1,152,261)
Total income and expense recognized directly in equity (II)		**(789,738)**	**(1,152,261)**
Amounts transferred to the income statement		-	-
Total amounts transferred to the income statement (III)		-	-
Total recognized income and expense (I+II+III)		**(17,699,277)**	**(13,164,418)**

The accompanying notes 1 to 21 are an integral part of the statement of recognized income and expense for the year ended December 31, 2023.

Statement of changes in equity for the year ended December 31, 2023

(Expressed in euros)

B) Statement of total changes in equity for the year ended December 31, 2023

	Share capital issued (Note 12.1)	Share premium (Note 12.2)	Reserves (Note 12.3)	Own shares and own equity instruments (Note 12.4)	Retained earnings (Note 12.3)	Profit (loss) for the year	Unrealized gains (losses) reserve (Note 8.2)	Total
Balance at December 31, 2021	**76,926,101**	**224,568,204**	**53,619,176**	**(1,006,627)**	**(9,676,160)**	**(9,465,536)**	**-**	**334,965,158**
Recognized income and expense	-	-	**(1,152,261)**	-	-	**(12,012,157)**	-	**(13,164,418)**
Transactions with partners or owners:	**39,106,386**	**117,319,158**	**(18,792)**	**(33,037)**	-	-	-	**156,373,715**
Capital increases (reductions) (Note 12.1)	39,106,386	117,319,158	-	-	-	-		156,425,544
Transactions with treasury shares (net)	-	-	(18,792)	(33,037)	-	-	-	(51,829)
Other changes in equity	-	-	**(19,141,696)**	-	**9,676,160**	**9,465,536**	-	-
Balance at December 31, 2022	**116,032,487**	**341,887,362**	**33,306,427**	**(1,039,664)**	**-**	**(12,012,157)**	**-**	**478,174,455**
Recognized income and expense	-	-	-	-	-	**(16,909,539)**	**(789,738)**	**(17,699,277)**
Transactions with partners or owners:	-	-	**(36,009)**	**(61,716)**	-	-	-	**(97,725)**
Transactions with treasury shares (net)	-	-	(36,009)	(61,716)	-	-	-	(97,725)
Other changes in equity	-	-	**(12,012,157)**	-	-	**12,012,157**	-	-
Balance at December 31, 2023	**116,032,487**	**341,887,362**	**21,258,261**	**(1,101,380)**	**-**	**(16,909,539)**	**(789,738)**	**460,377,453**

The accompanying notes 1 to 21 are an integral part of the statement of changes in equity for the year ended December 31,2023

Cash flow statement for the year ended December 31, 2023

(Expressed in euros)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**(16,909,539)**	**(12,012,157)**
Adjustments to profit		**24,725,021**	**12,114,121**
Depreciation and amortization	16.4	3,145,605	1,723,632
Impairment loss allowances	6, 7, and 8	18,854,011	17,096,107
Changes in provisions	8.1 and 14	1,169,133	35,000
Gains (losses) from derecognition and disposal of financial instruments	18	-	(6,655,471)
Other gains or losses	20.3	890,985	-
Finance income		(4,547,235)	(1,496,879)
Finance costs	16.5	5,573,716	2,809,498
Exchange gains (losses)		1,768	6,677
Changes in fair value of financial instruments	8.2	118,991	292,187
Other income and expenses	6	(481,953)	(1,696,630)
Changes in working capital		**155,080**	**179,860**
Inventories	9	(279,292)	(355,626)
Trade and other receivables		(574,889)	(1,414,060)
Other current assets	10	159,322	(7,916)
Trade and other payables		367,254	1,942,052
Other current liabilities	10	685	15,410
Other non-current assets and liabilities		482,000	-
Other cash flows from operating activities		**(3,899,818)**	**(672,748)**
Interest paid		(4,964,206)	(719,679)
Collections from derivatives		391,141	-
Dividends received	7	330,288	-
Interest received		342,960	46,931
Cash flows from operating activities		**4,070,744**	**(390,924)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(100,950,248)**	**(180,818,896)**
Group companies and associates	15.1	(57,625,000)	(32,260,000)
Intangible assets	5	(46,187)	(23,288)
Property, plant, and equipment	5	(6,756)	(234,948)
Investment properties	6	(19,095,922)	(146,918,743)
Other financial assets		(24,176,383)	(1,381,917)
Proceeds from sale of investments		**9,475,085**	**38,758,372**
Group companies and associates	15.1	2,007,709	1,849,018
Investment properties	6	6,727,638	1,004,100
Other financial assets		739,738	11,493,763
Assets held for sale	18	-	24,411,491
Cash flows from (used in) investing activities		**(91,475,163)**	**(142,060,524)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		**(97,725)**	**155,221,454**
Proceeds from issuance of equity instruments	12.1	-	155,273,283
Acquisition of own equity instruments	12.4	(208,414)	(143,836)
Disposal of own equity instruments	12.4	110,689	92,007
Proceeds from and payments of financial liabilities		**49,321,490**	**9,653,649**
Issues		53,633,834	16,237,435
Bank borrowings		53,300,500	16,237,435
Other borrowings		333,333	-
Repayment and redemption of		(4,312,344)	(6,583,786)
Bank borrowings		(5,131,381)	(5,079,616)
Other borrowings		819,037	(1,504,170)
Cash flows from financing activities		**49,223,765**	**164,875,103**
Net foreign exchange difference		(1,768)	(6,677)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(38,182,423)**	**22,416,978**
Cash and cash equivalents at beginning of period		67,669,302	45,252,324
Cash and cash equivalents at end of period	11	29,486,879	67,669,302

The accompanying notes 1 to 21 are an integral part of the cash flow statement for the year ended December 31, 2023.

Notes to the financial statements for the year ended December 31, 2023

1. GENERAL INFORMATION

The corporate purpose of MILLENIUM HOSPITALITY REAL ESTATE SOCIMI, S.A. ("the Company" or "MHRE") comprises the following activities:

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

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

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

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

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

These business activities are at present carried out in Spain.

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

In addition, the extraordinary general shareholder meeting held on September 30, 2021, amongst other matters, agreed upon modifying the corporate name of MILLENIUM HOTELS REAL ESTATE I SOCIMI, S.A. to the current version, with the resulting modification to article 1 of its bylaws duly filed at the Mercantile Registry on February 17, 2022.

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

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

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

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

1.1. SOCIMI regime (Spanish REIT)

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

At December 31, 2023, the Company is thus regulated by Law 11/2009 of October 26, modified by Law 16/2012 of December 27, and Law 11/2011 of July 9, regulating SOCIMIs ("the SOCIMI Law").

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

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

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

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

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

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

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

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

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

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

In addition, the SOCIMI Law establishes the following obligations:

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

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

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

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

The corporate income tax rate for SOCIMIs is fixed at 0%. However, when the dividends distributed by the SOCIMI to its shareholders with a stake greater than 5% are exempt or file taxes at a rate less than 10%, the SOCIMI will be subjected to a special rate of 19%, which will be considered the corporate tax rate, on the amount of the dividend distributed to said shareholders. Should it be applicable, this special tax must be settled by the SOCIMI within two months from the date on which the dividends were distributed. In addition, effective for the tax periods starting from January 1, 2022, in accordance with the modification introduced by the second final provision of Law 11/2021, of July 9, the Company shall be subject to a special tax rate of 15% on the amount of profits obtained during the year which are not used for distribution, provided that the revenue was not taxed at the general corporate income tax rate and the revenue is not subject to the regulated reinvestment period in letter b) of section 1 in article 6 of the SOCIMI Law. Said tax rate shall be considered as the corporate income tax rate.

At December 31, 2023, the Company fulfills all the requirements established in the SOCIMI Law (same situation as in 2022).

2. BASIS OF PRESENTATION

2.1. Regulatory financial reporting framework applicable to the Company

The Company's financial statements for the year ended December 31, 2023 were prepared in accordance with the regulatory framework for financial information as established in:

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

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

2.2. True and fair view

The financial statements have been prepared from the Company's auxiliary accounting records in accordance with prevailing accounting legislation to give a true and fair view of its equity, financial position and results, as well as changes in equity and cash flows corresponding to the year ended December 31, 2023.

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

2.3. Critical issues concerning the measurement and estimation of uncertainty

When preparing the Company's financial statements, the directors of MHRE made estimates to determine the carrying amounts of certain assets, liabilities, income, and expenses, as well as for the disclosure of contingent liabilities. These estimates were made on the basis of the best information available at the reporting date. However, given the uncertainty inherent in these estimates, future events could require them to be modified in subsequent reporting periods. Should this be necessary, any adjustments would be performed prospectively.

In addition to other relevant information regarding estimation of uncertainty at the closing date, 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 financial year, are as follows:

- Compliance with the SOCIMI tax regime (Notes 1.1 and 17.2)
- Impairment of investment properties (Notes 4.3 and 6)
- Estimating the useful lives of investment properties (Note 4.3)
- Impairment losses on investments in the equity of group companies, jointly controlled entities, and associates (Notes 4.5 and 7).

2.4. Comparative information

In accordance with mercantile legislation, for comparative purposes, for each of the headings presented in the balance sheet, the income statement, the statement of changes in equity, and the cash flow statement, in addition to the figures for 2023, those for 2022 are also included. The notes to the financial statements also include quantitative information for the previous year, unless an accounting standard specifically states that this is not required.

3. APPROPRIATION OF PROFIT

The directors proposed the following appropriation of profit for 2023, a proposal expected to be ratified by the shareholders in general meeting:

(Euros)	2023
Basis of appropriation	
Income statement (loss)	(16,909,539)
	(16,909,539)
Appropriation to:	
Prior year losses	(16,909,539)
	(16,909,539)

3.1. Distribution of results and management of capital

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

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

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

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

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

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

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

4. RECOGNITION AND MEASUREMENT POLICIES

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

4.1. Intangible assets

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

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

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

Software

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

Expenses for repairs which do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the income statement in the year incurred.

4.2. Property, plant, and equipment

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

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

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

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

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

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

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

4.3. Investment properties

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

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

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

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

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

Costs relating to major repairs of investment properties, irrespective of whether the items affected are replaced or not, are identified as a component of the cost of the asset at the date of recognizing the asset in equity, and depreciated over the time remaining until the next major repair.
Once available for use, investment properties are depreciated on a straight-line basis over their estimated useful lives, determined to be 33-50 years.

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

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

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

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

4.4. Leases

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

Company as lessee

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

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

Company as lessor

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

At December 31, 2023, the Company had leased most of the hotels included in "Investment properties" and "Assets held for sale," under operating lease contracts, though only the Eurostars Lucentum, Meliá Bilbao, Radisson Collection Bilbao, Nobu Sevilla, Iberostar Las Letras, JW Marriot Madrid, and Nobu San Sebastián hotels as well as the office building at calle Alcalá 26 (Madrid) generated income during the year, given that the remaining properties are either undergoing a development or reconversion process (Notes 6.1 and 16.1).

4.5. Financial assets

Classification and measurement

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

Financial assets at amortized cost

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

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

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

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

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

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

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

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

Nevertheless, trade receivables which mature within less than one year with no explicit contractual interest rate, as well as loans to personnel, dividends receivable, and called-up payments on equity instruments, the amount of which is expected in the short term, can be carried at nominal value when the effect of not discounting the cash flows is not significant.

Subsequently, the financial assets included in this category are measured at their amortized cost. Interest accrued is recognized in the income statement using the effective interest rate method.

However, receivables maturing within a year that in keeping with the description in the preceding paragraph are initially stated at nominal value will continue to be measured at nominal value unless they have become impaired.

Notes to the financial statements for the year ended December 31, 2023

When the contractual cash flows of a financial asset measured at amortized cost are modified due to financial difficulties of the issuer, the Company analyzes whether it is appropriate to account for an impairment loss.

In guarantees extended for operating leases, the difference between the fair value and the amount disbursed is considered as a prepayment for the lease and is taken to the income statement over the lease term. When assessing the fair value of guarantees, the minimum contractual term is considered as the remaining period.

Financial assets at cost

This category includes equity investments in companies over which the Company has control (group companies), joint control through a statutory or contractual arrangement with one or more partners (jointly controlled entities) or has significant influence (associates).

These financial assets are measured initially at cost. In the absence of evidence to the contrary, this corresponds to the transaction price, which is equivalent to the fair value of the consideration delivered plus directly attributable transaction costs.

When an investment is newly classified as a group company, jointly controlled entity, or associate, the cost is deemed to be the investment's recognized carrying amount immediately prior to the company being classified as such. Where applicable, previous value adjustments associated with this investment recognized directly in equity will remain there until the investment is either sold or impaired.

Initial measurement includes any preferential subscription rights or similar that have been acquired.

Subsequent to initial recognition, these financial assets are measured at cost, less any accumulated impairment losses.

When preferential subscription or similar rights are sold or separated for the purpose of exercising them, the cost of these rights decreases the carrying amount of the respective assets.

Financial assets at fair value through profit or loss

The Company classifies a financial asset under this category provided that none of the other categories are applicable.

At any rate, financial assets held for trading are included under this category. The Company considers that a financial asset is being held for trading when at least one of the following three circumstances apply:

a) It was issued or acquired for the purpose of selling in the short term;

b) At initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking; or

c) It is a derivative instrument, unless it constitutes a financial guarantee contract or is designated as a hedging instrument.

In addition to the above, at initial recognition the Company has the option to designate a financial asset irrevocably at fair value through profit or loss, which it would otherwise have included in another category (usually denominated as the "the fair value option"). This option can be chosen if any valuation inconsistencies or accounting asymmetries which would arise if the assets or liabilities were measured on a different basis are eliminated or significantly reduced.

Financial assets classified under this category are measured at fair value on initial recognition, which is normally assumed to be the transaction price (equivalent to the fair value of the consideration delivered) provided there is no evidence to the contrary. Directly attributable transactions costs are recognized in the income statement for the reporting period (that is, they are not capitalized).

Subsequent to initial recognition, the Company measures the financial assets under this category at fair value through profit or loss (finance cost).

Financial assets at fair value through equity

This category includes financial assets that meet the following requirements:

- the financial instrument is not held for trading and classification at amortized cost is not applicable; and

- the contractual terms of the financial asset give rise to cash flows on specified dates which are solely receipts of principal and interest on the outstanding principal.

In addition, the Company has the option to classify (irrevocably) investments in equity instruments under this category provided that they are not held for trading and must not be measured at cost (see the "at cost" category below).

The financial assets included under this category are initially measured at fair value, which, unless there is evidence to the contrary, is deemed the transaction price, which is equivalent to the fair value of the consideration paid plus any directly attributable transaction costs. In other words, these transaction costs are capitalized.

Subsequent recognition is at fair value without deducting any transaction costs which may be incurred upon disposal. Changes in fair value are recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously deferred in equity is taken to profit or loss.

Interest accrued is also recognized in the income statement, calculated using the effective interest method, together with any dividends accrued (finance income).

Derecognition of financial assets

The Company derecognizes a financial asset (or part of it) when the contractual rights to the cash flows from the asset have either expired or been transferred. The Company must have transferred substantially all risks and rewards inherent in ownership, which is assessed by comparing the Company's exposure before and after the transfer to the changes in value and in timing, net of the transferred asset. The risks and rewards inherent to ownership of a financial asset are deemed to have been substantially transferred when its exposure to such changes is no longer significant with respect to the total change in the present value of the future net cash flows associated with the financial asset (such as firm asset sales, assignments of trade receivables in factoring transactions in which the Company does not retain any credit or interest rate risk, sales of financial assets under repurchase agreements at fair value, and securitizations of financial assets in which the transferring entity does not retain subordinated financing or grant any type of guarantee or assume any other type of risk).

If the Company has not substantially transferred or retained the risks and rewards inherent to ownership of the financial asset, it is derecognized if control over the asset has not been retained. This is determined based on the transferee's unilateral ability to transfer the asset entirely to an unrelated third party without imposing conditions. If the Company retains control over the asset, it continues to recognize the asset at the amount of its exposure to changes in the value of the transferred asset; that is, to the extent of its continuing involvement in the financial asset, recognizing an associated liability as well.

When a financial asset is derecognized, the difference between the consideration received, net of attributable transaction costs, including any new asset obtained less any liability assumed, and the carrying amount of the financial asset, determines the gain or loss generated upon derecognition, and is included in the income statement for the year to which it relates.

The aforementioned criteria are also applied when transferring a group of financial assets or parts thereof.

The Company does not derecognize financial assets and recognizes a financial liability at an amount equal to the consideration received in the sale of financial assets in which it has substantially retained the risks and rewards incidental to ownership, such as discounted bills, factoring with recourse, disposals of financial assets under repurchase agreements at fixed prices or at the sale price plus interest, and securitizations of financial assets in which the seller retains subordinate financing or other types of guarantees which substantially absorb estimated losses.

Interest income and dividends received from financial assets

Interest and dividends from financial assets accrued subsequent to acquisition are recognized as income in the income statement. Interest is recognized using the effective interest rate method and dividends are recognized when the right to receive them is established.

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

In addition, when distributed dividends are derived unmistakably from profit generated prior to the date of acquisition, based on the conclusion that the amounts distributed exceed the profit generated by the investee since acquisition, the dividends are not recognized as income but rather decrease the carrying amount of the investment.

Impairment of financial assets

The carrying amount of financial assets is corrected in the income statement when there is objective evidence of an impairment loss.

To determine impairment losses on financial assets, the Company assesses the potential loss of individual as well as groups of assets with similar risk exposure.

In the case of financial assets measured at amortized cost, the impairment loss will correspond to the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, including any cash flows arising from execution of collateral and personal guarantees, discounted at the effective interest rate as calculated when the financial asset was initially recognized. For financial assets with variable interest rates, the effective interest rate at the annual balance sheet date is used as per the contractual terms. Impairment loss on groups of financial assets is computed using models based on statistical formula or valuation methods.

However, the present value of future cash flows can be substituted by the Company with the instrument's market value, provided that it is reliable enough to be considered representative of the recoverable amount.

The recognition of interest accrued on credit-impaired financial assets follows the general rules, without prejudice to the fact that the Company must simultaneously assess whether said amount is recoverable, recognizing the corresponding impairment loss if applicable.

In the case of assets recognized at fair value through equity, accumulated losses recognized in equity due to a decrease in fair value are recognized in the income statement provided that there is objective evidence of impairment.

In the case of equity investments in group companies, jointly controlled entities, and associates, impairment loss is measured as the difference between the carrying amount of the asset and the recoverable amount, which is the greater of the asset's fair value, less costs to sell, and the present value of future cash flows derived from the investment. Unless better evidence is available, impairment is estimated taking into account the investee's equity adjusted for any unrealized capital gains existing on the measurement date.

Impairment losses, as well as reversals thereof when the losses decrease as a result of events occurring after their recognition, are recognized in the income statement as an expense or income, respectively. The reversal of an impairment loss is limited to the carrying amount that would have been recognized on the reversal date had the original impairment not been recognized.

4.6. Financial liabilities

Classification and measurement

Financial liabilities at amortized cost

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

a) Trade payables: these correspond to those financial liabilities which arise from the purchase of goods and services in the course of the Company's business operations with deferred payment; and

b) Non-trade payables: these correspond to financial liabilities which, not corresponding to derivative instruments, do not have a commercial origin but arise from loan or credit transactions carried out by the Company.

Participative loans which have the characteristics of a common or ordinary loan are also included under this category without prejudice to the fact that the transaction is agreed upon at a zero interest rate or at a rate below that offered by the market.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received, adjusted by directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortized cost. Interest accrued is recognized in the income statement using the effective interest rate method.

Nevertheless, trade payables falling due within one year for which there is no contractual interest rate, as well as called-up payments on shares, payment of which is scheduled in the short term, are carried at their nominal value when the effect of not discounting the cash flows is not material.

In guarantees received for operating leases, the difference between the fair value and the amount disbursed is considered revenue received in advance for the lease and recognized in the income statement over the lease term. When assessing the fair value of guarantees, the minimum contractual term is considered as the remaining period.

Derecognition of financial liabilities

The Company derecognizes a financial liability, or a part of the financial liability, as soon as the related obligations are extinguished; that is, when they have been settled or canceled, or when they have expired. Own financial liabilities acquired may also be derecognized, even if the entity intends to resell them in the future.

When debt instruments are exchanged with a lender, the original financial liability is derecognized and the new financial liability is recognized to the extent that their contractual terms are substantially different. Financial liabilities whose contractual terms are substantially modified are treated in the same manner.

The difference between the carrying amount of a financial liability, or the part of that liability that has been derecognized, and the consideration paid, including any related expenses incurred or commissions paid, which also includes any asset transferred other than cash or liability assumed, is recognized in the income statement for the reporting period in which it arises.

When debt instruments are exchanged with contractual terms that are not substantially different, the original financial liability is not derecognized and any transaction costs or commissions paid are recognized as an adjustment to their carrying amount. From that date onwards, the new amortized cost of the financial liability is calculated using the effective interest rate, which is the rate that equates the carrying amount of the financial liability at the modification date to the cash flows payable under the new terms.

Accordingly, the contractual terms are considered to be substantially different when, amongst other factors, the present value of the cash flows from the new contract, including any commissions paid, net of any commissions received, differs by at least 10% of the present value of the cash flows yet to be paid on the original contract, when the effective interest rate of the original liability has been applied to both. Certain modifications in the determination of cash flows may not meet this quantitative criteria but may also result in a substantial modification to the liability, such as a change in the liability's remuneration from a fixed to a variable interest rate, the restatement of the liability in a different currency, a fixed interest rate loan that is converted into a participative loan, amongst other cases.

4.7. Fair value

Fair value corresponds to the price receivable from sale of an asset or the price that would be paid for transferring or canceling a liability in an arm's length transaction between market participants at the measurement date. Fair value is determined without applying any deduction for transaction costs which may be incurred as a result of the disposal or use by other means. The results of a forced or urgent transaction, or those arising as a consequence of a situation involving involuntary liquidation, can never be considered as fair value.

Fair value is estimated for a specific date and, given that the market conditions can vary over time, this value may be inadequate at another date. In addition, when estimating fair value, the company takes the conditions of the asset or liability into account which market participants would take into account when pricing the asset or liability at the measurement date.

In general, fair value is calculated by reference to a reliable market value. For those items with respect to which there is an active market, fair value is obtained via application of valuation models and techniques. Valuation models and techniques include the use of references to recent arm's length transactions between knowledgeable and willing parties, if available, as well as references to the fair value of other assets that are substantially the same, discounting methods for estimated future cash flows, and the models generally used to value options.

At any rate, the valuation techniques employed are consistent with accepted methodologies used in the market for setting prices, and that technique which has demonstrably obtained the most realistic estimates for prices is used, if possible. Likewise, the techniques take observable market data into account together with other factors which the participants would consider when setting a price, limiting the use of subjective considerations and unobservable or unverifiable data to the maximum extent possible.

The Company periodically evaluates the effectiveness of the valuation techniques used, employing observable prices in recent transactions with the same asset that is being valued as a reference, or using prices based on observable market data or indices which are available and applicable.

Thus, a hierarchy emerges with respect to the variables utilized in the determination of fair value and a fair value hierarchy is established which permits classification at three levels:

- Level 1: estimates which use unadjusted listed prices in active markets for identical assets and liabilities to which the Company has access at the measurement date.

- Level 2: estimates which use listed prices in active markets for similar instruments or other valuation methodologies in which all significant variables are based on directly or indirectly observable market data.
- Level 3: estimates in which a significant variable is not based on observable market data.

An estimate of fair value is classified at the same fair value hierarchy level as the lowest level variable which is significant in the result of the valuation. For these purposes, a significant variable is one that has a decisive influence on the result of the estimate. When assessing the importance of a specific variable for the estimate, the specific conditions of the asset or liability being valued are taken into account.

4.8. Cash and cash equivalents

This heading includes cash in hand, current accounts, short-term deposits, and purchases of assets under resale agreements that meet the following criteria:

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

4.9. Corporate income tax

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

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

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

As indicated in Note 1.1, the Company opted for application of the special tax regime for SOCIMIs from January 1, 2017. This decision was communicated to the tax authorities on July 26, 2017.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except for those which (i) arise from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit (tax loss), or (ii) are associated with investments in subsidiaries, associates, and jointly controlled entities where the Company can control the timing of the reversal of the temporary difference and it is probable that it will not reverse in the foreseeable future.

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

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

Recognized deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made when there are doubts as to their future recoverability. Similarly, unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow them to be recovered.

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

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

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

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

4.11. Income and expenses

In accordance with the accruals principle, income is recognized when control is transferred and expenses are recognized when they are incurred, regardless of when actual payment or collection occurs.

The Company recognizes revenue from a contract when control over the services contracted are transferred to the client and it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and costs incurred or to be incurred can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, less any trade discounts, rebates or similar items granted by the Company and interest on the nominal amount of credit extended. Applicable indirect taxes on transactions that are reimbursed by third parties are not included. Expenses are recognized when incurred, regardless of the payment date.

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

4.12. Transactions with related parties

Related party transactions are measured in keeping with the accounting standards described above, except for the following:

- Non-monetary contributions of a business to a group company are generally measured at the carrying amount of the assets and liabilities delivered as reflected in the consolidated financial statements at the date on which the transaction takes place.

- In mergers and spin-offs, acquired items are generally recognized at the amount at which they are stated in the consolidated financial statements once the transaction is completed. Any resulting differences are recognized in reserves.

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

4.13. Treasury shares

Treasury shares are recognized in equity as a decrease in "Capital and reserves" when acquired. No loss or gain is shown in the income statement on sale or cancellation. Income and expenses incurred in connection with transactions with treasury shares are recognized directly in equity as a decrease in reserves.

4.14. Provisions and contingencies

Liabilities for which the amount and settlement date are uncertain are recognized as provisions when the Company has a present obligation (legal, contractual, constructive or tacit) arising from past events, the settlement of which is expected to result in an outflow of resources, the amount of which can be measured reliably.

Provisions are measured at the present value of the best possible estimate of the amount needed to cancel the obligation or transfer it to a third party, recognizing any corresponding adjustments to the provisions as a finance cost as they accrue. Provisions expiring within one year are not discounted when the financial effect is not material. Provisions are reviewed at each balance sheet date and adjusted to reflect the best current estimate of the corresponding liability.

Compensation receivable from a third party when obligations corresponding to provisions are settled is recognized as an asset without reducing the provision, provided there is no doubt that this reimbursement will actually be received and that it does not exceed the amount of the liability recognized. If the risk has been legally or contractually externalized, and the Company is thereby not liable for the cost of settling the obligation, this reimbursement is deducted from the amount of the provision.

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company and those present obligations that arise from past events for which it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or for which the amount of the obligation cannot be measured with sufficient reliability. These liabilities are not recognized in the financial statements but are disclosed in the accompanying explanatory notes, unless the possibility of an outflow of resources is remote.

4.15. Remuneration plan for Board members and executives

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

These conditions mainly establish that the total returns generated for shareholders be greater than a specified percentage. These returns are measured as the total amount of dividends distributed plus the restated carrying amounts of assets, calculated as per the recommendations of the European Public Real Estate Association (EPRA Net Asset Value or "EPRA NAV"), excluding any capital increase carried out during each calculation period. Thus, this remuneration is focused on generating returns for the shareholders obtained via active management rather than portfolio volume.

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

4.16. Termination benefits

In accordance with prevailing labor legislation, the Company is required to pay indemnities to employees who are dismissed under certain circumstances. Reasonably quantifiable indemnity payments are recognized as an expense in the year in which the Company creates a valid expectation on the part of the affected third parties that the dismissals will occur.

4.17. Assets held for sale

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

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

Assets held for sale are accounted for at the lower of their carrying amount and fair value less costs to sell, except deferred tax assets, assets arising from employee benefits, and financial assets other than investments in group companies, jointly controlled entities and associates, which are measured according to specific standards. These assets are not amortized/depreciated and, where necessary, the corresponding impairment loss is recognized to ensure that the carrying amount does not exceed fair value less cost to sell.

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

4.18. Accounting hedges

From an accounting point of view, the Company divides financial derivatives into two large groups:

- Derivatives held for trading: these are recognized at fair value and any changes in fair value are recognized against the income statement (included under "Financial assets/liabilities at fair value through profit or loss").

- Hedging derivatives: these are likewise recognized at their fair value. However, special accounting standards are applied, known as hedge accounting. Depending on the accounting model used for hedges, either the balancing entry for changes in the value of the derivative can be adjusted or the accounting of the hedged item can be adjusted.

The objective of hedge accounting is to eliminate or reduce so-called accounting asymmetries. Such accounting asymmetries generally arise when the Company contracts derivatives (or sometimes another financial instrument) to hedge an item (or offset changes in fair value or cash flows), and this item is either not recognized at fair value through profit or loss (e.g. a loan at amortized cost or inventories at cost) or does not even appear on the balance sheet (e.g. a planned purchase of raw materials or a planned bond issue).

The asymmetry generates volatility in profit or loss during the lifetime of the hedge, with the Company economically covered with respect to one or more specific risks.

To avoid the volatility which results from this different criterion for recognizing the two transactions (hedging instrument and hedged item) in profit or loss, special hedge accounting rules have been established which are applied through hedge accounting models. These models involve the application of special accounting standards to break the accounting asymmetry.

In order to be able to apply these special hedge accounting standards, the Company meets the following three requirements:

- The components of the hedge (hedging instrument and hedged item) must comply with the stipulations established in accounting regulations, that is, they must be considered eligible.

- The initial documentation must be prepared together with the formal designation as a hedge.

- The requirements for effectiveness of the hedge must be met.

Fair value hedges

Fair value hedges cover the exposure to changes in the fair value of recognized assets and liabilities or firm commitments yet to be recognized, or a specific part thereof, attributable to a specific risk that may affect the income statement (for example, contracting a swap to hedge the risk of financing at fixed rates).

The applicable accounting standards are as follows:

- Changes in the value of the hedging instrument are recognized in the income statement.

- Changes in the value of the hedged item attributable to the hedged risk are recognized in the income statement from the inception of the hedge.

When the hedged item corresponds to an unrecognized firm commitment or a component thereof, the accumulated change in the fair value of the hedged item subsequent to its designation as a hedge is recognized as an asset or liability, and the related gain or loss is reflected in the income statement.

Changes in the carrying amounts of hedged items measured at amortized cost will result in an adjustment to the instrument's effective interest rate, either at the moment of the change or (at the latest) when hedge accounting is discontinued.

5. 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	Transfers	12/31/2023
Cost					
Software	23,288	46,187	-	-	69,475
	23,288	46,187	-	-	69,475
Accumulated amortization					
Software	(40)	(241)	-	-	(281)
	(40)	(241)	-	-	(281)
Net carrying amount	**23,248**				**69,194**

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

The additions during 2023 and 2022 mainly correspond to the costs of implementing a new ERP which was acquired from a third party and initiated during the second half of 2023.

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

(Euros)	12/31/2022	Additions/Allowances	Derecognitions	Transfers	12/31/2023
Cost					
Plant	237,347	-	-	-	237,347
Furniture	63,839	-	-	-	63,839
Data processing equipment	39,868	6,756	-	-	46,624
	341,054	6,756	-	-	347,810
Accumulated depreciation					
Plant	(97,177)	(42,468)	-	-	(139,645)
Furniture	(7,141)	(6,302)	-	-	(13,443)
Data processing equipment	(12,548)	(9,938)	-	-	(22,486)
	(116,866)	(58,708)	-	-	(175,574)
Net carrying amount	**224,188**				**172,236**

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

The additions during 2022 mainly correspond to the refurbishment work carried out at premises leased from a third party for purposes of expanding office space at the Company's headquarters (Note 16.3).

6. INVESTMENT PROPERTIES

At December 31, 2023, the Company recognized the following investment properties:

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

(*) Classified under "Assets held for sale" at December 31, 2023 (Note 18).

Notes to the financial statements for the year ended December 31, 2023

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

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

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

The breakdown and movements for investment properties at December 31, 2023 are as follows:

(Euros)	12/31/2022	Additions/Allowances	Derecognitions	Transfers (Note 18)	12/31/2023
Cost					
Land	249,886,858	420,172	(19,755)	(11,780,300)	238,506,975
Buildings	172,133,065	19,157,703	(7,883)	(10,686,140)	180,596,745
Advances	6,700,000	-	(6,700,000)	-	-
	428,719,923	19,577,875	(6,727,638)	(22,466,440)	419,103,720
Accumulated depreciation					
Buildings	(4,207,450)	(3,086,656)	-	1,791,279	(5,502,827)
	(4,207,450)	(3,086,656)	-	1,791,279	(5,502,827)
Impairment losses					
Land and buildings	(6,492,357)	(8,508,410)	2,261,334	-	(12,739,433)
	(6,492,357)	(8,508,410)	2,261,334	-	(12,739,433)
Net carrying amount	**418,020,116**			**(20,675,161)**	**400,861,460**

The additions during 2023 mainly correspond to costs capitalized in connection with the construction and refurbishment work for various hotels, amounting to a total of 19,578 thousand euros, of which 482 thousand euros correspond to finance costs. The most significant capex for the year corresponds to the main hotels that opened up during the year, such as the JW Marriot Madrid, Nobu San Sebastián and Nobu Sevilla hotels. In addition, during the second half of

2023 the Company collected the downpayment amounting to 6,700 thousand euros it had made for the acquisition of plots of land in Marbella which was not carried out in the end.

The movements in impairment losses during 2023 and 2022 correspond to the recognition of impairment loss allowances and/or reversals thereof relating to assets as a consequence of valuations carried out at year end by independent experts.

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

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

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

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

Additionally, on November 11, 2022, the Company acquired plots of land in the process of being classified for hotel use as per zoning regulations (66,592.55 m^2 and 23,842 m^2 which is buildable). Said land is located in the area known as El Palmar de Vejer in the municipality of Vejer de la Frontera, Cádiz, and was acquired with a view to developing a luxury eco-resort. The price paid for these plots totaled 12,000 thousand euros, while associated expenses amounted to 229 thousand euros.

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

In addition, the derecognitions during 2022 include less expenses incurred as compared to those foreseen for certain property purchases made in 2021, amounting to 4 thousand euros.

Measurement of investment properties

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

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

December 31, 2023	***Net exit yields***	***Discount rate***
Hotels being operated	4.75% - 7.50%	7.50% - 10.00%
Hotels in development	5.25% - 7.25%	8.50% - 13.50%

December 31, 2022	***Net exit yields***	***Discount rate***
Hotels being operated	4.00% - 6.50%	7.00% - 9.00%
Hotels in development	4.75% - 7.50%	8.00% - 13.00%

The change of a quarter percentage point in net exit yields has following impact on the valuations used by the Company for determining the recoverable amount corresponding to its operational hotels:

(Euros)	12/31/2023 Net carrying amount	Fair value	-0,25% in net exit *yields*	+0,25% in net exit *yields*
Hotels being operated	323,834,040	378,100,000	390,500,000	367,100,000

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

In contrast, a change of two and a half percentage points in the estimated construction costs for the hotels under development has the following impact on the valuations used by the Company for determining the recoverable amounts of said properties:

(Euros)	12/31/2023 Net carrying amount	Fair value	-2.5% in construction costs	+2.5% in construction costs
Hotels in development	77,027,420	80,040,000	81,430,000	78,660,000

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

Other information

At December 31, 2023, the investment properties and current assets held for sale (Note 18) were mortgaged with different financial entities in guarantee of loans for an amount totaling 153,388,934 euros (2022: 104,140,543 euros; Note 13.1).

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

The Company is leasing two premises on the ground floor of the building located at Carrera de San Jerónimo No. 9 in Madrid, where the Hotel JW Marriott is located, for estimated terms of 35 and 25 years. Said premises are partially used for the aforementioned hotel and partially for restaurant areas (Note 16.3).

6.1. Operating leases

The Company has leased the investment properties listed below to third parties via operating lease contracts:

- The Hotel Eurostars Lucentum, included under "Assets held for sale" (Note 18) was leased for an initial period finalizing in August 2020. On June 29, 2020, an addendum to the contract was subscribed, by virtue of which it was agreed upon, amongst other matters, to extend the term by 10 additional years, the first 5 years of which (that is, until the month of August 2025) are obligatory. Subsequently, on November 8, 2021, a new addendum was subscribed, having agreed upon the deferral of part of the installments corresponding to the period from October 2021 to June 2022 as well as a new payment schedule. In addition, an extension to the lease contract was included which will allow the lessee to extend the lease duration until August 2040, subject to fulfilling certain economic conditions. On March 13, 2024, the Company closed the sales agreement for the Lucentum hotel in Alicante as planned, for an amount of 29.9 million euros.

- 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. On November 10, 2023, a new lease contract was signed including an obligatory duration until December 31, 2028, subsequent to which the contract will be renewed automatically for three additional periods of five years each, with a maximum duration until December 31, 2043. Revenue from this contract is comprised of a fixed component which is referenced to annual CPI and a variable component referenced to the annual operating income obtained by the hotels. The contract initially establishes that work will begin during the first months of 2024 to upgrade the property over an estimated duration of four and a half months (Note 21).

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

  - Premises to be operated as a restaurant were leased until December 31, 2023 in accordance with the addendum signed on December 30, 2022. The revenue from this lease contract is fixed and referenced to annual CPI. This contract was not renewed at its termination date.
  - Four contracts ceding use of space on the rooftop terrace of the Hotel Melía Bilbao for the installation of telecommunications antennas, maturing in September 2036 in accordance with the contracts signed in July 2021. In all cases the revenue agreed upon is fixed and referenced to annual CPI.

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

- With respect to the Hotel Nobu Sevilla, MHRE signed a 20-year operating lease contract for this property on May 14, 2019, counting from the hotel delivery date once the refurbishment work finalized. However, on January 26, 2023 an agreement was reached with the lessee for early termination of this contract, with MHRE settling an amount of 87.6 thousand euros as an indemnity payment. Subsequently, on March 8, 2023 the Company signed a lease contract for this property with the Spanish Mercer hotel chain to operate said property under the Nobu brand. The lease was contracted for a period of 20 years counting 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 income from this hotel is composed of a fixed component scaled progressively and a variable component referenced to the operating results obtained by the hotel. The delivery and opening dates for this hotel were in March 2023.

  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 opening date), the first 5 years of which are obligatory for the sub-lessee. Revenue from this premise is made up 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 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.

- With respect to the future Hotel Nobu Madrid, on February 4, 2022 MHRE signed a 20-year operating lease agreement for this property, with the first 5 years of the contract established as obligatory for the lessee. The remaining term consists of three automatic renewals for successive periods of 5 years each, provided the lessee fulfills the objectives for certain economic metrics at the end of each 5-year period. Lease income from this hotel, to be accrued starting from the date on which the hotel opens, is composed of a fixed component and a variable component referenced to the operating results obtained by the hotel.

  In connection with the future Hotel Nobu Madrid located at calle Alcalá 26 in Madrid, MHRE was party to operating lease contracts with third parties for commercial office space, to which it was subrogated at the moment of acquiring the property. The terms of said leases finalize between April 2023 and June 2026, given that early termination of the lease was agreed upon with one of the tenants on July 26, 2022, effective from July 29, 2022. In addition, collection of an indemnity payment amounting to 210,174 euros was agreed upon as compensation for loss of profit. The revenue agreed upon in all said contracts is fixed and referenced to annual CPI. During December 2023, the offices relating to said asset were vacated given that the Company had agreed to early termination of the lease contract with an indemnity payment of 500 thousand euros, recognized under "Other gains or losses" in the income statement.

- The Hotel Iberostar Las Letras was leased for a period which finalizes in January 2025, including an automatic extension for a duration of 2 years, should neither of the parties object 6 months in advance. Lease income from this contract, in which MHRE was subrogated at the moment of acquiring said property on October 27, 2022, is fixed and referenced to annual CPI. During November 2023, the Company terminated the contract with the current tenant and on January 4, 2024 a contract was signed with a new tenant for the hotel. Once the former tenant leaves the hotel during 2024, the necessary adaptation work will begin as the hotel is to undergo a process of refurbishment, finishing, and conditioning for its subsequent operation as a 5-star hotel under the Nômade brand. The future Hotel Nômade Madrid will boast a 5-star category, 93 rooms, of which 16 correspond to the category of suites, as well as spacious common areas including different spaces and restaurant themes, a "Members club," a spa and wellness area, and a large and luxurious rooftop. The new lease contract was arranged for a duration of 20 years and is based on variable income with a guaranteed minimum, which will allow for a significant increase in the asset's profitability (Note 21). On December 1, 2023, the Company agreed to an indemnity payment for early termination with Iberostar, amounting to 100 thousand euros, as a consequence of said entity's exit.

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

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

The income from said operating lease contracts amounted to 15,311,698 euros for the year ended December 31, 2023 (2022: 7,718,185 euros; Note16.1). The expenses associated with these income-generating investment properties are broken down as follows:

(Euros)	12/31/2023	12/31/2022
Depreciation (Note 16.4)	3,086,656	1,643,820
Utilities	169,397	241,883
Taxes (other than income tax)	872,027	450,474
Other operating expenses	464,317	207,687
Impairment losses on accounts receivable (Note 8.2)	669,133	-
TOTAL	**5,261,530**	**2,543,864**

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

(Euros)	12/31/2023	12/31/2022
Within one year	11,821,182	10,213,148
Between one and five years	47,211,700	18,298,454
More than five years	338,734	372,750
TOTAL	**59,371,616**	**28,884,352**

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

The breakdown and movements for the different items under this heading in 2023 are shown below:

(Euros)	12/31/2022	Additions/Allowances	Derecognitions/Reversals	Transfers	12/31/2023
Non-current equity instruments					
Cost	71,640,954	-	-	-	71,640,954
Impairment loss allowances	(21,629,864)	(4,684,948)	-	-	(26,314,812)
Net carrying amount	**50,011,090**	**(4,684,948)**	**-**	**-**	**45,326,142**

On March 7, 2024, MHRE carried out a non-monetary contribution (without a capital increase) to the capital of the Group company MHRE San Roque, S.L.U., contributing part of the credit claim amounting to 10 million euros which the Company holds against its subsidiary (Note 15.1), so that this amount was added to the cost of the interests held by MHRE in said Group company subsequent to year end (Note 21).

During 2023, the Company allocated a provision in the amount of 7,434,278 euros to cover the negative equity of the subsidiary MHRE San Roque, S.L.U. at December 31, 2023 (Note 14.1).

In addition, impairment loss allowances were recognized at 2023 year end for the investments in MHRE San Roque, S.L.U. and Alcaidesa Holding, S.A.U., amounting to 2,643 thousand euros (2022: 10,271 thousand euros) and 2,042 thousand euros (2022: 2,093 thousand euros), respectively, as a result of taking into consideration the net equity of said investees.

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

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

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

The information relating to group companies and associates at December 31, 2023 is as follows:

Company	Registered address	Business activity
Varia Pza Magdalena, S.L.U.	Pº Castellana 102, Madrid	Acquisition and promotion of urban investment properties for leasing activities
Alcaidesa Holding, S.A.U.	Club de Golf Alcaidesa. Avenida Pablo Cerezo S/N, San Roque, Cádiz	Acquisition and promotion of urban investment properties for leasing activities
MHRE San Roque, S.L.U.	P. Castellana 102, Madrid	Acquisition and promotion of urban investment properties for leasing activities

(Euros)	Net carrying amount	% of direct ownership interest	Capital	Reserves and other	Profit (loss) for the year	Total equity	Operating profit (loss)	Dividends received during the year
2023								
Varia Plaza Magdalena, S.L.U.	21,664,092	100%	505,400	20,094,422	1,632,873	22,232,695	2,534,306	330,288
Alcaidesa Holding, S.A.U.	23,662,050	100%	13,639,455	11,997,603	(2,050,759)	23,586,299	(1,830,883)	-
MHRE San Roque, S.L.U.	-	100%	3,000	2,618,495	(10,080,215)	(7,458,720)	(10,073,606)	-
	45,326,142							

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

Company	Registered address	Business activity
Varia Pza Magdalena, S.L.U.	Pº Castellana 102, Madrid	Acquisition and promotion of urban investment properties for leasing activities
Alcaidesa Holding, S.A.U.	Club de Golf Alcaidesa. Avenida Pablo Cerezo S/N, San Roque, Cádiz	Acquisition and promotion of urban investment properties for leasing activities
MHRE San Roque, S.L.U.	P. Castellana 102, Madrid	Acquisition and promotion of urban investment properties for leasing activities

(Euros)	Net carrying amount	% of direct ownership interest	Capital	Reserves and other	Profit (loss) for the year	Total equity	Operating profit (loss)	Dividends received during the year
2022								
Varia Plaza Magdalena, S.L.U.	21,664,092	100%	505,400	20,057,723	366,987	20,930,110	1,281,503	48,977
Alcaidesa Holding, S.A.U.	25,703,559	100%	13,639,455	16,102,764	(4,105,161)	25,487,059	(3,777,181)	-
MHRE San Roque, S.L.U.	2,643,439	100%	3,000	12,896,329	(10,277,835)	2,621,494	(10,271,225)	-
	50,011,090							**48,977**

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

8. FINANCIAL ASSETS

The breakdown of financial assets, excluding equity investments in group companies, jointly-controlled entities, and associates (Note 7), by categories and class, is as follows:

	Equity instruments		Loans, derivatives, and other		Total	
(Euros)	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Non-current financial assets						
Assets at fair value through profit or loss						
Trading portfolio	-	-	232,964	492,400	232,964	492,400
Financial assets at fair value through equity						
Hedging derivatives	-	-	710,421	-	710,421	-
Financial assets at amortized cost	-	-	105,452,570	47,984,086	105,452,570	47,984,086
	-	-	106,395,955	48,476,486	106,395,955	48,476,486
Current financial assets						
Financial assets at fair value through profit and loss	22,364,390	-	-	-	-	-
Financial assets at amortized cost	-	-	3,488,944	3,754,100	25,853,333	3,754,100
	22,364,390	-	3,488,944	3,754,100	25,853,333	3,754,100
TOTAL	**22,364,390**	**-**	**109,884,899**	**52,230,586**	**132,249,288**	**52,230,586**

These amounts are included in the following balance sheet headings:

(Euros)	Equity instruments 12/31/2023	Equity instruments 12/31/2022	Loans, derivatives, and other 12/31/2023	Loans, derivatives, and other 12/31/2022	Total 12/31/2023	Total 12/31/2022
Non-current financial assets						
Loans to group companies (Note 15.1)	-	-	103,463,946	44,728,198	103,463,946	44,728,198
Financial investments (Note 8.2)	-	-	1,874,784	1,770,050	1,874,784	1,770,050
Trade receivables (Note 8.1)	-	-	1,057,225	1,978,238	1,057,225	1,978,238
	-	-	106,395,955	48,476,486	106,395,955	48,476,486
Current financial assets						
Trade receivables (Note 8.1)	-	-	3,196,772	3,609,793	3,196,772	3,609,793
Trade receivables, group companies and associates (Note 15.1)	-	-	5,701	-	5,701	-
Other receivables	-	-	2,003	761	2,003	761
Financial investments (Note 8.2)	22,364,390	-	284,468	143,546	22,648,857	143,546
	22,364,390	-	3,488,944	3,754,100	25,853,333	3,754,100
TOTAL	**22,364,390**	**-**	**109,884,899**	**52,230,586**	**132,249,288**	**52,230,586**

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

8.1. Trade receivables

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

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

(Euros)	12/31/2023	12/31/2022
Clients	1,321,685	603,946
Invoices pending issue	1,875,087	956,630
Trade bills	-	2,049,217
TOTAL	**3,196,772**	**3,609,793**

The balance for "Clients" includes part of the invoicing issued for variable income corresponding to the JW Marriot Madrid and Radisson Sevilla hotels, in addition to the invoices corresponding to the Lona restaurant at the Hotel Nobu Madrid.

The balance recognized for "Invoices pending issue" includes provisioned income from accrued rental payments yet to be invoiced. The increase in the balance at December 31, 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 balance recognized for "Trade bills" in 2022 included those items corresponding to promissory notes received from the lessee of the Hotel Eurostars Lucentum in guarantee of rental payment (Note 13.2), reclassified to "Assets held for sale" during 2023 (Note 18). In addition, the balance for "Clients" was recognized net of an impairment loss allowance.

Impairment loss allowances

The balance of "Trade receivables" is presented net of impairment losses. A balance of 669 thousand euros (2022: 0 euros) was recognized during the year for impairment loss allowances.

8.2. Current and non-current financial investments

The breakdown of these headings is as follows:

(Euros)	12/31/2023	12/31/2022
Non-current financial investments		
Derivative financial instruments	232,964	700,213
Hedging derivatives	710,421	-
Guarantees	931,399	1,069,837
TOTAL	**1,874,784**	**1,770,050**
Current financial investments		
Deposits	92,750	92,750
Guarantees	191,717	50,796
Loans to companies	-	-
Investment funds	22,364,390	-
TOTAL	**22,648,857**	**143,546**

Two structured deposits were included as derivative financial instruments at a nominal value of 500 thousand euros each, generating remuneration subject to the share price performance of three companies listed on the IBEX-35, one of which was incorporated during the first half of 2022 with an amount of 500 thousand euros. On October 6, 2023, the Company recovered one of the deposits at an amount of 500 thousand euros. At December 31, 2023, the fair value of the remaining deposit increased by 32,750 euros (2022: a decrease of 292,187 euros).

The hedging derivatives correspond to two interest rate hedges ("CAPs") which were contracted on March 24, 2023 and June 5, 2023 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 13.1). The premiums paid for these hedging contracts amounted to a total of 1,651,900 euros. Losses of 789,738 euros were recognized under equity as a consequence of their valuation at December 31, 2023, and losses of 151,741 euros were recognized in the income statement for 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 "Assets held for sale" (Note 18). In addition, during 2023 the Company received several guarantees that it had deposited with the corresponding municipalities for execution of work relating to the Nobu Sevilla and Nobu San Sebastián hotels, amounting to 83,528 euros and 108,306 euros, respectively.

The equity instruments correspond to investments made during 2023 in two investment funds, which the Company expects to recover in the short term given that they are intended as temporary investments of cash surpluses. At December 31, 2023, the valuation of both funds generated a profit of 364,390 euros, recognized in the Company's income statement under "Finance income."

The balance recognized for "Loans to companies" includes two loans granted to two tenants: one corresponding to the restaurant located in the JW Marriott hotel, amounting to a total of 200,000 euros, and the other one corresponding to the operator of the Hotel Nobu San Sebastián, amounting to 280,000 euros. Interest accrued during 2023 and interest pending collection at December 31, 2023 amounts to 5,638 euros and 2,071 euros, respectively (Note 16.5). Both loans were arranged at a fixed rate for a duration of one year. At December 31, 2023, these loans are fully impaired.

9. INVENTORIES – PREPAYMENTS TO SUPPLIERS

The balance of this heading at December 31, 2023 amounted to 983,786 euros (2022: 704,494 euros), corresponding to advance payments made to suppliers for services which will be rendered in future periods.

10. ACCRUALS

The balance included under assets at December 31, 2023 amounting to 128,484 euros (2022: 291,268 euros) corresponds to expenses invoiced in advance which will be settled in future periods.

The balance included under liabilities at December 31, 2023 amounting to 16,788 euros (2022: 16,103 euros) corresponds to income invoiced in advance which will accrue in future periods.

11. CASH AND CASH EQUIVALENTS

This heading records the current accounts held by the Company, bearing market interest rates. The corresponding balances at December 31, 2023 totaled 29,486,879 euros (December 31, 2022: 67,669,302 euros). Of said amount, a balance of 483 thousand euros (2022: 483 thousand euros) will be restricted until the corresponding amounts are justified by evidence of *capex* investments for which the Company obtained bank financing.

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

12. EQUITY

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

12.1. Share capital

At December 31, 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% at December 31, 2023 and 2022 is as follows:

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

Movements in capital during 2023

There were no movements in the capital of the Company.

Movements in capital during 2022

On May 27, 2022, the corresponding deed was granted relating to the second disbursement for the capital increase carried out by MHRE without any preferential subscription rights. It had been approved by the ordinary and extraordinary general shareholder meeting held on July 7, 2021, as filed at the Madrid Mercantile Registry on May 30, 2022. Execution of the second disbursement for said capital increase involved subscription of a total of 39,106,386 new shares at a nominal value of one euro each and a share premium of 3 euros each (Note 12.2), so that the effective total balance corresponding to said second disbursement amounted to 156,425,544 euros.

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

12.2. Share premium

The share premium can be freely distributed.

There were no movements in the share premium during 2023, which amounted to 341,887,362 euros at December 31, 2023.

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

12.3. Reserves and retained earnings

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

(Euros)	Balance at 12/31/2022	Appropriation of results	Capital increase expenses (Note 12.1)	Other changes (Note 12.4)	Balance at 12/31/2023
Legal reserve	3,040,560	-	-	-	3,040,560
Voluntary reserves	30,265,867	-	-	(12,048,166)	18,217,701
	33,306,427	-	-	(12,048,166)	21,258,261
Retained earnings	-	(12,012,157)	-	12,012,157	-
TOTAL	**33,306,427**	**(12,012,157)**	**-**	**(36,009)**	**21,258,261**

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

"Other changes" for 2023 includes the offsetting of prior year losses (losses of 12,012,157 euros), approved at the ordinary and extraordinary general shareholder meeting held on May 22, 2023, against a special voluntary reserve arising from the capital reduction approved by the ordinary general shareholder meeting held on May 10, 2019.

Legal reserve

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

Voluntary reserves

The balance of this reserve is freely distributable. However, these reserves include a balance of 26,616,787 euros (2022: 38,628,944 euros) which can only be used under the same conditions required for capital reductions. The ordinary and extraordinary general shareholder meeting for MHRE held on May 30, 2023 approved, amongst other matters, offsetting the losses from prior years in the amount of 12,012,157 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.

12.4. Company shares

During 2023 MHRE acquired 67,448 treasury shares (2022: 38,756 treasury shares) at an average price of 3.09 euros per share (2022: 3.71 euros) and sold 33,858 treasury shares (2022: 24,289 treasury shares) at an average price of 3.31 euros per share (2022: 3.83 euros per share). The difference between the cost price and the sales price for the shares, totaling a net amount of -36,008 euros (2022: -18,792 euros) was recognized under "Voluntary reserves" (Note 12.3).

At December 31, 2023, the Company held a treasury share portfolio comprised of 267,270 treasury shares, representing 0.2% of its share capital (2022: 233,680 treasury shares, representing 0.2% of its share capital at year end).

13. FINANCIAL LIABILITIES

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

	Bank borrowings (Note 13.1)		Derivatives and other		Total	
(Euros)	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Non-current financial liabilities						
Financial liabilities at amortized cost or at cost	137,486,648	97,798,296	861,690	860,132	138,348,338	98,658,428
	137,486,648	97,798,296	861,690	860,132	138,348,338	98,658,428
Current financial liabilities						
Financial liabilities at amortized cost or at cost	5,458,378	5,334,714	10,695,269	10,859,765	16,153,647	16,194,479
	5,458,378	5,334,714	10,695,269	10,859,765	16,153,647	16,194,479
TOTAL	**142,945,026**	**103,133,010**	**11,556,959**	**11,719,897**	**154,501,985**	**114,852,907**

These amounts are included in the following balance sheet headings:

(Euros)	Note	12/31/2023	12/31/2022
Non-current financial liabilities			
Bank borrowings	13.1	137,486,648	97,798,296
Other financial liabilities	13.2	861,690	860,132
		138,348,338	98,658,428
Current financial liabilities			
Bank borrowings	13.1	5,458,378	5,334,714
Other financial liabilities	13.2	1,378,670	2,049,217
Trade and other payables	13.3	9,316,599	8,810,548
		16,153,647	16,194,479
TOTAL		**154,501,985**	**114,852,907**

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

The breakdown of maturities for financial liabilities at December 31, 2023, without taking into account debt arrangement expenses, is as follows:

(Euros)	Current	Non-current						Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total non-current	
Bank borrowings	5,458,378	5,758,912	25,200,856	44,888,686	5,927,585	57,575,256	139,351,296	144,809,674
Other financial liabilities	1,378,670	28,334	46,357	440,333	-	346,668	861,689	2,240,359
Trade and other payables	9,316,599	-	-	-	-	-	-	9,316,599
TOTAL	**16,153,647**	**5,787,246**	**25,247,213**	**45,329,019**	**5,927,585**	**57,921,922**	**140,212,985**	**156,366,632**

The breakdown of maturities for financial liabilities at December 31, 2022, without taking into account debt arrangement expenses, is as follows:

(Euros)	Current	Non-current						Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total non-current	
Bank borrowings	5,334,714	5,697,415	6,128,960	24,888,205	38,695,607	23,598,975	99,009,162	104,343,876
Other financial liabilities	2,049,217	49,514	310,595	46,357	-	453,666	860,132	2,909,349
Trade and other payables	8,810,548	-	-	-	-	-	-	8,725,927
TOTAL	**16,194,479**	**5,746,929**	**6,439,555**	**24,934,562**	**38,695,607**	**24,052,641**	**99,869,294**	**115,979,152**

13.1. Bank borrowings

The breakdown of bank borrowings at December 31, 2023 is as follows:

Type of debt	Nominal interest rate	Year of maturity	Outstanding balance	Non-current	Current
Mortgage loans			**144,316,543**	**139,351,295**	**4,965,248**
Hotel Eurostars Lucentum (*)	2.25%	2030	9,072,391	8,131,724	940,667
Hotel Radisson Collection Bilbao (Tranche A)	2.38%	2026	10,920,000	10,488,000	432,000
Hotel Radisson Collection Bilbao (Tranche B - capex)	2.40%	2026	10,437,700	10,024,780	412,920
Hotel Carrera de San Jerónimo - Tranche A (2014)	2.95%	2030	11,649,077	9,926,319	1,722,758
Hotel Carrera de San Jerónimo - Tranche A (2016)	2.95%	2026	845,266	514,612	330,654
Hotel Carrera de San Jerónimo - Tranche B	2.95%	2027	10,500,000	10,355,625	144,375
Hotel Carrera de San Jerónimo - ICO loan guarantee	3.35%	2027	32,000,000	31,560,000	440,000
Hotel Meliá Bilbao - Loan 1	Euribor + 1%	2036	13,227,094	12,307,094	920,000
Hotel Meliá Bilbao - Loan 2	Euribor + 1%	2036	1,035,406	955,406	80,000
Hotel Meliá Bilbao - Loan 3	Euribor + 2%	2036	4,992,000	4,640,000	352,000
Hotel Nobu Sevilla	Euribor + 1.75%	2033	8,000,000	7,869,459	130,541
Hotel Gran Via Las Letras	Euribor + 2.00%	2033	28,000,000	28,000,000	-
Hotel Nobu San Sebastián	Euribor + 1.50%	2037	12,710,000	12,710,000	-
Unpaid accrued interest			**488,459**	**-**	**488,459**
Debt arrangement expenses			**(1,864,647)**	**(1,864,647)**	**-**
Other			**4,671**	**-**	**4,671**
TOTAL			**142,945,026**	**137,486,648**	**5,458,378**

(*) Classified under liabilities associated with assets held for sale (Note 18)

The following financing operations were carried out during 2023:

A balance of 5,669 thousand euros was drawn on the loan guaranteed by ICO and granted for financing the properties that made 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 had been drawn on Tranche A at December 31, 2023, 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. At December 31, 2023, the entire balance of 6,300 thousand euros corresponding to Tranche A had been drawn as well as the entire balance of 6,410 thousand euros corresponding to Tranches B and C, 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 and fully drawn down at December 31, 2023. 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.

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

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

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

During the year ended December 31, 2023, bank borrowings related to mortgage loans accrued interest in the amount of 5,183 thousand euros (2022: 2,497 thousand euros; Note 16.5).

The mortgage loans related to the Hotel Radisson Collection Bilbao, the Hotel Melía Bilbao, and the Hotel JW Marriott Madrid, 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 December 31, 2023, the Company was in compliance with the financial ratios applicable at that date.

13.2. Other financial liabilities

Non-current

At December 31, 2023, this heading includes guarantees received from the lessees of the MHRE properties amounting to 861,690 euros (2022: 860,132 euros). The maturities of said guarantees are the same as those for the corresponding lease agreements.

The guarantee associated with the Hotel Lucentum lease amounting to 282,261 euros was classified under "Liabilities associated with assets held for sale" (Note 18).

Current

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 Company 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 Company must return the proportionate part based on the elapsed term of the lease.

At 2022 year end, short-term guarantees included promissory notes received in the amount of 2,049,217 euros from the lessee of the Hotel Eurostars Lucentum in guarantee of rental payment, classified under "Liabilities associated with assets held for sale" during 2023 (Note 18).

13.3. Trade and other payables

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

(Euros)	12/31/2023	12/31/2022
Suppliers	6,313,637	3,772,709
Other payables	2,650,234	2,802,276
Employee benefits payable (remuneration pending payment)	349,503	2,232,338
Customer advances	3,225	3,225
TOTAL	**9,316,599**	**8,810,548**

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

Remuneration payable to employees at December 31, 2023 mainly includes provisions for bonuses amounting to 121,325 euros (2022: 2,069,120 euros) as well as other items amounting to 228,178 euros (2022: 162,906 euros) (Note 16.2).

14. PROVISIONS AND CONTINGENCIES

14.1. Provisions

The breakdown for provisions at December 31 is as follows:

(Euros)	Non-current	Current	Total
Provision for risks and expenses	7,434,278	-	7,434,278
Provision for legal risk	-	35,000	35,000
Provision for other liabilities (Note 6.1)		500,000	500,000
TOTAL	**7,434,278**	**535,000**	**7,969,278**

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

(Euros)	Balance at 12/31/2022	Amounts provisioned	Provisions applied and payments	Balance at 12/31/2023
Provision for risks and expenses	-	7,434,278	-	7,434,278
Provision for legal risk	35,000	-	-	35,000
Provision for other liabilities		500,000	-	500,000
TOTAL	**35,000**	**7,934,278**	**-**	**7,969,278**

(Euros)	Balance at 12/31/2021	Amounts provisioned	Provisions applied and payments	Balance at 12/31/2022
Provision for legal risk	-	35,000	-	35,000
TOTAL	**-**	**35,000**	**-**	**35,000**

During 2023, the Company allocated a provision in the amount of 7,434,278 euros to cover the negative equity of the subsidiary MHRE San Roque, S.L.U. at December 31, 2023 (Note 7).

On March 7, 2024, MHRE carried out a non-monetary contribution (without a capital increase) to the capital of the Group company MHRE San Roque, S.L.U., contributing part of the credit claim amounting to 10 million euros which the Company holds against the Group subsidiary (Notes 7 and 15.1), so that this amount was added to the cost of the interests held by MHRE in said Group company subsequent to year end (Note 21).

On December 29, 2023, the Company signed an early termination agreement relating to the lease contract with the tenant of the building located at Alcalá 26, which gave rise to an indemnity payment in the amount of 500 thousand euros (Note 6.1).

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

14.2. Contingencies

In 2021, the lessee of the Hotel Meliá Bilbao filed a lawsuit against MHRE in application of the jurisprudential doctrine of *rebus sic stantibus*, requesting the reduction of lease payments corresponding to the years 2021 to 2024 given the adverse consequences of the pandemic provoked by COVID-19. The claim was answered by MHRE with a request for it to be completely dismissed. The pre-trial hearing had been scheduled for November 21, 2021, but prior to the hearing the parties requested the suspension of the proceedings in order to negotiate an end to the dispute. On November 10, 2023, the Company and Meliá arranged a lease contract for the Hotel Meliá Bilbao. Subsequent to formalizing the contract, Meliá and the Company agreed upon requesting termination of the legal proceedings since they had reached an out-of-court settlement. On December 1, 2023, the Court handed down a ruling in which it terminated the legal proceedings.

15. TRANSACTIONS WITH RELATED PARTIES

The related parties with which the Company carried out transactions in 2023 and 2022, as well as the nature of the relationship, were as follows:

Related party	Nature of the relationship
2023	
Alcaidesa Holding, S.A.U.	Group company
MHRE San Roque, S.L.U.	Group company
Varia Pza Magdalena, S.L.U.	Group company
Grupomillenium Investment Partners, S.L.	Entity related to Board members
Tzar Rent a Car, S.L.	Entity related to Board members
Millenium Development, S.L.	Entity related to Board members
A&J Home Systems, S.L.	Entity related to Board members
Members of the Board of Directors of MHRE	Directors
Chairman and CEO of MHRE	Senior management
2022	
Alcaidesa Holding, S.A.U.	Group company
MHRE San Roque, S.L.U.	Group company
Millenium Hotels C220, S.L.U.	Group company
Varia Pza Magdalena, S.L.U.	Group company
Grupomillenium Investment Partners, S.L.	Entity related to Board members
Tzar Rent a Car, S.L.	Entity related to Board members
Millenium Development, S.L.	Entity related to Board members
A&J Home Systems, S.L.	Entity related to Board members
Members of the Board of Directors of MHRE	Directors
Chairman and CEO of MHRE	Senior management

Related party transactions relate to the Company's normal trade operations and are carried out on an arm's length basis, similar to transactions with unrelated parties.

15.1. Related parties

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

(Euros)	Group companies		Entities related to Board members		Total	
	2023	2022	2023	2022	2023	2022
Income from management services	24,000	25,000	-	-	24,000	25,000
Income from reimbursement of expenses	-	-	-	-	-	-
Leases (Note 16.3)	-	-	(119,844)	(104,883)	(119,844)	(104,883)
Professional services	-	-	(55,623)	(56,447)	(55,623)	(56,447)
Purchase of materials	-	-	(23,018)	(4,933)	(23,018)	(4,933)
Transportation	-	-	(17,050)	(14,650)	(17,050)	(14,650)
Dividend income (Note 7)	330,288	48,977	-	-	330,288	48,977
Interest income	3,118,457	1,433,428	-	-	3,118,457	1,433,428

The breakdown of balances with related parties is as follows:

(Euros)	Group companies		Entities related to Board members		Total	
	2023	2022	2023	2022	2023	2022
Trade receivables (Note 8)	5,701	-	-	-	5,701	-
Accounts payable	-	-	(9,447)	(6,205)	(9,447)	(6,205)
Non-current loans granted (Note 8)	103,463,946	44,728,198	-	-	103,463,946	44,728,198
Current loans granted (Note 8)	-	-	-	-	-	-

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

(Euros)	12/31/2023	12/31/2022
Non-current loans granted		
Alcaidesa Holding, S.A.U.	2,239,132	-
MHRE San Roque, S.L.U.	96,889,499	38,614,955
Varia Pza Magdalena, S.L.U.	4,335,315	6,113,243
	103,463,946	44,728,198
TOTAL	**103,463,946**	**44,728,198**

At December 31, 2023, the balance of the loans granted to Varia Pza Magdalena, S.L.U. corresponds to 4,321,108 euros of principal and 14,207 euros of interest (2022: 5,662,000 euros of principal and 451,243 euros of interest). These loans have a common duration of one year and bear interest at a 4% nominal annual rate, which must be settled at maturity. On December 31, 2022, an addendum to the loan contracts was signed in which June 30, 2025 was established as their maturity date.

During 2023, the Company granted the Group company Alcaidesa Holding, S.A.U. various loans amounting to a total balance of 2,175,000 euros corresponding to principal and 64,132 euros corresponding to interest. These loans have a duration of 24 months, mature in April 2025, and bear interest at a 6.5% nominal annual rate, which must be settled at maturity.

In addition, during 2022 the Group company Alcaidesa Holding, S.A.U. availed itself of a balance amounting to a total of 2,800,000 euros (2021: 8,265,000 euros) of the loan which the Company had granted the Group company Alcaidesa Golf, S.L.U. in December 2019 (said company was absorbed via merger by Alcaidesa Holding, S.A.U. in September 2020). The amounts utilized from this loan accrued interest at a 4% nominal annual rate, to be settled at maturity. An addendum to this loan contract was signed on December 31, 2021, increasing the maximum limit up to 10,000,000 euros and establishing December 31, 2023 as the maturity date. However, on December 31, 2022, MHRE decided to make a contribution to the capital of the Group company Alcaidesa Holding, S.A.U. without altering the share capital structure of said company and totaling 12,595,862 euros, classified as other owner contributions. Said amount corresponds to the balance of the loan at said date (11,999,956 euros of principal and 595,906 euros of interest; Note 7).

On December 31, 2022, MHRE decided to make a contribution to the capital of the Group company Alcaidesa Holding, S.A.U. without altering the share capital structure of said company and totaling 12,595,862 euros, classified as other owner contributions. Said amount corresponds to the balance of the loan at said date (11,999,956 euros of principal and 595,906 euros of interest; Note 7).

In addition, during 2023 the Company granted various loans to the Group company MHRE San Roque, S.L.U. for a total amount of 55,450,000 euros (2022: 29,460,000 euros). At December 31, 2023, the balance drawn down totaled 93,130,100 euros in principal together with 3,759,399 euros in interest. These loans have a common duration of one year (renewable for more years depending on each one) and accrue interest at a nominal annual rate of 4% for drawdowns carried out prior to March 31, 2023, and 6.5% for subsequent drawdowns, which must be settled at maturity. On March 6, 2024, an addendum was signed modifying the maturity date to March 6, 2027 for all the loans.

On March 7, 2024, MHRE carried out a non-monetary contribution (without a capital increase) to the capital of the Group company MHRE San Roque, S.L.U. by contributing part of said credit claim in an amount of 10 million euros.

15.2. Directors and senior management

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

On November 13, 2023, Mr. Isaiah Toback resigned as a member of the Board of Directors, with the Board having accepted his resignation. In the same act, Mr. Ricardo De Armas was designated as a new member of the Company's Board of Directors in the position of a proprietary director to cover the vacancy which had arisen.

Furthermore, on January 24, 2024 Mr. Javier Illán made his position available to the Board of

Directors of MHRE since he had lost the Board's trust, consequently renouncing his position as a member of the Board of Directors and resigning from all the committees which he formed a part of, as well as from his positions as Chairman and Chief Executive Officer of MHRE. The Board accepted his resignation and, in the same act, appointed Mr. Luis Basagoiti as Chairman of the Board of Directors and Chief Executive Officer of MHRE, replacing Mr. Javier Illán, while also modifying the composition of the Real Estate Executive Committee and the Appointments and Remuneration Committee (Note 21).

Consequently, at December 31, 2023, MHRE's Board of Directors was comprised of 9 persons, 6 of whom were men and 3 women (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 its senior executives is as follows:

(Euros)	**2023**	**2022**
Directors		
Salaries	300,000	288,000
Per diems	168,000	128,000
	468,000	**416,000**
Senior management		
Salaries	800,000	600,000
Bonus	-	1,200,000
	800,000	**1,800,000**
TOTAL	**1,268,000**	**2,216,000**

The Company had not contracted any commitments relating to pension plans for its directors or senior management at December 31, 2023 and 2022.

At December 31, 2023 and 2022, the Company had not granted any loans or advances to Board members or senior management, nor had it pledged any guarantees on their behalf.

In 2023, the Company paid 57,055 euros of civil liability insurance premiums on behalf of its directors to cover potential damages caused in the course of carrying out their duties (2022: 57,055 euros). Likewise, a life insurance premium was settled in favor of senior management, amounting to 11,723 euros (2022: 10,349 euros).

Conflict of interest transactions:

Acquisition of the El Palmar property

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

The financial statements for 2022 reported that, in accordance with article 229 of the Spanish Corporate Enterprises Act, the directors of MHRE had stated that they were not party to any conflicts of interest with respect to the Company's interests.

In enactment of the Internal Audit Plan for reviewing activity in 2022 and 2023 approved by the Audit and Risk Control Committee, the entity entrusted by MHRE to provide the internal audit service, PwC, reviewed the acquisition process for various assets, including acquisition of the El Palmar plot. This review determined that Grupo Millenium Investment Partners, S.L. ("GMIP"), an entity related to the Board member, Mr. Javier Illán, given his position therein as sole director, had acquired a mortgage loan on the El Palmar plot for an amount of 3,000 thousand euros, as ratified by a public deed granted on October 28, 2020, which was unpaid and in the process of being foreclosed.

This loan was canceled on the same date on which MHRE acquired the plot, November 11, with a prior protocol number and before the same notary who ratified acquisition of the El Palmar plot by MHRE, with GMIP receiving 10,000 thousand euros in payment for the loan principal and interest.

The review of the transaction also concluded that Mr. Javier Illán, Chairman and CEO of MHRE at said date:

- did not inform the Board of Directors that a company related to him, GMIP, was titleholder to the mortgage loan on the plot acquired by MHRE, and neither did he report the conflict of interest to which he was exposed. Consequently, the conflict of interest could not be disclosed in the notes to the financial statements as required by the stipulations contained in article 229 of the Spanish Corporate Enterprises Act.

- did not refrain from participating in the deliberation process leading to the final decision and execution of the purchase of the El Palmar plot by MHRE. On the contrary, Mr. Javier Illán led and actively participated in this process as well as in the negotiations carried out by the company that owned the plot, Chival Promociones Inmobiliarias, S.L. ("Chival"), the creditor company holding the mortgage loan, GMIP, and the purchasing company, MHRE, in which the price finally paid for the plot, the amounts to be used for repaying the loan held by GMIP, and the amounts to be received by Chival were agreed upon. In these negotiations Mr. Illán simultaneously represented the interests of GMIP, a related company in which he was sole director, and of MHRE, in which he was Chairman and CEO, without having sought or received instructions from MHRE in view of the conflict of interest with respect to the purchase transaction for El Palmar.

The valuation of the El Palmar plot carried out by independent experts at 2023 year end, in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain, resulted in a value of 5,000 thousand euros for the plot, which represents an impairment as compared to the valuation of 7 million euros at December 31, 2022.

Acquisition in 2019 of a property located at the calle Gran Vía de Don Diego López de Haro no. 4 in Bilbao

The financial statements for 2019 reported that on March 27, 2019 the Company had acquired a property located at the calle Gran Vía de Don Diego López de Haro no. 4 in Bilbao for an amount of 23,500,000 euros. The expenses associated with this acquisition amounted to 231,562 euros.

The financial statements for 2019 reported that, in accordance with article 229 of the Spanish Corporate Enterprises Act, the directors of MHRE had stated that they were not party to any conflicts of interest with respect to the Company's interests.

After the resignation of Mr. Javier Illán on January 24, 2024, the Board of Directors contracted KPMG Asesores, S.L. ("**KPMG**") to carry out a financial forensic investigation regarding the conduct of Mr. Illán when discharging his functions and duties in MHRE. The investigation concluded that the acquisition in 2019 of a building located at calle Gran Vía de Diego López de Haro no. 4 in Bilbao represented a conflict of interest transaction.

On July 20, 2018, GMIP, a related company for Mr. Javier Illán in which he was sole director, signed an earnest money contract for the property purchase prior to the division of the building into *Finca uno* for commercial use and *Finca dos* for hotel use.

On March 27, 2019, in two different purchase-sale deeds: GMIP, represented by Mr. Javier Illán, acquired *Finca uno* for an amount of 36,500,000 euros; and MHRE, also represented by Mr. Javier Illán, acquired *Finca dos* for an amount of 23,500,000 euros. On the same date, GMIP, represented by Mr. Javier Illán, sold *Finca uno* to a third party, Gran Vía 4, S.A.R.L., for an amount of 49,873,684 euros, thereby obtaining an economic profit of 13,373.684 euros in a single day.

Mr. Javier Illán, sole director of MHRE and GMIP at said date, never informed the shareholders of MHRE regarding the simultaneous acquisition and subsequent sale of *Finca uno* by GMIP, a related company, and did not abstain from participating in the decision-making process and execution of the acquisition of *Finca Dos* by MHRE.

At December 31, 2023, for the purposes of article 229 of Spain's Corporate Enterprises Act, the directors stated that they were not party to any conflicts with respect to the interests of MHRE.

16. INCOME AND EXPENSES

16.1. Lease income

The amount recognized under this heading corresponds entirely to the revenue received from leasing the hotels owned by the Company (Note 6.1). The breakdown by geographical markets is as follows:

(Euros)	2023	2022
Alicante	1,913,322	1,776,423
Bilbao	4,933,290	4,403,622
Madrid	7,697,183	1,538,140
San Sebastián	218,889	-
Seville	549,014	-
TOTAL	**15,311,698**	**7,718,185**

16.2. Employee benefits expense

The breakdown of this heading is the following:

(Euros)	2023	2022
Wages and salaries	3,133,036	2,387,246
Provision for bonuses and other remuneration items (Note 13.3)	349,503	2,232,026
Social security payable by the company	384,539	283,402
Other social security expenses	39	2,087
TOTAL	**3,867,117**	**4,904,761**

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

	Number of persons employed at year end			Average number of persons employed during the year	Average number of persons with disability >33% employed during the year
Categories	**Men**	**Women**	**Total**		
2023					
Chief Executive Officer	1	-	1	1	-
Remaining management team	3	1	4	3	-
Department directors	4	1	5	4	-
Other employees	7	17	24	19	-
TOTAL	**15**	**19**	**34**	**28**	**-**
2022					
Chief Executive Officer	1	-	1	1	-
Remaining management team	3	1	4	4	-
Department directors	3	1	4	4	-
Other employees	5	13	18	13	-
TOTAL	**12**	**15**	**27**	**22**	**-**

16.3. External services

The breakdown of this heading is as follows:

(Euros)	2023	2022
Leases and royalties	420,735	341,574
Repairs and maintenance	120,788	49,751
Independent professional services	2,364,106	1,288,615
Transportation	20,279	15,727
Insurance premiums	132,779	109,507
Banking and similar services	6,820	6,763
Publicity, advertising, and public relations	182,021	162,376
Supplies	169,961	251,640
Other services	161,027	156,953
TOTAL	**3,578,516**	**2,382,906**

The Company has leased its offices in Madrid from Grupomillenium Investment Partners, S.L. until March 23, 2023 (Note 5). However, on February 28, 2023 an addendum to the contract was signed in order to extend its duration until March 31, 2026. The expenses related to this contract amounted to 119,844 euros in 2023 (2022: 104,883 thousand euros; Note15.1).

In addition, the Company has been leasing premises from a third party since 2022 with a view to expanding office space at its headquarters (Note 5). This contract was arranged for a duration of 60 months, of which the first 30 months are obligatory. The expenses related to this contract amounted to 91,204 euros in 2023 (2022: 72,203 thousand euros).

The Company is leasing two premises on the ground floor of the building located at Carrera de San Jerónimo No. 9 in Madrid, where the Hotel JW Marriott was built, for estimated terms of 35 and 25 years. Said premises are partially used for the aforementioned hotel and partially for restaurant areas (Note 7). The expenses related to these contracts amounted to 208,100 euros in 2023 (2022: 162,480 thousand euros).

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

(Euros)	2023	2022
Within one year	403,696	395,014
Between one and five years	1,170,852	1,353,058
More than five years	3,788,231	3,941,000
TOTAL	**5,362,779**	**5,689,072**

16.4. Depreciation and amortization

The breakdown of this heading is as follows:

(Euros)	2023	2022
Amortization of intangible assets (Note 5)	241	40
Depreciation of PP&E (Note 5)	58,708	79,772
Depreciation of investment properties (Note 6)	3,086,656	1,643,820
TOTAL	**3,145,605**	**1,723,632**

16.5. Finance costs

The breakdown of this heading is as follows:

(Euros)	2023	2022
Interest on borrowings from credit entities (Note 13.1)	5,183,412	2,497,082
Other finance costs	390,304	312,416
TOTAL	**5,573,716**	**2,809,498**

17. TAXES

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

(Euros)	2023	2022
Tax credits		
Other receivables from public administrations		
VAT	713,703	4,194,811
Withholdings on corporate income tax	123,132	16,198
TOTAL	**836,835**	**4,211,009**
Tax liabilities		
Other payables to public administrations		
Withholdings	125,880	274,099
Social security payable	42,159	32,737
TOTAL	**168,039**	**306,836**

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

17.1. Corporate income tax

As stated in Note 1.1, the Company is subject to the special regime established in the SOCIMI Law. In accordance with said special tax regime for the SOCIMIs, the returns generated by their activities which fulfill the stipulated requirements are exempt from taxation. Thus, during 2023 and 2022 the Company did not accrue any expenses or income for corporate income tax.

The reconciliation between income tax expense (income) and the result of multiplying total recognized income and expenses by applicable tax rates is not presented given that the tax rate applicable to the Company in 2023 and 2022 is 0%.

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

	2023					
	Income statement			Income and expense recognized directly in equity		
(Euros)	Increases	Decrease	Total	Increases	Decrease	Total
Income and expense for the year	-	-	(16,909,539)	-	-	(789,738)
Income tax	-	-	-	-	-	-
Income and expense for the year before tax			**(16,909,539)**			**(789,738)**
Permanent differences	18,857,802	-	18,857,802	-	-	-
Temporary differences	-	-	-	-	-	-
Taxable income (Tax results)			**1,948,263**			**(789,738)**

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

The permanent differences mainly correspond to impairment losses recognized for the investment properties (Note 6) and the stakes held in the equity instruments of group companies (Note 7).

17.2. Disclosure requirements for SOCIMIs: Law 11/2009, modified by Law 16/2012, and Law 11/2021 ("the SOCIMI Law")

In accordance with the provisions of article 11 of the SOCIMI Law, information is provided below with respect to the Company or Group, as applicable:

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

There are no reserves arising from years prior to application of the special tax regime established in the SOCIMI Law.

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

Reserves arising from	Reserves (euros) Share premium	Legal reserve	Voluntary reserves	Total
Revenue subject to 0%, 15% or 19%	341,887,362	3,040,560	18,217,701	363,145,623
Revenue subject to general rate	-	-	-	-

The reserves disclosed mainly arise from the capital increase and capital reduction carried out during 2019 and the capital increases carried out from 2020 to 2022, years in which the Company was already included under the SOCIMI regime.

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

The Company has not distributed dividends with a charge against profits since it availed itself of the special tax regime established in the SOCIMI Law.

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

The Company has not distributed dividends with a charge against reserves since it availed itself of the special tax regime established in the SOCIMI Law.

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

The Company has not distributed dividends since it availed itself of the special tax regime established in the SOCIMI Law.

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

All properties accounted for under "Investment properties" in the balance sheet are held for purposes of leasing (Note 6). However, at December 31, 2023 the properties which generate income are the following:

Acquisition/ incorporation date	Classification of the asset	Identification	Address	Town	Current use
2/16/2018	Asset owned by the Company	Building - Hotel Eurostars Lucentum	Avenida Alfonso X El Sabio N.º 11	Alicante	Hotel business
11/7/2019	Asset owned by the Company	Building – Hotel Meliá Bilbao	Lehendakari Leizaola N.º 29	Bilbao	Hotel business
3/27/2019	Asset owned by the Company	Building – Hotel Radisson Collection Bilbao	Gran Vía Don Diego López de Haro N.º 4	Bilbao	Hotel business
4/26/2019	Asset owned by the Company	Building – Hotel Nobu Sevilla	Plaza de San Francisco Nº 11	Seville	Hotel business
10/31/2019	Asset owned by the Company	Building – Hotel JW Marriot Madrid	Sevilla Nº 2	Madrid	Hotel business
10/20/2020	Asset owned by the Company	Building – Hotel Nobu San Sebastián	Mirakontxa pasealekua 32,	Donostia	Hotel business
12/28/2021	Asset owned by the Company	Building – future Hotel Nobu Madrid	Alcalá N.º 26,	Madrid	Offices
10/27/2022	Asset owned by the Company	Building – Hotel Iberostar Las Letras	Gran Vía N.º 11	Madrid	Hotel business

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

Company	Acquisition/incorporation date	Year for which SOCIMI regime was applied
Varia Pza Magdalena, S.L.U.	September 6, 2018	2019
Alcaidesa Holding, S.A.U.	December 10, 2019	2020
MHRE San Roque, S.L.U.	December 19, 2019	2020

g) *Identification of the assets which are eligible for the 80% referred to in section 1 of article 3 of the SOCIMI Law.* (Note 6)

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

No reserves were utilized during the year ended December 31, 2023 apart from those used for offsetting losses.

18. ASSETS HELD FOR SALE

During the first half of 2023, Group Management granted a mandate to sell Hotel Lucentum to CBRE Real Estate, S.A. Consequently, the assets and liabilities associated with said hotel were classified as "Assets held for sale" and "Liabilities associated with assets held for sale," respectively, in the financial statements at December 31, 2023.

The breakdown of the main headings for assets and liabilities classified as held for sale at December 31, 2023 is as follows:

(Euros)	12/31/2023
Assets	
Investment properties (Note 6)	20,675,161
Financial investments (Note 8.2)	282,261
Non-current trade receivables	473,947
Trade receivables	2,754,380
Other current assets	3,461
Assets classified as held for sale	**24,189,211**
Liabilities	
Non-current borrowings (Note 13)	8,280,088
Bank borrowings	7,997,827
Other financial liabilities	282,261
Current borrowings (Note 13)	2,989,884
Bank borrowings	940,667
Other financial liabilities (Note 13.2)	2,049,217
Liabilities associated with assets held for sale	**11,269,973**

The Company received an offer from a potential buyer during the final months of 2023, which was formalized in a purchase-sale contract signed on March 13, 2024. The definitive sales price amounted to 29.9 million euros (Note 21).

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

19. RISK MANAGEMENT POLICIES

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

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

- Credit risk: the Company's credit risk mainly arises from the risk of non-payment of rental installments by the tenants of their properties. The Company manages said risk by careful selection of tenants and requesting security deposits or guarantees in the contracts to be signed. During 2023, the Company recognized impairment loss allowances for accounts receivable amounting to 669,133 euros (no allowances or reversals thereof for impairment losses on accounts receivable were recognized during 2022) (Note 8.1). In addition, at December 31, 2023 the Company recognized impairment losses amounting to 487 thousand euros corresponding to two loans granted to two lessees (Note 8.2).

- Liquidity risk: this is the risk that the Company will have a shortage of funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at all times. At December 31, 2023, the Company recognized positive working capital in the amount of 53 million euros (2022: 60 million euros), with cash in hand amounting to 29 million euros (2022: 68 million euros). In addition, the Company invested part of the cash surplus in short-term temporary investments amounting to 22 million euros. Thus, in light of its financial situation at December 31, 2023 the directors of the Company consider that it will be able to meet its payment obligations in the short term.

- Market risks: this represents one of the main risks to which the Company is exposed as a consequence of low property occupancy or downward renegotiation of the lease agreements when they expire. Materialization of this risk would decrease Company revenue and negatively affect the valuation of assets. Taking into account the location of the Company's properties and the duration of the lease agreements in force (Note 6.1), the directors consider this a moderate risk.

- Interest rate risk: at December 31, 2023 approximately 56% of the debt held by the Company with credit entities is subject to a fixed interest rate (2022: 80%). Though remaining bank borrowings are referenced to Euribor, 24% of total bank borrowings are covered by interest rate hedges ("CAPs") which were contracted to limit the exposure to a potential interest rate hike. Given the current policy of the European Central Bank to hike interest rates, the directors consider this risk as moderate.

20. OTHER INFORMATION

20.1. Audit fees

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

(Euros)	2023	2022
Audit services	55,200	53,300
Other review and accounting assurance work	29,200	28,654
Other non-audit services	4,790	4,560
TOTAL	**89,190**	**86,514**

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

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

(Days)	2023	2022
Average supplier payment period	11.0	14.7
Ratio of transactions paid	10.8	16.3
Ratio of transactions pending payment	19.2	2.2

(Euros)	2023	2022
Total payments made	24,880,338	50,408,345
Total pending payments	686,770	6,571,857
Monetary volume of invoices paid within the maximum period allowed for by late payment regulations	24,678,009	48,622,852
Percentage of payments made within the maximum period allowed for by late payment regulations over total payments made	99%	96%

(Number of invoices)	2023	2022
Invoices paid within the maximum period allowed for by late payment regulations	3,206	2,157
Percentage over total invoicing	99%	97%

20.3 OTHER INFORMATION

The Company suffered business email compromise during the year, amounting to 887 thousand euros and recognized under "Other gains or losses" in the income statement. The Company reported the incident to the competent authorities, who initiated the corresponding investigation, and will take whatever legal action deemed appropriate to recover the amount stolen. In this incident, which was of an isolated nature, no unauthorized third party accessed the Company's systems or any confidential data. The Company has hired the services of an independent third party who performed a forensic computer audit, which concluded, amongst other matters, that the analysis of available information sources shows that there are no indications that any of the MHRE accounts involved are compromised. At any rate, the Company's Board of Directors has agreed to implement additional protective measures against this type of attack, in accordance with the recommendations provided by the expert.

21. EVENTS AFTER THE REPORTING DATE

The following significant events took place from December 31, 2023 to the date of authorization of the accompanying financial statements:

- On January 4, 2024, an agreement was signed with Nômade People for the opening of the Hotel Nômade Madrid, in the building it owns located at calle Gran Vía 11, at present the site of the Iberostar Gran Vía Las Letras hotel. To this end, an early lease termination agreement was reached with the current tenant, effective from June 30, 2024, which is when the repositioning work is scheduled to begin.

  The future Hotel Nômade Madrid will boast a 5-star category, 93 rooms, of which 16 correspond to the category of suites, as well as spacious common areas including different spaces and restaurant themes, a "Members club," a spa and wellness area, and a large and luxurious rooftop.

  The new lease contract was arranged for a duration of 20 years and is based on variable income with a guaranteed minimum, which will allow for a significant increase in the asset's profitability.

- On January 24, 2024 Mr. Javier Illán made his position available to the Board of Directors of MHRE since he had the Board's trust, consequently renouncing his position as a member of the Board of Directors and resigning from all the committees which he formed a part of, as well as from his positions as Chairman and Chief Executive Officer of MHRE. The Board of Directors accepted his resignation and, in the same act, appointed Mr. Luis Basagoiti as Chairman of the Board of Directors and Chief Executive Officer of MHRE, replacing Mr. Javier Illán, while also modifying the composition of the Real Estate Executive Committee and the Appointments and Remuneration Committee (Note 15.2).

- On January 24, 2024, the Board of Directors entrusted KPMG Asesores, S.L. to carry out a financial forensic investigation for purposes of analyzing, clarifying and, if applicable, demonstrating possible irregularities that may have been committed by Mr. Javier Illán when discharging his functions and duties in MHRE.

- On February 6, 2024, an addendum was signed to the lease contract of November 10, 2023 which the Company arranged with Meliá Bilbao, stipulating that the hotel would be closed to the public in its entirety during the first months of 2024 in order to continue with the work that is to finalize at the end of the first half of 2024.

- On March 4, 2024, the Company signed a purchase-sale contract for 100% of the shareholding units of Global Kioto, S.L.U. for an amount of 1 euro.

- On March 4, 2024, the Company signed a purchase-sale contract for 100% of the shareholding units of Hotel Villa Miraconcha, S.L.U. for an amount of 1 euro. Said entity operates the Hotel Nobu San Sebastián.

- On March 7, 2024, a lease contract was signed with Belagua to operate the future Hotel Zorrilla under the Autograph Collection brand, which belongs to the Marriot International group, a prestigious hotel firm. The hotel is located in Madrid at calle Zorrilla 19, in the cultural and commercial epicenter of the capital. The hotel, which is expected to open during the fourth quarter of 2024, will boast 50 rooms, a restaurant, cafeteria, gym, meeting room, pool area, and spa area. The agreement reached is based on a variable income contract including minimum guaranteed income and a maximum duration of 25 years, of which the first 5 years are obligatory.

- On March 7, 2024, MHRE carried out a non-monetary contribution (without a capital increase) to the capital of the Group company MHRE San Roque, S.L.U. by contributing part of the credit claim held by the Company against its subsidiary in an amount of 10 million euros.

- On March 13, 2024, the Company closed the sales agreement for the Lucentum hotel in Alicante as planned, for an amount of 29.9 million euros. This sale forms part of the Company's strategy to manage a target portfolio comprised of 5-star hotel assets located in the main tourist cities of Spain and Portugal.

- On March 21, 2024, subsequent to the findings corroborated and identified by KPMG in its expert report dated March 20, 2024 as a result of the financial forensic investigation, a lawsuit was filed against Mr. Javier Illán, as well as other individuals and legal entities related to him, regarding the conduct revealed by the internal audit and subsequent investigations which may constitute criminal offenses.

Management Report for the year ended December 31, 2023

Situation of the market in which the Company performs its activity

Tourism activity saw significant growth during 2023, practically returning to pre-pandemic levels in spite of the war against Ukraine, stubborn inflation, and the threat of a possible recession. According to data published by the Spanish National Statistics Institute ("INE"), overnight stays in hotel establishments reached 347.1 million over the course of all 2023, representing an 8.4% increase as compared to 2022. 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, 2023 saw significant rate increases and relevant occupancy levels, which helped hotel operators offset increased operating costs resulting from inflation. According to INE data, the average daily room rate (ADR) in 5-star hotels amounted to 256 euros during 2023 (+10% compared to 2022), thus representing the category with the highest increase, and average revenue per available room (RevPar) amounted to 173 euros (+13% compared to 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, according to the Colliers Hotel Investment Report for 2023, the year concluded with 4,238 million euros in hotel investment, corresponding to existing hotels, properties to be reconverted for hotel use, and land to be used for hotel developments. The 3,000 million level was again surpassed for the third consecutive year and a new record was set, consolidating 2023 as the third best year in the historical record. A total of 205 assets were transacted during the year, as compared to 163 in 2022. Hotels have positioned themselves as the most sought-after assets in the domestic real estate market, accounting for 38% of total investment.

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.

It is worth highlighting that 14% of this figure corresponds to investments in Madrid, the city where 47% of the market value of the Group's real estate asset portfolio (GAV) is concentrated.

Said report also highlights that Spain was visited by more than 84 million international travelers in 2023, thereby establishing a new historic record. This milestone represents a notable increase as compared to the 71.7 million arrivals registered in 2022, as well as an increase of 1.6% as compared to the last year before the pandemic. The bulk of the investment was directed towards existing hotels, registering 171 transactions representing 21,748 rooms at a value of 3,977 million euros (+33% vs. 2,996 million euros in 2022), while property acquisitions for purposes of conversion to hotel use decreased slightly as compared to last year, amounting to 20 transactions at a value of 164 million euros (2022: 184 million euros). At an urban level, Madrid leads hotel investment in the urban segment, boasting 21 transactions worth 601 million euros, and concentrates 14% of the total volume invested in our country, a location where MHRE holds a large percentage of its assets. During 2023, and in spite of the macroeconomic environment and interest rate hikes, the average prices per room for the transacted hotels increased up to 182,900 euros per room, which represents an increase of 8,4% as compared to the previous record set in 2022. This increase is attributable to the sale of premium assets, such as the Mandarin Oriental of Barcelona or the Autograph Collection Palacio del Retiro in Madrid, which exceeded the level of 1 million euros per room, and others such as The Standard or W, both in Ibiza, which exceeded the threshold of 500,000 euros.

Management Report for the year ended December 31, 2023

The path taken by central banks which involved hiking interest rates for purposes of combating the inflationary crisis foreseeably came to its end in 2023. The market is currently considering the possibility of gradual reductions in rates; the pace of these possible decreases will depend on performance of the economy and the rate of inflation. If interest rates end up falling over the coming year, financing costs associated with variable rate loans will also be reduced.

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

Business performance and situation

In this context, the Company obtained a negative result of 16.9 million euros for 2023 (2022: negative 12.0 million euros), mainly penalized by impairment losses on investments in group companies, amounting to 12.4 million euros (2022: 12.5 million euros of net impairment losses), and impairment losses on investment properties, amounting to a net balance of 6.2 million euros (2022: a net gain of 4.7 million euros).

Hotel leasing activity showed clear signs of recovery, with Company revenue increasing by 98% over the same period in the previous year, mainly due to the opening of 3 hotels which were under construction during the prior year (March 27, 2023: JW Marriot Madrid; April 21, 2023: Nobu Sevilla; and August 10, 2023: Nobu San Sebastián), revenue obtained from the Iberostar Las Letras hotel, which opened its doors in the last quarter of 2022, as well as the CPI adjustment to revenue. It is important to note that seven of the eleven hotels in the Company's portfolio were operational in 2023, as the rest of the real estate assets are still in a transformation and repositioning phase, though the building where the future Hotel Nobu Madrid will be located also contributed revenue (relating to office space) in 2023.

With respect to the Company's investment activities, no acquisitions were carried out during 2023.

The investment made in assets for the performance of construction and refurbishment work at various hotels amounting to a total of 19,578 thousand euros (2022: 25,952 thousand euros), which includes 482 thousand euros of finance expenses (2022: 1,697 thousand euros), gave rise to a GAV amounting to 488 million euros at year end (2022: 466 million euros).
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 4, 2024, a lease contract was signed for the future Hotel NÔMADE Madrid and on March 7, 2024 a lease contract was signed with Belagua to operate the future Hotel Zorrilla under the Autograph Collection brand, which belongs to the Marriot International group.

The Company's main objective for coming months is to complete the work in progress in order to continue increasing the profitability of its asset portfolio; it plans to open the Hotel Zorrilla and the Hotel Meliá during 2024 after their refurbishment, as well as rotate properties in order to optimize profitability of its portfolio of 5-star hotel assets. This will allow the Company to consolidate its portfolio, consequently increasing income, which will in turn allow it to begin distributing dividends to shareholders.

Description of the main risks and uncertainties facing the Company

The risk factors which can affect the Company, as well as the policies implemented to mitigate them, are broken down as follows:

- Credit risk: the Company's credit risk mainly arises from the risk of non-payment of rental installments by the tenants of its properties. The Company manages said risk by careful selection of tenants and requesting security deposits or guarantees in the contracts to be signed. During 2023, the Company recognized impairment loss allowances for accounts receivable amounting to 669,133 euros (no allowances or reversals thereof for impairment losses on accounts receivable were recognized during 2022). In addition, at December 31, 2023, the Company recognized impairment losses amounting to 487 thousand euros corresponding to two loans granted to two lessees.

- Liquidity risk: this is the risk that the Company will have a shortage of funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at all times. At December 31, 2023, the Company recognized positive working capital in the amount of 53 million euros (2022: 60 million euros), with cash in hand amounting to 29 million euros (2022: 68 million euros). In addition, the Company invested part of the cash surplus in short-term temporary investments amounting to 22 million euros. Thus, in light of its financial situation at December 31, 2023 the directors of the Company consider that it will be able to meet its payment obligations in the short term.

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

- Interest rate risk: at December 31, 2023 approximately 56% of the debt held by the Company with credit entities is subject to a fixed interest rate (2022: 80%). Though remaining bank borrowings are referenced to Euribor, 24% of total bank borrowings are covered by interest rate hedges ("CAPs") which were contracted to limit the exposure to a potential interest rate hike. Given the current policy of the European Central Bank to hike interest rates, the directors 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 Company did not conduct any R&D activities during the year ended December 31, 2023.

Management Report for the year ended December 31, 2023

Treasury shares

MHRE acquired 67,448 treasury shares during 2023 (2022: 38,756 treasury shares) at an average price of 3.09 euros per share (2022: 3.71 euros) and sold 33,858 treasury shares (2022: 24,289 treasury shares) at an average price of 3.31 euros per share (2022: 3.83 euros per share). The difference between the cost price and the sales price for the shares, amounting to a net balance of -36,008 euros (2022: -18,792 euros) was recognized under "Voluntary reserves."

At December 31, 2023, the Company held a treasury share portfolio comprised of 267,270 treasury shares, representing 0.2% of its share capital (2022: 233,680 treasury shares, representing 0.2% of its share capital at year end).

Average supplier payment period

The average supplier payment period was 11 days for the year ended December 31, 2023 (2022: 14.7 days).

Use of financial instruments

The Company arranges cash-flow hedges for certain loans granted by credit entities at variable interest rates. During 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 789,738 euros were recognized under equity as a consequence of their valuation at December 31, 2023, and losses of 151,741 euros were recognized in the income statement for 2023, arising from accrual of the aforementioned premiums.

Two structured deposits were included as derivative financial instruments at a nominal value of 500 thousand euros each, generating remuneration subject to the share price performance of three companies listed on the IBEX-35, one of which was incorporated during the first half of 2022 with an amount of 500 thousand euros. On October 6, 2023, the Company recovered one of the deposits at an amount of 500 thousand euros. At December 31, 2023, the fair value of the remaining deposit increased by 32,750 euros (2022: a decrease of 292,187 euros).

Events after the reporting date

No events occurred subsequent to year end other than those described in Note 21 to the accompanying financial statements.

Authorization of the financial statements and management report for the year ended December 31, 2023.

At the meeting of the Board of Directors of MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. on March 22, 2024, its members authorized the financial statements and management report of MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. for the year ended December 31, 2023, consisting of the documents attached above, initialed by the Secretary of the Board of Directors for purposes of identification, with all members of the Board of Directors signing this last page.

Luis Basagoiti Robles
Chairman and Chief Executive Officer

Leticia Fusi Aizpurua
Board member

Eduardo D'Alessandro Cishek (in representation of **Ricardo de Armas**) (*)
Board member

Eduardo D'Alessandro Cishek
Board member

Jaime Montalvo Correa
Board member

José María Castellano Ríos
Board member

María Isabel Dutilh Carvajal
Board member

Javier Martínez-Piqueras Barceló
Board member

Pilar Muñoz Sanz
Board member

(*) The Board member Mr. Ricardo de Armas attended the Board meeting via telematic connection, expressly manifesting his authorization of the financial statements and management report for the year ended December 31, 2023, and expressly empowering Mr. Eduardo D'Alessandro Cishek to authorize them by signing in his name, as reflected in the minutes to the Board meeting.

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

16 April 2024

CONTENTS

1. BACKGROUND

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

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

2. INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

1. GENERAL PRINCIPLES

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

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

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

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

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

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

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

2. GOVERNANCE AND ORGANISATIONAL STRUCTURE

Annual General Meeting

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

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

Board of Directors

The Company's administrative body is the Board of Directors, whose main responsibility is the management, representation and administration of the Company's businesses in accordance with current legislation, the provisions of the Articles of Association and the approved Internal Rules of Conduct.

The Company's administrative body is regulated in Articles 30 to 38 of the Company's Articles of Association and the Regulations of the Board of Directors.

The Board comprised 10 members as at 31 December 2023, as follows:

- Mr. Fco. Javier Illán Plaza (CEO)
- Mr. Eduardo D'Alessandro Cishek (Director Representing Major Shareholders)
- Ms. Leticia Fusi Aizpurua (Director Representing Major Shareholders)
- Mr. Ricardo de Armas (Director Representing Major Shareholders)
- Mr. Jose María Castellano Rios (Director Representing Major Shareholders)
- Ms. Isabel Dutilh Carvajal (Independent Director)

- Mr. Jaime Montalvo Correa (Independent Director)
- Mr. Javier Martinez-Piqueras (Outside Director)
- Mr. Luis Basagoiti Robles (Independent Director)
- Ms. Pilar Muñoz Sanz (Independent Director)

After the close of the period, specifically on 24 January 2024, Mr. Luis Basagoiti was appointed Chairman of the Board of Directors and CEO, to replace Mr. Javier Illán, and Mr. Jaime Montalvo was appointed Coordinating Director, leaving the Board of Directors confirmed as follows:

- Mr. Luis Basagoiti Robles (CEO)
- Mr. Eduardo D'Alessandro Cishek (Director Representing Major Shareholders)
- Ms. Leticia Fusi Aizpurua (Director Representing Major Shareholders)
- Mr. Ricardo de Armas (Director Representing Major Shareholders)
- Mr. Jose María Castellano Rios (Director Representing Major Shareholders)
- Ms. Isabel Dutilh Carvajal (Independent Director)
- Mr. Jaime Montalvo Correa (Coordinating Director)
- Mr. Javier Martinez-Piqueras (Outside Director)
- Ms. Pilar Muñoz Sanz (Independent Director)

Additionally, Mr. Juan Gomez- Acebo Sainz de Heredia holds the position of Non-Board Member Secretary and Mr. Angel Vizcaino the position of Non-Board Member Deputy Secretary.

The Board of Directors has two committees:

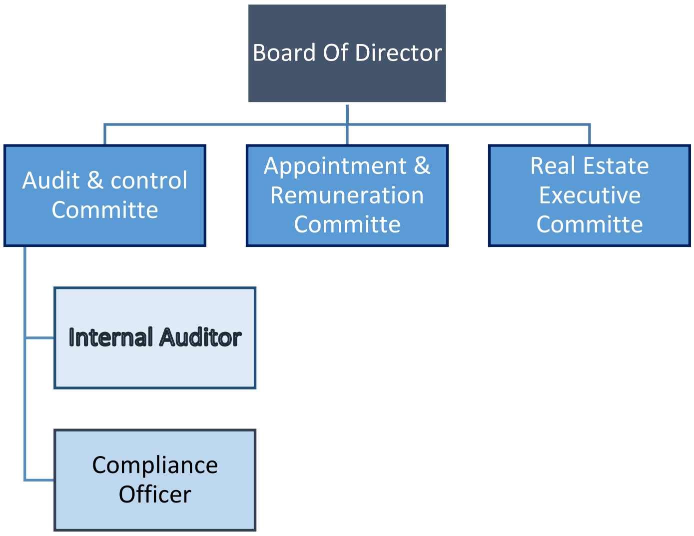
(i) The audit and risk control committee: made up of two non-executive directors representing major shareholders and three independent directors. Internal Audit and Compliance report to the Audit and Control Committee.

(ii) The appointments and remuneration committee: made up of two non-executive directors representing major shareholders and two independent directors.

Additionally, the Board of Directors has the Real Estate Executive Committee as an internal standing body with powers delegated from the Board of Directors and executive duties within its scope of action. This Committee is made up of:

- Mr. Luis Basagoiti
- Mr. Javier Martinez-Piqueras
- Ms. Leticia Fusi

On the other hand, the Board of Directors has an Investment and Strategy Committee as an advisory body on investment and strategy matters. This committee is an informative body constituted for the benefit of shareholders and is made up of the Company's Executive Directors and the Investment Director as permanent members, as well as shareholders representing at least 5% of the Company's share capital.



Organisational Structure

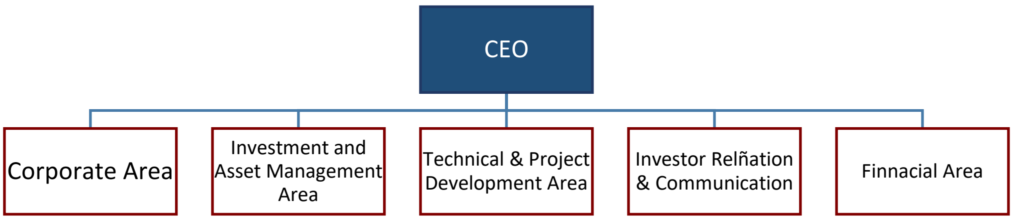
MHRE has a highly efficient and fully integrated organisational structure that enables it to effectively and efficiently acquire, build, renovate, lease, maintain and manage its property portfolio.

The human team that MHRE has is a multidisciplinary team that is highly qualified with extensive experience, which makes it one of the leading teams in the industry in Spain. The company's operational headquarters are centralised in Madrid.

The organisational structure is divided into 4 large areas, all under the direction of the CEO and the coordination of the Corporate Area. These areas are as follows (i) Investment and Operations Area, (ii) Operational Asset Management Area, (iii) Investor Relations Area and (iv) Economic-Financial Area.

External service companies provide additional support in the form of ancillary services such as: payroll, maintenance staff, IT support, legal etc.

The chart below reflects our current organisational structure:



i. **Investment and Asset Management - Operations**: These include two sub areas/departments: i) Investments and ii) Asset Management - Operations.

  a. Investments: is responsible for all the processes and phases of investment/disinvestment of the company; including: the identification of the opportunity, the financial and business/market feasibility analysis, the due diligence phase and the subsequent closing of the sale and purchase agreement. It is also responsible for the search and selection of the operator and the subsequent negotiation and closing of the lease contracts.
  b. Asset Management - Operations: responsible for monitoring the management of assets in operation, making proposals / action plans to improve results and ensure compliance with business plans and budgets, supervision for the proper maintenance of assets, evaluating and negotiating capex investment proposals for the improvement of assets, as well as ensuring compliance with the obligations of the lease contracts signed by the operators.

ii. **Technical and Project Development Area:** Study, development and execution of new developments, repositioning and restructuring projects, as well as the technical management of assets in operation.

iii. **Investor Relations Area:** Its objective is to build a solid and lasting relationship with the financial community (regulator, investors and analysts) through ongoing, open dialogue, so they can know and understand our business. To this end, we advocate a strategy based on maximum transparency, which takes the form of open communication channels to guarantee that our stakeholders have clear, truthful, complete, homogeneous and simultaneous information.

iv. **Economic-Financial Area**: This encompasses financial control duties, which mainly include: financial accounting, internal reports, liquid assets and budget control. Likewise, it aims to guarantee that the group has sufficient liquidity to finance both its operations and potential investment opportunities. In particular, it regularly monitors debt maturities, interest rate trends, refinancing and hedging opportunities, and potential opportunities for the overall improvement of the financial structure.

3. RISK ASSESSMENT AND IDENTIFICATION

MHRE's business, activities and results are influenced by both intrinsic factors, exclusive to the Company, and by external factors.

MHRE has carried out a process to identify and assess the risks that they consider may affect the Company to a greater extent and, in particular, its financial reporting.

The following risks should be highlighted as a result of this analysis:

(1) Risks relating to the Company's financing: level of indebtedness, possible difficulties in relation to obtaining financing in a timely manner, variation in interest rates or lack of liquidity for compliance with the Company's dividend distribution policy.

(2) Risks linked to the Company's management: recently established, dependence on key people and possible influence of the main shareholders.

(3) Risks relating to the Company's activity: concentration of activity in the hotel market, real estate investment, failure to obtain or delay in obtaining licences or permits, delays in development works or asset restructuring, damage to real estate assets, risks arising from employment commitments taken on in some of the Company's lease agreements and/or arising from the possible continuity of the hotel operation on termination of said lease agreements, legal and out-of-court claims and valuation of the asset portfolio.

(4) Risks associated with the real estate and hotel industry: economic or political situation, high degree of competition, regulatory changes and illiquidity of hotel assets.

(5) Tax risks: loss of the special tax regime, change in tax legislation and possible payment of a special levy.

(6) Risks relating to the Company's shares: lack of liquidity, price development and lack of interest from shareholders.

In addition, the Company considers the following aspects of greater risk for the reliability of financial reporting:

(1) Recognition of income due to the different possible existing contract types and their accounting characteristics: Lease agreements can be of a different nature, as well as containing specific clauses that need to be considered individually when recognising income from leases. The Company records income from leases using a straight-line method, generating an account receivable for the accrued amounts pending billing.

(2) Recognition and valuation of the Company's assets: The valuation of investment property is carried out based on an estimate of the future cash flows expected for said assets. Any valuation exercise entails a significant factor of uncertainty. In order to minimise this risk, the Company entrusts the valuation of the real estate it owns to recognised independent external experts every six months.

(3) Payments and treatment of expenses: Expenses are recognised on an accrual basis, that is, when the actual flow of goods and services that they represent occurs, regardless of when the monetary or financial flow arising from the same occurs. Depending on the nature of the expenses, they are recognised as a higher cost of the asset or on the profit and loss account.

(4) Non-payment and late payment management: One of the main operational risks that a real estate company faces is late payment. In this regard, the Company has established certain mechanisms with a view to minimising said risk, including: (i) the requirement of guarantees from lessees at the time of granting the lease agreement (legal deposits and guarantees); and (ii) the detailed and regular follow-up of unpaid invoices, including regular claims for the same.

(5) Fraud: Fraud is understood as the perpetration of intentional errors in financial reporting so that it does not reflect a true and fair view of the Company's assets and financial position. In this regard, it should be noted that in addition to the audit of the Company's consolidated and individual annual financial statements, the consolidated interim financial statements are prepared every six months, which are also reviewed by the auditor. Additionally, the Company is implementing a Crime Prevention Model and has a Reporting Channel in place.

5. INTERNAL CONTROL SYSTEM

The Company understands by control any activity carried out to mitigate the risks that may have a significant negative impact on its objectives or that may lead to fraud or errors in the financial information reported internally and to third parties.

The main internal control activities that are carried out are described below:

(1) Establishment of strategies and objectives:

The Company's strategy is clear and defined, and its objective is the acquisition of real estate assets in prime locations of the leading tourist cities in Spain and Portugal, the operation of which is aimed at hotel operators in the luxury segment (4* and 5*).

(2) Internal Rules of Conduct:

The Company's Management has defined Internal Rules of Conduct in matters relating to the stock market for all of the Company's employees in order to lay the foundations for an ethical environment in line with current regulations in each area, and to avoid illegal actions and procedures.

The Company is responsible for ensuring that all its staff, including board members and executives, are aware of the aforementioned parameters of the code of good conduct.

(3) Staff skills, education and appraisals:

The Company is aware of the importance of having a qualified working team, consequently, it has staff with the skills required to perform their duties adequately, with extensive experience in the industry in order to achieve optimal results in their duties.

In this regard, it should be noted that the profiles of the key people responsible for the control and supervision of financial reporting include the following characteristics:

- University and postgraduate education.
- Relevant experience in the industry from different fields (investment analysis, accounting and financial, legal and technical).
- Experience in finance.

(4) Real Estate Executive Committee: The Company has a Real Estate Executive Committee to analyse the different investment opportunities and sale of assets, and approve the operations that fit the Company's strategy. The non-delegable duties that it has include:

- The evaluation and approval of the Company's real estate investment or disinvestment presented by the Management Team. The investment proposals presented by the Management Team must include:
  - The expected amount of the acquisition, the associated costs (transaction, technical etc.), as well as the expected investment in Capex;
  - Detail of the conditions of the financial debt to be contracted on the properties to be acquired and its impact on the Company's financial leverage policy; and
  - Detailed financial projections of the project costs and income, as well as estimates of the rent and income to be generated by the corresponding operator.

- Approving the lease agreements and/or hotel management contracts with the Company's operators;
- Evaluating and approving proposals for recruiting new Management Team members; and
- Approving the Company's general Capex policy, the Company's general indebtedness policy, provided it does not contravene the Company's Management Policy or is not a non-delegable power held by the Board of Directors, the monthly monitoring of the financial statements and the Company's projections, as well as, on an annual basis, monitoring the Company's budget and projections.

This committee meets monthly and must report to the Board of Directors on the matters addressed and the decisions adopted.

(5) Planning and budget:

At the end of the financial year, an annual budget for the following financial year is drawn up, prepared by the Company's Finance Department and approved by the Board of Directors.

Additionally, with each investment opportunity, a detailed analysis (financial model) is carried out that provides all the elements in order to approve, if applicable, the presentation of an offer by the Company once it has been approved by the Real Estate Executive Committee.

(6) Income and accounts receivable recognition process:

The Finance Department is responsible for managing the rentals of all assets that are rented.

Together with the Investment and Operational Asset Management Areas, it is primarily responsible for managing contracts with tenants and ensuring compliance with the agreed conditions.

(7) Asset valuation and recognition process:

In relation to the recognition of acquired assets, it should be mentioned that the policies are defined by the Company’s Finance Department.

In relation to the valuation of investment property, as explained above, this is carried out based on an estimate of the future cash flows expected for said leased assets. In this regard, the Finance Department, under the supervision of the Company’s CEO, recognises impairments based on the fair value of the assets obtained from the valuation reports drawn up by recognised independent experts.

(8) Process for recognising debt at amortised cost and monitoring financial covenants

The calculation of the amortised cost of debt, the classification between short and long term based on the maturities, as well as the interest expense, is calculated internally by the Company's Finance Department. Likewise, the Finance Department monitors the financial covenants to which the financing contracts may be subject.

(9) Closing and reporting process

From an administrative/accounting point of view, the Company carries out its accounting and tax management functions internally through its Administration Department, which reports to Financial Management.

In order to offer its shareholders the greatest transparency and to monitor the Company’s results, which enables agile decision-making, consolidated abridged interim financial statements are prepared every six months in addition to the annual financial statements. Said interim financial statements are prepared by the Company’s Board of Directors, subject to limited reviews by the Company’s auditor, and communicated to shareholders and the market.

(10) Communication and reporting process

All the financial statements prepared by the Company are drawn up and reviewed by the Board of Directors, and are made available to shareholders for review and, where appropriate, approval (in the case of the annual financial statements) at the Annual General Meeting.

On the other hand, to ensure coordination in the flow of information, any presentation or communication to the media or the market must be coordinated by the CEO, who will review its content and authorise publication. The CEO may, in turn, use the team or legal advisers to prepare the documentation and communications, notwithstanding the fact that, as already indicated, final authorisation must come from the CEO.

In the particular case of press releases that are going to be circulated to the media, they must have the CEO's approval for publication.

(11) Monitoring activities

The objective of monitoring and supervision activities is to determine whether the different components of the internal control system are working correctly.

The Company's Board of Directors maintains a position of continuous supervision in the activities, carrying out a review of the Company's main KPIs at least quarterly, in order to have constant knowledge of the main events that are taking place in the Company to ensure that the financial information reflected in the financial statements is consistent and in keeping with the information reported regularly and the Company's results.

As respects the transfer of information, this is carried out in a fluid, regular and homogeneous manner thanks to the constant contact between the Management Team and the Board of Directors, which means that the information published, the website, corporate and financial presentations, the statements made and the other information given to the market is consistent and meets the standards required under the regulations issued by the regulator of BME Growth.

6. CRIMINAL RISK MANAGEMENT OR COMPLIANCE

The Company implemented a criminal risk management model in 2023, which establishes the basis of action for risk identification and management in order to prevent the perpetration of crimes that affect the organisation. It will be mandatory for all employees, executives, board members, and third parties that management deems appropriate in the provision of their services with the Company or any subsidiaries or companies directly or indirectly majority owned by the Company.

The Company's management model is based on three fundamental pillars:

- Prevention: the Company is establishing the mechanisms required to prevent or reduce the possibility of the perpetration of a crime or a breach of the code of ethics through controls that mitigate the risks, continuous risk analysis to detect possible threats and the training of employees and executives so they are aware of the controls that need to be applied and the company's regulations.

- Detection: through the means available to detect a crime or breach of the Code of Ethics, such as the reporting channel for stakeholders to communicate complaints, and the internal audit to verify the operation of the controls and management system established and detect possible breaches or inconsistencies.

- Response: in the event of a breach of the code of ethics or the perpetration of a crime, the Company is defining the means to remedy the negative effects of such breaches.

7. DOCUMENT MANAGEMENT SYSTEM

The purpose of the Document Management system is to manage the Company's documentation in a proactive and efficient manner, as well as to define the control of access to certain documentation in compliance with Data Protection legislation.

The Society has distinguished between: (i) Sensitive Documentation; and (ii) Documentation.

(1) Sensitive Documentation is that which is part of the Company and any loss, deterioration or damage to it would be an issue for the Company, and that which contains information that all Company employees should not necessarily know. This documentation includes: (i) all the title deeds of the Company and its investees (ii) the Company's articles of association, (iii) financing contracts, loan and/or credit policies, whether mortgage-backed or not, (iv) all the Company's other in rem rights, (v) any communications relating to the previous sections of the Company, and/or its Board Members or Executives, (vi) the annual financial statements of the Company and its investees, their tax returns and bank statements, (vii) the minutes of meetings of the Board of Directors, and (viii) documentation relating to workers -if any- and social security.

(2) Documentation, or other information, is understood to mean any document not included in the previous section.

Sensitive documentation will be scanned and digitalised in a digital file, and only the members of the Board of Directors will have access to it, if necessary, and some of the members of the management team.

The other documentation is filed in both digital format and in a physical file, accessed by all the Company's employees.

8. COMMUNICATION OF THIS REPORT

This Report on the Company's Organisational Structure and Control Systems for Compliance with Market Reporting Obligations is available for consultation on the Company's website: www.mhre.es

9. CONCLUSION

The Company, represented by its Board of Directors, has an organisational structure and internal control system in place that enable it to comply with the reporting obligations established by the market.