# 12 MONTH PRELIMINARY SALES AND RESULTS 2013

**27th of February 2014**

NH | HOTEL GROUP

NH HOTELS · NH COLLECTION · nhow · Hesperia RESORTS

INVESTOR RELATIONS
investor.relations@nh-hotels.com
T: +34 91 396 05 02

The restructuring of the group began during the second quarter of the year with the **entrance of HNA group (€234M) in the capital**, and continued in June with the **sale of the NH Grand Hotel Krasnapolsky (€142M).**

The refinancing of most of the group's debt came to a successful conclusion at the end of October with a **Club Deal (€200M)** and the **issuing in the capital markets of a convertible bond (€250M) and a fixed yield bond (€250M), for a total of €700M.** This new structure allows a more flexible debt maturities schedule to accommodate the investment needs of the repositioning initiative.

NH Hotel Group then presented its **Strategic Plan 2014-2018**, which focusses on the **repositioning of a large number of hotels**, a **new brand architecture**, the **segmentation and optimization of the portfolio** through the exiting of unprofitable assets. This will place the company in a better position to **continue growing in Europe and Latin America**.

**The trend for LFL RevPar over the year has been positive (+0.5%) despite the weakness of the first semester**: during Q1 and Q2 there were reductions of -1.5% and -0.3% respectively, while in Q3 we saw the start of the recovery (+1.8%) and in Q4 there was growth of +2.7% driven by an improvement in the composition due to displaying virtually no drop in average prices with all growth through occupancy. In the second semester all business units show positive evolution, with the exception of Spain with a bad performance in the month of October, reversed in the months of December and January with positive evolution both in prices and occupancy.

Recurring LFL income from the hotel activity for the year is almost identical to that in the previous year (-0.3%), and **the company has also managed to maintain the same cost base (0.2%)**, which led to a slight fall in the GOP (-1.3%) and **an increase in EBITDA (+7.5%) due to the renegotiation of lease contracts (-4.8%)** in line with the target of the year.

**In the last quarter**, LFL income grew by +2.8% while operating costs (-4.3%) and rent (-6.0%) fell significantly, showing a **significant increase in EBITDA** with respect to the same period in the previous year.

The recurring EBITDA stood at +€121.6 million, (+€3.4M /+2.9% compared to 2012), leading to an absorption ratio for the fall in sales of +112%.

The Group's **consolidated net results**, thanks to the net capital gains generated by non-recurring activities and the fact that no impairment provision was recognized this year, **increased by +86.4%**, from a loss of -€292,1M in the previous year to a loss of -€39.8M in 2013.

**Other Highlights**

- Despite the **increase in occupancy during the year (+3.47%)**, **consolidated revenues decreased in €29M (-2.2%)** as a result of certain hotels being **excluded from the scope of consolidation** (these represent €28M partly offset by the hotels that were renovated in 2012 and recently opened), the **slowdown in sales in the MICE and restaurant business of €10M** (-3.12%), the fall in **average prices (-2.32%)** and the change in the accounting standards applied to the income from the Real Estate activity.
- All the **initiatives to contain operating costs** resulted in these falling by -1.8% over the year with higher levels of activity (increase in occupancy of +3.47%) in addition to the inflation absorption effect.
- The company **continued to reduce rental expenses** in 2013, more than offsetting increases resulting from negotiations in previous years and CPI adjustments.

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**Outlook 2014 and Status of the Strategic Plan**

- **2014**: excluding the effects of hotel exits, a RevPar growth from +3% to +5% is forecasted for the year, with a greater contribution from the second half due to the launch of a number of income initiatives set out in the Strategic Plan. The group expects improvements from +5% to +10% in recurring EBITDA compared to last year. There has been a weak performance in the month of January in Benelux and Central Europe that is reversed in the month of February. In the other business units, both months have been positive and the outlook of March is favorable.
- **Repositioning Plan**: the impact of the refurbishments of the repositioning plan during the year (about €90 million investment), will allow throughout the year greater growth in prices that in occupancy and reversing the trend of 2013. Currently there are 26 projects under execution although most of the refurbishments will concentrate in the summer months, taking advantage of the seasonality of the urban hotel business. Furthermore, in early April basic elements of differentiation (TV, mattress, hair dryer, kettle...) will be available in all Collection hotels and in the main cities.
- **Brand**: The new loyalty program has been launched with the aim of increasing direct sales and the new marketing campaign will begin in April. The higher expense in Marketing will be offset by savings in commissions of intermediated sales. The new commercial website will have its launch in late July.
- **Pricing & Revenue Management**: room types and pricing strategy with competitors and among the NH hotels are redefined (pilot phase in 10 hotels).
- **IT:** Spain has completed the migration of back office systems to SAP. Over the coming months we will continue with the rest of business units. The migration of the front office will start in the month of July.
- **Support functions**: In Spain the adjustment process of the administrative staff has been concluded with the implementation of a shared service center.
- **Disposals and Asset Optimization**: Even the refinancing was achieved, the company maintains the objective of selling assets during 2014 amounting to €125 million to fully finance the repositioning plan. There are several processes opened at different stages of progress. On the other hand the group continues with the cancellation and renegotiation of leases with the target of reducing absolute amounts in the year, mainly affecting the Spanish business unit.

**RevPar Trend and Recurrent Hotel Activity**

- LFL RevPar for the group experienced a trend reversal in the third quarter of the year and this new trend strengthened during the fourth quarter (Q4: +2.72 and Q3: +1.77%), compared to the first half of the year in which it fell (Q1: -1.48 and Q2: -0.34%).
- In the year the LFL RevPar was slightly higher than that of the previous year (+0.51%), offsetting the entire fall in prices (-2.34%) with an increase in occupancy (+2.92%). Two different behaviors were identified with regard to RevPar evolution: on the one hand, Central Europe and Italy Business Units performed positively during the four quarters (+3.58% and +2.08% respectively over the 12 months); and on the other hand, the Business Units of Spain, Benelux and Latin America performed negatively over the year as a whole, although in the third and fourth quarters there was a positive trend for the performance of Benelux and Latin America.
- The composition of the Group's RevPar growth in the third and fourth quarters shows a change in the mix, displaying virtually no drop in average prices with all growth through occupancy.

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**B.U. Spain**

- The fourth quarter has been worse than the previous quarter but better than the first two quarters of the year (Q1 -4.71%, Q2 -3.53%, Q3 +0.43% and Q4 -1.34%) as a result of having managed to increase the occupancy levels (+1.28%) but with price reductions (-2.59%). It should be noted that the trend is positive in December and January both in prices and occupancy. The impact of the different adjustments measures is reflected in the quarter allowing a decreases in operating costs (-8.6%) which together with the increase in revenues (+1.8%), led to an increase in GOP of +33.1% and EBITDA of 366.2% compared to the last quarter of previous year.
- Twelve-month LFL cumulative RevPar fell (-2.35%) as a result of the combination of slight increases in occupancy levels (+0.58%) but reductions in average prices (-2.91%). Barcelona continues to perform better than the rest of Spanish cities. The Business Unit shows the greatest fall in revenues (-3.0%) over the year, due mainly to the fall in average prices (-2.91%) and the reduction in restaurant income. Despite the reduction in operating costs (-3.5%), due to the reduction in both personnel expenses (-1.5%) and other operating costs (-6.0%), the fall in revenues meant that the business unit did not achieve growth in terms of GOP. However, there was growth in EBITDA (+€11.1 million) due to the significant reduction in lease payments (-14.4%).
- We expect the first quarter of 2014 to perform positively confirming the trend observed in the months of December and January with a good evolution in both prices and occupancy.

**B.U. Italy**

- In the last quarter the performance has been positive and better than in the previous quarters (Q1 +0.69%, Q2 +2.67%, Q3 +1.16% and Q4 +3.80%) as a result of growth in both the levels of occupancy (+2.01%), and prices (+1.75%). Worth mentioning is the excellent performance of the city of Milan, with a strong calendar of events and with growth of RevPar of +12.6% through an increase in the average price (+7.7%) and occupancy (+4.5%). In the quarter revenue grew by 3.1% (a higher figure than in the previous two quarters: Q2: +0.5% and Q3:+1.3%) together with the reduction in operating costs (-3.5%) and lease payments (-11.9%) allowed for an increase of almost €4 million in EBITDA (+250.1%).
- The twelve-month LFL RevPar figure increased compared to the previous year (+2.08%) due to a strong increase in occupancy (+3.16%) but reduced average prices (-1.05%). In the year it reaches a slightly higher income (+0.7%) and GOP increases (+9.6%) after a successful reduction in operating costs (-2.7%, with a reduction in staff costs -6.3%). This is despite having significant growth in occupancy (+3.2%). With the reduction obtained in lease payments (-8.2%) due to the renegotiation of agreements, an improvement in EBITDA of +62.5% (+€8.5 million) was achieved, taking advantage of the refurbishments of previous years.
- The positive performance achieved throughout the year is expected to continue in the first quarter.

**B.U. Benelux**

- In the fourth quarter the results have been slightly better than those seen in the previous year, as a result of having managed to increase occupancy levels (+3.25%) but with a reduction in average prices (-2.57%). Amsterdam and conference centers hotels have performed better than the rest, with increases in occupancy of over 5%. In the quarter revenue grew (+1.7%) less than in the third quarter (+4.2%), but it performed better in terms of operating costs (-2.3% in Q4 and +3.9% in Q3), allowing growth at GOP (+9.9%) and EBITDA (+10.7%) levels.
- In the year it shows a slight reduction in LFL RevPar (-0.89%), with higher occupancy rates than the previous year (+1.66%), but with a fall in average prices (-2.51%). Revenues over the year were slightly

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lower (-0.4%) due to the poor performance in the first half of the year. Operating costs increased by +1.7%, as a result of having maintained personnel expenses stable but with higher occupancy rates (+1.66%) and an increase in other operating costs (+3.5%), largely associated with systems and marketing, leading to a worsening of the results.

- RevPar growth is expected in the first quarter of 2014, since the change in trend was observed in the second half of 2013. Improving prices in Amsterdam and Brussels remains a priority.

**B.U. Central Europe**

- In the fourth quarter this business unit has performed very strongly and achieved the highest growth within the Group (+6.41%) due to growth both in occupancy (+3.23%) and average prices (+3.08%). All together with the reduction in operating expenses (-2.0%), generate in the quarter €5 million more EBITDA than in the previous year.
- This region also achieved the Group's best growth figures over the entire year with an increase in LFL RevPar of +3.58%, mainly due to the strong growth in occupancy rates (+4.65%), although there was a decrease in prices of -1.03%. The increase in revenues in 2013 is +1.1%. Isolating the effect of the DRUPA trade fair held in Düsseldorf (takes pace every four years and was held last year), the decrease in average prices for this business unit would have only been -0.73%. In general, all the German cities recorded high occupancy levels, most notably with an increase of +8.30% in Munich. Operating costs increased by +3.8% as a result of the higher level of activity (+4.65% reaching an occupancy level of 71.3%), the increase in energy costs due to the new law of the renewable energy, system costs and the new group booking office in Berlin operating since October 2012. As a result of costs increasing faster than income, there was a reduction in both GOP and EBITDA (-3.8% and -18.0% respectively).
- The forecast for the first quarter continues to be positive.

**B.U. The Americas**

- The Americas continues to show a diverse performance across its main markets. Mexico has stood out positively, with RevPar increases in the year of over 7%, driven mainly by the growth in hotel occupancy. Argentina however performed weakly over the twelve months (-8.93%), as a result of the fall in prices which were highly affected by the adverse trends in the exchange rate, although the strong increase in occupancy in the fourth quarter has almost offset the fall in prices and, therefore, led to a RevPar slightly lower than in the previous year (-1.15%).
- The fourth quarter has continued the positive trend (Q1 -12.30%, Q2 +0.74%, Q3 +6.70% and Q4 +3.93%), and we can highlight the occupancy level which has increased by +11.66%. Prices have fallen by -6.92% as a result of the unfavorable change in the exchange rate. In the last quarter the decrease in personnel expenses (-8.6%) and other operating costs (-6.3%) have allowed that the improvement in revenues (+5.5%) translates into an increase of 40.3% in EBITDA.
- During these twelve months the LFL RevPar decreased by -2.80%, with an increase in occupancy (+7.73%) and a sharp decrease in average prices (-9.77%). Applying a constant exchange rate, the change in average prices would have been positive (+0.55%), implying an increase in RevPar of +8.32%. The Americas had the strongest performance in terms of revenues over the year with an increase of +2.1% as a result of the increased occupancy (+7.73%) and the growth in restaurant revenue (+12.1%), although this unit was adversely affected by the 20% depreciation of the Argentine peso. The inflationary spiral in Argentina and the greater level of activity have increased the business unit's costs (+2.5%), presenting GOP and EBITDA levels similar to those of last year.
- The forecast for the first quarter is positive for Mexico and negative for Argentina.

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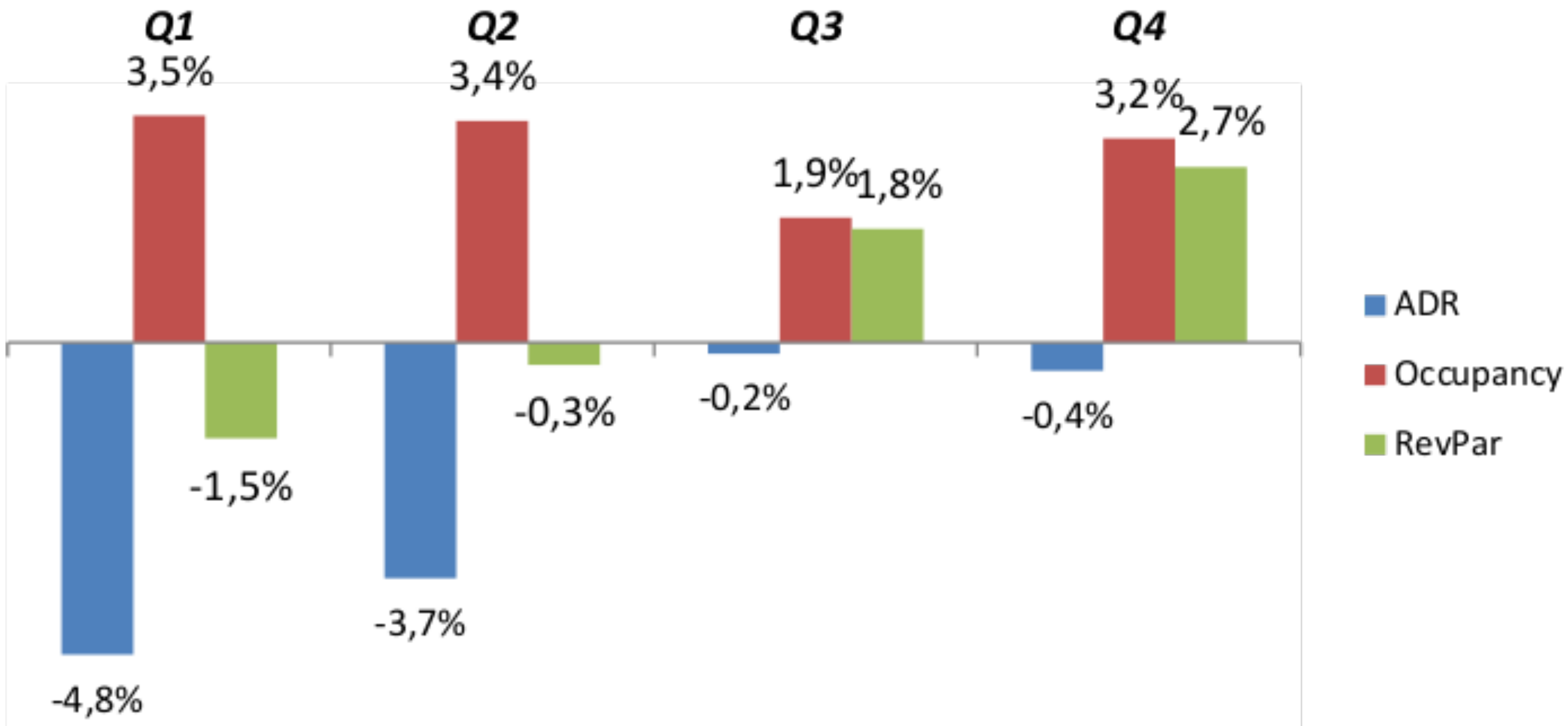
T: +34 91 396 05 02

## NH HOTELES KPI 12 MONTHS 2013

| | AVERAGE ROOMS | | OCCUPANCY % | | | ADR | | | REVPAR | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2.013 | 2.012 | 2.013 | 2.012 | % Var | 2.013 | 2.012 | % Var | 2.013 | 2.012 | % Var |
| Spain & Portugal "Like for like" | 12.009 | 11.995 | 63,57% | 63,21% | 0,58% | 67,18 | 69,19 | -2,91% | 42,71 | 43,74 | -2,35% |
| B.U. SPAIN | 12.785 | 13.473 | 62,44% | 61,45% | 1,61% | 66,76 | 68,10 | -1,97% | 41,68 | 41,84 | -0,39% |
| Italy "Like for like" | 6.451 | 6.423 | 64,22% | 62,25% | 3,16% | 88,25 | 89,18 | -1,05% | 56,67 | 55,52 | 2,08% |
| B.U. ITALY | 7.582 | 7.542 | 62,38% | 59,80% | 4,31% | 91,33 | 91,61 | -0,31% | 56,97 | 54,79 | 3,99% |
| Benelux "Like for like" | 8.428 | 8.428 | 66,71% | 65,62% | 1,66% | 85,50 | 87,70 | -2,51% | 57,04 | 57,55 | -0,89% |
| B.U. BENELUX | 8.655 | 8.896 | 66,99% | 66,22% | 1,16% | 87,21 | 91,62 | -4,81% | 58,42 | 60,67 | -3,71% |
| Central Europe "like for like" | 12.628 | 12.626 | 71,33% | 68,16% | 4,65% | 76,88 | 77,68 | -1,03% | 54,84 | 52,94 | 3,58% |
| B.U. CENTRAL EUROPE | 12.628 | 12.733 | 71,33% | 67,94% | 4,99% | 76,88 | 77,50 | -0,80% | 54,84 | 52,65 | 4,15% |
| TOTAL EUROPE "LIKE FOR LIKE" | 39.516 | 39.473 | 66,83% | 65,15% | 2,57% | 77,69 | 79,12 | -1,80% | 51,92 | 51,55 | 0,72% |
| TOTAL EUROPE CONSOLIDATED | 41.650 | 42.644 | 66,07% | 64,09% | 3,09% | 78,60 | 80,02 | -1,77% | 51,93 | 51,29 | 1,26% |
| Latin America "Like for like" | 3.043 | 3.043 | 66,59% | 61,82% | 7,73% | 62,78 | 69,57 | -9,77% | 41,81 | 43,01 | -2,80% |
| LATINAMERICA CONSOLIDATED | 3.277 | 3.288 | 66,24% | 60,91% | 8,76% | 63,19 | 69,67 | -9,31% | 41,85 | 42,43 | -1,37% |
| NH HOTELES "LIKE FOR LIKE" | 42.559 | 42.516 | 66,81% | 64,91% | 2,92% | 76,63 | 78,47 | -2,34% | 51,20 | 50,94 | 0,51% |
| TOTAL CONSOLIDATED | 44.927 | 45.932 | 66,08% | 63,86% | 3,47% | 77,48 | 79,32 | -2,32% | 51,20 | 50,65 | 1,07% |

### Quarter Evolution




| "Like For Like" % Var | Business Unit Evolution | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Occupancy | | | | ADR | | | | RevPar | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Spain | 2,0% | 1,0% | -1,2% | 1,3% | -6,6% | -4,5% | 1,7% | -2,6% | -4,7% | -3,5% | 0,4% | -1,3% |
| Italy | 6,4% | 3,7% | 1,4% | 2,0% | -5,4% | -1,0% | -0,2% | 1,7% | 0,7% | 2,7% | 1,2% | 3,8% |
| Benelux | 2,8% | -0,4% | 2,0% | 3,3% | -7,4% | -3,6% | 2,7% | -2,6% | -4,8% | -3,9% | 4,8% | 0,6% |
| Central Europe | 6,0% | 7,3% | 2,4% | 3,2% | -1,1% | -3,8% | -2,3% | 3,1% | 4,8% | 3,3% | 0,1% | 6,4% |
| Latinamerica | -4,3% | 8,1% | 13,5% | 11,7% | -8,4% | -6,8% | -6,0% | -6,9% | -12,3% | 0,7% | 6,7% | 3,9% |
| NH HOTELS | 3,5% | 3,4% | 1,9% | 3,2% | -4,8% | -3,7% | -0,2% | -0,4% | -1,5% | -0,3% | 1,8% | 2,7% |

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| RECURRING HOTEL ACTIVITY 2013 VS 2012 | | | | | | |
|---|---|---|---|---|---|---|
| *(€ million)* | **2013 4Q** | **2012 4Q** | **%DIF** | **2013 12** | **2012 12 months** | **%DIF** |
| SPAIN | 74,66 | 73,33 | 1,8% | 294,59 | 303,66 | (3,0%) |
| ITALY | 47,61 | 46,18 | 3,1% | 192,72 | 191,32 | 0,7% |
| BENELUX | 72,88 | 71,65 | 1,7% | 280,88 | 281,92 | (0,4%) |
| CENTRAL EUROPE | 95,74 | 92,25 | 3,8% | 361,26 | 357,50 | 1,1% |
| AMERICA | 21,15 | 20,05 | 5,5% | 73,78 | 72,26 | 2,1% |
| **REVENUE LIKE FOR LIKE HOTELS** | **312,04** | **303,47** | **2,8%** | **1.203,23** | **1.206,65** | **(0,3%)** |
| **OPENINGS, CLOSINGS, REFURBISH. & OTHER 13/12** | **10,84** | **20,02** | **(45,9%)** | **62,72** | **81,35** | **(22,9%)** |
| **REVENUE** | **322,88** | **323,50** | **(0,2%)** | **1.265,95** | **1.288,01** | **(1,7%)** |
| SPAIN | 50,37 | 55,08 | (8,6%) | 210,51 | 218,16 | (3,5%) |
| ITALY | 33,05 | 34,26 | (3,5%) | 133,86 | 137,61 | (2,7%) |
| BENELUX | 47,21 | 48,30 | (2,3%) | 187,49 | 184,34 | 1,7% |
| CENTRAL EUROPE | 63,37 | 64,67 | (2,0%) | 236,75 | 228,06 | 3,8% |
| AMERICA | 12,96 | 13,95 | (7,1%) | 51,07 | 49,82 | 2,5% |
| **OPEX LIKE FOR LIKE HOTELS** | **206,94** | **216,26** | **(4,3%)** | **819,67** | **818,00** | **0,2%** |
| **OPENINGS, CLOSINGS, REFURBISH. & OTHER 13/12** | **8,48** | **10,61** | **(20,1%)** | **50,57** | **58,25** | **(13,2%)** |
| **OPERATING EXPENSES** | **215,42** | **226,87** | **(5,0%)** | **870,24** | **876,25** | **(0,7%)** |
| SPAIN | 24,29 | 18,25 | 33,1% | 84,08 | 85,49 | (1,6%) |
| ITALY | 14,57 | 11,93 | 22,1% | 58,86 | 53,71 | 9,6% |
| BENELUX | 25,67 | 23,35 | 9,9% | 93,39 | 97,57 | (4,3%) |
| CENTRAL EUROPE | 32,37 | 27,58 | 17,4% | 124,51 | 129,44 | (3,8%) |
| AMERICA | 8,19 | 6,10 | 34,2% | 22,71 | 22,44 | 1,2% |
| **GOP LIKE FOR LIKE HOTELS** | **105,10** | **87,21** | **20,5%** | **383,56** | **388,66** | **(1,3%)** |
| **OPENINGS, CLOSINGS, REFURBISH. & OTHER 13/12** | **2,36** | **9,41** | **(74,9%)** | **12,15** | **23,10** | **(47,4%)** |
| **GOP** | **107,46** | **96,62** | **11,2%** | **395,71** | **411,75** | **(3,9%)** |
| SPAIN | 17,35 | 20,86 | (16,8%) | 74,18 | 86,65 | (14,4%) |
| ITALY | 9,13 | 10,37 | (12,0%) | 36,88 | 40,18 | (8,2%) |
| BENELUX | 11,25 | 10,31 | 9,1% | 45,38 | 43,02 | 5,5% |
| CENTRAL EUROPE | 26,57 | 27,08 | (1,9%) | 103,97 | 104,36 | (0,4%) |
| AMERICA | 1,35 | 1,22 | 10,0% | 5,41 | 4,92 | 9,9% |
| **LEASES&PT LIKE FOR LIKE HOTELS** | **65,64** | **69,85** | **(6,0%)** | **265,83** | **279,13** | **(4,8%)** |
| **OPENINGS, CLOSINGS, REFURBISH. & OTHER 13/12** | **2,02** | **4,13** | **(51,2%)** | **10,22** | **13,17** | **(22,4%)** |
| **LEASES & PROPERTY TAXES** | **67,66** | **73,97** | **(8,5%)** | **276,05** | **292,30** | **(5,6%)** |
| SPAIN | 6,95 | (2,61) | 366,2% | 9,90 | (1,15) | 959,9% |
| ITALY | 5,44 | 1,55 | 249,8% | 21,98 | 13,53 | 62,5% |
| BENELUX | 14,42 | 13,04 | 10,6% | 48,01 | 54,55 | (12,0%) |
| CENTRAL EUROPE | 5,80 | 0,50 | 1054,1% | 20,54 | 25,07 | (18,1%) |
| AMERICA | 6,85 | 4,88 | 40,3% | 17,30 | 17,52 | (1,3%) |
| **EBITDA LIKE FOR LIKE HOTELS** | **39,45** | **17,36** | **127,2%** | **117,73** | **109,52** | **7,5%** |
| **OPENINGS, CLOSINGS, REFURBISH. & OTHER 13/12** | **0,35** | **5,29** | **(93,4%)** | **1,93** | **9,92** | **(80,6%)** |
| **EBITDA** | **39,80** | **22,65** | **75,7%** | **119,66** | **119,45** | **0,2%** |

INVESTOR RELATIONS
investor.relations@nh-hotels.com
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**Recurring Consolidated Results**

Revenue in the last quarter of the year decreased by -€1.5 million (-0.5%), an improvement compared to the cumulative fall over the first nine months of -2.8% (Q1: -3.8%; Q2: -2.6% and Q3: -2.3%). In the twelve months, income decreased by -€29.3 million (-2.2%) as a result of:

- The reduction in hotel activity of -1.7% (-€22.1 million), caused mainly by:
  - Exclusion of certain hotels from the scope of consolidation (these represents €28M partly offset by the hotels that were renovated in 2012 and recently opened):
    - The most important closures during the previous year were: NH Cóndor (1 April), NH Mercader (16 April) and NH Trier (2 July).
    - The changes in the scope during 2013 were:
      - Exit of the leased hotels NH Abashiri, NH Girona, NH La Perdiz, NH Veracruz and NH Vicenza.
      - Change to a franchise contract of the NH Villa de Coslada, NH Califa, NH Puerto de Sagunto and NH Campo Cartagena hotels that were operated under lease agreements and the NH Krasnapolsky hotel which became a hotel under management as of 26 June.
  - Reduction in food and beverage (F&B) revenues in €10M (-3.12%). The deterioration of F&B sales has less impact on GOP than room revenues. Central Europe, Spain and Benelux experienced a more drastic reduction in these businesses, with decreases of between -3% and -6%, while sales in Italy were slightly above those of the previous year (+1.2%). Latin America stands out for its positive performance, with a growth in food and beverage income of +12.8%.
  - Decrease in ADR (-2.3%)
- Decrease of -32.7% in the income from the Real Estate activity (€-7.2 million) affected by the change in regulations. See the explanation in the corresponding section below.

Regarding operating costs, the efforts to improve the company's efficiency have reduced these costs by -1.8% over the year, in spite of the increase in occupancy (+3.47%), which rose to 66.08% in 2013 from 63.86% in 2012, plus the effect of having to absorb inflation. In the last quarter of 2013 the reduction in operating costs was even greater, at -6.2%, reflecting the impact of the measures taken during the entire year.

- Thanks to the containment plans launched in 2012 and 2013, personnel expenses fell by -1.1% compared to the previous year, despite higher level of activity, having strengthened the sales teams and the effects of inflation. In the last quarter personnel expenses fell by -2.7% as a result of the different adjustments processes implemented in Italy (end of 2012), Spain (mid 2013) and the Netherlands (last two months of 2013).
- Other direct operating costs fell by -0.4% offsetting the increase in the extraordinary costs of IT systems (in line with the new IT system plan being implemented) and the increase in energy costs. In the final quarter, the trend is even greater with a fall of -6.7%, driven by a reduction in commissions.
- The cost of sales of the Real Estate activity decreased by 97.3% due to the regulatory changes mentioned in the first paragraph of the section on Real Estate activity.

In the year 2013, and as a result of the foregoing, recurring EBITDA stood at +€121.6 million (+€3.4 million or +2.9% compared to 2012), reaching an absorption ratio for the fall in sales (-€29.3 million or -2.2%) of 112%. In the last quarter of the year this trend was even stronger: recurring EBITDA stood at +€41.1 million (+€19.5 million or +90.2% compared to the last quarter of 2012), despite the reduction in revenues (-€1.5 million or -0.5%).

## Consolidated Income Statement

| NH HOTELES, S.A. P&L ACCOUNT | | | | | | |
|---|---|---|---|---|---|---|
| *(€ million)* | **Q4 2013** | **Q4 2012** | **2013/2012** | **12M 2013** | **12M 2012** | **2013/2012** |
| Hotel Revenues | 322,9 | 323,5 | (0,2%) | 1.266,0 | 1.288,0 | (1,7%) |
| Real estate sales and other | 6,2 | 7,1 | (13,0%) | 14,9 | 22,1 | (32,7%) |
| **TOTAL REVENUES** | **329,0** | **330,6** | **(0,5%)** | **1.280,8** | **1.310,1** | **(2,2%)** |
| Real estate cost of sales | (0,1) | (4,0) | (97,0%) | (0,3) | (10,0) | (97,3%) |
| Staff Cost | (112,3) | (115,4) | (2,7%) | (460,7) | (465,8) | (1,1%) |
| Operating expenses | (107,9) | (115,6) | (6,7%) | (421,8) | (423,3) | (0,4%) |
| **GROSS OPERATING PROFIT** | **108,8** | **95,6** | **13,7%** | **398,1** | **411,1** | **(3,2%)** |
| Onerous contract reversal provision | | | | 12,4 | 0,4 | (2847,6%) |
| Lease payments and property taxes | (70,7) | (73,6) | (4,0%) | (288,9) | (293,4) | (1,5%) |
| **EBITDA** | **41,1** | **21,6** | **90,2%** | **121,6** | **118,1** | **2,9%** |
| Depreciation | (22,6) | (28,2) | (19,6%) | (93,9) | (112,7) | (16,6%) |
| **EBIT** | **18,5** | **(6,6)** | **381,4%** | **27,7** | **5,5** | **403,8%** |
| Interest expense | (15,0) | (15,5) | (3,1%) | (59,0) | (54,8) | 7,5% |
| Income from minority equity interests | 0,7 | (3,2) | 121,6% | (4,7) | (4,2) | (10,4%) |
| **EBT** | **4,1** | **(25,2)** | **116,4%** | **(36,0)** | **(53,6)** | **32,9%** |
| Corporate income tax | (3,8) | (21,8) | (82,4%) | (9,2) | (28,9) | 68,3% |
| **NET RESULT before minorities** | **0,3** | **(47,0)** | **100,7%** | **(45,1)** | **(82,4)** | **45,3%** |
| Minority interests | (1,0) | 9,3 | (110,8%) | 1,0 | 15,5 | (93,3%) |
| **NET RECURRING RESULT** | **(0,7)** | **(37,7)** | **98,2%** | **(44,1)** | **(66,9)** | **34,1%** |
| Non Recurring EBITDA | (11,1) | (30,0) | 63,1% | 21,3 | (40,2) | 153,0% |
| Other Non Recurring items | (17,7) | (174,4) | 89,9% | (17,0) | (185,0) | 90,8% |
| **NET RESULT including Non-Recurring activity** | **(29,5)** | **(242,1)** | **87,8%** | **(39,8)** | **(292,1)** | **86,4%** |

## Financial performance and other relevant facts

- **Leases:** The Company managed to reduce its lease payments by 1.5% during 2013, offsetting increases due to negotiations in previous years and CPI reviews. During 2013, 56 actions were taken on leased hotels with negative EBITDA, making it possible to exit from eight leased contracts. With these actions it has been possible to obtain annualized savings of €16.7 million, of which €6.9 million are temporary. In 2014, additional rent reductions to those already obtained are anticipated.
- **Depreciation:** Expenses for depreciation have been reduced (-17%) as a consequence of the impairment provision recorded in 2012.

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- **Minority Interests:** show mainly the losses attributable to the shareholder in the Italian business unit that are reduced by the improvement in the results obtained.

### Non- recurring EBITDA

Included in 2012 were provisions for the staff restructuring of the workforces in order to reduce the disparities in personnel costs between Spain and Italy and other more efficient business units (Benelux and Central Europe).

In 2013 EBITDA includes +€21.3 million which covers the capital gains from the sale of the NH Krasnapolsky hotel and the defect in severance payments provisioned in 2012 that have allowed to variabilize the room cleaning functions  in both Spain and Italy.

### Otros non-recurring items

- **Impairment:** After the high provision recorded at the end of 2012, it has not been necessary to increase the impairment provision this year.
- **Change in fair value of financial instruments:** first of all, it includes the reduction of the provision in reference to the Equity Swap which covers the Option Plan approved in 2007 and which, as a result of the rise in the share price between the end of 2012 and its cancellation in the month of November (from €2.61 to €4.00) with the refinancing of the debt, has a positive sign (+€9.60 million). Secondly, it also includes the market value of the Group's interest rate derivatives which, due to the adverse trends during the year, negatively contribute to this line (-€1.93 million).
- **Other items:** the main items are non-recurring financial expenses (-€11.1 million) due to the costs inherent in the refinancing of the debt and the reversal of the translation differences due to the distribution of dividends in Latin America, non-recurring depreciation (-€11.7 million) due to the write off of assets related to system changes, impact on minority interest by the release of provisions in Italy (-€ 2.6 million), loss from a minority equity interest of a non - consolidated hotel (-€ 1.8) and finally the tax impact of non-recurring items (+€3.2).

### Debt and liquidity

| As of December 31st, 2013 | Maximum | | | Debt maturities | | | | |
|---|---|---|---|---|---|---|---|---|
| € million | Available | Availability | Drawn | 2014 | 2015 | 2016 | 2017 | > 2018 |
| **Senior Credit Facilities** | | | | | | | | |
| Syndicated Term Loan Facility | 133,3 | - | 133,3 | 19,0 | 19,0 | 19,0 | 76,3 | - |
| Syndicated Revolving Credit Facility | 66,7 | 66,7 | - | - | - | - | - | - |
| Senior Secured Notes due 2019 | 250,0 | - | 250,0 | - | - | - | - | 250,0 |
| **Total debt secured by the Collateral** | **450,0** | **66,7** | **383,3** | **19,0** | **19,0** | **19,0** | **76,3** | **250,0** |
| Other Secured loans | 201,0 | 7,5 | 193,5 | 27,9 | 29,1 | 22,1 | 52,4 | 62,0 |
| **Total secured debt** | **651,0** | **74,2** | **576,8** | **46,9** | **48,1** | **41,1** | **128,7** | **312,0** |
| Senior Unsecured Convertible Bonds due 2018 | 223,4 | 0,0 | 223,4 | - | - | - | - | 223,4 |
| Unsecured loans | 25,6 | 6,6 | 19,0 | 19,0 | - | - | - | 0,0 |
| Subordinated loans | 75,0 | 0,0 | 75,0 | - | - | - | - | 75,0 |
| **Total unsecured debt** | **324,0** | **6,6** | **317,4** | **19,0** | **-** | **-** | **-** | **298,4** |
| Arranging loan expenses | - | - | (21,5) | (0,7) | (0,7) | (0,7) | (2,9) | (16,5) |
| Accrued interests | - | - | 6,6 | 6,6 | - | - | - | - |
| **Total debt** | **975,0** | **80,8** | **879,3** | **71,7** | **47,4** | **40,4** | **125,8** | **594,0** |
| Cash and cash equivalents | | 133,9 | 133,9 | | | | | |
| **Net debt** | | **214,6** | **745,4** | | | | | |

* According to original amortization schedules

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- The Group's debt at the end of 2013 is €745.4 million, an increase compared to the third quarter of 2013 (€686 million) due to the refinancing of the debt in the last quarter of the year, which allowed the financial foundations to be laid for the new 5-year strategic plan, and the cancellation in November of the Equity Swap that covered the Option Plan approved in 2007.
- The rise in financial expenses during the year reflects the increase in the spreads of the old financing till the month of June. In the last quarter financial expenses fell compared to the previous year due to the debt repayments made during the year.

**Real Estate Activity**

On 1 January 2013, IFRS 11 Joint Arrangements entered into force, thereby eliminating the option of proportionate consolidation for jointly controlled entities (which is the case with Residencial Marlin and los Alcornoques), which will be accounted for using the equity method. This change has had a significant impact on the 2013 sales figures, since these companies' sales will no longer be included under revenue in the Consolidated Income Statement.

- Real estate activities generated income of €14.88 million compared to the €22.11 million recorded in 2012. With respect to the sales of the residential finished product, during the 2013, 22 apartments in Residencial Marlin have been registered for the sum of €4.07 million*, compared to a total of 25 properties for a sum of €10.78 million in the year 2012, of which 18 were Ribera del Marlin apartments for €4.36 million* and 7 were villas at Cimas de Almenara for €6.42 million.
- On 10th of December 2013 the Company sold the International School for the sum of €4.50M, which led to a profit of €1.15M.

(*) This income is not included under Income from real estate activities in the income statement due to a change in the accounting regulations implemented under the IFRS 11 Joint Arrangements.

Taking into account the same accounting criteria in the period, the increase in sales would be 3%, equivalent to €0.25 million.

- The EBITDA was €1.91 million, compared to -€1.3M of the previous year. If a restatement were to be made applying the same regulations, the EBITDA would have been -€0.48M. This improvement in EBITDA in 2013 relates mainly to the sale of the International school, the increased sales of lots and berths, as well as the reduction in operating costs. The net loss was -€0.30 million, compared to -€57.28 million in the previous year. The company's net results have improved in 2013 because it had created in the previous year a -€51.66 million asset impairment provision and had incurred -€0.85 million in severances payments.
- As of 31 December 2013, Sotogrande has sale commitments that have yet to be accounted for totaling €1.3 million, relating to the Ribera del Marlin property that has yet to be registered by the purchasers (€0.98 million) and berths in La Marina (€0.31 million).

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## New Agreements and Openings

Between 1 January 2013 and 31 December 2013, NH Hotel Group signed a leased contract in Curitiba (Brazil), with 180 rooms and an estimated opening date of 2016, a management contract in Punta Cana (Dominican Republic), with 750 rooms and that will open in November 2013, and a management contract in Santiago de Chile (Chile) with 146 rooms, in the NHOW category and with an expected opening date of 2016.

| City | Contract | # Rooms | Opening |
|---|---|---|---|
| Curitiva, Brasil | Leased | 180 | 2016 |
| Punta Cana, Dominican Republic | Management | 750 | 2013 |
| Santiago de Chile, Chile | Management | 146 | 2016 |
| | | **1.076** | |

## New Openings

During the twelve months of 2013, two hotel extensions were carried out. The Hesperia WTC Valencia hotel in Venezuela increased its number of rooms by 47, reaching a total of 323 rooms, and the NH Puebla hotel in Mexico increased its number of rooms by 52, reaching a total of 180 rooms. Also opened was the Group's first hotel in Port-au-Prince, Haiti, with 72 rooms and the 5-star hotel in Uvero Alto, in the Dominican Republic, with 750 rooms.

**New Hotel Openings from 1st January to 31st December 2013**

| Hotels | City | Contract | # Rooms |
|---|---|---|---|
| **Ext. Hesperia WTC Valencia** | Valencia, Venezuela | Management | 47 |
| **Ext. NH Puebla** | Puebla, Mexico | Management | 52 |
| **NH Haiti el Rancho** | Puerto Principe, Haiti | Management | 72 |
| **Breathless Punta Cana** | Punta Cana, Dominican Republic | Management | 750 |
| **Total New Openings** | | | **921** |

## Asset Management

### Sale of Non-Strategic Assets

On the 24th of June, NH Hotels announced the sale of the Hotel Krasnapolsky in Amsterdam, the Netherlands, for a gross sales price of €157 million, with NH retaining a management agreement for a 25-year period (with estimated management fees exceeding €2 million per year). The disposal implied gross capital gains for the NH Group amounting to €42 million. The buyer will invest nearly €40 million in refurbishing the hotel. The EBITDA generated by the hotel in 2012 was €16.2 million.

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### Hotels that change contract from 1st January to 31st December 2013

| Hotels | City | Date | From | To | # Rooms |
|---|---|---|---|---|---|
| **NH Califa** | Córdoba, España | Marzo | Renta | Franquicia | 65 |
| **NH Puerto Sagunto** | Valencia, España | Junio | Renta | Franquicia | 99 |
| **NH Grand Hotel Krasnapolsky** | Amsterdam, Holanda | Junio | Propiedad | Gestión | 468 |
| **NH Campo de Cartagena** | Cartagena, España | Septiembre | Renta | Franquicia | 51 |
| **Total Perimeter Changes** | | | | | **683** |

### Hotels that left NH Group from 1st January to 31st December 2013

| Hotels | City | Date | Contract | # Rooms |
|---|---|---|---|---|
| **NH Abashiri** | Valencia, España | Febrero | Renta | 168 |
| **NH Girona** | Gerona, España | Marzo | Renta | 115 |
| **Hesperia Park Hotel Troya** | Tenerife, España | Marzo | Gestion | 318 |
| **NH Liberty** | Messina, Italia | Abril | Gestion | 51 |
| **NH Royal Palace** | Messina, Italia | Abril | Gestion | 103 |
| **NH La Perdiz** | Jaen, España | Agosto | Renta | 81 |
| **NH Rincon de Pepe** | Murcia, España | Septiembre | Gestión | 146 |
| **Hesperia Ferrol** | Ferrol, España | Septiembre | Gestión | 95 |
| **NH Veracruz** | Veracruz, México | Noviembre | Renta | 108 |
| **Hesperia Areatza** | Areatza, España | Diciembre | Franquicia | 65 |
| **NH Jardines del Turia** | Valencia, España | Diciembre | Gestión | 112 |
| **NH Vicenza** | Vicenza, Italia | Diciembre | Renta | 115 |
| **NH Villacarlos** | Valencia, España | Diciembre | Gestión | 51 |
| **NH Albar** | Albacete, España | Diciembre | Renta | 52 |
| **Total Salidas** | | | | **1.580** |

Additionally 11 projects that were being signed and yet to be opened with a total of 1,287 rooms (774 rooms under lease agreements with an investment of €7.13 million, and 543 rooms under management agreements) were cancelled. Six projects were located in Spain, three in Italy, two in Hungry and one in the Czech Republic.

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## HOTELS ON OPERATION BY COUNTRY AS OF DEECEMBER 31ST 2013

| BUSINESS UNIT | COUNTRY | TOTAL | | LEASED | | | OWNED | | MANAGED | | FRANCHISE | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Hotels | Rooms | Call Option | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| B.U. SPAIN | SPAIN | 161 | 19.474 | 3 | 86 | 10.032 | 16 | 2.428 | 51 | 6.386 | 8 | 628 |
| B.U. SPAIN | PORTUGAL | 2 | 165 | - | 2 | 165 | - | - | - | - | - | - |
| B.U. SPAIN | ANDORRA | 1 | 60 | - | - | - | - | - | 1 | 60 | - | - |
| B.U. ITALY | ITALY | 49 | 7.970 | 1 | 31 | 5.185 | 15 | 2.280 | 3 | 505 | - | - |
| B.U. BENELUX | HOLLAND | 35 | 6.509 | 4 | 16 | 2.441 | 17 | 3.520 | 2 | 548 | - | - |
| B.U. BENELUX | BELGIUM | 10 | 1.550 | - | 2 | 434 | 8 | 1.116 | - | - | - | - |
| B.U. BENELUX | FRANCE | 3 | 556 | - | 2 | 397 | - | - | 1 | 159 | - | - |
| B.U. BENELUX | ENGLAND | 2 | 321 | - | 1 | 121 | - | - | 1 | 200 | | |
| B.U. BENELUX | SOUTH AFRICA | 2 | 242 | - | 1 | 198 | 1 | 44 | - | - | - | - |
| B.U. BENELUX | LUXEMBOURG | 1 | 148 | 1 | 1 | 148 | - | - | - | - | - | - |
| B.U. CENTRAL EUROPE | GERMANY | 59 | 10.438 | 10 | 54 | 9.438 | 5 | 1.000 | - | - | - | - |
| B.U. CENTRAL EUROPE | AUSTRIA | 6 | 1.183 | 1 | 6 | 1.183 | - | - | - | - | - | - |
| B.U. CENTRAL EUROPE | SWITZERLAND | 4 | 522 | - | 3 | 400 | 1 | 122 | - | - | - | - |
| B.U. CENTRAL EUROPE | CZECH REPUBLIC | 2 | 579 | - | | | - | - | 2 | 579 | - | - |
| B.U. CENTRAL EUROPE | ROMANIA | 2 | 161 | - | 1 | 83 | - | - | 1 | 78 | - | - |
| B.U. CENTRAL EUROPE | HUNGARY | 1 | 160 | - | 1 | 160 | - | - | - | - | - | - |
| B.U. CENTRAL EUROPE | SLOVAQUIA | 1 | 117 | - | - | - | - | - | 1 | 117 | - | - |
| B.U. CENTRAL EUROPE | POLAND | 1 | 93 | - | - | - | - | - | - | - | 1 | 93 |
| B.U. CENTRAL EUROPE | UNITED STATES | 1 | 242 | - | - | - | 1 | 242 | - | - | - | - |
| B.U. LAS AMERICAS | MEXICO | 12 | 1.984 | - | 4 | 581 | 4 | 681 | 4 | 722 | - | - |
| B.U. LAS AMERICAS | ARGENTINA | 13 | 2.049 | - | - | - | 11 | 1.524 | 2 | 525 | - | - |
| B.U. LAS AMERICAS | DOMINICAN REPUBLIC | 4 | 2.011 | - | - | - | - | - | 4 | 2.011 | - | - |
| B.U. LAS AMERICAS | VENEZUELA | 3 | 1.194 | - | - | - | - | - | 3 | 1.194 | - | - |
| B.U. LAS AMERICAS | URUGUAY | 1 | 136 | - | - | - | 1 | 136 | - | - | - | - |
| B.U. LAS AMERICAS | COLOMBIA | 1 | 137 | - | - | - | 1 | 137 | - | - | - | - |
| B.U. LAS AMERICAS | HAITI | 1 | 72 | - | - | - | - | - | 1 | 72 | - | - |
| B.U. LAS AMERICAS | CHILE | 1 | 122 | - | - | - | 1 | 122 | - | - | - | - |
| **OPEN HOTELS** | | **379** | **58.195** | 20 | **211** | **30.966** | **82** | **13.352** | **77** | **13.156** | **9** | **721** |

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T: +34 91 396 05 02

## AGREED PROJECTS AS OF DEECEMBER 31ST 2013

Following latest negotiations and after the cancellation of several signed projects, the number of hotels and rooms pending to be opened would be the following.

| BUSINESS UNIT | COUNTRY | TOTAL | | LEASED | | | OWNED | | MANAGED | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Hotels | Rooms | Call Option | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| B.U SPAIN | SPAIN | 1 | 96 | - | - | - | - | - | 1 | 96 |
| B.U ITALY | ITALY | 3 | 481 | - | 2 | 322 | - | - | 1 | 159 |
| B.U BENELUX | HOLLAND | 1 | 278 | - | - | - | - | - | 1 | 278 |
| B.U THE AMERICAS | VENEZUELA | - | 1 | - | - | - | - | - | - | 1 |
| B.U THE AMERICAS | PANAMA | 1 | 200 | - | - | - | 1 | 200 | - | - |
| B.U THE AMERICAS | BRASIL | 1 | 180 | - | 1 | 180 | - | - | - | - |
| B.U THE AMERICAS | CHILE | 1 | 146 | - | - | - | - | - | 1 | 146 |
| B.U THE AMERICAS | MEXICO | 1 | 142 | - | - | - | - | - | 1 | 142 |
| **TOTAL PROJECTS** | | **9** | **1.524** | - | **3** | **502** | **1** | **200** | **5** | **822** |

Committed investment corresponding to the aforementioned hotels by year of execution:

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Expected Investment (€ million) | 2.9 | 1.5 | 0.7 |

NH | HOTEL GROUP

NH HOTELS

NH COLLECTION

nhow

Hesperia RESORTS