

2015 Results Presentation

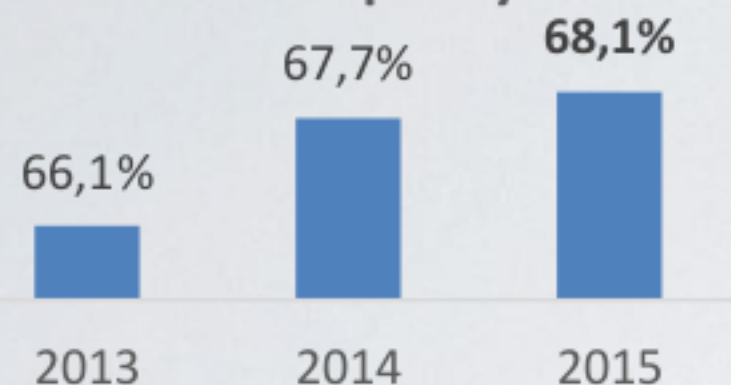
BUILDING UP THE NEW NH
26th February 2016

nh | HOTEL GROUP

2015: KEY FINANCIAL HIGHLIGHTS

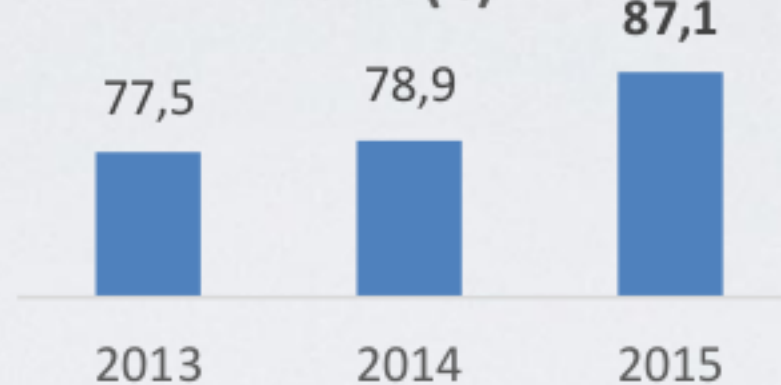
- After two years of investments, NH has met its 2015 operating targets achieving a higher revenue base with an strengthened portfolio while the execution of the Strategic Plan continues ahead of the plan and indicates potential to over deliver as communicated in the updated vision

Occupancy



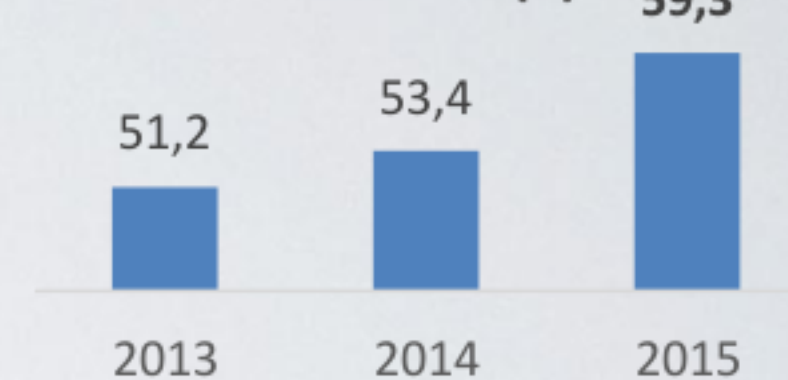
- Higher activity levels

ADR (€)



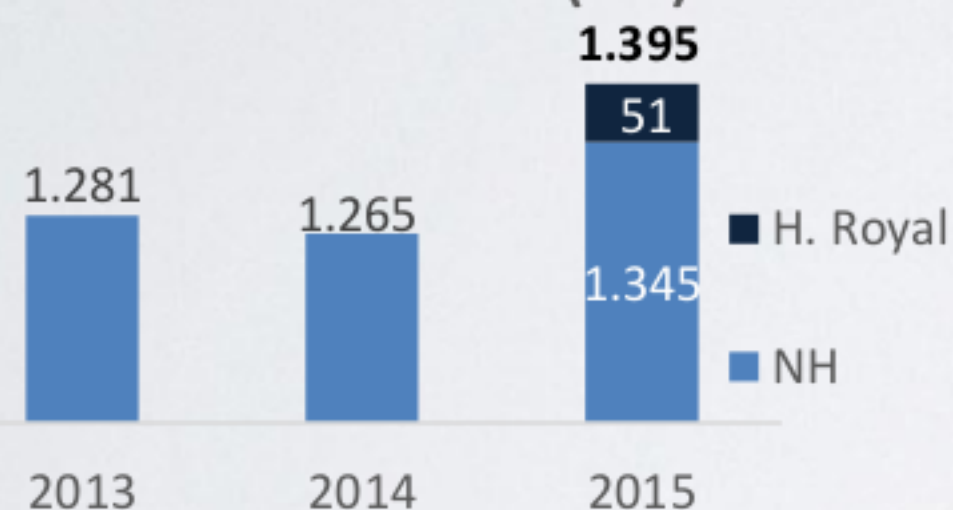
- +10.4% price increases (+€8,2)

RevPar (€)



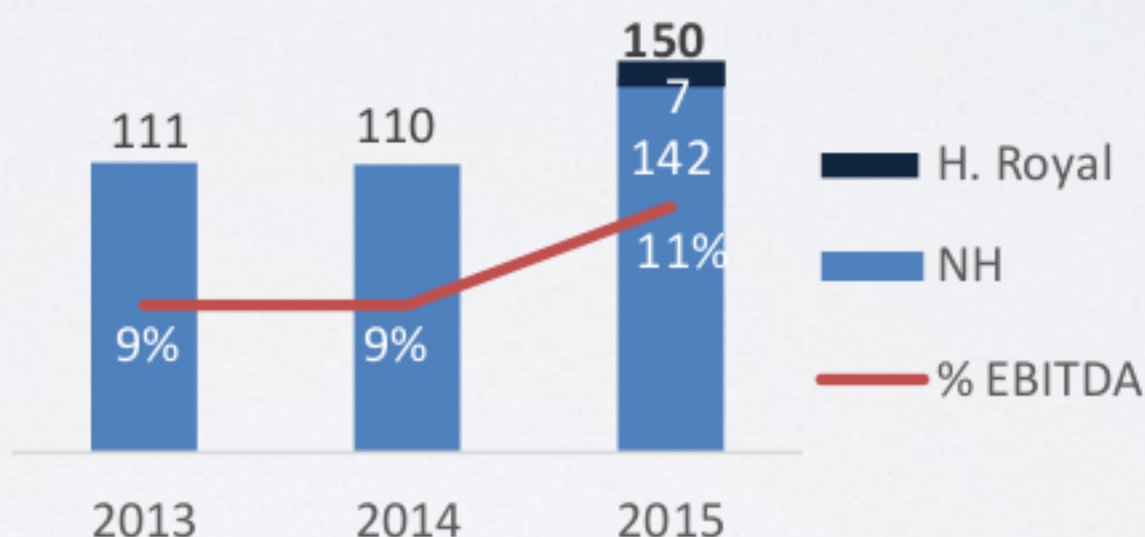
- +11.0%, 95% through ADR

Revenue (€M)



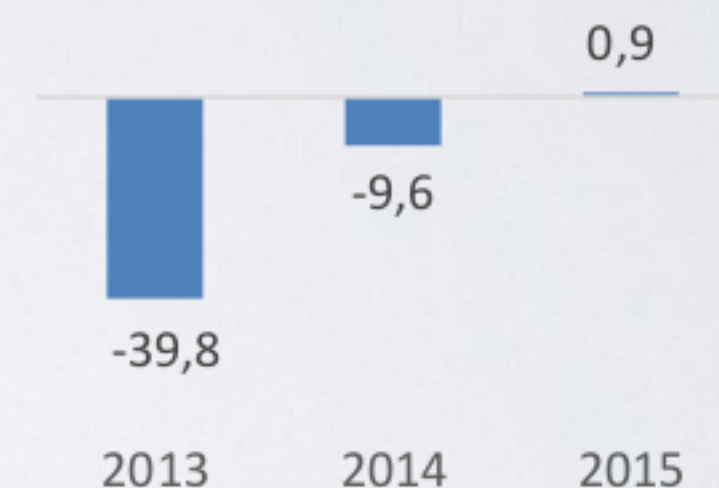
- +€130M revenue growth (+10.3%) and +€80M excluding H. Royal (+6.3%)

EBITDA before onerous reversal (€M)



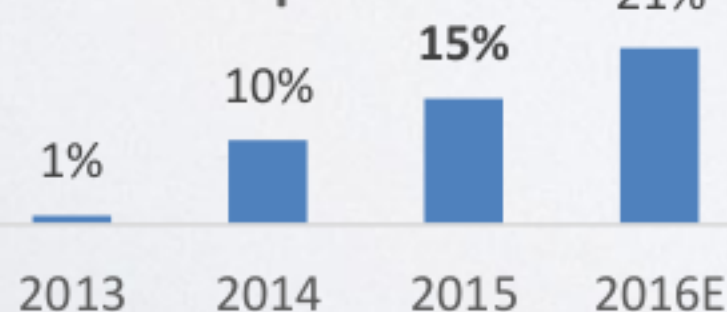
- +€40M EBITDA increase in 2015 (+36%) and +€32M excluding H. Royal (+29%). EBITDA margin increased to 11% (+2bp.)

Net Income (€ M)

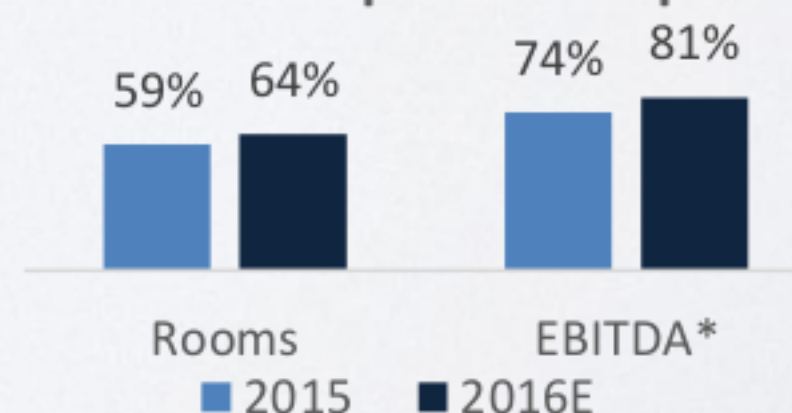


- First positive Net Income since 2011

% of rooms in Upper Upscale



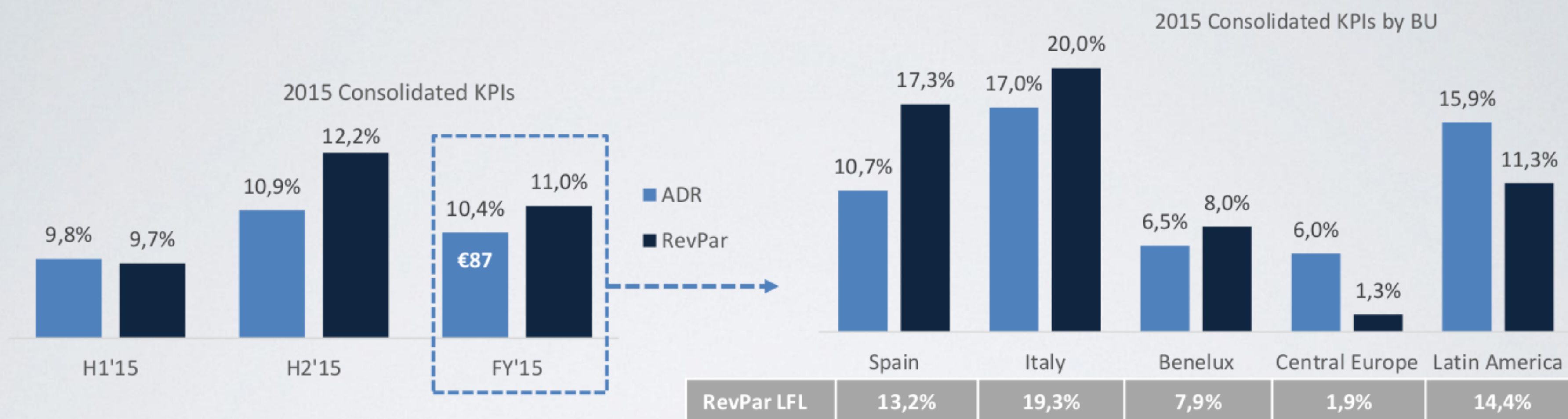
% in "perfect shape"



* EBITDA contribution excluding HQ

FOCUS ON REVENUE: INCREASING REVPAR THROUGHOUT THE YEAR...

- Qualitative RevPar evolution in 2015 (+11.0%) with Spain and Italy refurbished while Benelux and Central Europe started in mid 2015.



- Ability to grow prices ahead of competitors (STR competitive set):

- The weighted average ADR in our top cities has been increasingly positive compared to our peers in 2015: NH +12.4 vs. 7.0% for our competitors.

H1 2015	H2 2015	FY 2015		
"Relative" ADR	"Relative" ADR	ADR % var		"Relative" ADR
ARI % var	ARI % var	NH	Compset	ARI % var
4,4%	6,4%	12,4%	7,0%	5,4%

... BUILDING A SOLID REVENUE BASE FOR 2016

- Consolidated revenue excluding H. Royal increased by +€80M (+6.3%) reaching €1.345M.
- LFL revenue grew +€73M (+7.0%) increasing throughout the year (H1: +5.5%; H2: +8,1%) driven by an outstanding performance in Italy (+16.6%) and Spain (+9.6%)
- 35% revenue growth in the hotels refurbished in 2014 (average blocked rooms: 568) neutralized by the business loss of hotels under refurbishment in 2015 (average blocked rooms: 678, being H1:621 and H2:734).

	LFL	Ref.14	Ref.15	Openings & Closings	Consolidated 2015 ⁽²⁾
2015 €M	1.129	60	142	15	1.345
2014 €M	1.056	44	149	16	1.265
Diff. €M	73	16	-7 ⁽¹⁾ (-9 +2)	-1	80
Diff. %	7.0%	35.5%	-4.9%	-6.1%	6.3%

(1) Refurbishments 2015 have a negative impact of -€9M due to the blocked rooms and a positive impact of +€2M after refurbishment

(2) Excluding H. Royal

- Gap between RevPar and Revenues explained by:
 - -1.9% decrease of available rooms in the year due to refurbishments (678 average rooms blocked in 2015) and closings of hotels (10 leased contracts cancelled in 2014 & 2015 due to portfolio optimization).
 - Slight increase of Food & Beverage and Other revenues (32% of total revenues): +1.7%
 - Mainly due to the segmentation change effect: reduction of less profitable rates that included breakfast
 - Refurbishment of hotels with strong F&B revenue mix

	RevPar	Available Rooms	Room Rev.	F&B & Other Rev.	Total Rev.
Revenue Evolution 2015 vs 2014	+11.0%	-1,9%	+8.6%	+1.7%	6.3%

ENABLERS: 1) SIGNIFICANT PORTION OF REPOSITIONING PLAN EXECUTED BY THE END 2015

- By the end of 2015, hotels representing 64% of the EBITDA of the Company are already in “perfect shape”. Once the 237M€ of repositioning is completed, 81% of EBITDA of the Company will be in “perfect shape” (clear competitive advantage vs. peers).

	HOTELS	ROOMS	% share			
			ROOMS	REVENUES	GOP	EBITDA
Finished up to 2015	36	6.514	14%	16%	16%	17%
Perfect shape /minor adjustments in basics	150	20.259	45%	45%	46%	46%
Completed as of 2015	186	26.773	59%	61%	62%	64%
To be completed in 2016*	27	6.813	15%	16%	16%	17%
2014-2017 Capex investments	213	33.586	74%	77%	78%	81%

- RevPar growth of the repositioned portfolio in 2015 vs '13 ('14 year of renovation) is +24.5% (ahead of plan: +7.0% CAGR in year 3)

	NH Collection Eurobuilding	NH Collection Abascal	NH Alonso Martinez	NH Collection Aránzazu	NH Madrid Atocha	NH Pamplona Iruña	NH Canciller Ayala Vitoria	NH Berlin Mitte	NH München Messe	NH München -Dornach Ost	NH Danube City	NH Collection Palazzo Barocchi	NH Firenze
Category	NH Collection	NH Collection	NH 3*	NH 3*	NH 3*	NH 4*	NH 4*	NH 4*	NH 4*	NH 4*	NH 4*	NH Collection	NH 4*
Rooms	440	183	101	180	68	225	174	392	253	222	252	59	152
Location	Madrid	Madrid	Madrid	San Sebastian	Madrid	Pamplona	Vitoria	Berlin	Munich	Munich	Wien	Venice	Firenze
RevPar growth (15 vs. 13)		+24.5 %											

€237M Repositioning Capex cash outflow in 2014-2017

Execution	H2 '14	H1 '15	H2 '15	H1 '16	H2 '16	2017	%
Spain							35%
Italy							6%
Benelux							23%
Germany							14%
Latin America							5%
USA (NY)							17%

Reduced execution risk:
Out of the 213 hotels to be in “perfect shape” by end 2016, 186 hotels completed as of 2015

* NY in 2017

ENABLERS: 2) BETTER POSITIONING DUE TO STRENGTHENED PORTFOLIO

- Since 2014 more than €250m has been invested in repositioning, minor reforms and basics (TVs, mattresses, pillows, showers...).

- More hotels in operation in the upscale category:

- 50 hotels with 7.715 rooms as of December 2015 under NH Collection.
- By 2017 it will grow to 73 hotels with 11.700 rooms.
- NH Collection achieved higher growth in prices in 2015: +14.3% vs. +9.2% in NH 4*.

- Increases in the levels of quality perceived by customers:

% of rooms	2013	2014	2015	2016E	2018E
Upper Upscale	1%	10%	15%	21%	23%
NH Collection	0%	9%	14%	19%	20%
NHOW	1%	1%	1%	2%	3%
Upscale (NH 4*)	85%	77%	74%	66%	67%
Midscale (NH 3*)	8%	7%	6%	5%	5%
Hesperia	6%	6%	5%	5%	5%

Increase in TripAdvisor scoring			
% hotels	Dec '13	Dec '14	Dec '15
In top 10	19%	24%	27%
In top 30	41%	47%	49%

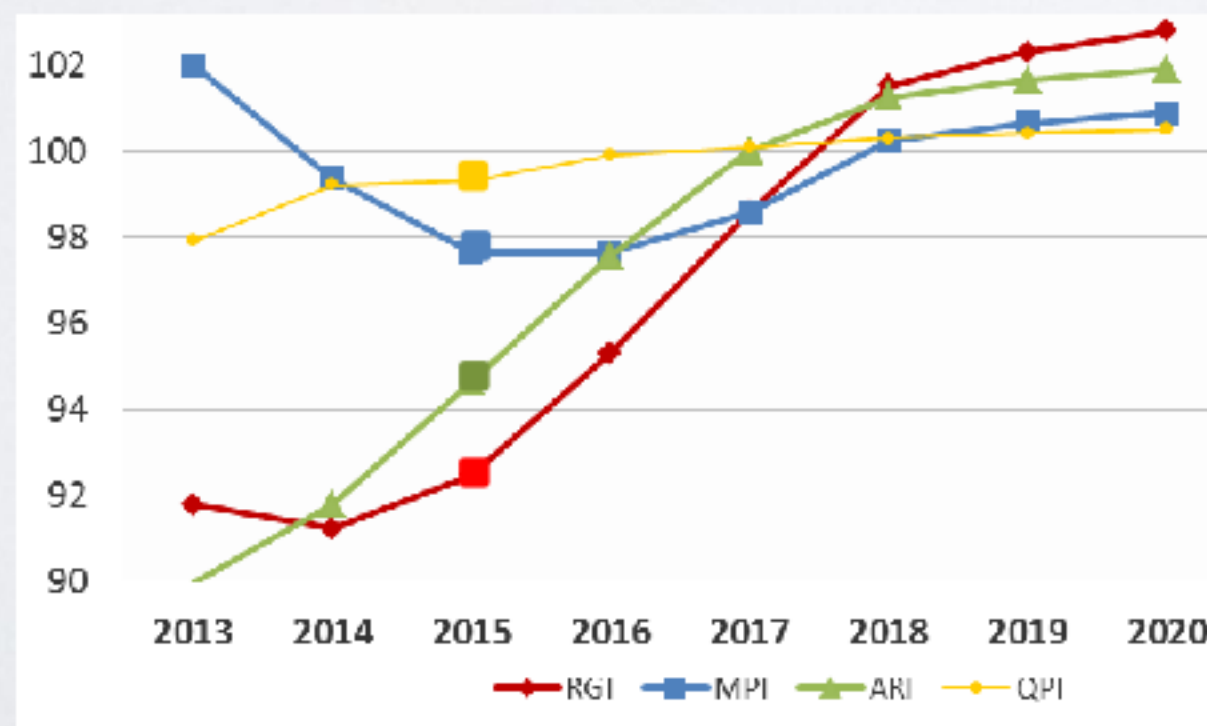
- Optimized portfolio with less brand damaging and unprofitable hotels: 42 hotels exited since 2013, out of which 19 correspond to lease contract cancellations. More than 120 renegotiations of leased contracts agreed.
- Superior pipeline of hotels with focus in the upscale segment: 19 hotels with 3.453 rooms as of Dec. 2015, o/w 7 hotels with 1.574 rooms under NH Collection and NHOW brands in key cities (London, Amsterdam, Rome, Marseille...)

ENABLERS: 3) SOPHISTICATED REVENUE MANAGEMENT TOOLS

- Advanced revenue management tools with more integrated and accurate systems:

	Initiatives
2015	<ul style="list-style-type: none"> • New Teams & Organization • New B2C Pricing Model and Strategy: Rates and Room Types • Segmentation Optimization Project • Portfolio Indexation
2016	<ul style="list-style-type: none"> • Better forecasting, improvement on time to market from 12-72hr to 1-60hr. • B2B, Meeting and Events Pricing optimization • Implementation of Open and dynamic pricing optimizing the whole demand curve • Price Rules and Alerts: first step on automation capabilities, improving our response to forecast changes
2017	<ul style="list-style-type: none"> • Optimization: open pricing will be rolled out to the B2B • Meeting and Events: Implementation of price rules • Full Implementation Open Pricing: improving our price competitiveness and allowing a more efficient Pricing Strategy • Optimization Time to Market: Development of Price Automation capabilities reducing time to market from 1-60hr to a maximum of 1hr

- Company strategy includes qualitative RevPar increases via ADR growth, with the goal to reach a RGI above of its peers by 2018.

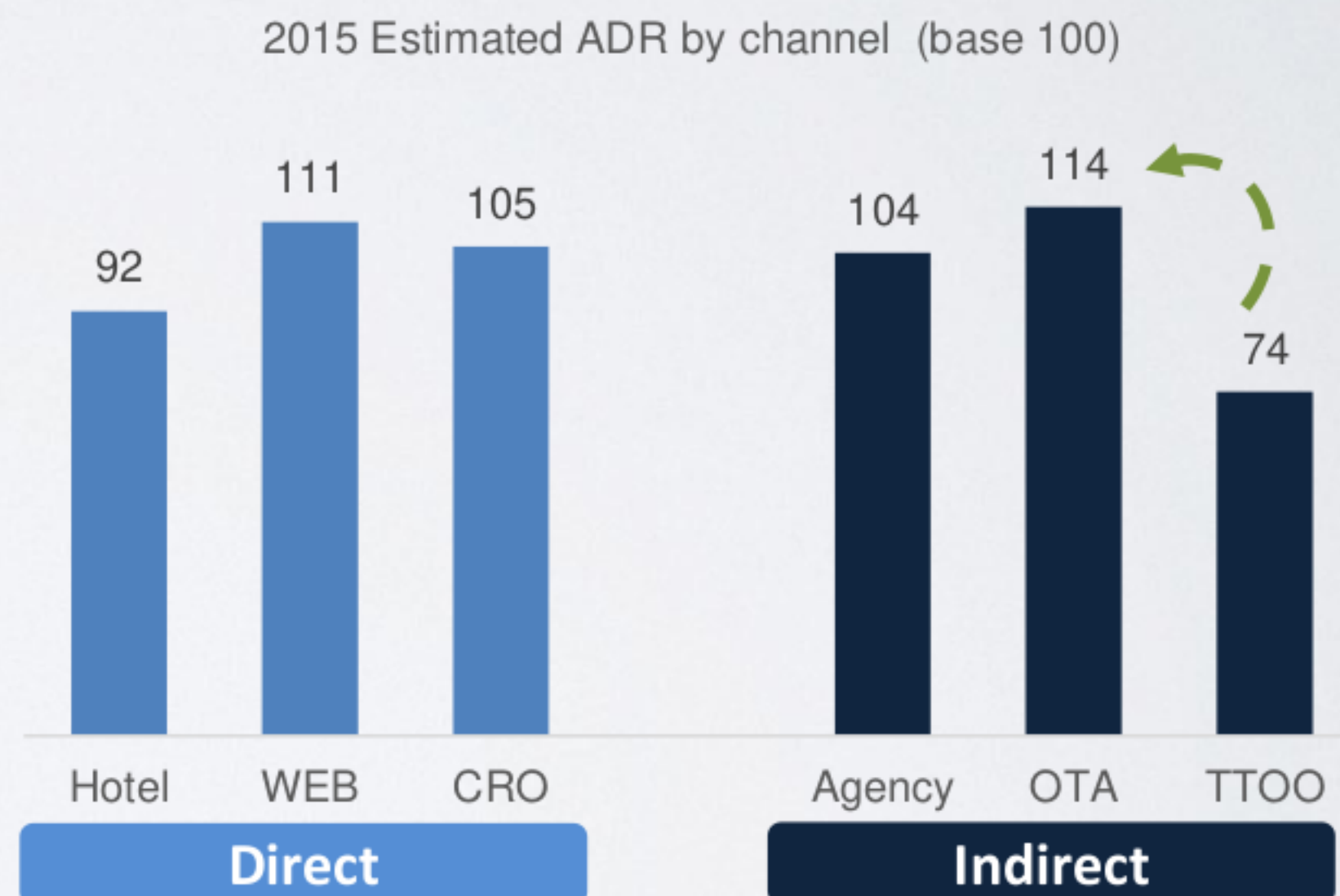


- RGI: Revenue Generator Index (RevPar of the hotel over competitors)
- ARI: Average Rate Index (ADR of the hotel over ADR of competitors)
- MPI: Market Penetration Index (Occupancy of the hotel versus competitors average)
- QPI: Quality Index

ENABLERS: 4) STRATEGY TOWARDS MORE PROFITABLE CUSTOMERS

- In 2015 a shift in segmentation change towards more profitable customers has been implemented affecting 900.000 room nights in the year:
 - Reduction of less profitable rates (Discounted rates, Tour Operators, Leisure group reservations and crews) providing volume throughout the year and mainly affecting Benelux and Central Europe.
 - These segmentation change is harder to offset in low activity periods and in countries where awareness and product is below the average of the Group (Germany) but it is widely compensated during high demand periods.
- Optimization of the channel mix with a renewed focus on net ADR.
 - OTAS has increased at the expense of other cheaper channels providing a higher net ADR and gaining access to long distance markets.

By Channel	2014 % Total	2015 % Total	YoY 15 vs 14
Dir - HOTEL	28,7%	25,9%	-2.8pp
Dir - WEB	9,2%	9,4%	+0.2pp
Dir - CRO	12,0%	13,2%	+1.2pp
DIRECT	49,9%	48,5%	-1.3pp
Ind - AGENCY	20,6%	19,8%	-0.8pp
Ind - OTA	17,5%	21,0%	+3.6pp
Ind - TTOO	12,0%	10,7%	-1.3pp
INDIRECT	50,1%	51,5%	+1.3pp
Indirect Cost	10,8%	11,3%	+0.5pp



- Strategy supported by a higher marketing (+€5.1M in 2015 reaching €28M; expected to remain flat in 2016 and onwards) & IT costs that will pay off in the coming years.
 - Web: Following the implementation period (Jan-May 2015) and the technical and functional adjustment phase (Jun-Sep 2015), the web production increased by +14% in Q4 2015. In the month of January it has represented 12% of total room revenue

FOCUS ON EBITDA CONVERSION

➤ Fulfilment of recurring EBITDA guidance:

- EBITDA before onerous grew +36% reaching €150M
- EBITDA after onerous grew +26% reaching €159M

➤ Margin increased from 9% in 2014 to 11% in 2015

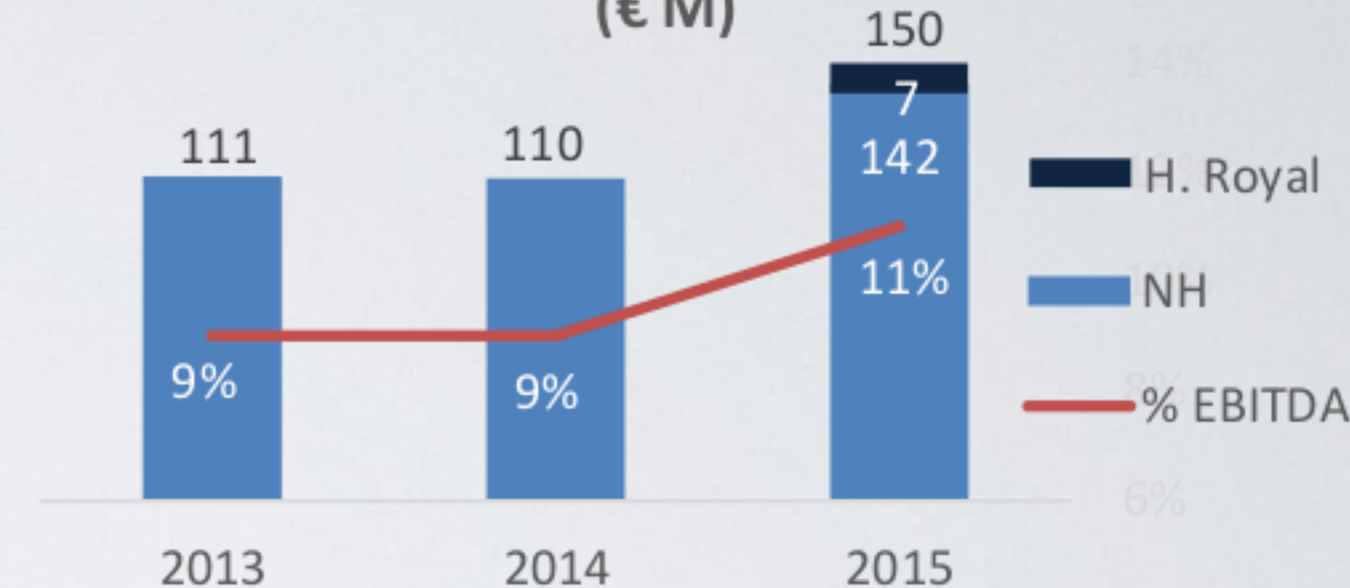
➤ 41% of EBITDA conversion in 2015:

- Excellent performance of Italy (conversion of 65%) and Spain (51%), both including renovations.
- Central Europe affected by the change in execution of renovations to H2 (45% conversion w/o renovations). New management since July.
- Benelux affected by renovations in H2 and Brussels effect (42% conversion rate excluding these two effects).
- Higher effort in Marketing expenses (+€5.1M) and Maintenance & Repairs (+€2.1M) linked to the refurbishment program, with a higher weight in H2.
- Higher commissions (€+10,2M), 42% explained by increased revenues and 58% due to the segmentation shift effect: higher commission per average indirect reservation providing a higher net ADR.

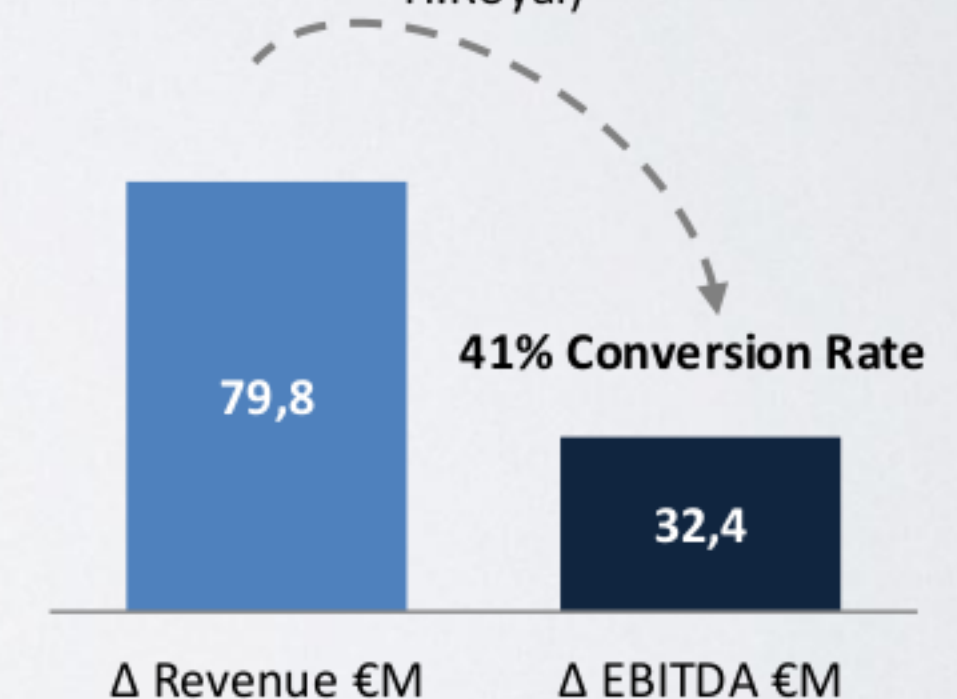
➤ Different evolution per semester:

- Higher concentration of refurbished hotels in H2 2015 (621 average rooms blocked in H1 vs 734 rooms in H2).
- €2.5m of revenue loss in the last 45 days of the year mainly in Brussels due to security reasons. Since February 2016, levels of activity are restored.
- Higher weight of marketing and commissions effort in H2 because of calendar.

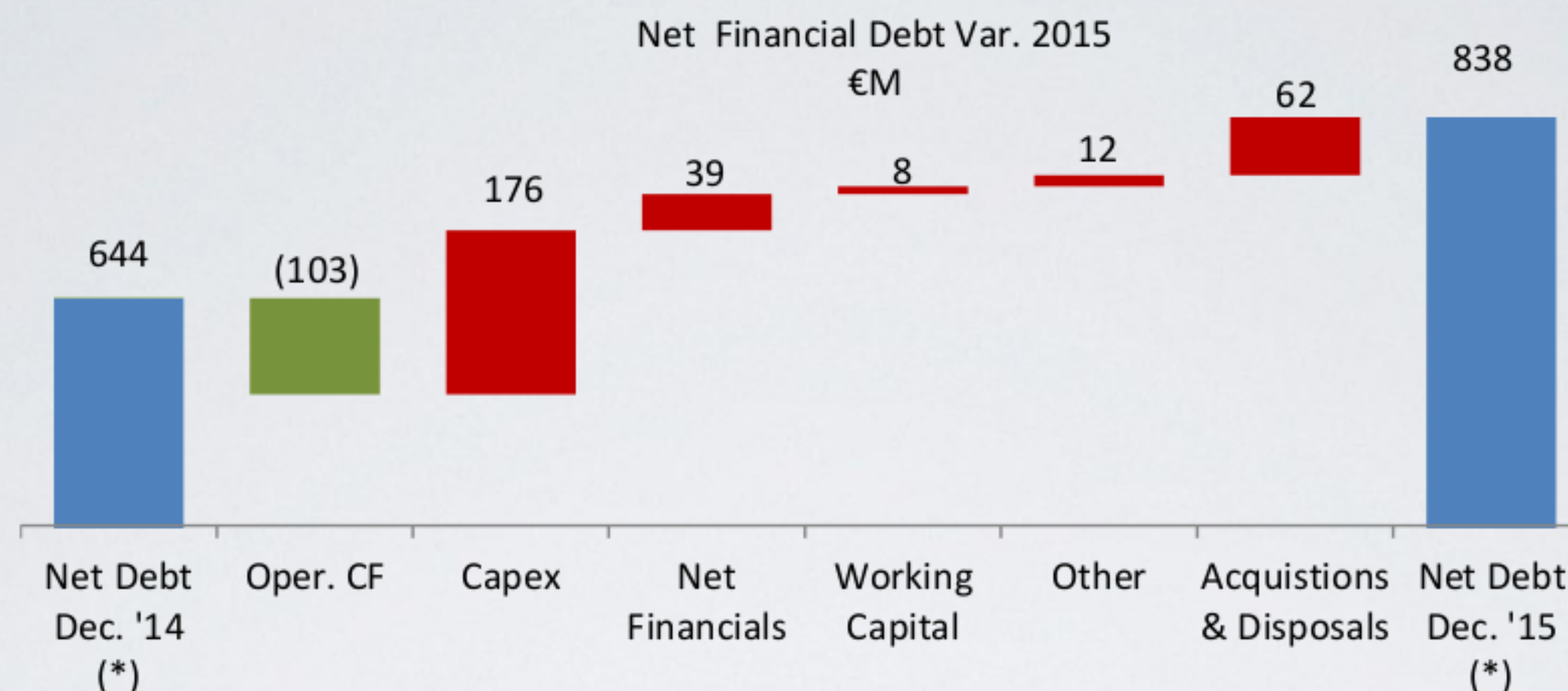
Recurring EBITDA before onerous reversal
(€ M)



2015 (recurring figures excluding H.Royal)



FOCUS ON CASH FLOW GENERATION



(*) NFD excluding accounting adjustments for the portion of the convertible bond treated as Equity, arrangement expenses and accrued interest. Including these accounting adjustments, the Adj. NFD would be €607m in Dec. 2014, and €809m in Dec. 2015.

➤ 2015 cash flow impacted by:

- Capex outflow of €176M (o/w €29M capex overflow from 2014)
- Working capital consumption in the first part of the year. Actions taken
- Non recurring costs (-€23M)

➤ 2016: path to positive cash flow:

- Capex: continues effort with an estimated disbursement of €167M in 2016. Normalized capex between 4-5% of Revenues after Repositioning
- Working capital improvement to normalized at end 2016:
 - Transformation of administration managers to CFOs
 - Billing quality task force in place
 - Already significant improvement on average collection period: 36 days in July 2015 to 31 days as December 2015
- Cost control:
 - In 2016, marketing expenses will not increase (as of % of revenues will decrease)
 - New cost control initiative: €5-10M reduction program by 2017-2018
- Speed up of non core asset disposals and commitment to divest further assets: €140m expected in 2016 (70% in H1)
- Other 2016 cash-outs (no P&L impact): Donnafugata put option (€11M), JV China (€4M), and lease cancellations (€4M)

FOCUS ON DELEVERAGE

➤ Deleverage a key metric of the 5YR plan:

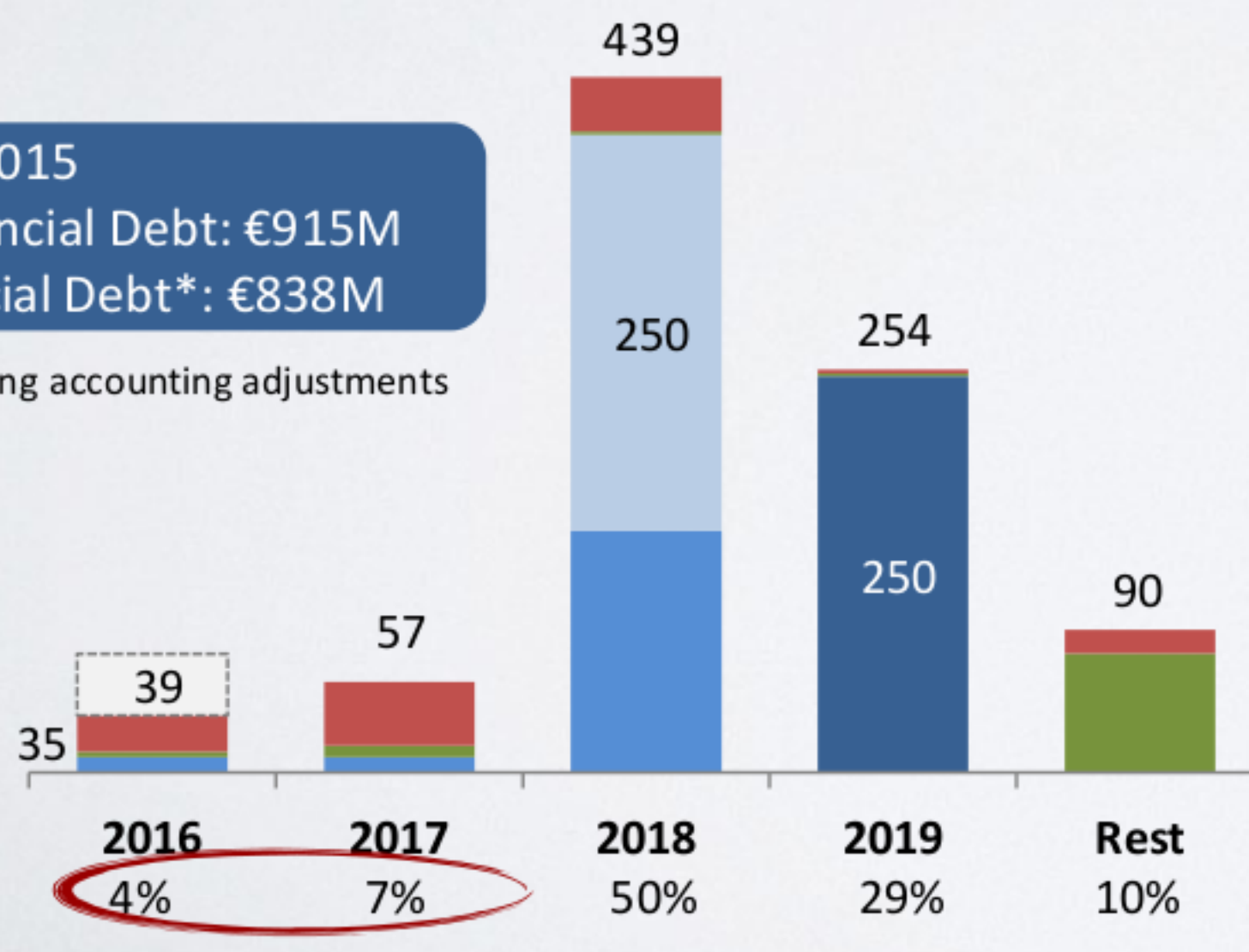
- 2015 NFD of €838M (similar level as of 30th Sept. 2015).
- NFD/ recurring EBITDA 5.6x - Average cost of debt of 4.23% and maturity of 4,7 years.
- Successful Term Loan refinancing: margin reduction from 4.0% to 2.5%, maturity extension and €50M of additional credit lines.
- Reduction of fixed leases: increase of variable component and new financial metrics (implied leverage, baskets to limit future losses).

➤ Solid asset base with valuation potential upside: As of December 2014 total value of €1.6BN out of which €0,6BN are unencumbered.

➤ 2016 leverage target: NFD / recurring EBITDA c. 4.0x

Financial Debt Amortization Schedule (€M)

- Term Loan
- High Yield
- Convertible
- Other Loans
- Other Secured Loans
- RCF & Factoring (ST)



31st Dec. 2015
Gross Financial Debt: €915M
Net Financial Debt*: €838M

(*) NFD excluding accounting adjustments

Current Debt terms:

- Term Loan: €172M (€105M +€67M RCF), Oct. 2018, E + 2,5%.
- Unsecured Convertible Bond: €250M, Nov. 2018, fixed rate 4%, conversion €4,92. Early conversion from Nov. 2016 if share price is above €6,4.
- High Yield Bond: €250M, Nov. 2019, fixed rate 6,875%. Early repayment from Nov. 2017.
- 2016 maturities includes €39M of Revolving Credit Facilities to be renewed throughout the year.
- Undrawn credit lines of €31M as of Dec. 2015.

DELIVERING ON HOTELES ROYAL ACQUISITION

➤ Integration of Hoteles Royal since March 2015:

- Change of signage completed: out of the 20 hotels in operation, 10 belong to the NH Collection segment
- Implementation in 2015 of the estimated synergies:
 - Payroll: 75%
 - Opex: 100%
- In Q3, the change in segmentation towards more profitable rates was initiated: price increase offsets the decrease in occupancy caused by the higher hotel supply in Bogota.

➤ 2015 P&L Contribution (10 months): in line with the budget despite negative evolution in the Colombian Peso

- Revenue: €50.6M.
- EBITDA: €7.1M.
- Net Income: €0.7M.

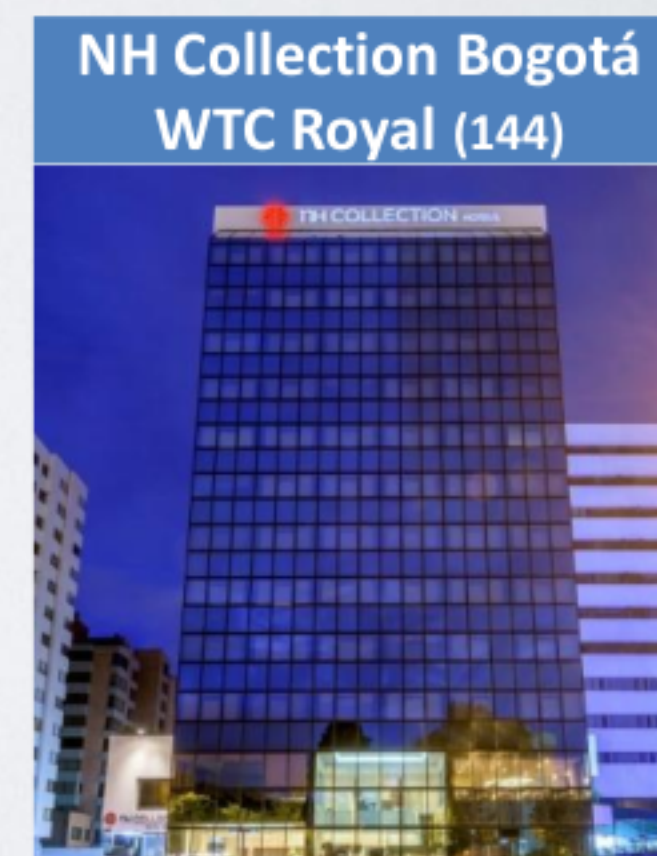
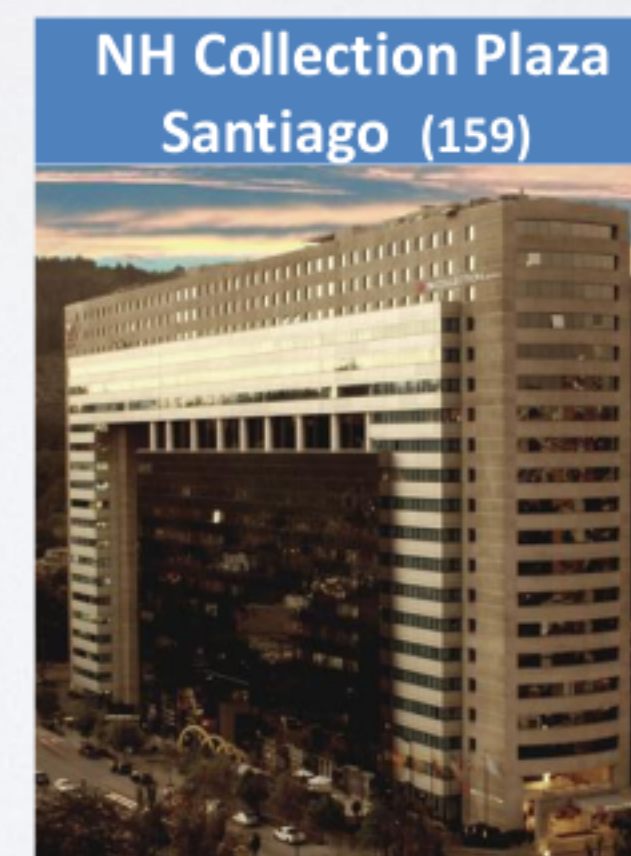
➤ 2016E figures reflect the same EBITDA target in € as the acquisition business case (in track to achieve 7.0x EV /EBITDA acquisition multiple in Year 4 base on an estimated EBITDA of €14.0M)

➤ Purchase price allocation in place.

➤ Acquisition pending payment: €17M in 2017.

Country	Nº Hotels	City	Nº Rooms
Colombia	10	Bogotá	1.260
	1	Cali	145
	1	Medellín	134
	1	Barranquilla	118
	2	Cartagena	37
Chile	1	Santiago	159
	1	Antofagasta	136
	1	Iquique	78
	1	Valparaiso	66
Ecuador	1	Quito	124
	20		2.257

Panama (in construction)	1	Panama	85
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2015: 12 MONTH RESULTS

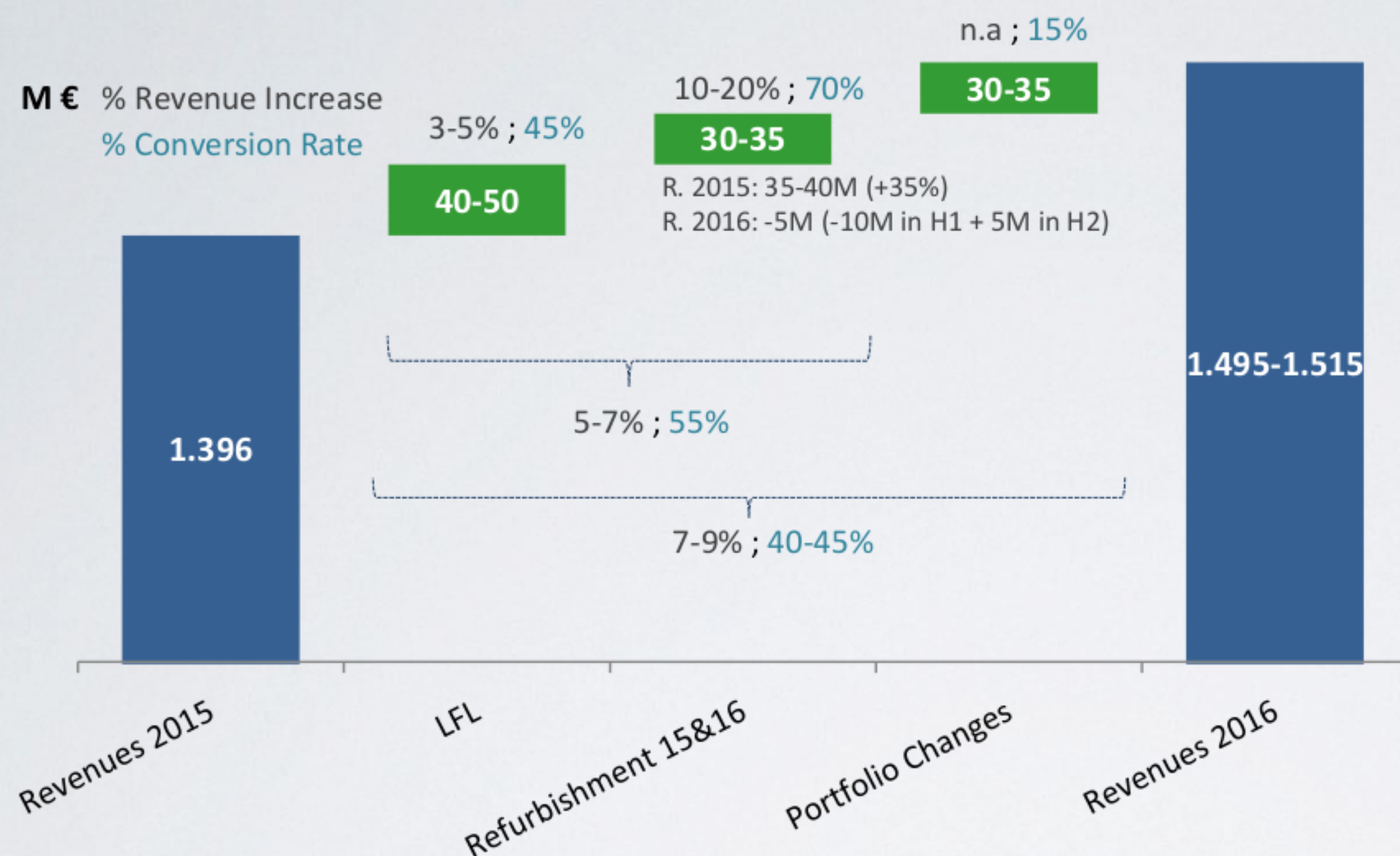
NH HOTEL GROUP P&L ACCOUNT

(€ million)	NH (ex. Hoteles Royal)			NH TOTAL*	
	12M 2015	12M 2014	2015/2014	12M 2015	2015/2014
	M Eur.	M. Eur	Var. %	M. Eur	Var. %
TOTAL REVENUES	1.344,9	1.265,1	6,3% ¹	1.395,5	10,3%
Staff Cost	(480,7)	(460,0)	4,5%	(496,4)	7,9%
Operating expenses	(436,3)	(413,2)	5,6%	(457,0)	10,6%
GROSS OPERATING PROFIT	427,8	391,8	9,2% ²	442,1	12,8%
Lease payments and property taxes	(285,4)	(281,7)	1,3%	(292,6)	3,9%
EBITDA BEFORE ONEROUS	142,4	110,1	29,4% ³	149,5	35,8%
Onerous contract reversal provision	10,0	16,1	(38,0%)	10,0	(38,0%)
EBITDA AFTER ONEROUS	152,4	126,2	20,8%	159,5	26,4%
Depreciation	(92,4)	(89,1)	3,7%	(94,8)	6,4%
EBIT	60,0	37,0	62,0%	64,7	74,6%
Interest expense	(44,8)	(49,9)	(10,2%) ⁴	(46,6)	(6,6%)
Income from minority equity interests	(1,08)	(2,03)	(46,8%)	(1,1)	(46,8%)
EBT	14,1	(14,9)	195,1%	17,0	214,4%
Corporate income tax	(16,6) ⁵	(4,1)	310,9%	(17,3)	327,4%
NET INCOME before minorities	(2,5)	(18,9)	86,7%	(0,3)	98,4%
Minority interests	(2,0)	0,9	(322,7%)	(2,4)	(371,6%)
NET RECURRING INCOME	(4,5)	(18,0)	75,2%	(2,7)	85,0%
Non Recurring EBITDA	(16,9)	3,0	(669,3%)	(17,9)	(704,7%)
Other Non Recurring items	21,5	5,5	290,2%	21,5 ⁶	290,2%
NET INCOME including Non-Recurring	0,2	(9,6)	102,3%	0,9 ⁷	109,9%

* Includes Hotel Royal from March 4, 2015

- Revenues:** +6.3% or +79.8M of higher revenues with a growth rate increasing through the year (H1: +4,8%; H2: +7,7%) driven by a solid performance in Italy and Spain. Including H. Royal: +€130M (+10.3%)
- Operating expenses:**
 - Staff expenses rise by +4.5% (€+20.7M), 25% of the increase is explained by the increase in activity, 30% due to collective agreements, reinforcement of commercial and revenue management teams and the low absorption of the renovated hotels in Germany due to the change in execution to H2
 - Other operational expenses +5.6% (€+23.1M) explained by a higher effort in Marketing (+€5.1M) and Maintenance & Repairs (+€2.1M) linked to the refurbishment program. Commissions increased by (+€10.2M) due increased revenues and segmentation shift effect
- Leases:** 22 renegotiations and 2 cancellations offsetting variable leases increases
- Financial Expenses:** financial expenses decreased - 10.2% due to a reduction of the margins (syndicated loan and German mortgage loan)
- Taxes:** higher EBIT and taxable income vs 2014
- Non Recurring Activity:** includes cost of severance payments due externalizations, advisory of failed bond issuance, rent linearization impact, accelerated depreciation due to repositioning capex offset by the reversal of impairment provisions due to improved performance and change of tax rate in Italy
- Net Income:** Positive net profit since 2011

2016 GUIDANCE



**EBITDA 2016E before
onerous reversal
≈ €200M**

40%-45% conversion rate

Including:
Severance (€3M)
Rent Linearization (€5M)

≈ €190M

**Positive Net Recurring
Income**

Deleverage 2016	
NFD/ Recurring EBITDA	c. 4.0x (vs 5.6x in 2015)
Capex Investments	€167M
Asset Disposals	€140M (70% in H1)

*One day, whenever anyone contemplates a trip to a city for an overnight stay or meeting, for business or pleasure, they will always ask themselves:
'Is there an NH Hotel at my destination?'*

NH aspires to be the **"top 2 choice"** for city/business travelers,
offering a different product and service experience



key categories for NH

NH aspires to be the best option for investors looking to sign a lease/management contract with a top rate operator in the city/business segment

NH seeks to **maximize return for shareholders** by pursuing three aspirations (updated Oct. 2015):



(1) ROCE = Rec. EBITDA / Shareholders Equity + Net Debt + WC

(2) Convertible Bond conversion not assumed

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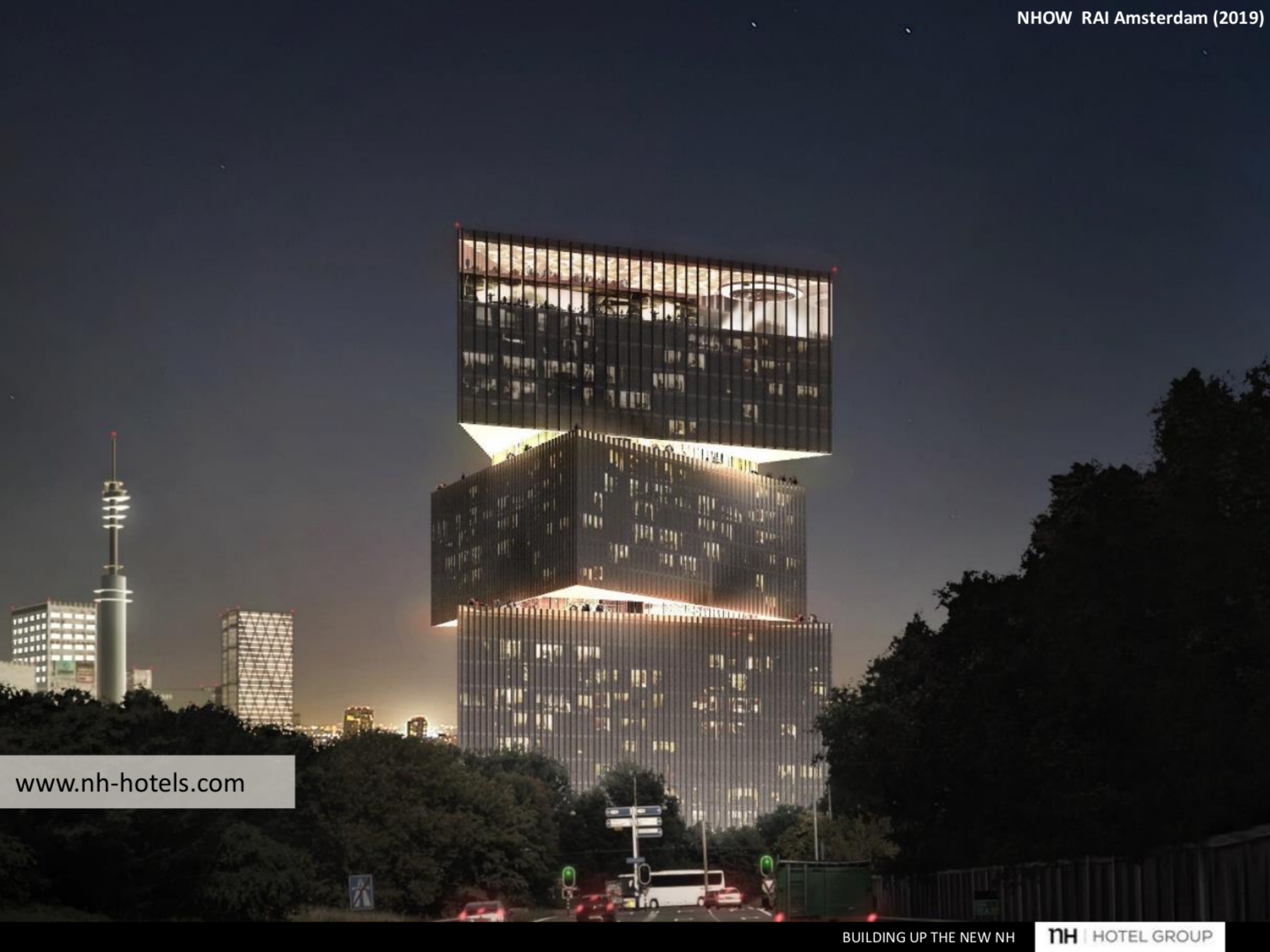
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