

SALES AND RESULTS

1st half of 2016

28 July 2016



nh | HOTEL GROUP

nh
HOTELS


NH COLLECTION

nhow

Hesperia
RESORTS

- **Outstanding revenue growth in the second quarter of +6.7%**, with a contribution to RevPar growth of 91% through prices, despite the foreign exchange effect (+9.4% at constant rate) supported by the good performance in Spain (+13.8%) and central Europe (+11.4%).
- **Accumulated to the first half of the year revenues grew by +7.5%**, with a price contribution to RevPar growth of 80%.
- **EBITDA for Q2 2016 reached €77.8M**, implying a **+21.3% improvement** (+€13.7M) absorbing the negative currency effect (-€1.7M), the lower contribution from hotels in Belgium (-€0.8M) and the business loss from hotels reposition in Benelux (-€2.1M). The ratio of EBITDA conversion is 52% in Q2.
- **In the first 6 months of 2016 EBITDA reached €73M** implying an improvement of + 27.4% (+€15,7M). With all the recurring EBITDA of the last 12 months would have reached €165M.
- **Recurring Net Income for Q2 increases by +€16.5M** (+105%) to €32.2M and in the semester it improves by +€7.0M (+57%).
- **Net Income for the first half** supported by the good performance of the business and the non-strategic asset disposal allows to reached **€9.7M, compared to a loss of -€17.4M** in the same period of 2015.
- **Improvement in net financial position** (€801M of net financial debt, down by -€37M) that allows to achieve **a leverage ratio of 4.8x** (last 12 months) vs. 5.6x as of December 31, 2015.

Key figures for the second quarter of 2016

- **Growth of +6.7% in RevPar**, 91% through price increases (+8.3% with constant exchange rates). Particularly remarkable is the **double digit increase in Spain (+13.7%) and Central Europe (+12.7%)**, also supported by the rise in occupancy (+2.4% and +2.9%, respectively).
 - Compared with Q1 (the quarter with less activity of the year), Q2 confirms the strategy of growth in RevPar through ADR for the year, also allowing us to continue raising prices vs. our direct competitors during the quarter (+3.0% in Q2).
- **Total revenue amounts to €413.3M, representing a growth of +6.7% (+€26.1M). Like for like revenues accounts for +6.4 b.p.** of this +6.7% growth (despite the lower contribution due to the Milan Expo in Q2 in 2015 (-€3.2M), **renovated hotels in 2015 and 2016 contributed +1.7 b.p.** (+€6.8M in Q2 the contribution of hotels reformed in 2015 is greater than the business loss of the hotels renovated in 2016), **changes in the perimeter due to openings and closings +1.2 b.p.** (+€4.7M) **and the negative foreign exchange performance** (Argentinian peso -38%; Colombian peso -18% and Mexican peso -17%) **subtracts -2.7 b.p.** (-€10.3M).
- Noteworthy is the revenue growth in **Like for Like plus Renovations** (hereinafter, "LFL&R") in **Spain of +14.0%**, and in **Central Europe** which booked growth of **+11.4%**. Importantly, **Benelux** (+1.2%) had the highest number of hotels renovated during the quarter (-€2.9M loss of revenue) and **LFL growth not including renovations** was **+4.1%**, despite the weak performance in LFL Belgium (-€1.6M; -16%), offset by the better performance in Netherlands LFL (+€3.4M; +8%). In **Italy** the renovations from 2015 and the good performance in secondary cities totally offset the contribution from de 2015 Milan Expo in Q2 (+€3.2M) reporting a LFL&R growth of +0.0%. Additionally including new openings, the increase is +4.8% in Italy.

- **Payroll Costs** rose +3.0% due to the higher level of activity in Spain and Central Europe and severance payments (+€0.7M) of the ordinary business.
- **Other direct expenses** increased +4.5% through higher commissions due to the growth in revenue and the evolution of sales channels.
- **Growth of +12.1% at GOP level** (+€16.8M) to €155.4M, **raising the margin to 37.6%** (35.8% in Q2 2015), reaching a conversion rate of +64%.
- **EBITDA** before onerous in the second quarter (€77.8M) **improved by +21.3%** (+€13.7M) absorbing the negative currency effect (-€1.7M), the lower contribution of hotels in Belgium (-€0.8M), the opportunity cost of repositioned hotels in Benelux (-€2.1M) and the accounting impact of linearization of rents (+€1.5M). This all leads to **an EBITDA/revenue conversion rate of 52%**, in line with the annual EBITDA target.
- **Recurring Net Income for Q2 was up +€16.5M** (+105%) which together with the positive contribution of non-recurring activity reported a Positive Net Income of €49.3M.

Key figures for the first half of 2016

- **Accumulated to the first half of the year revenues grew by +7.5% to €715,1M. EBITDA reached €73M implying an improvement of +27.4%** (+€15.7M), representing a conversion of 32% and a proforma of 43% adjusted by the severance payments (+1,8M) and the rent linearization (+3,9M).
- **The Group's Recurring Net Income was up by +€7.0M** (+56%) which, added to the positive contribution from non-recurring activity, makes for a **Net Income of €9.7M**, compared to the loss of -€17.4M in the same period of 2015.

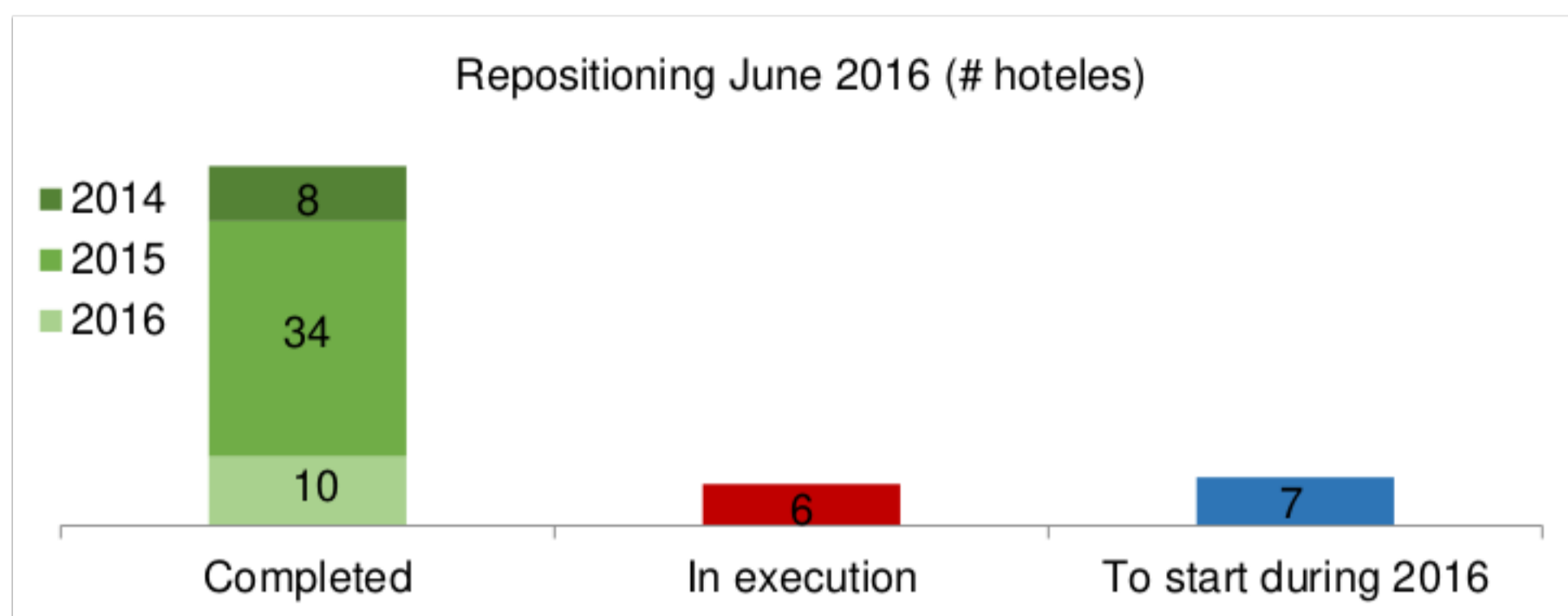
Financial Debt Evolution

- As of 30 of June 2016 **€76M of assets disposals** have been registered, with the cash inflow in that date, vs. the annual **target of €140M**. If we include the deals signed in July, then 73% of the yearly target of €140M would have been achieved (not including New York, transaction which is in process).
- **Net financial debt stood at €801M** at 30 June 2016, €37M lower than in December 2015, and due to the satisfactory **operating cash flow generation**, given that invested Capex for the same period is almost completely funded from the sale of non-strategic assets. With all this a Net Financial Debt / EBITDA ratio of 4.8x EBITDA in the last 12 months in June 2016 is reached vs. 5.6x in December 31, 2015.
- Moody's has assigned NHH a corporate Rating of B2 with stable outlook (July 27, 2016)

2016 outlook

- The targets set for 2016 at recurring **EBITDA level (€190M)** and to reduce the Group's relative leverage ratios of 4.0x at year-end (NFD / recurring EBITDA) are maintained.

2014 - 2018 Strategic Plan: status

 ➤ **Repositioning plan:**


As of June 2016 a total of 52 hotels have been refurbished since the plan was launched. The compound annual growth rate in RevPar of hotels with six months of operations post-renovation in the first six months of the year compared with the same period pre-renovation is +11.7%. The following hotels are included in the sample: NH Collection Eurobuilding, NH Collection Abascal, NH Alonso Martínez, NH Collection Aránzazu, NH Pamplona Iruña, NH Collection Gran Hotel Zaragoza, NH Firenze, NH Madrid Atocha, NH Madrid Nacional, NH Madrid Ventas, NH Collection Hamburgo City, NH Collection Bruselas Centre, NH Utrecht, NH Milano Congress Centre and NH Génova Centro.

At the end of 2015, hotels in “perfect condition” accounted for 59% of rooms and 64% of EBITDA. Once the positioning plan has been completed, 74% of the rooms and 81% of Group EBITDA will be in “perfect condition” (marked competitive edge against its rivals).

- **Brand:** NH has 382 hotels and 58,318 rooms. Of this total, as of June 2016, 63 hotels and 9,770 rooms belong to NH Collection. The company shows further potential both in prices and quality (there have also been improvements in non-renovated hotels).

At Group level, 35% of the portfolio is positioned in the top 10 urban hotels (42% for NH Collection), and 52% in the top 30 (58% in NH Collection), evidencing the higher quality levels perceived by customers.

% hotels	Dec '13	Dec '14	Dec '15	Jun '16
Top 10	19%	24%	27%	35%
Top 30	41%	47%	49%	52%

Source: Trip Advisor

- **Pricing & Revenue Management:** ADR in the Group's top cities has again performed positively versus direct competitors in the second quarter of 2016. NH has obtained +3.0 b.p. growth in relative ADR vs. the competition in a quarter of high demand.

In Italy, the strategy in Milan for 2016 is still to keep a high absolute RGI through volume, as our prices increased higher than our rivals in 2015 (+5.2 b.p.). Growth at RGI level is +1.0 b.p. in Q2.

Remarkable performance of Benelux with an increase of +11.5% against the set of competitors, which reported growth of +5.0%. In Brussels, the +5.8 b.p. growth in RGI in Q2 arises from growth of +6.8 b.p. in ARI.

Excellent performance of Spain, with growth of +11.8% against the set of competitors, which reported growth of +6.3%.

	ADR % var		"Relative" ADR
	NH	Compset	ARI % var
Total NHH	+5.6%	+2.7%	+3,0p.b
Spain	+11.8%	+6.3%	+5,5p.b
Italy	-11.6%	-9.2%	-2,4p.b
Benelux	+11.5%	+5.0%	+6,5p.b
Central Europe	+13.0%	+6.4%	+6,6p.b

Source: STR/MKG/Fairmas Competitive Set Average Growth

The strategy towards more profitable rates creates a more efficient segmentation with a particularly strong impact in the high activity months, thereby optimising sales channels, increasing the weight of OTAs in the period vs. more economical channels, reaching a higher net ADR and access to long distance markets.

Sales across the Internet channel rose +21% in the first half of 2016.

➤ **Portfolio optimisation:**

- Of the assets disposal target of €140M set for the year, as of 30th of June 2016 a cash inflow of €76M has been materialized. If we include transactions signed in July, 73% of the target for the year would have been executed (excluding New York, which operation is in progress).
 - During the first 6 months, 9 hotel contracts with 1,283 rooms were signed. These contracts have all been signed under lease and management contracts; many of them are in the superior brand segment in important cities (Venice, Antwerp, Monterrey, Mexico City and Eindhoven).
- **JV China:** launch of the JV with HNA group in late March. 3 hotels have been signed under management as of 30 June. NH plans to open two hotels in the second half of 2016 in Sanya and Haikou. During Q1 2016, the capital contribution has been €4.1M, the total estimated for 2016.

RevPar Performance in the Second Quarter

Note: The “Like for Like plus Renovations” (LFL&R) criterion includes hotels renovated in 2015 and 2016, so as to ensure that the sample of “LFL” hotels is not reduced by the high number of hotels affected by the renovations.

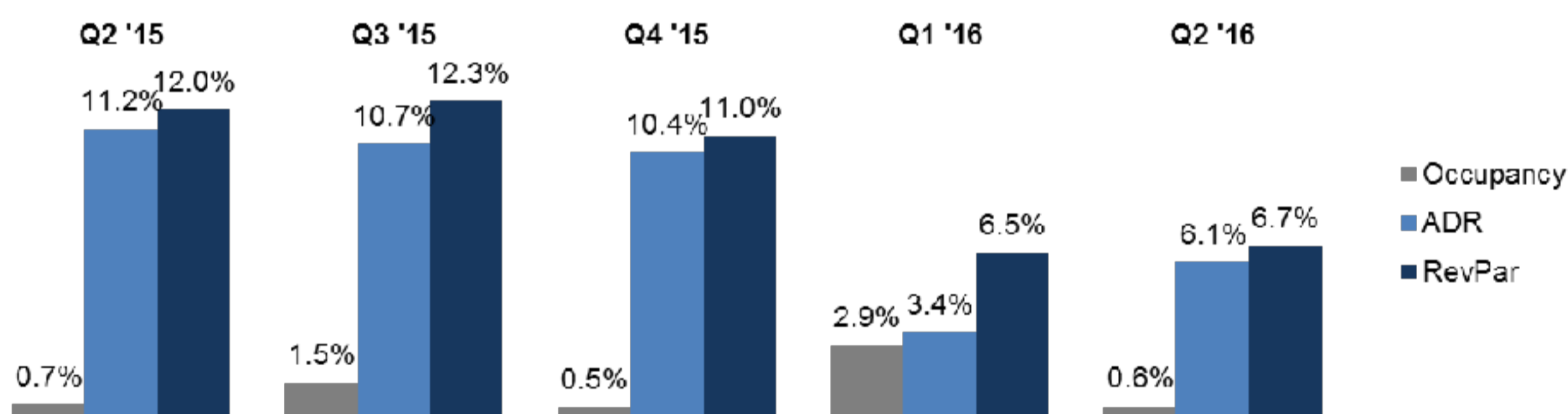
NH HOTEL GROUP REVPAR Q2 2016/2015											
	AVG. ROOMS		OCCUPANCY %			ADR			REVPAR		
	2016	2015	2016	2015	% Var	2016	2015	% Var	2016	2015	% Var
Spain & Portugal LFL & R	11,118	11,032	75.9%	73.9%	2.7%	87.8	79.6	10.3%	66.7	58.9	13.2%
B.U. Spain Consolidated	11,393	11,510	75.8%	74.1%	2.4%	88.2	79.4	11.0%	66.9	58.8	13.7%
Italy LFL & R	6,984	6,987	74.2%	74.1%	0.1%	117.8	123.1	-4.3%	87.4	91.2	-4.2%
B.U. Italy Consolidated	7,452	7,331	73.6%	72.6%	1.4%	120.7	122.1	-1.2%	88.8	88.6	0.2%
Benelux LFL & R	8,159	8,316	71.5%	75.5%	-5.3%	103.5	96.7	7.1%	74.0	73.0	1.4%
B.U. Benelux Consolidated	8,317	8,381	71.3%	75.6%	-5.8%	103.8	96.9	7.1%	74.0	73.3	1.0%
Central Europe LFL & R	12,628	12,579	75.9%	73.8%	2.9%	89.0	81.3	9.5%	67.6	59.9	12.7%
Central Europe Consolidated	12,628	12,579	75.9%	73.8%	2.9%	89.0	81.3	9.5%	67.6	59.9	12.7%
Total Europe LFL & R	38,889	38,914	74.7%	74.3%	0.6%	96.7	91.6	5.5%	72.2	68.0	6.2%
Total Europe Consolidated	39,789	39,801	74.5%	74.0%	0.6%	97.6	91.5	6.7%	72.7	67.7	7.4%
Latinamerica LFL & R	3,044	3,044	66.2%	64.9%	1.9%	69.0	73.5	-6.2%	45.6	47.7	-4.4%
Latinamerica Consolidated	5,230	5,230	61.3%	61.3%	0.0%	74.0	74.4	-0.5%	45.4	45.6	-0.5%
NH Hoteles LFL & R	41,933	41,958	74.1%	73.6%	0.7%	94.9	90.5	4.9%	70.3	66.6	5.6%
Total NH Consolidated	45,020	45,031	73.0%	72.5%	0.6%	95.3	89.8	6.1%	69.5	65.1	6.7%

- The **Consolidated RevPar** performance in Q2 2016 **(+6.7%)** has a very positive trend. The increase in prices (+6.1%) accounts for 91% of the growth in RevPar. Growth is +8.3% (93% due to prices) at a constant exchange rate.
 - The company has used the pricing strategy to replace less profitable rates in the second quarter of 2016 through the change of segmentation begun in 2015, raising prices above its direct competitors.
 - The Group's **level of activity** has remained flat, with **occupancy reported rising +0.6%** in the second quarter. There was significant growth in Central Europe (+2.9%) and Spain (+2.4%). Activity was down -5.8% in Benelux BU due to the impact of security problems in Belgium hotels LFL (-21.4% occupancy and +3.4% in ADR) offset by the good performance in Netherlands LFL (-1.3% occupancy and +10.9% in ADR). Activity has increased +1.4% in Italy despite the start of the Milan Expo since May 2015. In Latin America, occupancy remains stable.
- At **LFL&R** level, RevPar was up **+5.6%** in the second quarter. BU in Spain is strong, with growth of 13.2%, and increase in prices of +10.3% and the BU of Central Europe with growth of +12.7 (95% through price). The BU of Latin America has been affected by volatility in local currency, particularly the Argentinian peso, which has devalued by 38% over the period.
- **Excluding renovations**, RevPar LFL was up by **+4.7%** in the second quarter, prices increased +3.7%, accounting for 80% of growth in RevPar.

6-month RevPar performance

- In the first half of the year, Consolidated RevPar rose +6.5%, with prices up by +5.1% and a +1.3% increase in occupancy. Not including the renovations, RevPar LFL was up +5.5%, 56% of which was underpinned by the +3.1% rise in prices.

NH HOTEL GROUP REVPAR 6M 2016/2015											
	AVG. ROOMS		OCCUPANCY %			ADR			REVPAR		
	2016	2015	2016	2015	% Var	2016	2015	% Var	2016	2015	% Var
Spain & Portugal LFL & R	11,018	10,877	69.5%	65.6%	5.9%	83.0	76.2	8.9%	57.7	50.0	15.3%
B.U. Spain Consolidated	11,281	11,393	69.4%	65.7%	5.6%	83.3	75.8	9.8%	57.8	49.8	16.0%
Italy LFL & R	6,985	6,987	66.5%	65.1%	2.1%	107.7	111.3	-3.2%	71.6	72.5	-1.2%
B.U. Italy Consolidated	7,549	7,341	65.4%	63.7%	2.7%	109.3	110.4	-1.0%	71.4	70.3	1.7%
Benelux LFL & R	8,024	8,343	63.9%	66.2%	-3.4%	97.2	91.8	5.9%	62.1	60.7	2.2%
B.U. Benelux Consolidated	8,135	8,387	63.8%	66.3%	-3.7%	97.4	92.0	5.9%	62.2	61.0	2.0%
Central Europe LFL & R	12,628	12,567	69.3%	68.2%	1.7%	87.1	81.6	6.7%	60.4	55.7	8.4%
Central Europe Consolidated	12,628	12,567	69.3%	68.2%	1.7%	87.1	81.6	6.7%	60.4	55.7	8.4%
Total Europe LFL & R	38,655	38,773	67.7%	66.5%	1.9%	91.5	87.5	4.5%	62.0	58.2	6.5%
Total Europe Consolidated	39,593	39,688	67.5%	66.2%	1.9%	92.1	87.3	5.5%	62.1	57.8	7.4%
Latinamerica LFL & R	3,009	3,044	64.3%	64.7%	-0.7%	69.6	72.9	-4.5%	44.8	47.2	-5.1%
Latinamerica Consolidated	5,194	4,517	60.6%	62.1%	-2.4%	73.9	71.3	3.6%	44.8	44.3	1.1%
NH Hoteles LFL & R	41,665	41,817	67.5%	66.4%	1.7%	90.0	86.5	4.0%	60.7	57.4	5.8%
Total NH Consolidated	44,787	44,205	66.7%	65.8%	1.3%	90.2	85.7	5.1%	60.1	56.4	6.5%

Performance of Consolidated Ratios by quarters:


Consolidated Ratios % Var	Occupancy					ADR					RevPar				
	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16
Spain	6.1%	8.0%	7.9%	11.3%	2.4%	12.0%	6.3%	14.8%	8.6%	11.0%	18.8%	14.9%	23.9%	20.8%	13.7%
Italy	0.5%	7.4%	2.2%	4.7%	1.4%	17.8%	19.0%	17.7%	0.5%	-1.2%	18.5%	27.7%	20.3%	5.2%	0.2%
Benelux	0.9%	4.9%	0.0%	-1.3%	-5.8%	7.2%	9.7%	3.9%	4.6%	7.1%	8.2%	15.0%	3.9%	3.3%	1.0%
Central Europe	-3.5%	-6.8%	-4.5%	0.3%	2.9%	6.2%	5.8%	6.7%	3.6%	9.5%	2.4%	-1.5%	1.9%	3.9%	12.7%
TOTAL EUROPE	0.8%	2.2%	1.1%	3.8%	0.6%	10.6%	10.2%	10.4%	4.3%	6.7%	11.5%	12.6%	11.5%	8.3%	7.4%
Latin America real exc. rate	-2.0%	-7.5%	-5.3%	-5.1%	0.0%	22.2%	16.4%	8.7%	-2.5%	-0.5%	19.7%	7.7%	3.0%	-7.5%	-0.5%
NH HOTEL GROUP	0.7%	1.5%	0.5%	2.9%	0.6%	11.2%	10.7%	10.4%	3.4%	6.1%	12.0%	12.3%	11.0%	6.5%	6.7%

RECURRING HOTEL ACTIVITY 2016 VS 2015 WITHOUT HOTELES ROYAL								
(€ million)	2016 Q2	2015 Q12	DIFF. 16/15	%DIFF.	2016 6 months	2015 6 months	DIFF. 16/15	%DIFF.
SPAIN	102.8	90.2	12.6	14.0%	176.3	151.3	25.0	16.5%
ITALY	75.1	75.1	(0.0)	(0.0%)	125.7	122.1	3.6	2.9%
BENELUX	83.4	82.4	1.0	1.2%	140.4	141.0	(0.7)	(0.5%)
CENTRAL EUROPE	108.3	97.2	11.1	11.4%	193.1	180.2	13.0	7.2%
AMERICA	19.4	20.2	(0.8)	(3.8%)	36.5	38.8	(2.3)	(5.9%)
TOTAL RECURRING REVENUE LFL&R	389.0	365.1	23.9	6.5%	672.0	633.5	38.6	6.1%
OPENINGS, CLOSINGS & OTHERS	24.2	22.1	2.2	9.7%	43.0	31.8	11.2	35.2%
RECURRING REVENUES	413.3	387.2	26.1	6.7%	715.1	665.3	49.8	7.5%
SPAIN	64.0	58.0	5.9	10.2%	120.8	107.2	13.7	12.8%
ITALY	44.5	44.0	0.5	1.1%	83.7	79.9	3.8	4.8%
BENELUX	52.3	52.8	(0.4)	(0.8%)	96.9	97.7	(0.8)	(0.8%)
CENTRAL EUROPE	68.5	62.6	5.9	9.4%	132.1	123.8	8.3	6.7%
AMERICA	14.0	14.6	(0.7)	(4.5%)	26.9	29.0	(2.1)	(7.1%)
RECURRING OPEX LFL&R	243.2	232.0	11.2	4.8%	460.5	437.5	22.9	5.2%
OPENINGS, CLOSINGS & OTHERS	14.7	16.6	(1.9)	(11.7%)	28.1	24.6	3.5	14.2%
RECURRING OPERATING EXPENSES	257.9	248.6	9.3	3.7%	488.5	462.1	26.4	5.7%
SPAIN	38.9	32.2	6.7	20.7%	55.4	44.1	11.3	25.7%
ITALY	30.6	31.1	(0.5)	(1.7%)	42.0	42.2	(0.2)	(0.6%)
BENELUX	31.1	29.6	1.5	4.9%	43.5	43.3	0.2	0.4%
CENTRAL EUROPE	39.8	34.6	5.2	15.0%	61.0	56.4	4.6	8.2%
AMERICA	5.5	5.6	(0.1)	(1.9%)	9.6	9.8	(0.2)	(2.4%)
RECURRING GOP LFL&R	145.8	133.1	12.7	9.5%	211.6	195.9	15.6	8.0%
OPENINGS, CLOSINGS & OTHERS	9.6	5.5	4.1	74.7%	15.0	7.3	7.7	106.3%
RECURRING GOP	155.4	138.6	16.8	12.1%	226.5	203.2	23.4	11.5%
SPAIN	21.2	19.3	1.9	9.6%	41.7	37.9	3.8	10.0%
ITALY	11.3	11.2	0.1	0.7%	22.4	22.0	0.4	1.8%
BENELUX	12.3	12.1	0.2	1.4%	24.2	23.7	0.5	2.0%
CENTRAL EUROPE	26.5	26.5	0.0	0.0%	53.3	53.1	0.2	0.3%
AMERICA	1.3	1.4	(0.0)	(3.4%)	2.7	2.8	(0.1)	(4.0%)
RECURRING LEASES&PT LFL&R	72.6	70.5	2.1	2.9%	144.2	139.5	4.7	3.4%
OPENINGS, CLOSINGS & OTHERS	4.9	3.9	1.0	26.6%	9.3	6.4	2.9	45.8%
RECURRING RENTS AND PROPERTY TAXES	77.5	74.4	3.1	4.2%	153.5	145.9	7.6	5.2%
SPAIN	17.7	12.9	4.8	37.3%	13.8	6.2	7.6	121.5%
ITALY	19.4	20.0	(0.6)	(3.0%)	19.7	20.3	(0.6)	(3.1%)
BENELUX	18.8	17.5	1.3	7.4%	19.3	19.6	(0.3)	(1.6%)
CENTRAL EUROPE	13.3	8.1	5.2	64.2%	7.8	3.3	4.5	134.5%
AMERICA	4.1	4.2	(0.1)	(1.4%)	6.9	7.0	(0.1)	(1.7%)
RECURRING EBITDA LFL&R	73.2	62.6	10.6	17.0%	67.4	56.5	10.9	19.4%
OPENINGS, CLOSINGS & OTHERS	4.6	1.6	3.1	193.9%	5.6	0.8	4.8	564.0%
RECURRING EBITDA EX. ONEROUS PROVISION	77.8	64.2	13.7	21.3%	73.0	57.3	15.7	27.4%

Recurrent Results by Business Area Q2 (LFL&R criteria)
B.U. Spain:

- Growth of +13.2% in RevPar in Q2 with prices increasing +10.3%. Occupancy rose +2.7%. Good performance in Madrid and excellent results in Barcelona and Valencia, which RevPar grew +17.6% and +22.3%, respectively.
- Outstanding trend in revenues increasing +14.0% (+€12.6M) in the second quarter.
- Operating expenses increased by +10.2% (+€5.9M), due to hotels being renovated in 2015, increased occupancy over the period (+2.7%) and higher commissions (change of segmentation and accruals in 2015).
- GOP of €38.9M was +20.7% higher (+€6.7M), showing a 53% conversion rate.
- The increase in leases in the quarter of +€1.9M (+9.6%) is due to the variable component. EBITDA rose +37.3% (+€4.8M) against the second quarter of the previous year.

B.U. Italy:

- RevPar fell -4.2% in Q2 as a result of the unfavourable comparison due to the impact of the 2015 Milan Expo, which began in May. Revenue remains flat thanks to the 2015 renovations and the good performance in secondary cities, which totally offset the contribution from Milan Expo in Q215 (+€3.2M).
- Operating expenses increased +1.1% (+€0.5M), mainly due to hotel renovations in 2015.
- GOP fell -1.7% (-€0.5M) and EBITDA amounted to €19.4M (-€0.6M), slightly below the second quarter of 2015, almost completely offsetting the contribution from the Milan Expo in 2015, which accounted for around €2.4M of EBITDA in Q2.

B.U. Benelux

- Growth in RevPar of +1.4% in Q2 offsetting through prices the lower occupancy in Belgium. Revenue rose +1.2% (+€1.0M) despite the negative impact of hotel renovations in 2016 (-€2.9M) and the lower contribution from Belgium LFL during the quarter (-€1.6M; -16%). Both effects have been offset by the better performance in Netherlands LFL (+€3.4M; +8%). LFL revenue growth of BU, not including renovations, was +4.1%.
- Operating costs were reduced by -0.8% (-€0.4M) with an increase in GOP of +4.9% (+€1.5M) and EBITDA improving by +€1.3M, higher than growth in revenue.

B.U. Central Europe:

- Growth in RevPar of +12.7% in Q2 with a +9.5% rise in prices and occupancy up +2.9%. Revenues were up +11.4% (+€11.1M), due to the good trade fair calendar, the positive impact of Easter Week compared to 2015 and despite the higher number of holidays in May.
- Operating costs rose +9.4% (+€5.9M) through higher activity and increased commissions (change of segmentation with greater weight in Germany).
- GOP was +15.0% higher (+€5.2M), with a 47% conversion rate.
- Leases remained flat, allowing for a higher EBITDA of +€5.2M (+64.2%).

B.U. The Americas:

- In Q2, income at constant exchange rates grew by +31.0% (+€6.3M), reaching +€26.5M as against €20.2M the previous year. Revenue at real exchange rates dropped by -3.8% (-€0.8M).
- This drop in the level of revenue (-€0.8M), which is tied to **currency depreciation** (Argentinian peso -38%; Colombian peso -18%; and Mexican peso -17%), was fully absorbed at EBITDA level (-€0.1M) thanks to the cost containment plan and the positive contribution of the biggest hotel in Mexico renovated in 2015.
- RevPar for the quarter at real exchange rates was down -4.4%, with prices falling -6.2%, while occupancy rose +1.9%.
 - By region, Mexico posted RevPar growth of +22.7% in local currency during the quarter, with a +16.6% rise in prices. The higher revenue of +20.1% (+€1.7M) and the conversion of 44% at GOP level contributed to a growth in EBITDA of +28.3% (+€0.6M) with constant exchange rates, benefiting from the renovation of NH Collection Mexico City Reforma, which was completed in Q1.
 - In Mercosur, mainly Argentina, RevPar grew by +36.0% in local currency, with average price increases of +36.9% (dollarization of 75% of the rates). As a result of these factors, revenue increased by +36% (+€3.9M), GOP by +30% (+€0.6M) and EBITDA by +22% (+€0.4M) with constant exchange rates.
 - Hoteles Royal (included under Openings & Closings): Chile's performance is weaker due to greater competition in prices from the high dependency upon Argentinean customers. Colombia reported +7% growth in revenue at constant exchange rate, despite the worse performance in other revenue due to the shift in segmentation towards more profitable rates, the higher hotel supply in the country and the fewer events created by oil sector companies. All in, revenues of Hoteles Royal at constant exchange rate remained flat at €15.6m (€13.0M with real exchange rate). The implementation of cost synergies during 2015 and first part of 2016 explain the increase in EBITDA in Hoteles Royal reaching €2.6M (+€1.2M compared to Q2 2015 and +€1.8m at constant exchange rate).

Consolidated Income Statement

NH HOTEL GROUP P&L ACCOUNT								
(€ million)	Q2 2016	Q2 2015	Var.		6M 2016	6M 2015*	Var.	
	M Eur.	M. Eur	M. Eur	%	M Eur.	M. Eur	M. Eur	%
TOTAL REVENUES	413.3	387.2	26.1	6.7%	715.1	665.3	49.8	7.5%
Staff Cost	(132.9)	(129.0)	(3.9)	3.0%	(254.4)	(244.1)	(10.4)	4.2%
Operating expenses	(125.0)	(119.6)	(5.4)	4.5%	(234.1)	(218.0)	(16.1)	7.4%
GROSS OPERATING PROFIT	155.4	138.6	16.8	12.1%	226.5	203.2	23.4	11.5%
Lease payments and property taxes	(77.5)	(74.4)	(3.1)	4.2%	(153.5)	(145.9)	(7.6)	5.2%
EBITDA BEFORE ONEROUS	77.8	64.2	13.7	21.3%	73.0	57.3	15.7	27.4%
Onerous contract reversal provision	1.7	2.6	(0.9)	(34.9%)	3.0	5.2	(2.3)	(43.6%)
EBITDA AFTER ONEROUS	79.5	66.8	12.8	19.1%	76.0	62.6	13.4	21.5%
Depreciation	(25.5)	(23.8)	(1.7)	7.1%	(49.6)	(45.9)	(3.7)	8.0%
EBIT	54.1	43.0	11.1	25.8%	26.4	16.6	9.7	58.6%
Interest expense	(12.3)	(14.5)	2.1	(14.8%)	(24.0)	(22.3)	(1.8)	7.9%
Income from minority equity interests	0.2	(0.1)	0.3	(599.9%)	0.1	(0.1)	0.2	(314.3%)
EBT	42.0	28.5	13.5	47.5%	2.5	(5.7)	8.2	143.2%
Corporate income tax	(8.4)	(12.0)	3.5	(29.4%)	(6.1)	(5.6)	(0.5)	9.5%
NET INCOME before minorities	33.5	16.5	17.0	103.3%	(3.6)	(11.3)	7.7	68.0%
Minority interests	(1.3)	(0.8)	(0.5)	68.1%	(1.9)	(1.2)	(0.7)	56.6%
NET RECURRING INCOME	32.2	15.7	16.5	105.0%	(5.5)	(12.5)	7.0	56.0%
Non Recurring EBITDA	32.7	(6.1)	38.9	n.a.	34.5	(7.0)	41.5	n.a.
Other Non Recurring items	(15.6)	2.1	(17.8)	n.a.	(19.3)	2.0	(21.4)	n.a.
NET INCOME including Non-Recurring	49.3	11.7	37.6	321.4%	9.7	(17.4)	27.1	155.9%

* Includes Hoteles Royal from March 4, 2015

Comments on Q2 2016:

- **Total revenue amounts to €413.3M, representing a growth of +6.7% (+€26.1M). Like-for-like revenues accounts for +6.4 b.p.** of this +6.7% growth (despite the lower contribution due to the Milan Expo in Q2 in 2015 (-€3.2M), renovated hotels in 2015 and 2016 contributed +1.7 b.p. (+€6.8M in Q2 the weaker contribution of hotels reformed in 2015 is greater than the profits loss of the hotels renovated in 2016), **changes in the perimeter due to openings and closings +1.2 b.p.** (+€4.7M) **and the negative foreign exchange performance** (Argentinian peso -38%; Colombian peso -18% and Mexican peso -17%) **subtracts -2.7 b.p.** (-€10.3M).
- At the LFL level excluding renovations, revenue rose by +5.7% (+8.1% with constant exchange rates), driven by Spain and Central Europe. The contribution from the hotels renovated in 2015 offsets the negative impact of the hotels renovated in the second quarter of 2016.

➤ **Trend in costs:**

- Payroll Costs rose +3.0% due to the higher level of activity in Spain and Central Europe and Severance Payments (+€0.7M) of the ordinary business.
- Other direct expenses increased +4.5% through higher commissions due to the growth in revenue and the development of sales channels.

➤ **Growth of +12.1% at GOP level (+€16.8M) to €155.4M, increasing the margin to 37.6% (35.8% in Q2 2015) due to an excellent conversion rate of +64%.**

➤ **EBITDA** before onerous in Q216 (€77.8M) **improved +21.3%** (+€13.7M) despite the increased leases from new openings (+€1.1M) and the accounting impact of rent linearization (+€1.5M). This all leads to **an EBITDA/revenue conversion rate of 52%**, in line to reach the annual EBITDA target.

➤ **Financial expenses:** lower financial expenses from the positive impact of the refinancing signed in the second half of 2015.

➤ **Corporate Income Tax:** Lower expenditure on Corporate Income Tax (+€3.5M) due to incentives and active negative tax losses.

➤ **Recurring Net Income for Q2 was up +€16.5M** (+105%) which together with the positive contribution of non-recurring activity reported a Positive Net Income of €49,3M.

Non-recurring activity:

- The change in non-recurring items is mainly due to capital gains from asset disposals during the quarter net from provision allocations and accelerated depreciations due to renovations in this period.

Comments on H1 2016

➤ **Accumulated to the first half of the year revenues grew by +7.5% to €715,1M. EBITDA reached €73M implying an improvement of +27.4%** (+€15.7M), representing a conversion of 32% and a proforma of 43% adjusted by the severance payments (+1,8M) and the rent linearization (+3,9M).

➤ **The Group's Recurring Net Income was up by +€7.0M** (+56%) which, added to the positive contribution from non-recurring activity, makes for a **Net Income of €9.7M**, compared to the loss of -€17.4M in the same period of 2015.

Financial Debt and Liquidity

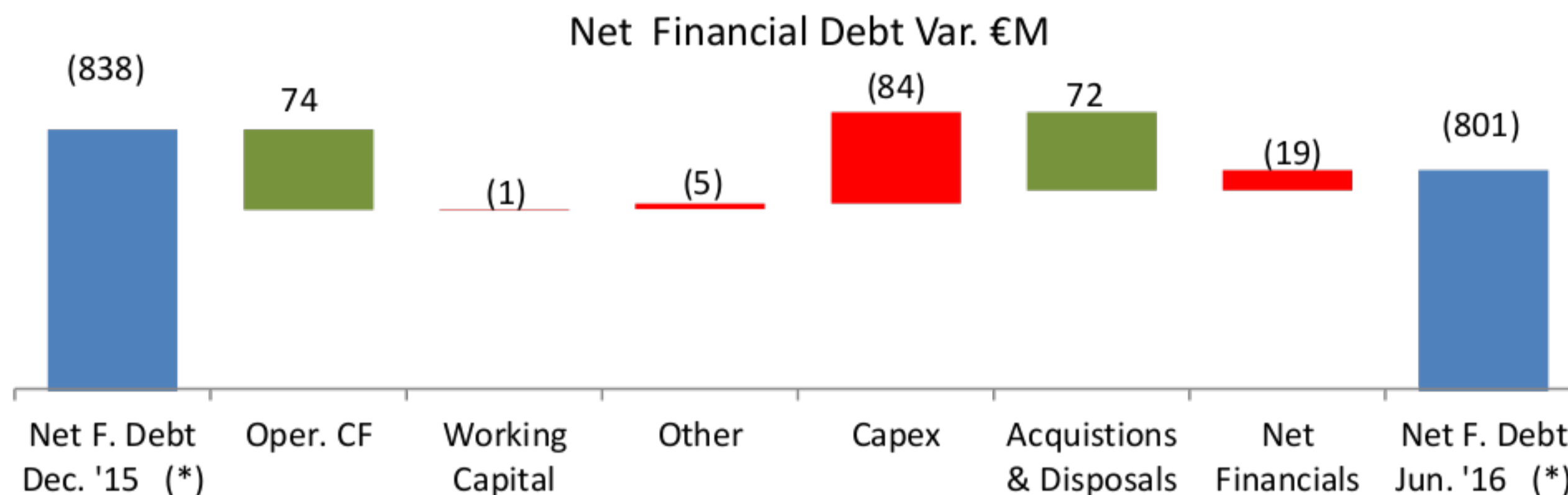
As of 30/06/2016	Maximum								
Data in Euro million	Available	Availability	Drawn	2016	2017	2018	2019	2020	Rest
Senior Credit Facilities									
Syndicated Term Loan Facility	104.8	-	104.8	9.5	9.5	85.8	-	-	-
Syndicated Revolving Credit Facility	66.7	23.7	43.0	-	-	43.0	-	-	-
Senior Secured Notes due 2019	250.0	-	250.0	-	-	-	250.0	-	-
Total debt secured by the Collateral	421.5	23.7	397.8	9.5	9.5	128.8	250.0	0.0	0.0
Other Secured loans and RCF*	118.6	10.0	108.7	16.1	40.7	34.4	2.6	2.1	12.7
Total secured debt	540.1	33.7	506.5	25.6	50.2	163.2	252.6	2.1	12.7
Senior Unsecured Convertible Bonds due 2018	250.0	-	250.0	-	-	250.0	-	-	-
Unsecured loans **	82.3	27.2	55.2	31.8	19.0	2.2	1.8	0.3	0.0
Subordinated loans	75.0	-	75.0	-	-	-	-	-	75.0
Total unsecured debt	407.3	27.2	380.2	31.8	19.0	252.2	1.8	0.3	75.0
Total Gross Debt	947.5	60.8	886.7	57.4	69.2	415.5	254.4	2.4	87.7
Cash and cash equivalents ***			(86.1)						
Net debt			800.5						
Equity Component Convertible Bond			(14.1)						
Arranging loan expenses			(14.4)						
Accrued interests			5.0						
Total adjusted net debt			777.0						

* Other secured debt comprises syndicated loans related to debt refinancing in Italy and Germany, mortgage loans and a secured RCF

** Comprises RCFs to be renewed through the year and other facilities with amortization schedule

*** Does not include the market value of nine million treasury shares we lend to the joint lead managers of the convertible bonds. (9M shares at €3.78 closing price on the 30th of June 2016, €34.0MM)

- Net financial debt amounted to €801M as of 30th June 2016, a reduction of €37M compared to December 31, 2015, due to the successful operating cash flow generation in the period, as the Capex invested in the semester is funded almost entirely with the sale of non-strategic assets.
- On June 30, 2016 the Company had €86.1M of cash and available credit lines for €60.8M of which €23.7M are due in October 2018.
- Out of the €140M asset disposal target for the year, as of 30th June 2016, the Group has materialized asset sales with net proceeds of €76M. Including transactions signed in the month of July, it would have been executed 73% of the target for the year (€140M, excluding New York which is in progress).
- A ratio of net financial debt recurring EBITDA of 4.8x in the last 12 months to June 30, 2016 is reached vs. 5.6x at December 31, 2015.
- Given the level achieved in disposals of non-strategic assets, leverage reduction target level of 4.0x (NFD / EBITDA 2016) for the end of the year is confirmed.
- Moody's has assigned a corporate NHH Rating B2 with stable outlook (July 27, 2016). Net Financial Debt Trend in Q2 2016

Net Financial Debt Evolution


(*) Net Financial Debt not including accounting adjustments for the part of the convertible bond treated as Equity, arranging expenses and interests accrued. If accounting adjustments are included, net debt would amount to €809M as of 31 December 2015, and it would be a total of €777M as of 30 June 2016.

Net Financial Debt was reduced €37.2M in the first half of the year from the strong cash flow generation and Capex funded by sales of non-strategic assets.

Over the first half of the year, gross debt has fallen by -€29.6M.

Cash flow in the quarter from:

- (+) Operational cash flow +€74M, including -€7,0M of credit card expenses
- (-) Improvement in working capital: working capital recovery which began in 2015 is confirmed and therefore investment no working capital is shown
- (-) Others: Mainly from returns of VAT and costs phasing (-€6,0M)
- (-) Capex expenditure -€84M
- (+) Asset sales +€75.8M (includes +€18,4M of non-current assets that correspond to a reimbursement of a subordinated loan of a hotel in Rotterdam) and contribution to China JV (-€4.1M)

Of the €140M target for asset disposals set for 2016, as of 30 of June deals amounting to €75.8M have been cashed in, which, in addition to the transactions in July, amount to 73% of the target set for the year.

Explanatory Note: (see Appendix 1 Cash Flow):

To greater understand the various headings in the evolution of Net Financial Debt of the chart, below are the definition of the entries corresponding to the Cash Flow Statement:

- Operational cash flow: Adjusted result – financial expenses credit cards – taxes paid
- Working Capital: Var. Inventory + Var. Trade debtors and accounts receivable + Var. Trade payables
- Other: Var. Other current assets and liabilities (i.e. Public Administrations, VAT, non-recurrent severance payments, lease cancellations payments), finance leases and other liabilities, and exchange rate variations
- Capex: Tangible assets, intangible assets and property investments (including repositioning, maintenance, basics and experience, IT, and signage)
- Acquisitions & Disposals: Non-current financial investments + Acquisitions (i.e. Hoteles Royal, incorporates associated debt) + Divestments (sale of assets, it includes net cash)
- Net Financials: Interest paid on debt (excluding financial expense of credit cards) + Financial income.

Appendix I: Cash Flow 30th June 2016

ABRIDGED CONSOLIDATED CASH FLOW STATEMENTS PRODUCED IN THE SIX-MONTH PERIODS ENDED 30TH JUNE 2016 AND 30TH JUNE 2015		
(€ thousands)	30/06/2016	30/06/2015
1. OPERATING ACTIVITIES		
Consolidated profit (loss) before tax:	27.129	(7.417)
Adjustments:		
Depreciation of tangible and amortisation of intangible assets (+)	54.486	46.143
Impairment losses (net) (+/-)	314	4.064
Allocations for provisions (net) (+/-)	(2.961)	(11.064)
Gains/Losses on the sale of tangible and intangible assets (+/-)	(41.468)	(3.089)
Gains/Losses on investments valued using the equity method (+/-)	(146)	70
Financial income (-)	(1.928)	(2.131)
Financial expenses and variation in fair value of financial instruments (+)	33.480	32.353
Net exchange differences (Income/(Expense))	186	(5.551)
Profit (loss) on disposal of financial investments	(3.643)	(4.711)
Other non-monetary items (+/-)	20.388	2.455
Adjusted profit (loss)	85.837	51.122
Net variation in assets / liabilities:		
(Increase)/Decrease in inventories	(323)	(136)
(Increase)/Decrease in trade debtors and other accounts receivable	1.491	(40.067)
(Increase)/Decrease in other current assets	5.840	(2.650)
Increase/(Decrease) in trade payables	(7.720)	23.694
Increase/(Decrease) in other current liabilities	(2.444)	(15.614)
Increase/(Decrease) in provisions for contingencies and expenses	(202)	(4.575)
(Increase)/Decrease in non-current assets	15.807	-
Increase/(Decrease) in non-current liabilities	139	-
Income tax paid	(5.203)	(2.937)
Total net cash flow from operating activities (I)	93.222	8.837
2. INVESTMENT ACTIVITIES		
Finance income	1.437	2.181
Investments (-):		
Group companies, joint ventures and associates	(4.146)	-
Tangible and intangible assets and investments in property	(83.764)	(81.415)
Non-current financial investments	-	(78.685)
	(87.910)	(160.100)
Disinvestment (+):		
Group companies, joint ventures and associates	-	19.623
Tangible and intangible assets and investments in property	50.938	3.764
Non-current financial investments	6.565	-
	57.503	23.387
Total net cash flow from investment activities (II)	(28.970)	(134.532)
3. FINANCING ACTIVITIES		
Interest paid on debts (-)	(27.126)	(27.345)
Variations in (+/-):		
Treasury shares	-	(778)
Debt instruments:		
- Loans from credit institutions (+)	9.490	91.600
- Loans from credit institutions (-)	(39.157)	(91.156)
- Finance leases	(637)	-
- Other financial liabilities (+/-)	1.897	(4.137)
Total net cash flow from financing activities (III)	(55.533)	(31.816)
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	8.719	(157.511)
5. Effect of exchange rate variations on cash and cash equivalents (IV)	(286)	5.340
6. Effect of variations in the scope of consolidation (V)	-	8.430
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+V)	8.433	(143.741)
8. Cash and cash equivalents at the start of the financial year	77.699	200.103
9. Cash and cash equivalents at the end of the financial year (7+8)	86.132	56.362

Appendix II: Annual change in portfolio & current portfolio

New Agreements and Openings

Hotels Signed from 1st January to 30th June 2016

City/Country	Contract	# Rooms	Openings
Monterrey / Mexico	Leased	150	Q2 2017
Venice / Italy	Management	150	Q1 2018
Bariloche / Argentina	Management	95	Q2 2016
Toulouse / France	Leased	148	Q3 2018
Venice / Italy	Leased	144	Q3 2017
Antwerp / Belgium	Leased	180	2018
Mexico DF / Mexico	Management	144	Q2 2018
Puebla / Mexico	Management	140	Q2 2017
Eindhoven/ Holland	Leased	132	Q2 2017
		1.283	

Hotels Opened from 1st January to 30th June 2016

Hotels	City/Country	Contract	# Rooms
NH Suecia	Madrid, Spain	Leased	127
NH Collection Guadalajara Centro Hist.	Guadalajara, Mexico	Management	142
NH Collection Palazzo Cinquecento	Roma, Italy	Leased	177
NH Edelweiss	Bariloche, Argentina	Management	95
Total New Openings			541

OPEN HOTELS BY COUNTRIES AT 30 JUNE 2016

BUSINESS UNIT	COUNTRY	TOTAL		LEASED			OWNED		MANAGED		FRANCHISE	
		Hoteles	Habs.	Call Option	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
B.U. SPAIN	SPAIN	138	17.100	2	79	9.415	11	1.817	41	5.277	7	591
B.U. SPAIN	PORTUGAL	3	278	-	2	171	-	-	1	107	-	-
B.U. SPAIN	ANDORRA	1	60	-	-	-	-	-	1	60	-	-
B.U. ITALY	ITALY	53	8.114	1	35	5.406	14	2.079	4	629	-	-
B.U. BENELUX	HOLLAND	35	6.709	4	18	2.951	16	3.290	1	468	-	-
B.U. BENELUX	BELGIUM	11	1.619	-	3	502	8	1.117	-	-	-	-
B.U. BENELUX	FRANCE	2	397	-	2	397	-	-	-	-	-	-
B.U. BENELUX	ENGLAND	1	121	-	1	121	-	-	-	-	-	-
B.U. BENELUX	SOUTH AFRICA	1	198	-	1	198	-	-	-	-	-	-
B.U. BENELUX	LUXEMBOURG	1	148	1	1	148	-	-	-	-	-	-
B.U. CENTRAL EUROPE	GERMANY	59	10.438	5	54	9.438	5	1.000	-	-	-	-
B.U. EUROPA CENTRAL	AUSTRIA	6	1.183	1	6	1.183	-	-	-	-	-	-
B.U. EUROPA CENTRAL	SWITZERLAND	4	522	-	3	400	1	122	-	-	-	-
B.U. EUROPA CENTRAL	CZECH REPUBLIC	2	577	-	-	-	-	-	2	577	-	-
B.U. EUROPA CENTRAL	ROMANIA	2	161	-	1	83	-	-	1	78	-	-
B.U. EUROPA CENTRAL	HUNGARY	1	160	-	1	160	-	-	-	-	-	-
B.U. EUROPA CENTRAL	SLOVAQUIA	1	117	-	-	-	-	-	1	117	-	-
B.U. EUROPA CENTRAL	POLAND	1	93	-	-	-	-	-	-	-	1	93
B.U. EUROPA CENTRAL	UNITED STATES	1	242	-	-	-	1	242	-	-	-	-
B.U. THE AMERICAS	MEXICO	12	2.012	-	4	581	4	685	4	746	-	-
B.U. LAS AMERICAS	ARGENTINA	15	2.144	-	-	-	12	1.524	3	620	-	-
B.U. LAS AMERICAS	DOMINICAN REPUBLIC	5	2.001	-	-	-	-	-	5	2.001	-	-
B.U. LAS AMERICAS	VENEZUELA	4	1.186	-	-	-	-	-	4	1.186	-	-
B.U. LAS AMERICAS	URUGUAY	1	136	-	-	-	1	136	-	-	-	-
B.U. LAS AMERICAS	COLOMBIA	15	1.700	-	15	1.700	-	-	-	-	-	-
B.U. LAS AMERICAS	HAITI	1	72	-	-	-	-	-	1	72	-	-
B.U. LAS AMERICAS	CUBA	1	220	-	-	-	-	-	1	220	-	-
B.U. LAS AMERICAS	ECUADOR	1	112	-	1	112	-	-	-	-	-	-
B.U. LAS AMERICAS	CHILE	4	498	-	-	-	4	498	-	-	-	-
OPEN HOTELS		382	58.318	14	227	32.966	77	12.510	70	12.158	8	684

SIGNED PROJECTS OF NH HOTEL GROUP AT 30 JUNE 2016

After the latest negotiations and cancellation of signed projects, the following hotels and rooms are still to be opened:

UNIDAD DE NEGOCIO	PAÍS	TOTAL		ARRENDAMIENTO			PROPIEDAD		GESTIÓN	
		Hoteles	Habs.	con Opción Compra	Hoteles	Habs.	Hoteles	Habs.	Hoteles	Habs.
B.U. SPAIN	SPAIN	-	-		-	-	-	-	-	-
B.U. CENTRAL EUROPE	GERMANY	2	403		2	403	-	-	-	-
B.U. CENTRAL EUROPE	AUSTRIA	1	144		1	144	-	-	-	-
B.U. ITALY	ITALY	3	498		2	348	-	-	1	150
B.U. BENELUX	BELGIUM	1	180		1	180	-	-	-	-
B.U. BENELUX	FRANCE	2	317		2	317	-	-	-	-
B.U. BENELUX	NETHERLANDS	2	782		2	782	-	-	-	-
B.U. BENELUX	UK	1	190		-	-	-	-	1	190
B.U. AMERICAS	PERU	1	164		-	-	-	-	1	164
B.U. AMERICAS	PANAMA	2	283		1	83	1	200	-	-
B.U. AMERICAS	BRASIL	1	180		1	180	-	-	-	-
B.U. AMERICAS	CHILE	2	281		-	-	-	-	2	281
B.U. AMERICAS	ARGENTINA	1	78		-	-	-	-	1	78
B.U. AMERICAS	MEXICO	5	685		1	150	-	-	4	535
TOTAL PROJECTS		24	4.185	-	13	2.587	1	200	10	1.398

Details of committed investment for the hotels indicated above by year of execution:

	2016	2017	2018	2019
Expected Investment (€ millions)	2,8	13,9	3,9	4,5

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