# SALES AND RESULS 2017

**28th February 2018**

NH | HOTEL GROUP

NH HOTELS

NH COLLECTION

nhow

Hesperia RESORTS

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

**2017 Main Financial Aspects**

- **Solid revenue growth of +6.5%** (+7.0% at constant exchange rates) reaching €1,571m (+€97m) in the year.
  - In the like-for-like ("LFL") perimeter, excluding refurbishments, revenue grew +6.2%.
  - Excellent performance in Benelux (+12.8%) and Spain (+11.8%) and difficult comparison in Germany due to the 2016 trade fair calendar and the refurbishment of three hotels.
  - Above-market relative RevPAR growth of +3.6 p.p. in top cities on greater relative growth in ADR (+1.5 p.p.) and occupancy (+2.0 p.p.), supported by the improvement in perceived quality.

- **RevPAR increase of +8.5%** in the year through a combined growth strategy **ofhoy p ADR, which stood at €95** (+4.9%, +€4.4)**, and occupancy, which reached 70.8%** (+3.4%, +2.3 p.p.), taking advantage of the higher demand in Benelux (+6.5%), due to the recovery of Brussels, and Spain (+4.2%), due to the good performance of Madrid and the secondary cities. In the year, the growth in ADR accounted for 58% of the increase in RevPAR. RevPAR growth in all markets with Spain and Benelux growing at double-digit.

- Revenue growth together with cost control allowed to close the year with a **Recurring EBITDA(1) growth of +29%, reaching €233m, above the €230m target** and offsetting the negative effects of Barcelona and the earthquake in Mexico. This represents an **increase of +€52m in the year and a conversion rate of 54%** from incremental revenue into EBITDA, despite the higher occupancy level (+3.4%) and reaching an EBITDA margin of 14.8% (+2.6 p.p.). The efficiency target has been exceeded, reaching €11m of savings in the year.

- **Recurring Net Profit tripled compared to 2016, reaching €34.8m,** representing a **+€23.3m increase** in the year, explained entirely by the improvement of the business.

- **Total Net Profit stood at €35.5m,** an increase of +€4.7m **(+15.4%)** compared to 2016. The comparison is affected by the higher net capital gains from asset rotation registered in 2016 (+€23m compared to 2017).

- Proposal to submit for AGM approval the **distribution of a dividend** for the financial year 2017 of a maximum **gross amount of €0.10** per outstanding share, implying an estimated disbursement of €34m and in line with the announced dividend policy.

- **Reduction in net financial debt to €655m** (€747m at 31st December 2016), due to the favourable generation of operating cash flow, more than offsetting the capex, financial expenses and payment of dividends. A **Net Financial Debt / Recurring EBITDA(1) ratio of 2.8x** was reached at 31st December 2017 vs. 4.1x at 31st December 2016, **exceeding the initial target of 3-3.25x**.
  - **Early and voluntary full repayment** of the outstanding **€100m 2019 Bond,** effective on 30th November 2017, with cash and without the use of short term credit lines.

- **Sale & Leaseback** of the NH Collection Amsterdam Barbizon Palace Hotel for a **gross amount of €155.5m and a post-tax net cash of €122.4m** registered in 2018. The operation of the asset is retained through a long-term lease agreement and with sustainable ratios, allowing the generation of value in addition to the disposal (EBITDA 2018E of €5m).

(1) Recurring EBITDA before onerous reversal and capital gains from asset disposals

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**2018 Outlook**

- The **EBITDA(2) target of €260m** is preserved despite the leaseback of the hotel in Amsterdam and the potential refurbishment of the hotel in New York. The **reduction of the leverage ratio**, reinforced by the asset management transaction in February 2018, should reach a **range of between 1.2x** (assuming the conversion of the bond in November 2018) and **2.1x** (if this conversion does not take place), assuming the New York hotel renovation in 2018.

**2019 Targets (1)**

- **"Pro forma" EBITDA(2) of c.€300m(3)** and **Recurring Net Profit of c.€100m**, based on the Group's strengths (commercial and pricing strategy, asset management, focus on efficiency and debt reduction) and due to the organic growth and repositioning initiatives planned for 2018 and 2019.

(1) Excluding IFRS 16 accounting impacts

(2) Recurring EBITDA before onerous reversal and capital gains from asset disposals

(3) Proforma 2019 with "Run rate" from 2018-2019 Refurbishments & Openings

**Main figures for Q4 2017**

- **Revenue grew by +6.2%** reaching €402m (+€23m). The good performance of Benelux (+11.5%), Spain (+8.0%; despite the political conflict in Barcelona) and Italy (+7.7%) allows to report a total LFL&R growth of +6.1% (+7.6% at constant exchange rates). Lower contribution from Central Europe (Germany) affected by the refurbishment of 2 hotels (-€0.4m lower revenue due to opportunity cost) and the 2016 trade fair calendar.
- **+5.5% growth in RevPAR**, through higher ADR (+2.4%) and occupancy (+3.0%), with growth in activity levels in all regions. RevPAR growth in all markets except Latin America (negative impact of the exchange rate and higher supply in Bogota) and Central Europe (refurbishment of 2 hotels). Benelux (+11.3%) and Italy (+10.3%) had double digit growth and Spain grew (+8.9%) despite the negative impact of Barcelona in the quarter (-€1.4m in revenue).
- **Recurring EBITDA grew by +11.4%, representing an increase of +€6m**. The comparison is affected by the positive impact of rent linearization in Q4 2016 (+€4.1m), implying a conversion rate of 27% in Q4. Excluding this impact, the conversion is 45%.
- **Recurring Net Profit** for Q4 amounted to **€7.7m** and **Total Net Profit** stood at **€11.0m**, including non-recurring activity for net capital gains due to asset rotation that was largely reduced by redundancy payments, accelerated depreciation due to repositioning capex and legal provisions.

**Other Highlights**

- **Repositioning Plan:** The following hotels were repositioned in 2017: NH Les Corts in Spain, NH Leonardo da Vinci and NH Ambasciatori in Italy, NH Collection Berlin Mitte, NH Munchen Messe, NH Hamburg Mitte and NH Geneva in Central Europe and NH Collection Plaza Santiago in Latin America. The opportunity cost, defined as the reduction in revenue due to the refurbishments, was -€10.2m compared to 2016.
- **Brand:** NH had 380 hotels and 58,926 rooms at 31st December 2017, out of which 69 hotels and 11,016 rooms are NH Collection (19% of the portfolio), showing both stronger price potential (+45% higher price in 2017; ADR NH Collection €127 vs ADR NH €88) and quality (with improvements also in non-refurbished hotels). At Group

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

level, 35% of the portfolio is positioned in the top 10 in the city (45% for NH Collection), and 55% in the top 30 (63% for NH Collection), evidencing the higher quality levels perceived by customers.

| % hotels NH | Dec. '14 | Dec. '15 | Dec. '16 | Dec. '17 |
|---|---|---|---|---|
| Top 10 | 24% | 27% | 34% | 35% |
| Top 30 | 47% | 49% | 53% | 55% |

*Fuente: TripAdvisor*

- **Pricing & Revenue Management:** The Group's ADR and occupancy evolved positively during the year in the main cities when compared to direct competitors. The increase in the Group's relative prices has been +1.5 p.p. vs competitors and the increase in RevPAR has been +3.6 p.p.
  - Remarkable performance in Benelux with a relative RevPAR of +9.2 p.p., on higher ADR and occupancy levels. NH continues to improve its positioning and gain market share in Amsterdam (Relative RevPAR +11.8 p.p.).
  - Good evolution in Spain with a relative RevPAR increase of +5.8% compared to the set of competitors, mainly due to the improvement in relative occupancy and the maintenance of a positive evolution in prices.
  - Difficult comparison for the year in Central Europe mainly due to the 2016 trade fair calendar, where NH increased its prices above those of its competitors, and the lower contribution by the military groups hosted during the 2016 refugee crisis.

| 2017 | ADR % var. | | "Relative" ADR | "Relative" Occupancy | RevPAR % var. | | "Relative" RevPAR |
|---|---|---|---|---|---|---|---|
| | NH | Compset | Var. | Var. | NH | Compset | Var. |
| **Total NH** | **5.4%** | **3.9%** | **1.5 p.p.** | **2.0 p.p.** | **10.2%** | **6.6%** | **3.6 p.p.** |
| **Spain** | 13.3% | 12.4% | 0.9 p.p. | 4.3 p.p. | 19.4% | 13.6% | 5.8 p.p. |
| **Italy** | 4.1% | -0.8% | 4.9 p.p. | -2.5 p.p. | 7.2% | 4.6% | 2.5 p.p. |
| **Benelux** | 6.4% | 2.0% | 4.4 p.p. | 4.3 p.p. | 16.4% | 7.1% | 9.2 p.p. |
| **Central Europe** | -2.5% | 1.2% | -3.7 p.p. | 0.8 p.p. | -0.4% | 2.5% | -2.9 p.p. |

- **Asset Management:**
  - Asset rotation operations carried out in 2017 amounted to a net cash of €60.4m. Additionally, in February 2018, the sale & leaseback of the NH Collection Amsterdam Barbizon Palace Hotel was registered for a gross amount of €155.5m and a net post-tax cash of €122.4m.
  - In addition, 8 hotels were signed throughout 2017, 5 leased (2 in Frankfurt, 1 in Cancun and 2 in Brussels) and 3 managed (Valencia, Lima and Milan) with a total of 1,924 rooms. Four of the signings are in the upper brand segment of NH Collection and NHOW.

INVESTOR RELATIONS
investor.relations@nh-hotels.com
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**Q4 RevPAR Evolution:**

***Note:*** *The "Like-for-Like plus Refurbishments" (LFL&R) criteria includes hotels renovated in 2016 and 2017, so as to ensure that the sample of "LFL" hotels is not reduced by the number of hotels affected by the refurbishments*

**NH HOTEL GROUP REVPAR Q4 2017/2016**

| | AVERAGE ROOMS | | OCCUPANCY % | | | ADR | | | REVPAR | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | % Var | 2017 | 2016 | % Var | 2017 | 2016 | % Var |
| Spain & Portugal LFL & R | 10,801 | 10,889 | 71.0% | 69.1% | 2.8% | 90.8 | 86.1 | 5.4% | 64.5 | 59.5 | 8.3% |
| Total B.U. Spain | 11,013 | 11,164 | 70.8% | 68.8% | 3.0% | 90.5 | 85.6 | 5.7% | 64.1 | 58.9 | 8.9% |
| Italy LFL & R | 7,005 | 7,025 | 67.6% | 66.3% | 2.1% | 109.0 | 102.1 | 6.7% | 73.7 | 67.7 | 9.0% |
| Total B.U. Italy | 7,182 | 7,330 | 67.5% | 65.8% | 2.6% | 110.8 | 103.1 | 7.5% | 74.8 | 67.8 | 10.3% |
| Benelux LFL & R | 8,442 | 8,442 | 69.9% | 65.7% | 6.5% | 105.5 | 99.8 | 5.6% | 73.7 | 65.5 | 12.5% |
| Total B.U. Benelux | 8,852 | 8,720 | 69.4% | 65.7% | 5.6% | 105.8 | 100.4 | 5.4% | 73.5 | 66.0 | 11.3% |
| Central Europe LFL & R | 12,390 | 12,279 | 72.5% | 71.2% | 1.8% | 86.9 | 89.6 | -3.0% | 63.0 | 63.8 | -1.2% |
| Total B.U. Central Europe | 12,390 | 12,333 | 72.5% | 71.2% | 1.8% | 86.9 | 89.5 | -2.9% | 63.0 | 63.8 | -1.2% |
| Total Europe LFL & R | 38,638 | 38,635 | 70.6% | 68.5% | 3.1% | 95.8 | 93.0 | 3.1% | 67.7 | 63.7 | 6.3% |
| Total Europe & EEUU Consolidated | 39,437 | 39,548 | 70.4% | 68.3% | 3.1% | 96.3 | 93.1 | 3.4% | 67.8 | 63.6 | 6.6% |
| Latinamerica LFL & R | 5,245 | 5,193 | 65.2% | 62.5% | 4.3% | 75.9 | 80.7 | -5.9% | 49.5 | 50.4 | -1.9% |
| Latinamerica Consolidated | 5,425 | 5,193 | 64.3% | 62.5% | 2.8% | 75.9 | 80.7 | -5.9% | 48.8 | 50.4 | -3.3% |
| NH Hotels LFL & R | 43,883 | 43,828 | 70.0% | 67.8% | 3.2% | 93.6 | 91.6 | 2.2% | 65.5 | 62.1 | 5.5% |
| Total NH Consolidated | 44,862 | 44,741 | 69.7% | 67.6% | 3.0% | 94.0 | 91.8 | 2.4% | 65.5 | 62.1 | 5.5% |

- **RevPAR increase of +5.5%** through a **combined growth strategy of occupancy** (+3.0%) and **ADR** (+2.4%). RevPAR growth in all markets except Latin America (impact of the currency, earthquake in Mexico and higher supply in Bogota) and Central Europe (refurbishment of 2 hotels and tough comparison with the 2016 trade fairs in Germany).
- Notable here is **the double-digit growth of RevPAR** in:
  - **Benelux**: +11.3% due to higher prices (+5.4%) and occupancy (+5.6%), explained by the refurbishments carried out during the first part of 2016, the recovery of Brussels with a LFL RevPAR growth of +16% (entirely due to increased occupancy) and the good performance of Amsterdam LFL (+11%) and secondary cities (+9%).
  - **Italy**: +10.3% with increased prices (+7.5%) and occupancy (+2.6%), driven by an excellent evolution of Milan (+20%) mainly through prices, and of the secondary cities (+5%).
- **Spain** has a consolidated RevPAR increase of +8.9% thanks to an excellent performance in the RevPAR of Madrid LFL (+15%) and secondary cities (+9%), and negatively affected by the political conflict in Barcelona (-9%).
- In terms of the Group's **level of activity** in Q4, occupancy grew by **+3.0% (+2.0 p.p.)**, with all regions showing improvements in the activity levels, highlighting Benelux (+5.6%), Spain (+3.0%) and Latin America (+2.8%).

INVESTOR RELATIONS
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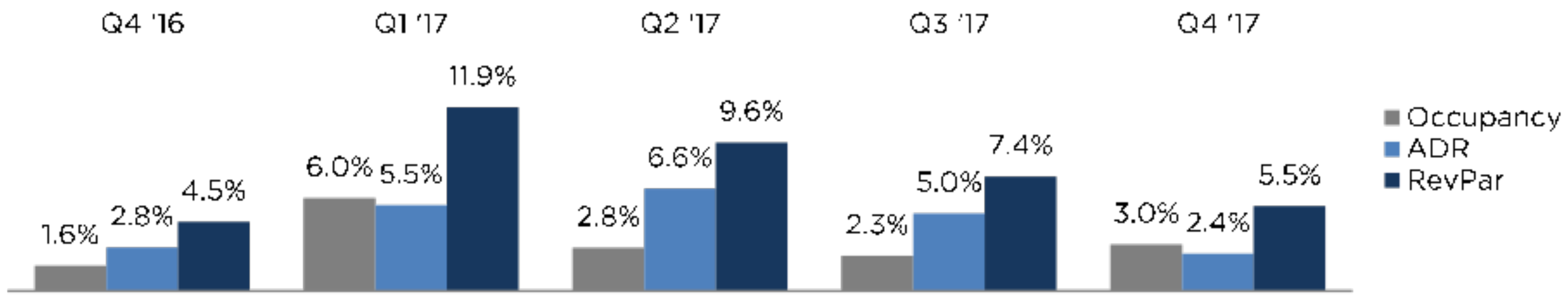
**12-month RevPAR evolution:**

- RevPAR increase of +8.5% in the year through a combined growth strategy of ADR, which stood at €95 (+4.9%, +€4.4), and occupancy, which reached 70.8% (+3.4%, +2.3 p.p.), taking advantage of the higher demand in Benelux (+6.5%) due to the recovery of Brussels, and Spain (+4.2%), due to the good performance of Madrid and the secondary cities.
- In the year, the growth in ADR accounted for 58% of the increase in RevPAR.
- Growth of RevPAR in all markets and double-digit growth in Spain (+14.7%) and Benelux (+14.1%). Without including the refurbishments, the LFL RevPAR grew by +7.9%, explained by an increase in prices (+3.8%) and occupancy (+4.0%).

**NH HOTEL GROUP REVPAR 12M 2017/2016**

| | AVERAGE ROOMS | | OCCUPANCY % | | | ADR | | | REVPAR | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | % Var | 2017 | 2016 | % Var | 2017 | 2016 | % Var |
| Spain & Portugal LFL & R | 10,832 | 10,808 | 73.5% | 70.4% | 4.3% | 93.1 | 84.8 | 9.8% | 68.4 | 59.7 | 14.5% |
| Total B.U. Spain | 11,083 | 11,197 | 73.3% | 70.3% | 4.2% | 92.7 | 84.2 | 10.1% | 67.9 | 59.2 | 14.7% |
| Italy LFL & R | 6,986 | 7,027 | 69.0% | 68.5% | 0.8% | 113.8 | 107.7 | 5.6% | 78.5 | 73.7 | 6.5% |
| Total B.U. Italy | 7,163 | 7,460 | 69.0% | 67.6% | 2.1% | 115.6 | 108.2 | 6.8% | 79.8 | 73.2 | 9.0% |
| Benelux LFL & R | 8,435 | 8,234 | 71.0% | 66.5% | 6.8% | 104.7 | 97.6 | 7.2% | 74.3 | 64.9 | 14.4% |
| Total B.U. Benelux | 8,757 | 8,396 | 70.6% | 66.3% | 6.5% | 104.9 | 97.9 | 7.2% | 74.1 | 64.9 | 14.1% |
| Central Europe LFL & R | 12,199 | 12,295 | 73.6% | 71.5% | 2.9% | 86.4 | 87.7 | -1.4% | 63.6 | 62.7 | 1.4% |
| Total B.U. Central Europe | 12,199 | 12,452 | 73.6% | 71.4% | 3.0% | 86.4 | 87.6 | -1.4% | 63.6 | 62.6 | 1.6% |
| Total Europe LFL & R | 38,453 | 38,364 | 72.1% | 69.6% | 3.7% | 97.0 | 92.5 | 4.9% | 70.0 | 64.3 | 8.8% |
| Total Europe & EEUU Consolidat | 39,203 | 39,505 | 72.0% | 69.3% | 3.9% | 97.4 | 92.5 | 5.3% | 70.1 | 64.1 | 9.3% |
| Latinamerica LFL & R | 5,235 | 5,204 | 63.1% | 61.9% | 2.0% | 76.8 | 75.8 | 1.3% | 48.5 | 46.9 | 3.4% |
| Latinamerica Consolidated | 5,386 | 5,204 | 62.0% | 61.9% | 0.2% | 76.8 | 75.8 | 1.3% | 47.6 | 46.9 | 1.4% |
| NH Hotels LFL & R | 43,688 | 43,567 | 71.1% | 68.6% | 3.5% | 94.9 | 90.7 | 4.6% | 67.4 | 62.3 | 8.3% |
| Total NH Consolidated | 44,589 | 44,708 | 70.8% | 68.4% | 3.4% | 95.2 | 90.8 | 4.9% | 67.4 | 62.1 | 8.5% |

**Consolidated Ratios Evolution by Quarter:**




| Consolidated Ratios | Occupancy | | | | | ADR | | | | | RevPar | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| % Var | Q4 '16 | Q1 '17 | Q2 '17 | Q3 '17 | Q4 '17 | Q4 '16 | Q1 '17 | Q2 '17 | Q3 '17 | Q4 '17 | Q4 '16 | Q1 '17 | Q2 '17 | Q3 '17 | Q4 '17 |
| Spain | 1.3% | 7.2% | 3.6% | 2.2% | 3.0% | 6.1% | 5.6% | 14.4% | 13.3% | 5.7% | 7.5% | 13.1% | 18.5% | 15.8% | 8.9% |
| Italy | 0.7% | 5.7% | 5.8% | -2.6% | 2.6% | -8.4% | 3.9% | 6.3% | 8.7% | 7.5% | -7.7% | 9.9% | 12.5% | 5.9% | 10.3% |
| Benelux | 3.2% | 10.9% | 3.0% | 5.2% | 5.6% | 8.1% | 6.7% | 9.4% | 7.4% | 5.4% | 11.5% | 18.3% | 12.7% | 13.0% | 11.3% |
| Central Europe | 3.3% | 4.4% | 1.9% | 4.7% | 1.8% | 3.2% | 4.3% | -2.9% | -2.9% | -2.9% | 6.7% | 8.9% | -1.0% | 1.7% | -1.2% |
| TOTAL EUROPE | 2.2% | 6.6% | 3.3% | 2.8% | 3.1% | 2.3% | 5.1% | 6.7% | 5.7% | 3.4% | 4.6% | 12.0% | 10.3% | 8.7% | 6.6% |
| Latin America real exc. | -2.8% | 1.4% | -1.1% | -1.4% | 2.8% | 6.5% | 9.6% | 5.5% | -2.8% | -5.9% | 3.5% | 11.2% | 4.3% | -4.2% | -3.3% |
| NH HOTEL GROUP | 1.6% | 6.0% | 2.8% | 2.3% | 3.0% | 2.8% | 5.5% | 6.6% | 5.0% | 2.4% | 4.5% | 11.9% | 9.6% | 7.4% | 5.5% |

INVESTOR RELATIONS
investor.relations@nh-hotels.com
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| RECURRING HOTEL ACTIVITY | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(€ million)* | 2017 Q4 | 2016 Q4 | DIFF. 17/16 | %DIFF. | 2017 12M | 2016 12M | DIFF. 17/16 | %DIFF. |
| SPAIN | 99.0 | 91.6 | 7.4 | 8.0% | 396.8 | 355.0 | 41.8 | 11.8% |
| ITALY | 66.5 | 61.7 | 4.8 | 7.7% | 270.1 | 258.6 | 11.6 | 4.5% |
| BENELUX | 88.7 | 79.5 | 9.1 | 11.5% | 339.4 | 301.1 | 38.4 | 12.8% |
| CENTRAL EUROPE | 101.5 | 101.0 | 0.5 | 0.5% | 389.9 | 389.3 | 0.6 | 0.2% |
| AMERICA | 36.1 | 35.4 | 0.7 | 1.9% | 136.8 | 130.9 | 5.9 | 4.5% |
| **TOTAL RECURRING REVENUE LFL&R** | **391.7** | **369.3** | **22.4** | **6.1%** | **1,533.1** | **1,434.8** | **98.3** | **6.8%** |
| **OPENINGS, CLOSINGS & OTHERS** | **10.7** | **9.7** | **1.0** | **10.7%** | **38.0** | **39.7** | **(1.8)** | **(4.5%)** |
| | | | | | | | | |
| **RECURRING REVENUES** | **402.5** | **379.0** | **23.4** | **6.2%** | **1,571.1** | **1,474.6** | **96.5** | **6.5%** |
| | 0.00 | 0.00 | 0.00 | 0.0% | | | | |
| SPAIN | 62.7 | 60.1 | 2.6 | 4.4% | 249.5 | 238.2 | 11.3 | 4.8% |
| ITALY | 42.7 | 40.1 | 2.6 | 6.6% | 171.4 | 169.2 | 2.2 | 1.3% |
| BENELUX | 56.5 | 54.2 | 2.3 | 4.2% | 218.9 | 204.5 | 14.4 | 7.1% |
| CENTRAL EUROPE | 66.2 | 66.4 | (0.2) | (0.3%) | 258.7 | 259.5 | (0.7) | (0.3%) |
| AMERICA | 24.8 | 23.3 | 1.5 | 6.5% | 98.0 | 92.2 | 5.8 | 6.3% |
| **RECURRING OPEX LFL&R** | **252.9** | **244.0** | **8.9** | **3.6%** | **996.5** | **963.4** | **33.1** | **3.4%** |
| **OPENINGS, CLOSINGS & OTHERS** | **7.2** | **7.1** | **0.1** | **1.1%** | **25.7** | **28.7** | **(2.9)** | **(10.3%)** |
| | | | | | | | | |
| **RECURRING OPERATING EXPENSES** | **260.1** | **251.1** | **8.9** | **3.6%** | **1,022.3** | **992.1** | **30.2** | **3.0%** |
| | | | | | | | | |
| SPAIN | 36.2 | 31.5 | 4.7 | 14.9% | 147.2 | 116.8 | 30.4 | 26.0% |
| ITALY | 23.8 | 21.6 | 2.1 | 9.8% | 98.7 | 89.4 | 9.3 | 10.4% |
| BENELUX | 32.2 | 25.3 | 6.8 | 27.0% | 120.6 | 96.6 | 24.0 | 24.8% |
| CENTRAL EUROPE | 35.4 | 34.6 | 0.7 | 2.0% | 131.2 | 129.9 | 1.4 | 1.1% |
| AMERICA | 11.3 | 12.2 | (0.9) | (7.0%) | 38.8 | 38.7 | 0.1 | 0.2% |
| **RECURRING GOP LFL&R** | **138.8** | **125.3** | **13.5** | **10.8%** | **536.6** | **471.4** | **65.2** | **13.8%** |
| **OPENINGS, CLOSINGS & OTHERS** | **3.6** | **2.6** | **1.0** | **36.9%** | **12.2** | **11.1** | **1.2** | **10.6%** |
| | | | | | | | | |
| **RECURRING GOP** | **142.4** | **127.9** | **14.5** | **11.3%** | **548.8** | **482.5** | **66.3** | **13.8%** |
| | | | | | | | | |
| SPAIN | 22.1 | 20.9 | 1.2 | 5.7% | 87.9 | 82.9 | 5.0 | 6.0% |
| ITALY | 12.3 | 10.6 | 1.7 | 15.9% | 47.8 | 45.8 | 2.0 | 4.3% |
| BENELUX | 12.1 | 11.0 | 1.1 | 10.4% | 51.4 | 47.8 | 3.5 | 7.4% |
| CENTRAL EUROPE | 27.0 | 23.9 | 3.1 | 13.2% | 106.4 | 103.2 | 3.1 | 3.0% |
| AMERICA | 3.3 | 3.4 | (0.1) | (3.7%) | 13.1 | 13.4 | (0.3) | (2.3%) |
| **RECURRING LEASES&PT LFL&R** | **76.8** | **69.8** | **7.0** | **10.1%** | **306.5** | **293.1** | **13.3** | **4.5%** |
| **OPENINGS, CLOSINGS & OTHERS** | **2.8** | **1.8** | **1.0** | **58.2%** | **9.2** | **8.4** | **0.8** | **9.6%** |
| | | | | | | | | |
| **RECURRING RENTS AND PROPERTY TAXES** | **79.7** | **71.6** | **8.1** | **11.3%** | **315.7** | **301.6** | **14.1** | **4.7%** |
| | | | | | | | | |
| SPAIN | 14.1 | 10.6 | 3.5 | 33.2% | 59.4 | 33.9 | 25.5 | 75.1% |
| ITALY | 11.4 | 11.0 | 0.4 | 3.9% | 51.0 | 43.6 | 7.3 | 16.8% |
| BENELUX | 20.0 | 14.3 | 5.7 | 39.7% | 69.2 | 48.8 | 20.4 | 41.9% |
| CENTRAL EUROPE | 8.4 | 10.8 | (2.4) | (22.5%) | 24.9 | 26.6 | (1.8) | (6.6%) |
| AMERICA | 8.0 | 8.7 | (0.7) | (8.3%) | 25.7 | 25.3 | 0.4 | 1.6% |
| **RECURRING EBITDA LFL&R** | **62.0** | **55.5** | **6.5** | **11.7%** | **230.1** | **178.2** | **51.9** | **29.1%** |
| **OPENINGS, CLOSINGS & OTHERS** | **0.7** | **0.8** | **(0.1)** | **(9.6%)** | **3.0** | **2.6** | **0.4** | **13.8%** |
| | | | | | | | | |
| **RECURRING EBITDA EX. ONEROUS PROVISION** | **62.7** | **56.3** | **6.4** | **11.4%** | **233.1** | **180.9** | **52.2** | **28.9%** |

* The hotel in New York is registered in the Central Europe business unit

* France is included in the Benelux business unit

* For the allocation of central costs, the distribution criterion used is the GOP level of each business unit

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

**Recurring Results by Business Unit** (LFL&R basis)

**Spain B.U.:**

- Q4: RevPAR growth of +8.3%, 65% through prices (+5.4%) and +2.8% in occupancy, achieving revenue growth of +8.0% despite the negative impact of Barcelona in the quarter (-8.6% in revenue, -€1.4m).
- 12M: RevPAR grew by +14.5% with an ADR increase of +9.8% (accounting for 68%) and +4.3% in occupancy.
  - Excellent revenue performance of +11.8% (+€41.8m) in the year. The LFL perimeter, excluding the refurbishments of 2016 and 2017, grew by +10.2%, highlighting the LFL evolution of Madrid (+14.3%), Barcelona (+8.3% despite the negative evolution in Q4) and the secondary cities (+7.8%). The hotels refurbished in 2016 and 2017 contributed with +10.6m of additional revenue compared to the previous year.
  - Operating expenses increased by +4.8% (+€11.3m), explained by the higher occupancy in the year (+4.3% reaching 73.5%), higher expenses for the hotels refurbished in 2016 (accounting for 27% of the increase) and higher commissions due to the segmentation change.
  - In 2017, GOP reached €147.2m, increasing by +26.0% (+€30.4m). The year's lease payments increased by +€5.0m (+6.0%), explained by the variable component.
  - With all of this, the EBITDA for 2017 grew by +75.1% reaching €59.4m, representing an improvement of +€25.5m and a conversion rate from incremental revenue into EBITDA of 61%.

**Italy B.U.:**

- Q4: RevPAR growth of +9.0% with an increase of +6.7% in prices and +2.1% in occupancy. Remarkable evolution of LFL RevPAR in Milan at +20%. All this allows for revenue growth of +7.7% (+€4.8m), despite the refurbishment of a hotel in Rome carried out by the owner that began in Q3, with an opportunity cost in revenue of -€2.7m.
- 12M: RevPAR grew by +6.5% during the year with a growth of +5.6% in ADR (accounting for 87%) and +0.8% in occupancy, increasing revenues by +4.5%, equivalent to +€11.6m, including the opportunity cost of the refurbishments carried out by the owners of two leased hotels in Turin and Rome. Excluding these refurbishments, the growth of LFL revenue is +6.3%, highlighting the growth of Milan (+7.9%) and secondary cities (+6.9%).
  - Slight increase in operating expenses, which grew by +1.3% (+€2.2m) in 2017. GOP improved by +€9.3m (+10.4%).
  - As a result, EBITDA for 2017 improved by +€7.3m reaching €51.0m (+16.8%), resulting in a conversion rate of incremental revenue into EBITDA of 63%.

**Benelux B.U.:**

- Q4: RevPAR growth of +12.5% with an increase of +5.6% in ADR and +6.5% in occupancy due to the refurbishments carried out during 2016 and the recovery of Brussels (+21% increase in occupancy levels and +16% increase in RevPAR). Worth noting is the LFL RevPAR growth of Amsterdam (+11%) and the secondary cities in Holland (+9%). This led to an increase in revenue of +11.5% (+€9.1m).
- 12M: RevPAR increase of +14.4% during the year, explained by the growth of +7.2% in ADR and +6.8% in occupancy, explained by the 2016 refurbishments, the recovery of Brussels (at LFL RevPAR level +21%, entirely due to higher activity) and the good LFL performance of Amsterdam (+9%) and the secondary cities in Holland (+10%) during the year.

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T: +34 91 396 05 02

- The LFL growth of revenue in 2017, excluding refurbishments, was +8.1%, supported by the LFL growth of Brussels (+19.0%), Amsterdam (+6.7%) and secondary cities in Holland (+7.6%). Including the hotels refurbished in 2016, the reported growth is +12.8% (+€38.4m).
- Operating expenses increased by +7.1% (+€14.4m) in 2017 due to higher activity (occupancy +6.8%), increased expenses for the hotels refurbished in 2016 (accounting for 37% of the increase) and higher commissions due to a segmentation change.
- GOP grew by +24.8% (+€24.0m) and EBITDA for the year reached €69.2m, representing a +41.9% improvement, equivalent to +€20.4m, reporting a conversion rate of incremental revenue into EBITDA of 53%.

**Central Europe B.U.:**

- Q4: RevPAR decrease of -1.2% in with a +1.8% increase in occupancy and a -3.0% decrease in ADR, due to the 2016 trade fair calendar in Germany (Q4 RevPAR 2016: +6.9%). The LFL revenue grew by +2.6% and including the opportunity cost of the refurbishment of 2 hotels (-€0.4m in revenue), the revenue growth fell to +0.5% (+€0.5m) in Q4.
- 12M: RevPAR increase of +1.4% in 2017 with an increase of +2.9% in occupancy and a decrease of -1.4% in ADR, due to the difficult comparison given the fair calendar. At the LFL level, revenue grew by +2.1% despite the difficult comparison in Germany. Including the opportunity cost of the refurbishment of 3 hotels in Berlin, Munich and Hamburg, amounting to -€5.3m in 2017, the year's revenue growth fell to +0.2% in LFL&R.
  - Slight reduction of -0.3% (-€0.7m) in operating expenses with EBITDA reaching €24.9m for the year, implying a fall of -€1.8m (-6.6%) as a whole, entirely explained by the 3 hotels under refurbishment during the year and the difficult comparison with the previous year's fairs.

**Americas B.U.:**

- Q4: RevPAR decrease of -1.9%, fully explained by the negative impact of the exchange rate, mainly in Argentina (-18%) and Colombia (-14%). At constant exchange rates revenue would have grown +16.4% in Q4 but at real exchange rates revenue increased by +1.9%.
- 12M: RevPAR grew by +8.3% with ADR increases of +4.6% (accounting for 56%) and occupancy increases of +3.5%. Revenue increased by +4.5% (+€5.9m) at real exchange rates in 2017. Excluding the negative impact of the currency (-€6.5m), revenue would have grown by +9.6%, equivalent to +€12.4m.
  - By region, Mexico grew revenues by +5.3% (+€1.8m) despite the -3% depreciation in the currency during the year and the impact of the earthquake (-€1.6m vs 2017 Plan). At constant exchange rates, the revenue growth is +8.6%. The growth is mainly explained by the refurbishment of the NH Collection Mexico City Reforma Hotel in 2016, with a high conversion to EBITDA.
  - In Argentina, revenue grew by +17.8% (+€5.8m) at real exchange rates, despite the -13% depreciation in the currency. The increase is explained by both a higher level of activity (+11.8% in occupancy) and by a +6.7% increase in average prices.
  - At Hoteles Royal, revenue decreased by -3.8% during the year due to the refurbishment of a key hotel in Chile and the higher supply in Bogota, with a flat evolution of Colombia's currency.

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

### Consolidated Income Statement

| NH HOTEL GROUP P&L ACCOUNT | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(€ million)* | Q4 2017 | Q4 2016 | Var. | | 12M 2017 | 12M 2016 | Var. | |
| | € m. | € m. | € m. | % | € m. | € m. | € m. | % |
| **TOTAL REVENUES** | **402.5** | **379.0** | **23.4** | **6.2%** | **1,571.1** | **1,474.6** | **96.5** | **6.5%** |
| Staff Cost | (134.7) | (130.5) | (4.2) | 3.2% | (528.6) | (515.1) | (13.5) | 2.6% |
| Operating expenses | (125.4) | (120.7) | (4.7) | 3.9% | (493.6) | (477.0) | (16.6) | 3.5% |
| **GROSS OPERATING PROFIT** | **142.4** | **127.9** | **14.5** | **11.3%** | **548.8** | **482.5** | **66.3** | **13.8%** |
| Lease payments and property taxes | (79.7) | (71.6) | (8.1) | 11.3% | (315.7) | (301.6) | (14.1) | 4.7% |
| **EBITDA BEFORE ONEROUS** | **62.7** | **56.3** | **6.4** | **11.4%** | **233.1** | **180.9** | **52.2** | **28.9%** |
| Margin % of Revenues | 15.6% | 14.9% | 0.7p.p. | N/A | 14.8% | 12.3% | 2.6p.p. | N/A |
| Onerous contract reversal provision | 1.2 | 0.8 | 0.4 | 48.5% | 4.2 | 5.0 | (0.8) | (15.6%) |
| **EBITDA AFTER ONEROUS** | **63.9** | **57.1** | **6.8** | **11.9%** | **237.3** | **185.9** | **51.5** | **27.7%** |
| Depreciation | (30.5) | (26.4) | (4.1) | 15.4% | (111.4) | (101.7) | (9.7) | 9.5% |
| **EBIT** | **33.4** | **30.7** | **2.7** | **8.9%** | **125.9** | **84.1** | **41.8** | **49.6%** |
| Interest expense | (16.6) | (15.4) | (1.1) | 7.3% | (58.0) | (52.4) | (5.6) | 10.7% |
| Income from minority equity interests | (0.4) | 0.1 | (0.5) | N/A | (0.3) | 0.1 | (0.4) | N/A |
| **EBT** | **16.5** | **15.4** | **1.2** | **7.5%** | **67.5** | **31.8** | **35.7** | **112.3%** |
| Corporate income tax | (7.8) | (7.7) | (0.1) | 0.6% | (29.0) | (17.0) | (12.1) | 71.3% |
| **NET INCOME before minorities** | **8.7** | **7.6** | **1.1** | **14.4%** | **38.5** | **14.9** | **23.6** | **159.1%** |
| Minority interests | (1.0) | (0.7) | (0.4) | 60.0% | (3.7) | (3.4) | (0.3) | 9.7% |
| **NET RECURRING INCOME** | **7.7** | **7.0** | **0.7** | **10.2%** | **34.8** | **11.5** | **23.3** | **N/A** |
| Non Recurring EBITDA | 10.0 | 1.7 | 8.3 | N/A | 18.8 | 43.9 | (25.1) | N/A |
| Other Non Recurring items | (6.7) | 0.5 | (7.2) | N/A | (18.1) | (24.6) | 6.5 | N/A |
| **NET INCOME including Non-Recurring** | **11.0** | **9.2** | **1.8** | **19.3%** | **35.5** | **30.8** | **4.7** | **15.4%** |

### 2017 Comments:

- **Solid revenue growth of +6.5%** (+7.0% at constant exchange rates) amounting to €1,571M (+€97m) in the year.
  - In the like-for-like ("LFL") perimeter, excluding refurbishments, revenue grew +6.2%.
  - Excellent performance of Benelux (+12.8%) and Spain (+11.8%) and difficult comparison in Germany due to the 2016 trade fair calendar and the refurbishment of three hotels.
- **Evolution of Costs:** cost control in the year despite the growth in occupancy (+3.4%), exceeding the cost efficiency target and obtaining €11m of savings during the year.
  - **Payroll costs** rose by +2.6% (+€13.5m), mainly explained by higher levels of activity in Spain, Benelux and Central Europe and the hotels refurbished in 2016 & 2017, which account for 21% of the increase.
  - **Other operating expenses** increased by +3.5% (+€16.6m) mainly due to higher levels of activity and increased commissions due to the evolution of the sales channels mix. The impact of the hotels refurbished in 2016 and 2017 explains 26% of this increase.
- **Improvement of +€66.3m (+13.8%) at GOP level**. The revenue margin improved by +2.2 p.p. reaching 34.9%. Leases and property taxes increased by -€14.1m (+4.7%). The 2016 and 2017 refurbishments account for 33% of the total increase and the variable components of the contracts for 35%.

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T: +34 91 396 05 02

- Revenue growth together with cost control allows to close the year with a **Recurring EBITDA** growth of +29% reaching €233m, above the €230m target and offsetting the negative effects of Barcelona and the earthquake in Mexico. This represents an increase of +€52m in the year and a conversion rate of 54% of the increased revenue into EBITDA, despite the higher occupancy level (+3.4%) and achieving a margin of 14.8% (+2.6 p.p.).

- **Depreciation**: the -€9.7m increase during the year includes -€3.5m amortisation of the new management agreement with Hesperia, and the rest corresponds to the impact of the 2016 and 2017 repositioning investments.

- **Financial Costs:** the -€5.6m increase is explained mainly by:

  - Q3 2016 refinancing: issuance of the 2023 Bond (3.75% coupon) to refinance bank debt with maturities in 2017 and 2018, plus the signing of a long-term credit facility of €250m (fully undrawn).
  - Q2 2017 refinancing: refinancing of €150m of the 2019 Bond (6.875% coupon) with a TAP of €115m from the 2023 Bond (3.75% coupon, maturity cost of 3.17%) and cash.
  - Voluntary early repayment of €100m of the 2019 Bond (30 November 2017) and extension of the undrawn €250m RCF until 2021.
  - In 2018, the impact in P&L will be €12.9m in coupon savings in cash.

- **Income tax:** the higher Income Tax (-€12.1m) is due to the improvement of the business (-€8.9m) and higher taxes (-€3.5m) caused by a lower activation of negative tax bases in Italy and a greater application of activated negative tax bases in Central Europe.

- **Recurring Net Profit tripled compared to 2016, reaching €34.8m,** representing a **+€23.3m increase** in the year, entirely explained by the improvement in the business.

- **Total Net Profit stood at €35.5m,** an increase of +€4.7m **(+15.4%)** compared to 2016. The comparison is affected by the higher net capital gains from asset rotation registered in 2016 (+€23m compared to 2017).

**Q4 2017 Comments:**

- **Revenue** grew by +6.2%, reaching €402m (+€23m). The good performance of Benelux (+11.5%), Spain (+8.0%; despite the political conflict in Barcelona) and Italy (+7.7%) allows to report a total LFL&R growth of +6.1% (+7.6% at constant exchange rates). Lower contribution from Central Europe (Germany) affected by the refurbishment of two hotels (-€0.4m lower revenue due to opportunity cost) and the calendar of fairs in 2016.

- Cost control allows to report in Q4 a conversion rate of 62% at gross operating profit (GOP) level. The comparison of lease payments compared to Q4 2016 is affected by the positive impact of the linearization of rents in Q4 2016, totaling +€4.1m.

- **Recurring EBITDA** grew by +11.4%, representing an increase of +€6m. Excluding this impact of rent linearization, the conversion rate is 45% (27% reported).

- **Recurring Net Profit** in Q4 amounted to €7.7m, representing an improvement of +€0.7m (+10.2%) compared to Q4 2016 due to higher depreciation costs (new Hesperia agreement) and higher interests due to the voluntary early repayment of €100m of the 2019 Bond (30 November 2017).

- **Total Net Profit** of €11.0m, including the non-recurring activity of net capital gains due to asset rotation, largely reduced by redundancy payments, accelerated depreciation due to repositioning CapEx and legal provisions.

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

## Financial Debt and Liquidity

| As of 31/12/2017<br>Data in Euro million | Maximum<br>Available | Availability | Drawn | Repayment schedule<br>2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Rest |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Senior Credit Facilities** | | | | | | | | | | | | |
| Senior Secured Notes due 2023 | 400.0 | - | 400.0 | - | - | - | - | - | 400.0 | - | - | - |
| Senior Secured RCF due in 2021 | 250.0 | 250.0 | - | - | - | - | - | - | - | - | - | - |
| **Total debt secured by the same Collateral** | **650.0** | **250.0** | **400.0** | **-** | **-** | **-** | **-** | **-** | **400.0** | **-** | **-** | **-** |
| Other Secured loans (1) | 40.4 | - | 40.4 | 7.5 | 2.8 | 2.6 | 2.6 | 2.1 | 6.1 | 1.4 | 1.0 | 14.5 |
| **Total secured debt** | **690.4** | **250.0** | **440.4** | **7.5** | **2.8** | **2.6** | **2.6** | **2.1** | **406.1** | **1.4** | **1.0** | **14.5** |
| Convertible Bonds due 2018 | 250.0 | - | 250.0 | 250.0 | - | - | - | - | - | - | - | - |
| Unsecured loans and credit facilities (2) | 71.5 | 66.3 | 5.1 | 4.2 | 0.6 | 0.3 | - | - | - | - | - | - |
| Subordinated loans | 40.0 | - | 40.0 | - | - | - | - | - | - | - | - | 40.0 |
| **Total unsecured debt** | **361.5** | **66.3** | **295.1** | **254.2** | **0.6** | **0.3** | **-** | **-** | **-** | **-** | **-** | **40.0** |
| **Total Gross Debt** | **1,051.9** | **316.3** | **735.6** | **261.7** | **3.4** | **2.9** | **2.6** | **2.1** | **406.1** | **1.4** | **1.0** | **54.5** |
| Cash and cash equivalents (3) | | | **(80.2)** | | | | | | | | | |
| **Net debt** | | | **655.4** | | | | | | | | | |
| Equity Component Convertible Bond | | | (5.4) | (5.4) | | | | | | | | |
| Arranging loan expenses | | | (19.3) | (4.4) | (3.1) | (3.2) | (3.2) | (2.8) | (2.2) | (0.0) | (0.0) | (0.3) |
| Accrued interests | | | 6.0 | 6.0 | | | | | | | | |
| **Total adjusted net debt** | | | **636.7** | | | | | | | | | |

(1) Bilateral mortgage loans.

(2) Comprises €2.0 million drawn under a bilateral credit line and other debt facilities with amortization schedule.

(3) Not included in cash position. As of December 31st 2017, the Company had 9,416,368 treasury shares in its balance sheet, of which 9m shares correspond to a loan of securities linked to the convertible bond issued in November 2013. Of those 9m shares, as of December 31st 2017, 7,615,527 shares had been returned and are therefore held by NH although they remain available to the financial institutions. In addition, in August 2016 the Company purchased 600,000 treasury shares and up to December 31st 2017, the Company has delivered 183,632 shares to management under the Long Term Incentive Program, resulting in a net amount of 416,368 shares . Treasury stock reflected in the balance sheet calculated with the price as of December 31st 2017 (€6.00 per share) totals 56.5M€.

- **Net financial debt decreased to €655m** compared to €747m at 31st December 2016, due to the favourable generation of operating cash flow for the period (+€207m) offsetting the CapEx (-€71m) and net financial costs and dividends paid (-€71m) during the period. The cash inflow from asset rotation (+€60m) offsets the last payment for the acquisition of Hoteles Royal, S.A. (-€19.6m) and the first payment of the Hesperia management agreement (-€11.0m).

- At 31st December 2017, the Company had cash amounting to €80.2m and available credit lines amounting to €316.3m, out of which €250m relate to the long-term syndicated credit facility signed in September 2016 (maturity in 2021).

- **Early and voluntary full repayment of the outstanding balance of the 2019 Bond for the amount of €100m** on 30th November 2017 with cash. Advantages:
  - Reducing the level of gross debt and extending the average life from 4.1 years(1) at 30th September 2017 to 4.3 years(1) at 31st December 2017.
  - Lower average cost of debt from 4.2% at 30th September 2017 to 3.9% at 31st December 2017.
  - Net interest savings of €10m from 30th November 2017 to 15th November 2019.
  - Ease the collateralisation ratio required for the guaranteed debt.
  - Automatic 2-year extension on the RCF available for an amount of €250m until September 2021.

- On 24th March 2017 the credit rating agency Fitch improved the outlook for the corporate rating of the Group from "B with a stable outlook" to "B with a positive outlook" based on its increased liquidity and improved operations.

(1) Excludes subordinated debt

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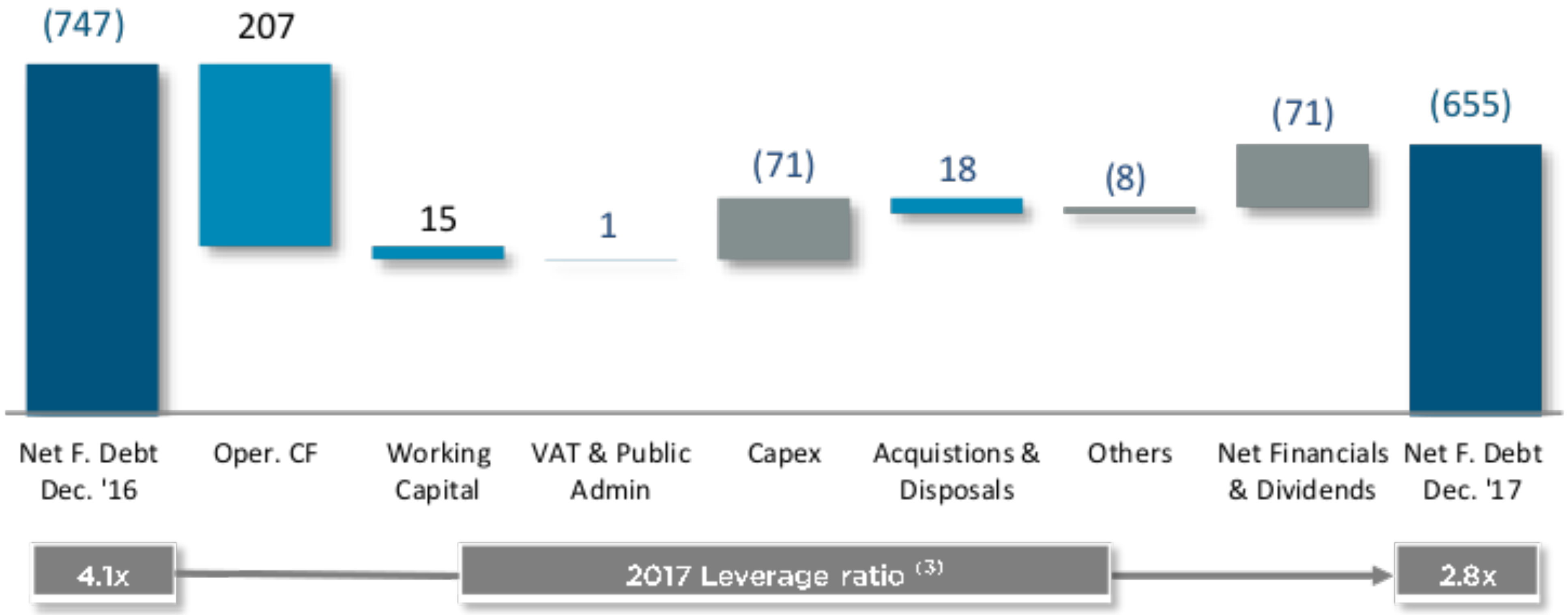
investor.relations@nh-hotels.com
T: +34 91 396 05 02

- On 27th September 2017, the credit rating agency Moody's improved the outlook for the corporate rating of the Group from "B2 with a stable outlook" to "B2 with a positive outlook", mainly due to improved operations, the repositioning plan for its hotels that has enabled NH to increase its revenue and profitability, the cost saving plan and the significant improvement in its liquidity position.
- On 27th September 2017, the credit rating agency Standard & Poor's improved its opinion on the Group's business profile, mainly due to its repositioning plan that improves revenues and profitability.

**Net Financial Debt Evolution 2017**




| Financial Position: 31st December 2017 |
|---|
| Gross Financial Debt: (€736m) |
| Cash: €80m |
| Net Financial Debt: (€655m)(1) |

| Treasury Stock in Balance Sheet not included in cash position(2) |
|---|
| Number of shares: 9.4m |
| Market Value: €56.5m |

(1) 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 (€637m) at 31st Dec. 2017 and (€725m) at 31st Dec. 2016.

(2) As of 31st December 2017, the Company had 9,416,368 treasury shares in its balance sheet, of which 9m shares correspond to a loan of securities linked to the convertible bond issue in November 2013. Of those 9m shares, as of 31st December 2017, 7,615,527 had been returned and are therefore held by NH although they remain available to the financial institutions. In addition, in August 2016 the Company purchased 600,000 treasury shares and in 2017 the Company has delivered 183,632 shares to management under the Long Term Incentive Program, resulting in a net amount of 416,368. Treasury stock in € calculated with the price as of 31st December 2017 (€6.00 per share) totals €56.5m.

(3) Leverage ratio: Net Financial Debt / Recurring EBITDA before onerous reversal and capital gains from asset disposals.

Cash flow generation in the twelve months of the year:

- (+) +€206.9m in operating cash flow, including the -€16.3m in financial costs from credit cards and -€21.9m of taxes paid.
- (+) Working capital: Improvement due to the reduction in the average collection period (down from 23 days in December 2016 to 18 days in December 2017)
- (-) CapEx payments: -€70.5m in 2017. The CapEx carried out for an amount of €14m in the final part of the year will be disbursed in 2018.
- (+) Acquisitions & Disposals: +€60.4m from asset rotation, -€19.6m from the last payment for the acquisition of Hoteles Royal in 2015, -€11.0m for the first payment of the Hesperia agreement and -€10.8m (-€8.8m debt and -€2.0m cash outflow) for the acquisition of 2 leased hotels restructured.
- (-) Other: payment of legal provisions.
- (-) Net financial payments and Dividends: -€52.6m in net financial expenses, including -€9.7m relating to refinancing in Q2 2017 and the early repayment of the 2019 Bond, and -€17.1m of 2016 dividend excluding minorities paid in July 2017.

# Appendix

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

**Appendix I:** In accordance with the Directives published by the ESMA in relation to Alternative Performance Measures (APMs), below it has been defined and reconciled the APMs used by the Group within the Results Publication of 12 months of 2017.

In addition, the abridged consolidated financial statements as at 31 December 2017 are shown below:

**NH HOTEL GROUP, S.A. AND SUBSIDIARIES**
**ABRIDGED CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016**
(Thousands of euros)

| ASSETS | Note | 31/12/2017 | 31/12/2016 | NET ASSETS AND LIABILITIES | Note | 31/12/2017 | 31/12/2016 |
|---|---|---|---|---|---|---|---|
| **NON-CURRENT ASSETS:** | | | | **EQUITY:** | | | |
| Goodwill | 6 | 111,684 | 117,736 | Share capital | 14 | 700,544 | 700,544 |
| Intangible assets | 7 | 151,083 | 126,453 | Reserves of the parent company | 14 | 526,243 | 412,827 |
| Property, plant and equipment | 8 | 1,583,164 | 1,701,428 | Reserves of fully consolidated companies | | 38,877 | 137,512 |
| Investments accounted for using the equity method | 9 | 9,419 | 10,646 | Reserves of companies consolidated using the equity method | | (23,087) | (23,206) |
| Non-current financial investments- | 10 | 75,895 | 91,056 | Other equity instruments | | 27,230 | 27,230 |
| *Loans and accounts receivable not available for trading* | | *65,154* | *78,385* | Exchange differences | | (157,542) | (133,765) |
| *Other non-current financial investments* | | *10,741* | *12,671* | Treasury shares and shareholdings | 14 | (39,250) | (39,983) |
| Deferred tax assets | 18 | 137,996 | 152,389 | Consolidated profit for the period | | 35,489 | 30,750 |
| Other non-current assets | | 16,448 | 18,939 | **Equity attributable to the shareholders of the Parent Company** | | **1,108,504** | **1,111,909** |
| **Total non-current assets** | | **2,085,689** | **2,218,647** | Non-controlling interests | 14 | 43,472 | 43,967 |
| | | | | **Total equity** | | **1,151,976** | **1,155,876** |
| | | | | **NON-CURRENT LIABILITIES** | | | |
| | | | | Debt instruments and other marketable securities | 15 | 387,715 | 763,637 |
| | | | | Debts with credit institutions | 15 | 71,246 | 72,720 |
| | | | | Other financial liabilities | | 12,481 | 1,435 |
| | | | | Other non-current liabilities | 16 | 38,976 | 34,037 |
| | | | | Provisions for contingencies and charges | 17 | 50,413 | 52,900 |
| | | | | Deferred tax liabilities | 18 | 167,433 | 174,987 |
| | | | | **Total non-current liabilities** | | **728,264** | **1,099,716** |
| **CURRENT ASSETS:** | | | | | | | |
| Non-current assets classified as held for sale | 11 | 109,166 | 46,685 | **CURRENT LIABILITIES:** | | | |
| Inventories | | 9,809 | 9,870 | Liabilities associated with non-current assets classified as held for sale | 11 | 2,377 | 2,661 |
| Trade receivables | 12 | 132,582 | 146,197 | Debt instruments and other marketable securities | 15 | 246,195 | 2,233 |
| Non-trade receivables- | | 42,786 | 54,510 | Debts with credit institutions | 15 | 11,724 | 23,226 |
| *Tax receivables* | *18* | *23,743* | *29,231* | Other financial liabilities | | 11,618 | 1,076 |
| *Other non-trade debtors* | | *19,043* | *25,279* | Trade and other payables | 19 | 222,951 | 229,769 |
| Short-term financial investments | | - | 1,918 | Tax payables | 18 | 45,860 | 44,938 |
| Cash and cash equivalents | 13 | 80,249 | 136,733 | Provisions for contingencies and charges | 17 | 8,971 | 11,462 |
| Other current assets | | 11,423 | 12,677 | Other current liabilities | 21 | 41,768 | 56,280 |
| **Total current assets** | | **386,015** | **408,590** | **Total current liabilities** | | **591,464** | **371,645** |
| **TOTAL ASSETS** | | **2,471,704** | **2,627,237** | **NET ASSETS AND LIABILITIES** | | **2,471,704** | **2,627,237** |

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investor.relations@nh-hotels.com
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**NH HOTEL GROUP, S.A. AND SUBSIDIARIES**

**CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT FOR THE YEARS 2017 AND 2016**
(Thousands of euros)

| | Note | 2017 | 2016 |
|---|---|---|---|
| Revenues | 24.1 | 1,546,086 | 1,447,903 |
| Other operating income | 24.1 | 11,101 | 7,687 |
| Net gains on disposal of non-current assets | 7, 8 and 24.1 | 30,148 | 41,526 |
| Procurements | | (75,712) | (66,857) |
| Staff costs | 24.3 | (427,140) | (415,889) |
| Depreciation and amortisation charges | 7 and 8 | (123,085) | (114,170) |
| Net Profits/(Losses) from asset impairment | 6, 7 and 8 | 9,005 | (2,686) |
| Other operating expenses | | (815,011) | (791,011) |
| *Variation in the provision for onerous contracts* | *17* | *4,216* | *4,163* |
| *Other operating expenses* | *24.4* | *(819,227)* | *(795,174)* |
| Gains on financial assets and liabilities and other | | (1,927) | 9,856 |
| Profit (Loss) from entities valued through the equity method | 9 | (349) | 119 |
| Financial income | 24.2 | 2,995 | 3,310 |
| Change in fair value of financial instruments | 24.2 | (7) | 435 |
| Financial expenses | 24.6 | (76,747) | (72,304) |
| Net exchange differences (Income/(Expense)) | | (6,360) | (3,561) |
| **PROFIT BEFORE TAX FROM CONTINUING OPERATIONS** | | **72,997** | **44,357** |
| Income tax | 18 | (33,512) | (7,935) |
| **PROFIT FOR THE PERIOD - CONTINUING** | | **39,485** | **36,422** |
| *Profit (loss) for the year from discontinued operations net of tax* | 11 | (278) | (2,274) |
| **PROFIT FOR THE PERIOD** | | **39,207** | **34,148** |
| Exchange differences | | (26,494) | (3,203) |
| **Income and expenses recognised directly in equity** | | **(26,494)** | **(3,203)** |
| **TOTAL COMPREHENSIVE PROFIT** | | **12,713** | **30,945** |
| Profit / (Loss) for the year attributable to: | | | |
| *Parent Company Shareholders* | | *35,489* | *30,749* |
| *Non-controlling interests* | | *3,718* | *3,399* |
| *Non-controlling interests in discontinued operations* | | - | - |
| Comprehensive Profit / (Loss) attributable to: | | | |
| *Parent Company Shareholders* | | *11,712* | *27,332* |
| *Non-controlling interests* | *14.4* | *1,001* | *3,614* |
| **Profit per share in euros (basic)** | 5 | **0.104** | **0.090** |

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# NH HOTEL GROUP, S.A. AND SUBSIDIARIES

## ABRIDGED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## FOR THE TWELVE-MONTH PERIODS ENDED
## 31 DECEMBER 2017 AND 31 DECEMBER 2016

(Thousands of euros)

| | Equity attributed to the Parent Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Own Funds | | | | | | | |
| | Share Capital | Issue premium and reserves | Treasury shares and shareholdings | Profit for the year attributable to the Parent Company | Other equity instruments | Valuation adjustments | Non-controlling interest | Total Equity |
| | **700,544** | **527,133** | **(39,983)** | **30,750** | **27,230** | **(133,765)** | **43,967** | **1,155,876** |
| | - | - | - | - | - | - | - | - |
| **Adjusted balance at 31/12/2016** | **700,544** | **527,133** | **(39,983)** | **30,750** | **27,230** | **(133,765)** | **43,967** | **1,155,876** |
| Net profit (loss) for 2017 | - | - | - | 35,489 | - | - | 3,718 | 39,207 |
| Exchange differences | - | - | - | - | - | (23,777) | (2,717) | (26,494) |
| **Total recognised income / (expense)** | **-** | **-** | **-** | **35,489** | **-** | **(23,777)** | **1,001** | **12,713** |
| **Transactions with shareholders or owners** | **-** | **(15,548)** | **733** | - | - | - | **(1,496)** | **(16,311)** |
| Distribution of dividends | - | (17,056) | - | - | - | - | (1,496) | (18,552) |
| Treasury share transactions (net) | - | - | - | - | - | - | - | - |
| Remuneration Scheme in shares | - | 1,508 | 733 | - | - | - | - | 2,241 |
| **Other changes in equity** | **-** | **30,448** | **-** | **(30,750)** | - | **-** | - | **(302)** |
| Transfers between equity items | - | 30,750 | - | (30,750) | - | - | - | - |
| Other changes | - | (302) | - | - | - | - | - | (302) |
| **Ending balance at 31/12/2017** | **700,544** | **542,033** | **(39,250)** | **35,489** | **27,230** | **(157,542)** | **43,472** | **1,151,976** |

| | Equity attributed to the Parent Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Own Funds | | | | | | | |
| | Share Capital | Issue premium and reserves | Treasury shares and shareholdings | Profit for the year attributable to the Parent Company | Other equity instruments | Valuation adjustments | Non-controlling interest | Total Equity |
| **Adjusted balance at 31/12/2015** | **700,544** | **527,317** | **(37,561)** | **938** | **27,230** | **(130,347)** | **37,963** | **1,126,084** |
| Net profit (loss) for 2017 | - | - | - | 30,750 | - | - | 3,399 | 34,149 |
| Exchange differences | - | - | - | - | - | (3,418) | 215 | (3,203) |
| **Total recognised income / (expense)** | **-** | **-** | **-** | **30,750** | **-** | **(3,418)** | **3,614** | **30,946** |
| **Transactions with shareholders or owners** | **-** | **1,927** | **(2,422)** | **-** | **-** | **-** | **1,533** | **1,038** |
| Distribution of dividends | - | - | - | - | - | - | (1,056) | (1,056) |
| Treasury share transactions (net) | - | | (2,422) | - | - | - | - | (2,422) |
| Remuneration Scheme in shares | - | 1,927 | - | - | **-** | - | - | 1,927 |
| Business combination | | - | - | - | - | - | 2,589 | 2,589 |
| **Other changes in equity** | **-** | **(2,111)** | **-** | **(938)** | - | **-** | **857** | **(2,192)** |
| Transfers between equity items | - | 938 | - | (938) | - | - | - | - |
| Other changes | - | (3,049) | - | - | - | - | 857 | (2,192) |
| **Ending balance at 31/12/2016** | **700,544** | **527,133** | **(39,983)** | **30,750** | **27,230** | **(133,765)** | **43,967** | **1,155,876** |

INVESTOR RELATIONS
investor.relations@nh-hotels.com
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## NH HOTEL GROUP, S.A. AND SUBSIDIARIES

## NH HOTEL GROUP, S.A. AND SUBSIDIARIES

**ABRIDGED CONSOLIDATED CASH FLOW STATEMENTS PRODUCED IN THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016**

(Thousands of euros)

| | 31.12.2017 (*) | 31.12.2016 (*) |
|---|---|---|
| **1. OPERATING ACTIVITIES** | | |
| **Consolidated profit (loss) before tax:** | **72,997** | **44,358** |
| **Adjustments:** | | |
| Depreciation of tangible and amortisation of intangible assets (+) | 123,085 | 114,171 |
| Impairment losses (net) (+/-) | (9,005) | 2,685 |
| Allocations for provisions (net) (+/-) | (4,216) | (4,163) |
| Gains/Losses on the sale of tangible and intangible assets (+/-) | (30,148) | (41,526) |
| Gains/Losses on investments valued using the equity method (+/-) | 349 | (119) |
| Financial income (-) | (2,995) | (3,310) |
| Financial expenses and variation in fair value of financial instruments (+) | 76,754 | 71,869 |
| Net exchange differences (Income/(Expense)) | 6,360 | 3,561 |
| Profit (loss) on disposal of financial investments | 1,927 | (9,856) |
| Other non-monetary items (+/-) | 10,036 | 19,692 |
| **Adjusted profit (loss)** | **245,144** | **197,362** |
| Net variation in assets / liabilities: | | |
| (Increase)/Decrease in inventories | 61 | (290) |
| (Increase)/Decrease in trade debtors and other accounts receivable | 10,405 | 28,622 |
| (Increase)/Decrease in other current assets | 6,072 | 13,960 |
| Increase/(Decrease) in trade payables | (3,088) | (24,586) |
| Increase/(Decrease) in other current liabilities | (196) | (23,478) |
| Increase/(Decrease) in provisions for contingencies and expenses | (7,196) | (7,710) |
| (Increase)/Decrease in non-current assets | 748 | 291 |
| Increase/(Decrease) in non-current liabilities | *(412)* | *5,784* |
| Income tax paid | (21,903) | (13,381) |
| **Total net cash flow from operating activities (I)** | **229,635** | **176,574** |
| **2. INVESTMENT ACTIVITIES** | | |
| **Finance income** | **1,345** | **2,013** |
| Investments (-): | | |
| Group companies, joint ventures and associates | (22,269) | (5,597) |
| Tangible and intangible assets and investments in property | (81,750) | (139,392) |
| | **(104,019)** | **(144,989)** |
| Disinvestment (+): | | |
| Group companies, joint ventures and associates | 62 | - |
| Tangible and intangible assets and investments in property | 60,301 | 88,590 |
| Non-current financial investments | - | 30,723 |
| | **60,363** | **119,313** |
| **Total net cash flow from investment activities (II)** | **(42,311)** | **(23,663)** |
| **3. FINANCING ACTIVITIES** | | |
| Dividends paid out (-) | (18,552) | (1,056) |
| Interest paid on debts (-) | (67,781) | (53,926) |
| Financial expenses for means of payment | (16,317) | (14,472) |
| Interest paid on debts and other interest | (51,464) | (29,454) |
| Variations in (+/-): | | |
| Equity instruments | | |
| - Treasury shares | - | (2,422) |
| Debt instruments: | | |
| - Bonds and other tradable securities (+) | - | 285,000 |
| - Bonds and other tradable securities (+) | (135,000) | - |
| - Loans from credit institutions (+) | - | 28,217 |
| - Loans from credit institutions (-) | (21,772) | (349,874) |
| - Finance leases | | |
| - Other financial liabilities (+/-) | (681) | (372) |
| **Total net cash flow from financing activities (III)** | **(243,786)** | **(94,433)** |
| **4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)** | (56,462) | 58,478 |
| **5. Effect of exchange rate variations on cash and cash equivalents (IV)** | - | 591 |
| **6. Effect of variations in the scope of consolidation (V)** | (22) | (35) |
| **7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)** | (56,484) | 59,034 |
| **8. Cash and cash equivalents at the start of the financial year** | **136,733** | **77,699** |
| **9. Cash and cash equivalents at the end of the financial year (7+8)** | **80,249** | **136,733** |

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

**A) Definitions**

***EBITDA:*** Result before tax of continuing operations and before: net result from the disposal of non-current assets, depreciation, net loss from asset impairment, the result on disposal of financial investments, the result of entities valued by the equity method, financial income, change in the fair value of financial instruments, financing costs (except for credit card costs, which are considered to be operating cost) and net exchange differences. This APM is used to measure the purely operating results of the Group.

***RevPAR:*** The result of multiplying the average daily price for a specific period by the occupancy in that period. This APM is used for comparison of average income per hotel room with other companies in the sector.

***Average Daily Rate (ADR):*** The ratio of total room revenue for a specific period divided by the rooms sold in that specific period. This APM is used to compare average hotel room prices with those of other companies in the sector.

***LFL&R (Like for like with refurbishments):*** We define LFL with refurbishments as the group of fully operated hotels in a 24-month period plus the refurbishments made in the last two years. It excludes those hotels that have just been opened or closed and that have therefore not been fully operational for 24 months. This APM is used to analyse operating results for the year in a manner comparable with those of previous periods excluding the impact of hotel refurbishments.

Below it has been provided a breakdown of the “Total Revenues” line split into “LFL and refurbishments” and “Openings, closings and other effects” to illustrate the above explanation:

| | | 12M 2017 | 12M 2016 |
|---|---|---|---|
| | | M €. | M €. |
| **Total revenues** | A+B | **1,571.1** | **1,474.6** |
| Total recurring revenue LFL & Refurbishment | A | 1,533.1 | 1,434.8 |
| Openings, closing & others | B | 38.0 | 39.7 |

It has been provided a reconciliation for the “Total Revenues” line in Point II for the period of 12 months ended 31 December 2017.

***Net Financial Debt:*** Gross financial debt less cash and other equivalent liquid assets, excluding accounting adjustments for the portion of the convertible bond treated as equity, arrangement expenses and accrued interest. Gross financial debt includes both non-current liabilities and current obligations for bonds and other negotiable securities and debt to lending institutions.

***Capex:*** Investments made on assets for improvement and development that have meant a cash outflow during the year. Obtained from the investments in fixed and intangible assets and property investments shown on the statement of cash flows on the consolidated financial statements.

***GOP (Gross operating profit):*** The gross operating profit obtained from EBITDA plus costs of leases and property taxes, as follows:

***Conversion Rate:*** This measures the proportion of revenue that has been transferred to EBITDA. It is calculated by dividing the change in EBITDA by the change in total revenue.

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**B) Reconciliation of the APM to the most directly reconcilable item, subtotal or total in the financial statements:**

The following significant APMs are contained in the Results Publication of 12 months of 2017:

**I. ADR y RevPAR**

Results Publication of 12 months of 2017 details the cumulative evolution of RevPAR and ADR in the following tables:

**NH HOTEL GROUP REVPAR 12M 2017/2016**

| | AVERAGE ROOMS | | | OCCUPANCY % | | | ADR | | | REVPAR | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | Hab Oc.17 | 2017 | 2016 | % Var | 2017 | 2016 | % Var | 2017 | 2016 | % Var |
| Spain & Portugal LFL & R | 10,832 | 10,808 | 2,904,548 | 73.5% | 70.4% | 4.3% | 93.1 | 84.8 | 9.8% | 68.4 | 59.7 | 14.5% |
| Total B.U. Spain | 11,083 | 11,197 | 2,963,930 | 73.3% | 70.3% | 4.2% | 92.7 | 84.2 | 10.1% | 67.9 | 59.2 | 14.7% |
| Italy LFL & R | 6,986 | 7,027 | 1,759,699 | 69.0% | 68.5% | 0.8% | 113.8 | 107.7 | 5.6% | 78.5 | 73.7 | 6.5% |
| Total B.U. Italy | 7,163 | 7,460 | 1,805,026 | 69.0% | 67.6% | 2.1% | 115.6 | 108.2 | 6.8% | 79.8 | 73.2 | 9.0% |
| Benelux LFL & R | 8,435 | 8,234 | 2,185,105 | 71.0% | 66.5% | 6.8% | 104.7 | 97.6 | 7.2% | 74.3 | 64.9 | 14.4% |
| Total B.U. Benelux | 8,757 | 8,396 | 2,257,747 | 70.6% | 66.3% | 6.5% | 104.9 | 97.9 | 7.2% | 74.1 | 64.9 | 14.1% |
| Central Europe LFL & R | 12,199 | 12,295 | 3,275,509 | 73.6% | 71.5% | 2.9% | 86.4 | 87.7 | -1.4% | 63.6 | 62.7 | 1.4% |
| Total B.U. Central Europe | 12,199 | 12,452 | 3,275,509 | 73.6% | 71.4% | 3.0% | 86.4 | 87.6 | -1.4% | 63.6 | 62.6 | 1.6% |
| Total Europe LFL & R | 38,453 | 38,364 | 10,124,861 | 72.1% | 69.6% | 3.7% | 97.0 | 92.5 | 4.9% | 70.0 | 64.3 | 8.8% |
| Total Europe & EEUU Consolidat | 39,203 | 39,505 | 10,302,212 | 72.0% | 69.3% | 3.9% | 97.4 | 92.5 | 5.3% | 70.1 | 64.1 | 9.3% |
| Latinamerica LFL & R | 5,235 | 5,204 | 1,205,888 | 63.1% | 61.9% | 2.0% | 76.8 | 75.8 | 1.3% | 48.5 | 46.9 | 3.4% |
| Latinamerica Consolidated | 5,386 | 5,204 | 1,218,452 | 62.0% | 61.9% | 0.2% | 76.8 | 75.8 | 1.3% | 47.6 | 46.9 | 1.4% |
| NH Hotels LFL & R | 43,688 | 43,567 | 11,330,749 | 71.1% | 68.6% | 3.5% | 94.9 | 90.7 | 4.6% | 67.4 | 62.3 | 8.3% |
| Total Consolidated | 44,589 | 44,708 | 11,520,664 | 70.8% | 68.4% | 3.4% | 95.2 | 90.8 | 4.9% | 67.4 | 62.1 | 8.5% |

Below it is explained how the aforementioned data has been calculated:

| | | 12M 2017 € million | 12M 2016 € million |
|---|---|---|---|
| A | Room revenues | 1,094.4 | 1,104.2 |
| | Other revenues | 476.6 | 460.4 |
| | **Revenues according to profit & loss statement** | **1,571.1** | **1,474.6** |
| B | Thousands of room nights | 11,491 | 11,170 |
| A / B = C | **ADR** | **95.2** | **90.8** |
| D | Occupancy | 70.8% | 68.4% |
| C x D | **RevPAR** | **67.4** | **62.1** |

**II. INCOME STATEMENT 12 MONTHS OF 2017 AND 2016**

The Earnings Report of 12 months breaks down the table entitled “Recurring hotel activity” obtained from the “Consolidated Income Statement” appearing in the same Earnings Report.

Below it has been provided a conciliation between the consolidated income statement and the abridged consolidated comprehensive income statements.

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

## 12 months 2017

| | Income Statements | Reclasification according to the Financial Statements | Rebates | Financial expenses for means of payment | Oursourcing | Assets Disposal | Scrapping and non recurring depreciation | Claims, severance payments and other non recurring | P&L according to the Financial Statements | |
|---|---|---|---|---|---|---|---|---|---|---|
| APM Total revenues | 1,571.1 | (1,571.1) | - | - | - | - | - | - | | |
| Revenues | - | 1,564.4 | (18.4) | - | - | - | - | - | 1,546.1 | Revenues |
| Other operating income | - | 11.1 | - | - | - | - | - | - | 11.1 | Other operating income |
| **APM TOTAL REVENUES** | **1,571.1** | **4.5** | **(18.4)** | **-** | **-** | **-** | **-** | **-** | **1,557.2** | |
| Net gains on disposal of non-current assets | - | - | - | - | - | 33.4 | (3.3) | - | 30.1 | Net gains on disposal of non-current assets |
| APM Staff Cost | (528.6) | 0.1 | - | - | 111.9 | - | - | (10.6) | (427.1) | Staff costs |
| APM Operating expenses | (493.6) | (219.0) | - | 16.3 | (111.9) | (1.4) | 0.3 | (9.9) | (819.2) | Other operating expenses |
| Procurements | - | (94.1) | 18.4 | - | - | - | - | - | (75.7) | Procurements |
| | | - | | | | - | - | - | | |
| **APM GROSS OPERATING PROFIT** | **548.8** | **(308.5)** | **-** | **16.3** | **-** | **32.0** | **(3.0)** | **(20.4)** | **265.3** | |
| APM Lease payments and property taxes | (315.7) | 315.7 | - | - | - | - | - | - | - | |
| **APM EBITDA BEFORE ONEROUS** | **233.1** | **7.2** | **-** | **16.3** | **-** | **32.0** | **(3.0)** | **(20.4)** | **265.3** | |
| APM Onerous contratc reversal provision | 4.2 | - | - | - | - | - | - | - | 4.2 | Variation in the provision for onerous contratcs |
| **APM EBITDA AFTER ONEROUS** | **237.3** | **7.2** | **-** | **16.3** | **-** | **32.0** | **(3.0)** | **(20.4)** | **269.5** | |
| Net Profits/(Losses) from asset impairment | - | 2.3 | - | - | - | - | 6.7 | - | 9.0 | Net Impaiment losses |
| APM Depreciation | (111.4) | (3.4) | - | - | - | - | (8.3) | - | (123.1) | Depreciation |
| **APM EBIT** | **125.9** | **6.1** | **-** | **16.3** | **-** | **32.0** | **(4.5)** | **(20.4)** | **155.4** | |
| Gains on financial assets and liabilities and liabilities and other | - | (2.0) | - | - | - | - | - | - | (1.9) | Gains on financial assets and liabilities and other |
| APM Interest expense | (58.0) | (2.4) | - | (16.3) | - | - | - | - | (76.7) | Finance costs |
| Finance Income | - | 3.0 | - | - | - | - | - | - | 3.0 | Finance income |
| Change in fair value of financial instruments | - | - | - | - | - | - | - | - | (0.0) | Change in fair value of financial instruments |
| Net exchange differences (Income/(Expense)) | - | (6.4) | - | - | - | - | - | - | (6.4) | Net exchange differences (Income/(Expemse)) |
| APM Income from minority equity interests | (0.3) | - | - | - | - | - | - | - | (0.3) | Profit (loss) from companies accounted for using the equity method |
| **APM EBT** | **67.5** | **(1.6)** | **-** | **-** | **-** | **32.0** | **(4.5)** | **(20.4)** | **73.0** | **Profit (loss) before tax from continuing operations** |
| APM Corporate Income Tax | (29.0) | (4.5) | - | - | - | - | - | - | (33.5) | Income tax |
| **APM Net Income before minorities** | **38.5** | **(6.1)** | **-** | **-** | **-** | **32.0** | **(4.5)** | **(20.4)** | **39.5** | **Profit for the financial year - continuing** |
| Profit/ (Loss) for the year from discontinued operations net of tax | - | (0.3) | - | - | - | - | - | - | (0.3) | Profit (loss) for the year form discontinued operations net of tax |
| **APM NET INCOME before minorities** | **38.5** | **(6.3)** | **-** | **-** | **-** | **32.0** | **(4.5)** | **(20.4)** | **39.2** | **Profit for the financial year - continuing** |
| APM Minority interests | (3.7) | - | - | - | - | - | - | - | (3.7) | Non-controlling interests |
| **APM Net Recurring Income** | **34.8** | **(6.3)** | **-** | **-** | **-** | **32.0** | **(4.5)** | **(20.4)** | **35.5** | **Profits for the year attibutable to Parent Company Shareholders** |
| APM Non Recurring EBITDA | 18.8 | (7.2) | - | - | - | (32.0) | - | 20.4 | | |
| APM Other Non Recurring items | (18.1) | 13.6 | - | - | - | - | 4.5 | - | | |
| **APM NET INCOME including Non-Recurring** | **35.5** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **35.5** | **Profits for the year attibutable to Parent Company Shareholders** |

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## 12 months 2016

| | Income Statements | Reclasification according to the Financial Statements | Rebates | Financial expenses for means of payment | Oursourcing | Assets Disposal | Scrapping and non recurring depreciation | Claims, severance payments and other non recurring | P&L according to the Financial Statements | |
|---|---|---|---|---|---|---|---|---|---|---|
| APM Total revenues | 1,474.6 | (1,474.6) | - | - | - | - | - | - | | |
| Revenues | - | 1,466.9 | (18.1) | - | - | - | - | (0.8) | 1,447.9 | Revenues |
| Other operating income | - | 7.7 | - | - | - | - | - | - | 7.7 | Other operating income |
| **APM TOTAL REVENUES** | **1,474.6** | **-** | **(18.1)** | **-** | **-** | **-** | **-** | **(0.8)** | **1,455.6** | |
| Net gains on disposal of non-current assets | - | - | - | - | - | (11.8) | 53.2 | 0.1 | 41.5 | Net gains on disposal of non-current assets |
| APM Staff Cost | (515.1) | - | - | - | 111.3 | - | - | (12.0) | (415.9) | Staff costs |
| APM Operating expenses | (477.0) | (216.6) | - | 14.5 | (111.3) | - | - | (4.8) | (795.2) | Other operating expenses |
| Procurements | - | (85.0) | 18.1 | - | - | - | - | 0.0 | (66.9) | Procurements |
| | - | - | - | - | - | - | - | - | | |
| **APM GROSS OPERATING PROFIT** | **482.5** | **(301.6)** | **-** | **14.5** | **-** | **(11.8)** | **53.2** | **(17.6)** | **219.2** | |
| APM Lease payments and property taxes | (301.6) | 301.6 | - | - | - | - | - | - | - | |
| **APM EBITDA BEFORE ONEROUS** | **180.9** | **-** | **-** | **14.5** | **-** | **(11.8)** | **53.2** | **(17.6)** | **219.2** | |
| APM Onerous contratc reversal provision | 5.0 | - | - | - | - | (0.83) | - | - | 4.2 | Variation in the provision for onerous contratcs |
| **APM EBITDA AFTER ONEROUS** | **185.9** | **-** | **-** | **14.5** | **-** | **(12.6)** | **53.2** | **(17.6)** | **223.4** | |
| Net Profits/(Losses) from asset impairment | - | - | - | - | - | (2.69) | - | - | (2.7) | Net Impairment losses |
| APM Depreciation | (101.7) | - | - | - | - | (11.87) | - | (0.57) | (114.2) | Depreciation |
| **APM EBIT** | **84.1** | **-** | **-** | **14.5** | **-** | **(27.1)** | **53.2** | **(18.2)** | **106.5** | |
| Gains on financial assets and liabilities and liabilities and other | - | 1.1 | - | - | - | - | 8.79 | - | 9.9 | Gains on financial assets and liabilities and other |
| APM Interest expense | (52.4) | (5.4) | - | (14.5) | - | - | - | (0.01) | (72.3) | Finance costs |
| Finance Income | - | 3.3 | - | - | - | - | - | 0.01 | 3.3 | Finance income |
| Change in fair value of financial instruments | - | 0.4 | - | - | - | - | - | - | 0.4 | Change in fair value of financial instruments |
| Net exchange differences (Income/(Expense)) | - | (3.6) | - | - | - | - | - | 0.03 | (3.6) | Net exchange differences (Income/(Expemse)) |
| APM Income from minority equity interests | 0.1 | - | - | - | - | - | - | 0.04 | 0.1 | Profit (loss) from companies accounted for using the equity method |
| **APM EBT** | **31.8** | **(4.2)** | **-** | **-** | **-** | **(27.1)** | **62.0** | **(18.1)** | **44.4** | **Profit (loss) before tax from continuing operations** |
| APM Corporate Income Tax | (17.0) | 9.0 | - | - | - | - | - | - | (7.9) | Income tax |
| **APM Net Income before minorities** | **14.9** | **4.8** | **-** | **-** | **-** | **(27.1)** | **62.0** | **(18.1)** | **36.4** | **Profit for the financial year - continuing** |
| Profit/ (Loss) for the year from discontinued operations net of tax | - | (2.3) | - | - | - | - | - | - | (2.3) | Profit (loss) for the year form discontinued operations net of tax |
| **APM NET INCOME before minorities** | **14.9** | **2.5** | **-** | **-** | **-** | **(27.1)** | **62.0** | **(18.1)** | **34.1** | **Profit for the financial year - continuing** |
| APM Minority interests | (3.4) | - | - | - | - | - | - | - | (3.4) | Non-controlling interests |
| **APM Net Recurring Income** | **11.5** | **2.5** | **-** | **-** | **-** | **(27.1)** | **62.0** | **(18.1)** | **30.8** | **Profits for the year attibutable to Parent Company Shareholders** |
| APM Non Recurring EBITDA | 43.9 | - | - | - | - | - | (62.0) | 18.1 | - | |
| APM Other Non Recurring items | (24.6) | (2.6) | - | - | - | 27.1 | - | - | - | |
| **APM NET INCOME including Non-Recurring** | **30.8** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **30.8** | **Profits for the year attibutable to Parent Company Shareholders** |

## III. DEBT AND STATEMENT OF CASH FLOWS AS AT DECEMBER 2017 AND DECEMBER 2016

### III.1 Debt presented in the earnings report of 12 months of 2017.

| As of 31/12/2017<br>Data in Euro million | Maximum<br>Available | Availability | Drawn | Repayment schedule<br>2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Rest |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Senior Credit Facilities** | | | | | | | | | | | | |
| Senior Secured Notes due 2023 | 400.0 | - | 400.0 | - | - | - | - | - | 400.0 | - | - | - |
| Senior Secured RCF (3+2 years) | 250.0 | 250.0 | - | - | - | - | - | - | - | - | - | - |
| **Total debt secured by the same Collateral** | **650.0** | **250.0** | **400.0** | - | - | - | - | - | **400.0** | - | - | - |
| Other Secured loans | 40.4 | - | 40.4 | 7.5 | 2.8 | 2.6 | 2.6 | 2.1 | 6.1 | 1.4 | 1.0 | 14.5 |
| **Total secured debt** | **690.4** | **250.0** | **440.4** | **7.5** | **2.8** | **2.6** | **2.6** | **2.1** | **406.1** | **1.4** | **1.0** | **14.5** |
| Convertible Bonds due 2018 | 250.0 | - | 250.0 | 250.0 | - | - | - | - | - | - | - | - |
| Unsecured loans and credit facilities | 71.5 | 66.3 | 5.1 | 4.2 | 0.6 | 0.3 | - | - | - | - | - | - |
| Subordinated loans | 40.0 | - | 40.0 | - | - | - | - | - | - | - | - | 40.0 |
| **Total unsecured debt** | **361.5** | **66.3** | **295.1** | **254.2** | **0.6** | **0.3** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **40.0** |
| **Total Gross Debt** | **1,051.9** | **316.3** | **735.6** | **261.7** | **3.4** | **2.9** | **2.6** | **2.1** | **406.1** | **1.4** | **1.0** | **54.5** |
| Cash and cash equivalents | | | (80.2) | | | | | | | | | |
| **Net debt** | | | B **655.4** | | | | | | | | | |
| Equity Component Convertible Bond | | | b (5.4) | (5.4) | | | | | | | | |
| Arranging loan expenses | | | a (19.3) | (4.4) | (3.1) | (3.2) | (3.2) | (2.8) | (2.2) | (0.0) | (0.0) | (0.3) |
| Accrued interests | | | c 6.0 | 6.0 | | | | | | | | |
| **Total adjusted net debt** | | | **636.7** | | | | | | | | | |

The above debt table has been obtained from the consolidated financial statements that have been filed.

### III.2 Statement of cash flows included in the earnings report of 12 months of 2017

Net financial debt 31 December 2017 and 31 December 2016 has been obtained from the consolidated balance sheet at 31 December 2017 and from the consolidated financial statements for 31 December 2016 and is as follows:

| | 12/31/2017 | 12/31/2016 | VAR. |
|---|---|---|---|
| *Debt instruments and other marketable securities according to financial statements* | 387,715 | 763,637 | |
| *Bank borrowings according to financial statements* | 71,246 | 72,720 | |
| ***nd debt instruments ans other marketable securities according to financial statements*** | **458,961** | **836,357** | |
| *Debt instruments and other marketable securities according to financial statements* | 246,195 | 2,233 | |
| *Bank borrowings according to financial statements* | 11,724 | 23,226 | |
| ***nd debt instruments ans other marketable securities according to financial statements*** | **257,919** | **25,459** | |
| ***nd debt instruments ans other marketable securities according to financial statements*** | **716,880** | **861,816** | |
| *Arrangement expenses* | a 19,304 | 17,633 | |
| *Convertible liability* | b 5,394 | 11,276 | |
| *Borrowing costs* | c (6,024) | (7,149) | |
| ***APM Gross debt*** | **735,555** | **883,576** | |
| *Cash and cash equivalents according to financial statements* | (80,249) | (136,733) | |
| ***APM Net Debt*** | B **655,306** | A **746,843** | **(91,537)** |

The following chart reconciles the change in net financial debt shown in the earnings report of 12 months of 2017:

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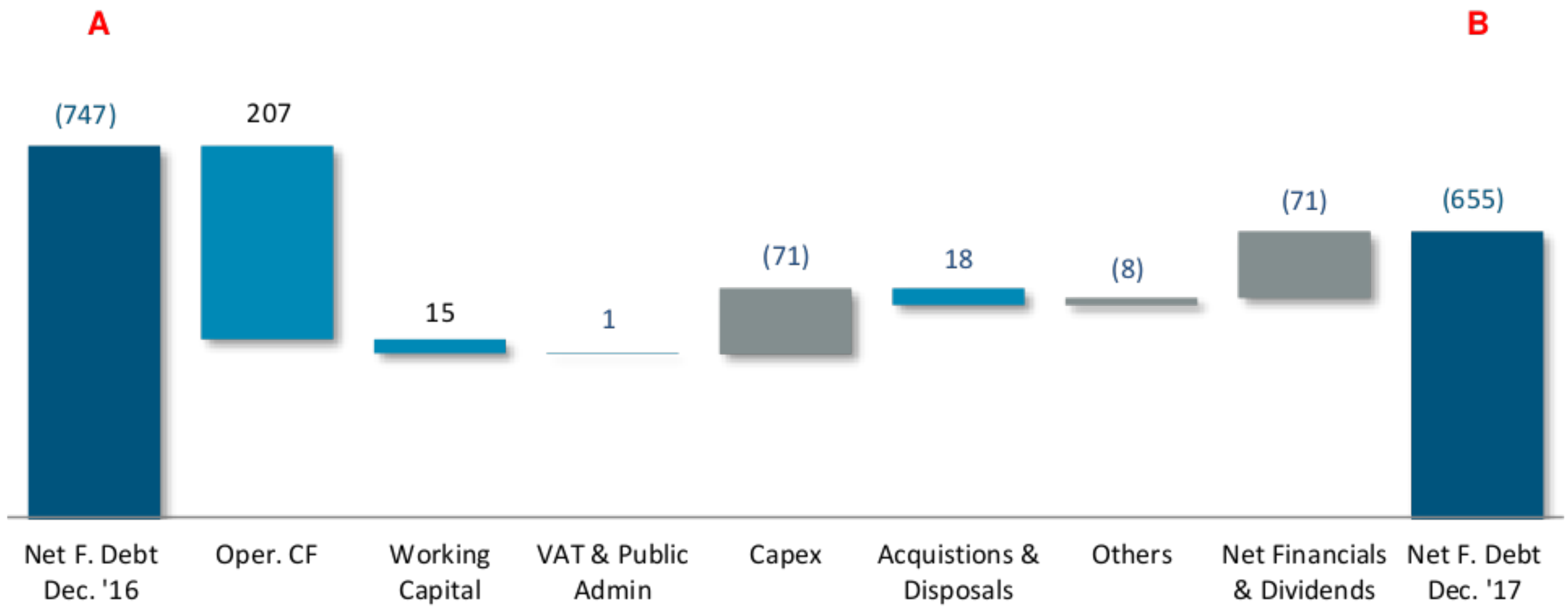
**Net Financial Debt Evolution 12 months 2017**




To do so, it has been taken each heading from the statement of cash flows in the financial statements as of 31 December 2017, the grouping is shown below:

| | Net F. Debt Dec. '16 | Oper. CF | VAT & Public Admin | Capex | Acquistions & Disposals | Others | Net Financials | Net Financials |
|---|---|---|---|---|---|---|---|---|
| **Total** | (206.9) | (14.8) | (0.9) | 70.5 | (18.1) | 7.5 | 71.2 | (91.5) |
| Adjusted profit (loss) | 245.1 | | | | | | | 245.1 |
| Income tax paid | (21.9) | | | | | | | (21.9) |
| Financial expenses for means of payments | (16.3) | | | | | | | (16.3) |
| (Increase)/Decrease in inventories | | 0.1 | | | | | | 0.1 |
| (Increase)/Decrease in trade debtors and other accounts receivable | | 10.4 | | | | | | 10.4 |
| (Increase)/Decrease in trade payables | | 4.3 | | | | | | 4.3 |
| (Increase)/Decrease in VAT & public Administration | | | 0.9 | | | | | 0.9 |
| Tangible and intangible assets and investments in property | | | | (70.5) | | | | (70.5) |
| Change in the scope of consolidation | | | | | (8.8) | | | (8.8) |
| Group companies, join ventures and associates | | | | | (22.2) | | | (22.2) |
| Tangible and intangible assets and investments in property | | | | | 49.1 | | | 49.1 |
| (Increase)/Decrease in current assets | | | | | | 0.0 | | 0.0 |
| (Increase)/Decrease in provision for contingencies and expenses | | | | | | (7.2) | | (7.2) |
| - Other financial liabilities (+/-) | | | | | | (0.7) | | (0.7) |
| Increase/(Decrease) in other non current assets and liabilities and others | | | | | | 0.3 | | 0.3 |
| Interests paid in debts and other interests (without means of payments) | | | | | | | (51.5) | (51.5) |
| Dividends paid | | | | | | | (18.6) | (18.6) |
| Paid expesnes due to the bond emission | | | | | | | (2.5) | (2.5) |
| Finance Income | | | | | | | 1.3 | 1.3 |

All of the aforementioned information has been obtained from the condensed consolidated statement of cash flows from 31 December 2017 which we include at the beginning of this document.

The aforementioned APMs have been defined and used from the standpoint of analysing the management of the business and the sector; the measures arising from the financial statements can be interpreted and are directly comparable to those of other groups in the sector and, therefore, APMs are not more relevant than the financial statements themselves. The earnings report, which includes the aforementioned APMs, is published at the end of each quarter to provide periodic information on the business' evolution and management to investors and analysts. In addition, half-yearly and annual financial statements are published complying with the filing requirements established in the applicable accounting regulations.

INVESTOR RELATIONS
investor.relations@nh-hotels.com
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## Appendix II: Portfolio changes & Current portfolio

### New Agreements, Openings and Exists

#### Hotels Signed from 1st January to 31st December 2017

| City / Country | Contract | # Rooms | Opening |
|---|---|---|---|
| Frankfurt / Germany | Leased | 428 | 2020 |
| Frankfurt / Germany | Leased | 375 | 2021 |
| Valencia / Spain | Management | 47 | 2018 |
| Cancun / Mexico | Leased | 140 | 2019 |
| Lima / Peru | Management | 265 | 2019 |
| Milan / Italy | Management | 150 | 2020 |
| Brussels / Belgium | Leased | 305 | 2018 |
| Brussels / Belgium | Leased | 214 | 2018 |
| **Total Signed Hotels** | | **1,924** | |

#### Hotels Opened from 1st January to 31st December 2017

| Hotels | City / Country | Contract | # Rooms |
|---|---|---|---|
| NH Curitiba The Five | Curitiba / Brazil | Leased | 180 |
| NH Marseille Palm Beach | Marseille / France | Management | 160 |
| NH Shijiazhuang Financial Center | Shijiazhuang / China | Management | 78 |
| NH Collection Eindhoven Centre | The Netherlands | Leased | 132 |
| NH San Luis Potosí | San Luis de Potosi / Mexico | Management | 111 |
| NH Puebla Finsa | Puebla / Mexico | Management | 138 |
| **Total Openings** | | | **799** |

#### Hotels exiting from 1st January to 31st December 2017

| Hotels | City / Country | Month | Contract | # Rooms |
|---|---|---|---|---|
| NH Brescia | Brescia / Italy | January | Leased | 87 |
| NH El Toro | Pamplona / Spain | January | Leased | 65 |
| NH Belagua | Barcelona / Spain | March | Leased | 72 |
| NH Ciutat de Vic | Barcelona / Spain | July | Leased | 36 |
| NH Forsthaus Fürth Nürnberg | Nuremberg / Germany | December | Leased | 111 |
| **Total Exits** | | | | **371** |

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## HOTELS OPENED BY COUNTRY AT 31ST DECEMBER 2017

| Business Unit | Country | TOTAL | | Leased | | | Owned | | Management | | Franchised | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Hotels | Rooms | Call Option | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| BU Benelux | Belgium | 11 | 1,619 | | 3 | 502 | 8 | 1,117 | | | | |
| | France | 3 | 557 | | 2 | 397 | | | 1 | 160 | | |
| | Luxembourg | 1 | 148 | 1 | 1 | 148 | | | | | | |
| | South Africa | 1 | 198 | | 1 | 198 | | | | | | |
| | The Netherlands | 36 | 6,841 | 2 | 19 | 3,083 | 16 | 3,290 | 1 | 468 | | |
| | United Kingdom | 1 | 121 | | 1 | 121 | | | | | | |
| **BU Benelux** | | **53** | **9,484** | **3** | **27** | **4,449** | **24** | **4,407** | **2** | **628** | | |
| BU Central Europe | Austria | 6 | 1,183 | 1 | 6 | 1,183 | | | | | | |
| | Czech Republic | 2 | 577 | | | | | | 2 | 577 | | |
| | Germany | 57 | 10,261 | 2 | 52 | 9,261 | 5 | 1,000 | | | | |
| | Hungary | 1 | 160 | | 1 | 160 | | | | | | |
| | Poland | 1 | 93 | | | | | | | | 1 | 93 |
| | Romania | 2 | 161 | | 1 | 83 | | | 1 | 78 | | |
| | Slovakia | 1 | 117 | | | | | | 1 | 117 | | |
| | Switzerland | 4 | 522 | | 3 | 400 | | | | | 1 | 122 |
| | USA | 1 | 242 | | | | 1 | 242 | | | | |
| **BU Central Europe** | | **75** | **13,316** | **3** | **63** | **11,087** | **6** | **1,242** | **4** | **772** | **2** | **215** |
| BU Italy | Italy | 51 | 7,904 | 1 | 34 | 5,395 | 13 | 1,880 | 4 | 629 | | |
| **BU Italy** | | **51** | **7,904** | **1** | **34** | **5,395** | **13** | **1,880** | **4** | **629** | | |
| BU Spain, Portugal & Andorra | Andorra | 1 | 60 | | | | | | 1 | 60 | | |
| | Portugal | 3 | 278 | | 2 | 171 | | | 1 | 107 | | |
| | Spain | 132 | 16,641 | | 75 | 9,143 | 11 | 1,790 | 39 | 5,117 | 7 | 591 |
| **BU Spain, Portugal & Andorra** | | **136** | **16,979** | | **77** | **9,314** | **11** | **1,790** | **41** | **5,284** | **7** | **591** |
| BU America | Argentina | 15 | 2,144 | | | | 12 | 1,524 | 3 | 620 | | |
| | Brasil | 1 | 180 | | 1 | 180 | | | | | | |
| | Colombia | 15 | 1,700 | | 15 | 1,700 | | | | | | |
| | Cuba | 1 | 220 | | | | | | 1 | 220 | | |
| | Chile | 4 | 498 | | | | 4 | 498 | | | | |
| | Dominican Republic | 6 | 2,503 | | | | | | 6 | 2,503 | | |
| | Ecuador | 1 | 124 | | 1 | 124 | | | | | | |
| | Haiti | 1 | 72 | | | | | | 1 | 72 | | |
| | Mexico | 15 | 2,402 | | 4 | 581 | 4 | 685 | 7 | 1,136 | | |
| | Uruguay | 1 | 136 | | | | 1 | 136 | | | | |
| | Venezuela | 4 | 1,186 | | | | | | 4 | 1,186 | | |
| **BU America** | | **64** | **11,165** | | **21** | **2,585** | **21** | **2,843** | **22** | **5,737** | | |
| BU China | China | 1 | 78 | | | | | | 1 | 78 | | |
| **BU China** | | **1** | **78** | | | | | | **1** | **78** | | |
| **TOTAL OPEN** | | **380** | **58,926** | **7** | **222** | **32,830** | **75** | **12,162** | **74** | **13,128** | **9** | **806** |

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## SIGNED PROJECTS AS OF 31ST DECEMBER 2017

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

| Business Unit | Country | TOTAL | | Leased | | | Owned | | Management | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Hotels | Rooms | Call Option | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| BU Benelux | Belgium | 3 | 699 | | 3 | 699 | | | | |
| | France | 2 | 324 | | 2 | 324 | | | | |
| | The Netherlands | 1 | 650 | | 1 | 650 | | | | |
| | United Kingdom | 1 | 190 | | | | | | 1 | 190 |
| **BU Benelux** | | **7** | **1,863** | | **6** | **1,673** | | | **1** | **190** |
| BU Central Europe | Austria | 1 | 157 | | 1 | 157 | | | | |
| | Germany | 5 | 1,396 | | 5 | 1,396 | | | | |
| **BU Central Europe** | | **6** | **1,553** | | **6** | **1,553** | | | | |
| BU Italy | Italy | 3 | 394 | | 2 | 244 | | | 1 | 150 |
| **BU Italy** | | **3** | **394** | | **2** | **244** | | | **1** | **150** |
| BU Spain, Portugal & Andorra | Spain | 3 | 205 | | 2 | 158 | | | 1 | 47 |
| **BU Spain, Portugal & Andorra** | | **3** | **205** | | **2** | **158** | | | **1** | **47** |
| BU America | Argentina | 1 | 78 | | | | | | 1 | 78 |
| | Chile | 3 | 361 | | | | | | 3 | 361 |
| | Mexico | 5 | 674 | | 4 | 530 | | | 1 | 144 |
| | Panama | 2 | 283 | | 1 | 83 | 1 | 200 | | |
| | Peru | 2 | 429 | | | | | | 2 | 429 |
| **BU America** | | **13** | **1,825** | | **5** | **613** | **1** | **200** | **7** | **1,012** |
| **TOTAL SIGNED** | | **32** | **5,840** | | **21** | **4,241** | **1** | **200** | **10** | **1,399** |

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

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Expected Investment (€ millions) | 19.3 | 11.8 | 2.1 |

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