

**REPORT FORMULATED BY THE BOARD OF DIRECTORS OF NH HOTELES, S.A., REGARDING THE PROPOSAL TO AGREE TO DELEGATE TO THE BOARD OF DIRECTORS THE POWER TO INCREASE THE SHARE CAPITAL UNDER ARTICLE 297.b) OF THE COMPANIES ACT (POINT 8 ON THE AGENDA)**

This report is formulated in accordance with the provisions of Article 286, 297.1 b), 297.2 and 308 of the Companies Act to justify the proposal whose approval is sought at the next General Shareholders' Meeting of NH Hoteles, S.A. (the "**Company**"), regarding delegation to the Board of Directors of new powers to increase the share capital under the provisions of Article 297.1 b) of the Companies Act, including delegation of the power to exclude the right of pre-emptive subscription in accordance with the provisions of Article 308 of the Companies Act.

In accordance with the provisions of Article 297.1 b) of the Companies Act, and in compliance with the requirements established for the amendment of the Articles of Association, the General Shareholders' Meeting may delegate to the Board of Directors the power to agree once or several times and at any moment, within a maximum of five years after the agreement of the General Shareholders' Meeting, to an increase in share capital up to a specific figure, on the occasion and for the amount of its choosing, without prior consultation of the General Shareholders' Meeting. In turn, in accordance with the provisions of Article 286 of the Companies Act in relation to Articles 297.1 b), 297.2 and 308 of the same act, the directors must formulate a written report justifying the proposal.

In this regard, the Board of Directors believes that the agreement proposal presented to the General Shareholders' Meeting is justified by the opportunity to furnish the Board with an instrument authorised by current company law which at any time, and without the need to convene and hold in advance a General Shareholders' Meeting, allows capital increases deemed advisable in the company's interest to be agreed, within the limits and deadlines and on the terms and conditions decided by the General Shareholders' Meeting. The dynamics of any company, and especially a large company, demand that its governing bodies have at their disposal at all times the best instruments to respond satisfactorily to the needs established in each case by the Company itself, in the light of market circumstances. Among these needs it may be necessary to make new resources available to the Company, a response which is normally implemented through new capital contributions.

In the light of the above, recourse to the delegation of powers established by Article 297.1 b) of the Companies Act, provides the Board of Directors with a suitable level of flexibility to attend to the Company's needs, depending on the circumstances.

Therefore, for the purposes of the above, we present to the General Shareholders Meeting a proposal to delegate to the Board of Directors the power to agree an increase in the capital of the Company by the maximum legally permitted amount.

Furthermore, and in accordance with the provisions of Article 308 of the Companies Act in the case of listed companies, when the General Meeting delegates to its directors the power to increase share capital in accordance with the aforementioned Article 297.1 b) of the Companies Act, it may also grant them the power to exclude the pre-emptive subscription right in relation to the issue of shares subject to delegation when the Company's interest so requires it, although, for such purposes, the said exclusion must be stated in the General Shareholder's Meeting announcement and a report by the directors justifying the proposal shall be made available to shareholders.

In this regard, we hereby give notice that the delegation to the Board of Directors of the power to increase capital contained in the proposal to which this report refers also includes, in accordance with the provisions of Article 297.1 b) of the Companies Act, granting the directors the power to totally or partially exclude the shareholders' pre-emptive subscription right when the Company's interest so demands it, all in accordance with the aforementioned Article.

The Board of Directors believes that this additional possibility, which significantly expands the room for manoeuvre and capacity to respond offered by the simple delegation of the power to increase share capital in accordance with the provisions of Article 297.1 b) of the Companies Act, is justified due to the flexibility which on occasions is necessary to acting in the current financial markets in order to take advantage of the most favourable market conditions. Furthermore, the revoking of the pre-emptive subscription right has at the time a minor distorting effect on the trading of shares in the Company during the issue period, which is usually shorter than an issue with rights.

In any case, we hereby expressly state that the total or partial exclusion of the right of pre-emptive subscription constitutes a power that the General Shareholders' Meeting grants to the Board alone, and the exercise of that power shall depend on the Board of Directors deciding to exercise it in the light of the existing circumstances in each case and in accordance with the law. If, in using the aforementioned powers, the Board decides to revoke the pre-emptive subscription right in relation to a specific capital increase which it decides to make under the authorisation granted to it by the General Meeting, it will issue at the time of agreeing the increase a report listing the specific reasons justifying why this measure is in the company's interest, which shall be the subject of the corresponding auditor's report to which Article 308 of the Companies Act refers. Both reports will be made available to shareholders and reported to the first General Shareholders' Meeting held after the increase agreement, in accordance with the aforementioned legal provision.

