

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 ISSUE SECURITIES AND/OR BONDS WHICH CAN BE CONVERTED INTO/EXCHANGED FOR SHARES AND SHARE WARRANTS (POINT 10 ON THE AGENDA)

This report is formulated in accordance with the provisions of Article 286, 297, 417 and 511 of the Companies Act and article 319 of the Commercial Register 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, among other powers, the power to issue bonds which can be converted into shares and share warrants, including delegation of the power to exclude the right of pre-emptive subscription in accordance with the provisions of Article 511 of the Companies Act.

By analogy, in accordance with the provisions of Articles 401ff of the Companies Act and with the requirements established for the amendment of the Articles of Association in Article 286 of the Companies Act and article 511 of the aforementioned Act, the directors must formulate a report in which they justify the proposal.

In this regard, the Board of Directors deems it highly advisable to have at its disposal the delegated powers admissible under the current legislation to be able at all times to raise on the primary stock markets the funds necessary to managing the company's interests satisfactorily.

Given current market circumstances, the Board of Directors believes it would be beneficial for the Company to have as much flexibility as possible when accessing financial resources, whether its own, others' financial resources or even financial resources of a hybrid nature.

For this reason, it has decided to submit for the approval of the General Shareholders' Meeting not only access to its own financial resources by means of authorised capital but also by means of debt instruments and even hybrid instruments, that is to say, debt instruments which may be converted into capital instruments (which would entail an increase in the share capital), making the latter particularly attractive given that they combine the advantages of both types of instruments and offer special advantages both to shareholders and investors in certain market circumstances.

Hence, by providing the Board of Directors with the flexibility permitted by the Law, a quick and effective fundraising mechanism is available to the Company which strengthens the Company's balance sheet and reinforces its financial structure bearing in mind the current special economic circumstances and the Company's strategic interests.

Combined with the delegation submitted to the General Shareholders' Meeting in relation to point eight on the Agenda, this delegation would provide the Company's governing body with the room for manoeuvre and capacity to respond demanded by the competitive environment in which the Company

operates, where the success of a strategic initiative or financial transaction often depends on the possibility of acting on it quickly, without the delays and costs that convening and holding a General Shareholders' Meeting inevitably brings with it. In this way, the Company's Board of Directors shall be empowered, should it be necessary, to raise a significant amount of funds in a short period of time.

Therefore, the Board of Directors deems it necessary to request from the General Shareholders' Meeting authorisation for a period of five years to issue bonds which can be converted into or exchanged for the Company's shares or new share warrants, subject to the limitations established by the General Shareholders' Meeting in its agreement, or in their absence, the limitations established by the Law, so that the Company's fundraising needs can be met, other investments which at any time may be deemed advisable by the Company can be made, and if applicable, part of the Company's debt can be refinanced.

Where applicable, the issue of bonds which can be converted into/exchanged for shares constitutes one of the instruments for financing companies through the raising of external funds. On the one hand, these securities present the advantage of offering the investor the possibility of transforming their loans to the Company into shares in the Company, obtaining a potentially higher yield than other debt instruments offer. On the other hand, they permit the company to increase its own funds.

With this in mind, under the provisions of Article 319 of the Companies Registry Regulations and Article 511 of the Companies Act and the general system for issuing bonds, and applying by analogy the provisions of Article 401 of the Companies Act, the agreement proposal formulated under point nine on the Agenda is submitted for consideration by the General Shareholders' Meeting.

Therefore the Board of Directors deems necessary to propose to the General Shareholders meeting the authorization to, within a period of 5 years, to issue securities and convertible bonds of the companies or exchangeable in shares of the company or of other companies (of the group or outside the Group), warrants and other financial instruments that incorporate the right to subscribe new shares of the company, subject to the limitations established by the Shareholders resolution or established by applicable regulations.

The issuance of convertible securities convertible in shares of the company or changeable to shares of the companies or of another company constitutes one of the instruments to finance the companies within external resources. These values offer the benefit to the investor the possibility to convert their credits into shares of the company, obtaining a potential rentability that could be above of other debt instruments. In addition this grants the possibility to the company to increase its own resources.

Therefore, in compliance with article 319 of the Commercial Register Acts, article 511 of the Companies' Act and in analogy application of articles 414 and 417 of the Companies' Act, the Board of Directors proposed to the General Shareholders, the considerations of point nine of the Agenda for its approval.

With regard to the maximum amount of the issuance, the Board applies to article 510 of the Companies Act, that absolves the stock market companies from establishing a limit of the issuance of securities, in accordance to article 405 Companies Act, permitting them to make issuances above the amount of the own resources. The Board of Directors deems convenient that the limits of the authorizations that are requested are the ones established in the proposed agreements.

The proposed delegation in favour of the Board of Directors for the issuance of securities includes the faculties of establishing the terms and conditions of the issuance and to decide over the basis and modalities of the conversion, the exchange or the exercise of rights for each issuance, within the limits established by the General Shareholders' meeting. Consequently the Board of Directors establishes the conversion relation and/or the exchange in relation to the securities. Hereto the Board of Directors is obliged to submit, at the time of approval of each issuance of securities a report in which the Board has to describe the terms and conditions of the conversion or the exercise of rights with regard to the securities. The report will be subject to an additional auditor's report that shall be appointed by the Commercial Register, in accordance with article 5414 and 511 Companies Act.

The authorization of the Board of Directors includes, for the cases in which the convertible securities in shares of new issuance of the company, an increase of capital. These capital increases are subject to the general limits established in the Companies Act, that could not exceed half of the capital amount of the company at the time of approval of this agreement.

Furthermore, and in accordance with the provisions of Article 511 of the Companies Act in the case of listed companies, when the General Meeting delegates to its directors the power to issue convertible bonds, it may also grant them the power to exclude the pre-emptive subscription right in relation to the issue of convertible bonds subject to delegation when the Company's interest so requires it, although, for such purposes, the said exclusion must be expressly 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 issue convertible bonds contained in the proposal to which this report refers also includes, in accordance with the provisions of Article 511 of the Companies Act, granting the directors the power to exclude the shareholders' pre-emptive subscription right when the Company's interest so demands it.

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 issue convertible bonds, 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.

In any case, the Board expressly states that the 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 issue of convertible shares which it decides to make under the authorisation granted to it by the General Meeting, it will issue at the time of agreeing the issue 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 in accordance with the provisions of Articles 414 and 417 of the Companies Act. 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 provisions.