ANNUAL REPORT 2013

Consolidated Financial Statements and Management Report

nh-hotels.com

nhow Rotterdam - Rotterdam, Netherlands

This document was published on recycled paper and is also available in electronic format on our web page http://corporate.nh-hotels.com where detailed information on the different sections of the Annual Report 2013 can be found.

INDEX

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
NH Hoteles, S.A.:

We have audited the consolidated financial statements of NH Hoteles, S.A. ("the Parent") and the Subsidiaries composing, together with the Parent, the NH Hoteles Group ("the Group" - see Note 1), which comprise the consolidated statement of financial position at 31 December 2013 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2.1 to the accompanying consolidated financial statements for 2013, the Parent's directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying consolidated financial statements for 2013 present fairly, in all material respects, the consolidated equity and consolidated financial position of NH Hoteles, S.A. and Subsidiaries at 31 December 2013, and the consolidated results of their operations, the changes in their consolidated equity and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

The accompanying consolidated directors' report for 2013 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2013. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Group's accounting records

DELOITTE, S.L.
Registered in ROAC under no. S0692

Pablo Hurtado March

1 April 2014

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

CONSOLIDATED MANAGEMENT REPORT

For the financial year ending 31 december 2013

GROUP PERFORMANCE AND OUTLOOK

In 2013, world economic activity grew at a steady pace (2.4%), slightly slower than the previous year (3.2%). The economies of the euro zone, US, UK and Latin American countries where the Group operates its 379 hotels also grew at a similar rate, although slightly slower compared to the previous year. In contrast to the foregoing, if we compare the year-on-year growth rates of the four countries that account for the largest part of the Group's sales and results, i.e. the German (0.4% vs 0.9%), Dutch (0.8% vs -0.9%), Spanish (-0.2% vs 0.4%) and Italian (-0.8% vs 0.4%) economies, we can see that, except in the case of Netherland positive growth, the other countries experienced a downturn, with a slowdown in economic growth in Germany and a contraction of the Spanish and Italian economies.

Despite this adverse business climate, according to UNWTO figures, the international tourism industry far exceeded expectations, with 52 million more international tourists in 2013 than in the previous year. The UNWTO forecasts growth of between 4% and 4.5% in 2014, continuing to exceed the established long-term projections.

The regions that recorded the greatest international tourism demand were Southeast Asia (+10%), Central and Eastern Europe (+7%), Southern and Mediterranean Europe (+6%) and North Africa (+6%).

In absolute terms, Europe recorded the greatest growth, receiving 29 million more international tourists in 2013, reaching a total of 563 million. This increase (+5%) exceeded the estimated figure for 2013 and nearly duplicated average growth for the period 2005-2012 (+2.5% per year). This figure is particularly noteworthy, considering the economic situation of the region and two consecutive years (2011 and 2012) of considerable growth.

In relative terms, the greatest growth took place in the Asian and Pacific regions (+6%), where the number of international tourists increased by 14 million to 248 million.

The American region (+4%) recorded an increase of six million arrivals, reaching 169 million in 2013, although the highest growth occurred in North America and Central America (+4% in both cases), while South America (+2%) and the Caribbean (+1%) showed a slowdown in growth compared to 2012.

Against this backdrop, the Company's KPIs that measure the performance of its hotel business reflected a positive trend towards recovery. Proof of this progressive upward trend is the comparable performance of revenue per available room (RevPAR), which showed steady improvement throughout the year. In the first and second quarters, revenue decreased by -1.5% and -0.3%, respectively, while in the third and fourth quarters revenue grew by +1.8% and +2.7%, respectively. Overall, the Group's consolidated RevPAR grew 1.07% during the year.

The positive increase in occupancy in 2013, which grew +3.4%, offset the total fall in average room rates, enabling the positive RevPAR achieved.

In 2013, the Group's initiatives were focused on reducing lease costs and containing operating costs:

- The Company has continued reducing its lease costs rather than offsetting the increases from negotiations of prior years and CPI reviews. In 2013, lease contracts that contributed unrecoverable negative EBITDA were terminated and the Company continues negotiating and refinancing its lease contracts by reducing and freezing rental charges.

- The initiatives were focused on containing operating costs, allowing a reduction of -1.8%, despite the higher sector activity in 2013 compared to the previous year (increase in occupancy of +3.47%), in addition to the tying effect of inflation.

As a result of the initiatives implemented, recurring EBITDA grew progressively in each quarter to a yearly total of 2.9%, reaching EUR 121.6 million.

Additionally, the Group's consolidated net income increased +86.4% compared to the previous year, reducing the losses accumulated in 2013 by EUR 252.3 million. This reduction was due to the net gains generated by non-recurring activity rather than the need for extraordinary provisions for impairment of assets in 2013. Excluding non-recurring activity, the Company reduced its losses by EUR 22.8 million compared to the previous year.

The reduction in operating costs did not have an adverse effect on the product quality perceived by the end customer, who has become increasingly demanding in light of the excess supply of hotel vacancies in certain destinations. The Group has developed a Web tool, "Quality Focus On Line", which is capable of managing all the opinions posted by consumers online in relation to the quality of NH hotels and of the competition worldwide. Its visual interface is capable of providing managers with valuable information through the different indicators analysed. It periodically tracks opinions on each NH hotel posted by consumers on the Internet and displays them visually.

More than 5,000 employees look at the tool on a monthly basis and have access to over 200,000 customer ratings. The tool analyses the results individually by hotel or on aggregate, as well as monitoring direct competitors in detail. Likewise, the Board of Directors of the Parent Company determined that 15% of NH employees' variable remuneration should depend directly on the satisfaction results obtained, reinforcing the idea that quality is one of the pillars of NH Hoteles.

The result of these policies is reflected in the increase in overall customer ratings in 2013, which grew from 8.1 in 2012 to 8.2 in 2013, on a scale of 1 to 10. The results indicate that the most highly valued elements of the chain, in addition to location, are service and cleanliness, with scores of over 8.4; both concepts are directly related to the result of the employees' performances, which is the result of the NH Hoteles Group's customer-orientated philosophy.

Other significant events in 2013 include the Company's restructuring process upon inclusion of the HNA Group (EUR 234 million) in the share capital, which continued in June with the sale of the NH Grand Hotel Krasnapolsky (EUR 142 million). Also, at the end of October the refinancing of most of the Group's debt was successfully completed through a Club Deal (EUR 200 million) and a convertible bond (EUR 250 million) and fixed-rate bond (EUR 250 million) issue in capital markets totalling EUR 700 million. This new, more flexible debt structure allows adaptation of debt maturities to asset repositioning investment needs.

At 2013 year-end, the Board of Directors approved the NH Hotel Group's five-year strategic plan, all the initiatives are focused on four key priorities for the coming years: materialising a clear segmentation of its hotels under a new umbrella brand; designing a new value proposition to improve customer satisfaction; driving brand recognition by promoting its communication; and optimising its management and organisational capabilities, particularly those relating to technology systems.

The implementation schedule for the initiatives under the strategic plan to build the new NH is being meticulously carried out. Some of the main measures currently being implemented include the renovation of hotels, the launch of the loyalty programme, the redefinition of the price strategy, the migration of systems and the rotation and optimisation of assets.

The consolidation of the Spanish hotel sector's first purchasing platform, Coperama (fully owned by NH Hoteles), continues to grow with the acquisition in 2013 of 159 new establishments and the expansion of the purchase areas, adding to the already consolidated F&B (Food & Beverage) and OSE (Operating Supplies & Expenses) areas. A new area was introduced in 2013, FF&E (Fixtures, Furniture & Equipment). The total number of suppliers with purchase agreements amounted to 338.

In the first half of 2013, Coperama presented a new electronic catalogue to its customers, "My Coperama Store Center", a tool that converts the search for products into purchase orders, expediting the purchasing process and optimising communication between customers and suppliers through technology, as well as "Electronic Billing", which will enable suppliers to issue electronic invoices to all the establishments free of charge, thus eliminating the use of paper.

In 2013, the NH Hoteles Group was awarded the Tripadvisor Excellence Prize for quality; Agenttravel Prize awarded to the best hotel chain in terms of quality/price ratio, best city hotels and best business hotels in Spain; Second place in the Ranking of America's Top Companies; Best Company to Work For in the tourism sector, according to the MERCO Ranking; Innovation Prize to the Human Resources Department, awarded by Expansion&Empleo; Prize for the best advertisement for "Welcome to the NH World", awarded by Inspira; Oracle Prize for business relations awarded by Oracle to the e-Commerce Department for the best Mobility Project, awarded by Fundación Dintel; GBTA Outstanding Achievement Award for its sustainable measures, Green Supplier in the MICE Segment Prize awarded by IMEX and GMCA, Civic Responsibility"Prize awarded by the German Government, Green Key Gold Prize of the Environmental Organisation awarded to the Benelux Business Unit.

The individual prizes awarded to our hotels include the Tripadvisor Excellence Certificate awarded to NH Gran Hotel Provincial, NH Atlantic, NH Puebla, NH Guadalajara, NH Santa Fe, NH Centro Historico, NH Museum Quarter, D'Vijff Vlieghen Restaurant, NH City Centre, NH 9 de Julio, NH Tango, NH Latino, NH Crillon, NH Jousten, NH Monterrey and other 84 hotels in Spain. Green Star Diamond Prize and Best Resort Prize awarded to the NH Almenara hotel; Most Popular Hotel in the Dominican Republic Prize and Dominican Ecoservices Prize awarded to the Secrets Royal Beach Punta Cana Hotel, prize awarded to the NH Jan Tabak, NH Atlantic and NH Schiphol Airport hotels for being among the 25 best hotels in the Netherlands, awarded by Zoover Award, M Badge awarded to the NH Centro Histórico hotel by Tourism of Mexico, 4 Diamonds Prize to the NH Guadalajara Collection hotel awarded by the American Automobile Association, Quality Assurance Prize awarded by MLT Vacations to the Secrets Royal Beach Punta Cana hotel, RCI Gold Crown Resort Prize awarded by RCI to the Now Larimar and Secrets Royal Beach Punta Cana hotels, Vermeer Restaurant, elected the 25th best restaurant in the country by Lekker magazine and awarded 17 Gaultmillau points by Gault&Millau and one Michelin star, NH Marquette awarded the NTBO Mark Prize by the German Wedding Planning Industry (NTBO), Best Maître Prize awarded to the Hesperia Madrid hotel by the Gourmet Club, Best Sommelier Prize awarded to La Terraza del Casino by Wine Market & Distribution, Golden Seal Prize awarded by the Wedding Industry to the NH Palacio Castellanos, NH Parque Avenidas and NH Príncipe de la Paz hotels.
In 2013, the Group was included in the prestigious FTSE4Good sustainability index. This index includes listed companies from around the world and is designed to help investors to integrate factors such as the environment, stakeholder relations, human rights and labour in their investments.

RESULTS

The Group continued recording significant activity rates (occupancy of 66.81% in 2013 compared to 64.9% in 2012 on a comparable basis). The increase in occupancy on a comparable basis took place in all the business units, highlighting Central Europe, Latin America and Italy, with growth of 4.65%, 7.73% and 3.16%, respectively.

As business unit, Central Europe stood out within the Group, since practically all the German cities recorded high occupancy rates, most notably the increase in RevPAR in Munich, which reached 8.3%.

In the case of Italy, the increase in occupancy also led to positive RevPAR levels in 2013. The business unit recorded a slight increase in revenue and achieved the best efficiency ratios of the Group, with a significant reduction in operating and lease costs, despite the increase in activity. Consequently, Italy achieved an improvement in comparable EBITDA of +62.5%.

Latin America achieved very different performances in its main markets. Mexico stood out, with increases in 12-month RevPAR of over 7%, due mainly to the increase in hotel occupancy. Argentina, however, achieved very weak 12-month growth as a consequence of the drop in prices in the wake of adverse movement in exchange rates, although the sharp increase in occupancy in the fourth quarter nearly offset that drop.

Benelux was able to reverse the negative trend of the first half of the year in the second half, with significant increases in occupancy and stable RevPAR in both quarters.

Lastly, the Spain Business Unit, despite being the business unit most highly exposed to the adverse macroeconomic climate, achieved strong growth in comparable EBITDA compared to the previous year, fundamentally due to the strong reduction in lease costs. The trend in 2013 and the first weeks of 2014 was positive, although with more moderate performance than in other countries where the Group operates. Barcelona performed best among Spanish cities, which recorded much lower activity levels.

The most significant element of the Group's property business is that IFRS 11, Joint Arrangements, came into force on 1 January 2013, which eliminates the proportionate consolidation method for jointly controlled entities, such as Residencial Marlín and Los Alcornoques de Sotogrande, which will be accounted for using the equity method. This change had a significant impact on sales in 2013, since the sales of these companies will not be included under "Income" on the Consolidated Balance Sheet.

The property business obtained income of EUR 14.9 million compared to EUR 22.1 million obtained in the same period the previous year. In 2013, 22 flats of Residencial Marlin were notarised for a total of EUR 4.07 million, compared to a total of 25 dwellings totalling EUR 10.7 million in 2012.

Applying the same accounting principles and rules in 2013, the increase in sales would be 3%, equivalent to EUR 0.25 million.

CONSOLIDATED MANAGEMENT STATEMENT (millions of euros)

	2013		2012*		2013/2012
	€ Million	%	€ Million	%	VAR. %
Income from the hotel business	1,266.0	95.5%	1,288.0	98.2%	(1.7%)
Income from the property business	14.9	1.1%	22.1	1.7%	(32.7%)
Non-recurring income	45.1	3.4%	1.6	0.1%	N/A
TOTAL INCOME	1,326.0	100.0%	1,311.7	100.0%	1.1%
Cost of property sales	(0.3)	(0.0%)	(10.0)	(0.8%)	(97.3%)
Staff costs	(460.7)	(34.7%)	(465.8)	(35.5%)	(1.1%)
Direct management costs	(421.8)	(31.8%)	(423.3)	(32.3%)	(0.4%)
Non-recurring costs	(22.2)	(1.7%)	(36.6)	(2.8%)	(39.4%)
OPERATING PROFIT	421.0	31.8%	376.0	28.7%	12.0%
Reversal of provision for onerous contracts and other	12.4	0.9%	0.4	0.0%	N/A
Leases and property tax	(288.9)	(21.8%)	(293.4)	(22.4%)	(1.5%)
Non-recurring leases and property tax	(1.6)	(0.1%)	(5.1)	(0.4%)	-
EBITDA	142.8	10.8%	78.0	5.9%	83.2%
Provision for impaired assets	(0.5)	(0.0%)	(268.3)	(20.5%)	(99.8%)
Depreciation	(93.9)	(7.1%)	(112.7)	(8.6%)	(16.6%)
Non-recurring depreciation	(11.7)	(0.9%)	(2.8)	(0.2%)	-
EBIT	36.7	2.8%	(305.8)	(23.3%)	(112.0%)
Financial expenses	(59.0)	(4.4%)	(54.8)	(4.2%)	7.5%
Non-recurring finance costs	(11.1)	(0.8%)	-	N/A	N/A
Non-recurring exchange differences	0.0	0.0%	(29.2)	(2.2%)	(100.0%)
Change in fair value of financial instruments	7.6	0.6%	2.5	0.2%	206.5%
Results of entities accounted for using the equity method	(4.7)	(0.4%)	(4.2)	(0.3%)	10.4%
Non-recurring results of entities accounted for using the equity method	(1.8)	(0.1%)	-	N/A	N/A
EBT	(32.4)	(2.4%)	(391.6)	(29.9%)	(91.7%)
Corporation Tax	(6.0)	(0.4%)	55.5	4.2%	(110.7%)
PROFIT before minority interests	(38.3)	(2.9%)	(336.1)	(25.6%)	(88.6%)
Minority interests	(1.5)	(0.1%)	44.0	3.4%	(103.5%)
NET PROFIT	(39.8)	(3.0%)	(292.1)	(22.3%)	(86.4%)

Note: This consolidated income statement, on which the accounting aggregates of this Director's Report are based, was prepared using hotel management grouping criteria that do not necessarily coincide with the accounting principles and rules applied in the preparation of the consolidated financial statements of the NH Hoteles Group. Further, the balances relating to 2012 are shown without the retrospective application of the changes in legislation.

In 2013, NH Hoteles obtained annual earnings amounting to EUR 1,326 million, up 1.1% on 2012, representing an increase of EUR 14.3 million. Hotel sales, EUR 1,266 million, which continue accounting for most of the earnings (96%), fell 1.7% due to:

- **Exclusion from the scope of consolidation** of some hotels closed in 2012 (most significant closures: NH Cóndor, NH Mercader and NH Trier) and exclusion of some hotels from the scope of consolidation in 2013 (most significant disposals: NH Abashiri, NH Girona, NH La Perdiz, NH Veracruz and NH Vicenza, whereas the following hotels were excluded from the scope of consolidation to be operated on a franchise basis: NH Villa de Coslada, NH Califa, NH Puerto de Sagunto and NH Campo Cartagena, which were operated under lease, and the NH Krasnapolsky hotel, which became a hotel operated under a management contract as of 26 June 2013).

- **F&B** decreased by EUR 10 million (-3.12%). The decrease in F&B sales had a lesser impact on GOP than room sales. Central Europe, Spain and Benelux suffered a stronger decline in these businesses, with drops of between -3% and -6%, while Italy recorded a slight rise in sales (+1.2%). Latin America recorded positive sales, with an increase in catering of +12.8%.

- Fall in average rates (2.3%)

As regards operating costs, the Company's efforts to improve its efficiency led to a reduction of 1.8% in those costs during the year, despite the increase in occupancy (+3.47%, which grew from 63.86% in 2012 to 66.08% in 2013).

As a consequence of the containment plans launched in 2012 and 2013, staff costs were reduced by 1.1% compared with the previous year, despite activity levels were higher than those of the previous year, having reinforced the sales teams and inflation effect.

Other direct management costs were reduced by 0.4%, offsetting the extraordinary systems costs (in line with the new systems plan being implemented in the Company) and the increase in energy costs.

The Company reduced lease costs by 1.5% in 2013, also offsetting increases from negotiations of prior years and CPI reviews. In 2013, 56 actions were carried out in relation to leased hotels with negative EBITDA, also achieving the termination of eight leases. These actions enabled savings of EUR 16.7 million, of which EUR 6.9 million are temporary. Additional reductions in leases to those already obtained are envisaged in 2014.

In 2012, in terms of EBITDA, provisions for redundancy were recognised in order to reduce the differences in personnel costs in Spain and Italy compared to other, much more efficient business units (Benelux and Central Europe). In 2013, EUR +21.3 million were included in EBITDA, which included the gains on the sale of the NH Krasnapolsky hotel and the inadequate provisions for indemnities recognised in 2012, which made the room cleaning functions viable both in Spain and Italy.

The Group has assessed the recoverability of the carrying amount of its assets based on its business plan since, after the material provision recognised at 2012 year-end, it was not necessary to recognised any additional amount at consolidated level.

Recurring finance costs totalled EUR 59 million, up 7.6% from the EUR 54.8 million recognised in 2012. This increase is attributable to former credit spread increases until June. In the last quarter, finance costs were reduced in respect of the previous year due to the debt amortisation made during the year.

Also, non-recurring finance costs (EUR 11.1 million) are due to the costs inherent to debt refinancing and to the reversal of the exchange differences arising from the distribution of dividends in Latin America.

The change in fair value of financial instruments includes, firstly, the reduction in the provision for the equity swap hedging the Options Plan approved in 2007 and which, as a result of the rise in the share price from 2012 year-end to the cancellation thereof in November (from EUR 2.61 to EUR 4.00) after refinancing the debt, is positive (EUR +9.6 million). Secondly, it also includes the market value of the Group's interest rate derivatives which, due to their unfavourable performance during the year, contributed negatively to this heading (EUR 1.93 million).

In 2013, the negative result before tax of NH Hoteles amounted to EUR 32.4 million which, after deducting corporation tax, EUR 6 million, and non-controlling interests, EUR 1.5 million, totalled EUR 39.8 million.

In 2013, in the normal course of business excluding CAPEX and changes in working capital, NH Hoteles, S.A., reported positive operating cash flow which, after generating EUR 73.2 million, increased by EUR 45.8 million (2012: EUR 27.4 million), as shown in the table below:

INCOME STATEMENT EXCLUDING ELEMENTS THAT DO NOT REPRESENT CASH OUTFLOWS OR INFLOWS	
	12 M 2013
	€ Million
Income from the hotel business	1,266.0
Income from the property business	14.9
Non-recurring activity	45.1
TOTAL INCOME	1,326.0
Cost of property sales	(0.3)
Staff costs	(460.7)
Direct management costs	(421.8)
Other non-recurring costs	(22.2)
Leases and property tax (excl. Revers. of prov. for onerous contracts and other)	(288.9)
Financial expenses	(59.0)
TOTAL COSTS	(1,252.8)
TOTAL OPERATING CASH FLOW	73.2

Note: This Consolidated Statement of Cash Position was prepared using hotel management criteria that do not necessarily coincide with the accounting principles and rules applied in the preparation of the Consolidated Statement of Cash Flows of Grupo NH Hoteles, S.A.

A cash outflow related to expenses, less than that reported in 2012 (EUR 1,284.3 million) and an increase in earnings of EUR 14,4 million compared to 2013 are the main component of the greater generation of cash flow recognised in the balance sheet of Grupo NH Hoteles, S.A.

FUTURE OUTLOOK

The hotel sector is particularly sensitive to the economic environment and to business activity, although in recent years it has reported improved annual growth and occupancy rates than other production activities. The forecast for the next ten years made by the World Travel & Tourism Center (WTTC) maintains global year-on-year growth of between 3%-4% and a growing proportion of tourism and hospitality in world GDP. However, in the case of Europe, where the NH Group has the greatest presence, the growth forecast for these activities ranges between 3%-4%, depending on the country.

In the last five years, the major hotel chains, such as NH Hotels, with a significant volume of billings and hotels, presence in multiple countries, access to international distribution channels, etc., have reported financial results substantially higher than those of sector SMEs, which are much more sensitive to room and occupancy rate-related fluctuations in demand, having less hotel locations.

Expectations of improvement in the world economy in 2014 and 2015 herald a recovery of hotel revenue for the NH Group in the second half of 2014. Also, the geographic diversification of NH Hoteles's activity allows countries with the best economic prospects for 2014 to far outweigh the more stagnant economic activity in Spain.

Further, in the urban sector there is a general lack of visibility regarding customer reservations. Except in specific cases, reservations are being made at increasingly short notice, making it complicated to make any kind of forecast for the year.

In 2014, excluding effects arising from disposals of hotels, growth in RevPAR is estimated between +3% and +5%, with greater weight in the second half of the year due to the implementation of a series of revenue initiatives under the strategic plan. Improved recurring EBITDA of between +5% and +10% compared to 2013 is expected.

The approval of the five-year strategic plan underpins a substantial change in the Group's business model. The first three years are focused on developing and implementing the new value proposition and the new business model, strong investment in asset repositioning and a limited impact of the expansion plan. Subsequently, in 2017 and 2018, the Company will drive its organic growth.

In the plan, the Company has defined a vision: firstly, that in the future, whenever a consumer visits a city for business or leisure, he or she will previously verify the existence of an NH hotel in the destination city; secondly, the company aspires to pool its resources in order to become the most attractive investment option; and, thirdly, the Company aspires to obtain a return on investment of between 10% and 15% and, ultimately, to achieve a debt to EBITDA ratio of between 3 and 4 times. To achieve this vision, the priorities established are as follows:

- **New brand architecture and experience**, new price positioning strategy and increased investment in marketing.
- **Repositioning plan**: EUR 200-220 million, an investment that will allow **portfolio segmentation** and product renewal to increase its value proposition and achieve maximum potential ADR from our hotels.
- Sale of owned assets that are not in line with NH's new product or strategy and sale of additional assets to finance the repositioning plan.
- Reduction in intermediation costs, **increasing direct online sales** (website and mobile applications) and reducing indirect channel costs.
- **Sales strategy** (channels) **and pricing strategy** (price–value) **and market-based performance management**. The new customer loyalty programme has been launched with the objective of increasing direct sales and the new marketing campaign will commence in April. The higher marketing costs will be offset by savings in intermediated sales fees. The new commercial website will be launched at the end of July.
- **Cost-efficiency**, optimising the support and purchasing functions and continuing with the **lease adjustment plan** and renegotiation thereof.
- **Organic development to reinforce the Company's presence in Europe and Latin America**.

OVERVIEW OF NH RISK POLICY

NH's operations are mainly focussed on the hotel industry and particularly on urban hotels, which are characterised by a relatively high level of operational leverage that may require high levels of investment in fixed assets, especially real estate. These have a lengthy economic cycle, which makes it necessary to finance investments mainly through financial borrowing. The Group's policy has always been to maintain financial orthodoxy by attempting to ensure that solvency ratios always remain high.

The management of the risks to which NH Hoteles is exposed in the course of its operations is one of the basic pillars of its actions. Risk management is geared to preserving the value of assets and consequently the investment of the Company's shareholders. Minimising risks and optimising management of such risks by analysing the corresponding risk maps are among the objectives of the Group's Management.

Financial risk management is centralised at the Corporate Finance Division. The necessary procedures exist to control exposure to interest and exchange rate variations and credit and liquidity risks on the basis of the Group's financial position and structure and economic environment variables.

The size of NH Hoteles and its high levels of penetration and brand recognition enable to Group to gain access to a larger number of expansion opportunities in a more selective fashion with the above-mentioned greater emphasis on the rate of return and less or no need for investment, always attempting to minimise the risk inherent to the industry in which the Group operates. The industry is characterised by an activity that is sensitive to economic cycles and therefore to exposure to price change risk, which the Group has always managed by offsetting it with occupancy.

The Group's credit risk can mainly be attributed to commercial debts. The amounts are shown net of any provisions for insolvencies and the risk is very low as the customer portfolio is spread among a large number of agencies and companies. Furthermore, part of the accounts receivable are guaranteed through insurance policies, surety, guarantees and advance payments made by tour operators.

Concerning interest rate risks, the Group is exposed to fluctuations in the interest rates of its financial assets and liabilities, which may have an adverse effect on its results and cash flows. In order to mitigate the effect of these fluctuations, the Group maintains the policy of contracting a series of financial instruments, interest rate swaps and collars (a combination of swaps and options), to ensure that approximately 30% of its net debt has been hedged against extreme interest rate variations. Information on derivative financial instruments held by the Group at 31 December 2013, as well as on the policies applied to such instruments, is set out in Note 19 of the Consolidated Annual Report. In any event, in November 2013 the group refinanced syndicated debt and completed equity swaps totalling EUR 700 million, of which EUR 500 million, or 71%, was offset by issuing bonds (see breakdown and types in Note 17 Debt). As a result of this refinancing, 68% of the Group's net financial debt is indexed to fixed interest rates.

The Group has subsidiaries in several countries with operating currencies other than the euro, the Group's currency of reference. The operating results and financial position of these subsidiaries (mainly located in Mexico and Argentina) are booked in their corresponding currencies and converted later at the applicable exchange rate for their inclusion in the financial statements. In 2013, the euro was fluctuating against other major currencies and this affected sales, equity and cash flows. In order to ensure such risks are mitigated as much as possible the Group takes out debt in the same currency as the investment, always taking into account that the income generated in geographic areas with currencies other than the euro remains below 8% of total income.

Regarding liquidity risks, Grupo NH has a suitable debt maturity calendar, which is set out in Note 17 of the Consolidated Annual Report for 2013.

At 31 December 2013 the level of consolidated net borrowings, in accordance with the definition of the syndicated loan, had increased to EUR 745 million, representing a decrease of EUR 245 million in the Group's level of borrowings compared to 2012 year-end, due to the capital increase and divestment plan implemented in 2013.

The upkeep of operational sources of cash flow depends on the adaptation of the NH Hoteles Group business model to the evolution of the hotel business and the sale of non-strategic assets. These variables depend on the overall economic cycle and on the markets' short-term supply and demand situation. The Group's business units have the capacity to generate regular and significant cash flow from their operations. Likewise, the Group regularly makes cash and bank forecasts, which allow it to assess its liquidity needs and fulfil the payment obligations it has undertaken without the need to obtain funds under onerous terms and conditions.

SHARES AND SHAREHOLDERS

NH Hoteles, S.A. share capital at the end of 2013 comprised 308,271,788 (246,617,430 shares in 2012) fully subscribed and paid-up bearer shares with a par value of two euros each. All these shares are entitled to identical voting and economic rights and are traded on the Continuous Market of the Stock Exchanges.

On 17 April 2013, the capital increase of the Parent Company approved by the Board of Directors in its meeting of 27 February 2013 was executed, incorporating Tangla Spain, S.L., a company belonging to the Chinese HNA Group, into the shareholder base of the Parent Company with a post-increase stake of 20% of the share capital.

The above-mentioned capital increase was fully subscribed and paid up in the nominal amount of €123,308,716 by issuing and releasing to circulation a total of 61,654,358 ordinary shares with a nominal value of €2 per share, in addition to an issue premium of €1.80 per share (representing a total issue premium of €110,977,844.40), entailing a total outlay of €234,286,560.40.

According to the latest notifications received by the Company and the notices given to the Spanish Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2013 were as follows:

	2013	2012
GRUPO INVERSOR HESPERIA. S.A.	20.07%	25.09%
HNA GROUP CO LIMITED	20.00%	-
BANCO FINANCIERO Y DE AHORROS. S.A.	12.60%	15.75%
BLACKROCK INC.	5.62%	-
INTESA SANPAOLO. S.P.A	4.52%	5.65%
PONTEGADEA INVERSIONES. S.L.	4.06%	5.07%
TAUBE HODSON STONEX PARTNERS LLP	3.89%	-
FIDELITY INTERNATIONAL LIMITED	1.47%	-
CK CORPORACIÓN KUTXA. S.L.	-	6,25%
HOTELES PARTICIPADOS. S.L.	-	5.43%
IBERCAJA BANCO. S.A.	-	5,04%
SHARES ALLOCATED TO EMPLOYEE REMUNERATION SCHEMES	-	0.84%
SHARES OWNED BY NH EMPLOYEES	0.12%	0.60%

On 11 October 2013, HNA Group Co, which holds an ownership interest of 20% in the Company, informed the Spanish National Securities Market Commission (CNMV) of the agreement to acquire 4.059% interest from Pontegadea Inversiones, subject to the condition precedent that the transaction be approved by the Chinese authorities. Said approval was granted on 24 January 2014, due to which HNA, at the date of preparation of these financial statements, holds an ownership interest of 24.059% in the Company.

Furthermore, on 17 January 2014, Banco Financiero y de Ahorros, S.A. informed the Spanish Securities Market Commission of the sale of 38,834,034 shares, representing 12.6% of its stake in NH Hoteles, S.A.

The Company and the National Securities Market Commission were served notice of two shareholders' agreements on 28 and 29 December 2009. The first of these is formed by Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja); Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja); and Caja de Ahorros y Monte de Piedad de Madrid (Cajamadrid), grouping together a total of 20.74% of share capital. The other agreement includes Hoteles Participados, S.L. and Caja de Ahorros y Monte de Piedad de Guipuzkoa y San Sebastian (Kutxa), which groups together a total of 11.57% of share capital.

Caja de Ahorros y Monte de Piedad de Madrid and Bancaja, among other savings banks, merged to form Banco Financiero y de Ahorros, S.A. in 2011. Likewise, Caja de Ahorros y Monte de Piedad de Gipuzkoa y San Sebastián (Kutxa) and other Basque savings banks merged on 1 January 2012 to form Kutxabank.

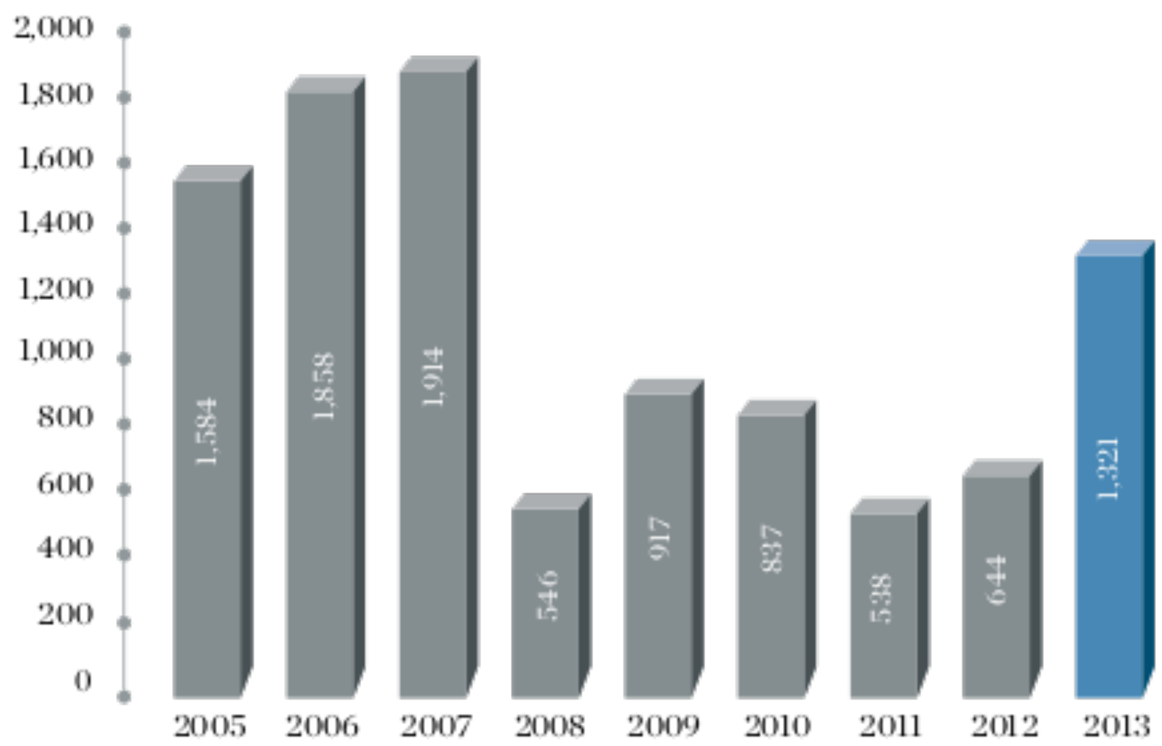
As reported to the Spanish Securities Market Commission on 23 January 2012, the syndication agreement between Banco Financiero y de Ahorros, S.A. and Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja) was extended for an additional period of one year, until 31 December 2012. In accordance with the notification provided to the Spanish Securities Market Commission on 12 April 2012, this agreement is automatically extended for one-year periods unless terminated by one of the parties. As reported to the Spanish Securities Market commission on 10 October 2013, the aforesaid syndication agreement has been dissolved.

Meanwhile, Hoteles Participados, S.L. y Kutxabank reported on 20 December 2012, that the syndication agreement had been dissolved as of 31 December.

NH Hoteles, S.A.'s average share price listing was 3.52 euros per share (2.42 euros in 2012). The lowest share price of 2.20 euros per share (1.70 euros in December 2012) was recorded in March and the highest share price of 4.43 euros per share in December (3.05 euros in May 2012). The market capitalisation of the company at the close of 2013 stood at €1.320 billion.

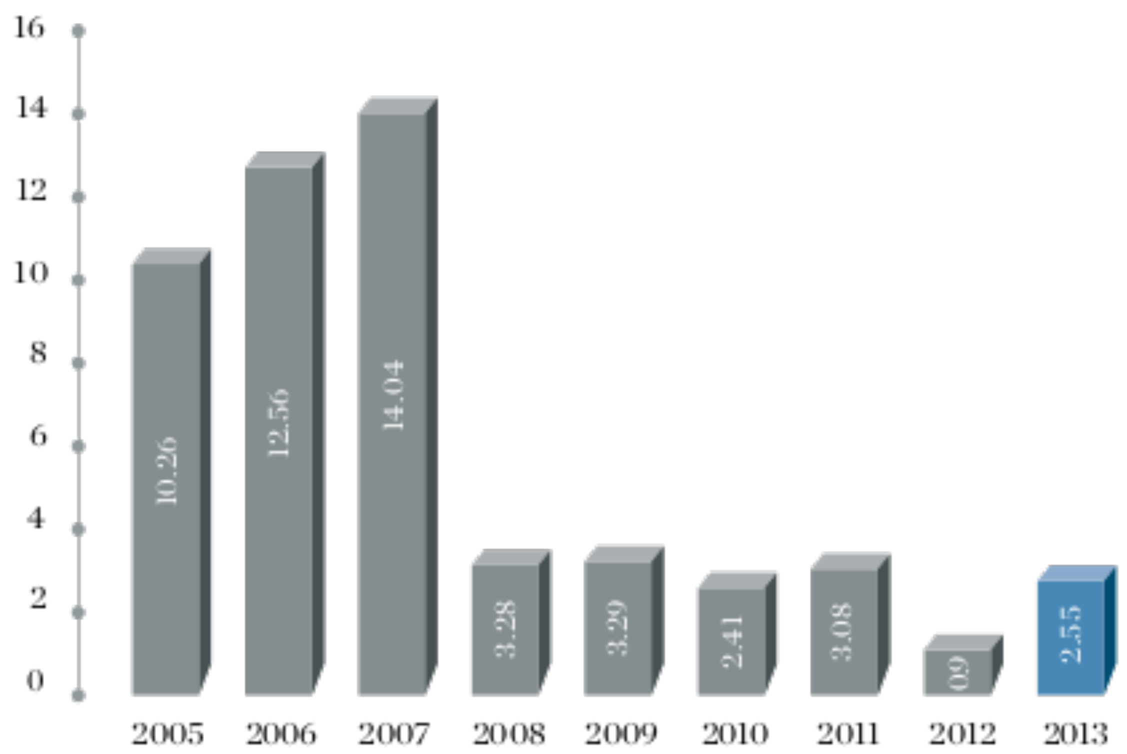
At year end, NH Hoteles held 9,062,741 treasury shares representing 2.94% of its share capital at a total cost of € 38.115 million. On 4 November 2013, the Spanish Securities Market Commission was informed of the loan of 9,000,000 shares from the total number of treasury shares to three financial entities that were involved in the placement of bonds convertible or exchangeable into the shares of NH Hoteles, S.A. to the sum of €250 million; the purpose of this loan was to allow those financial entities to offer the shares to subscribers of the bonds requesting them.

CAPITALISATION 2005-2013 (€ MILLION)
2005-2013

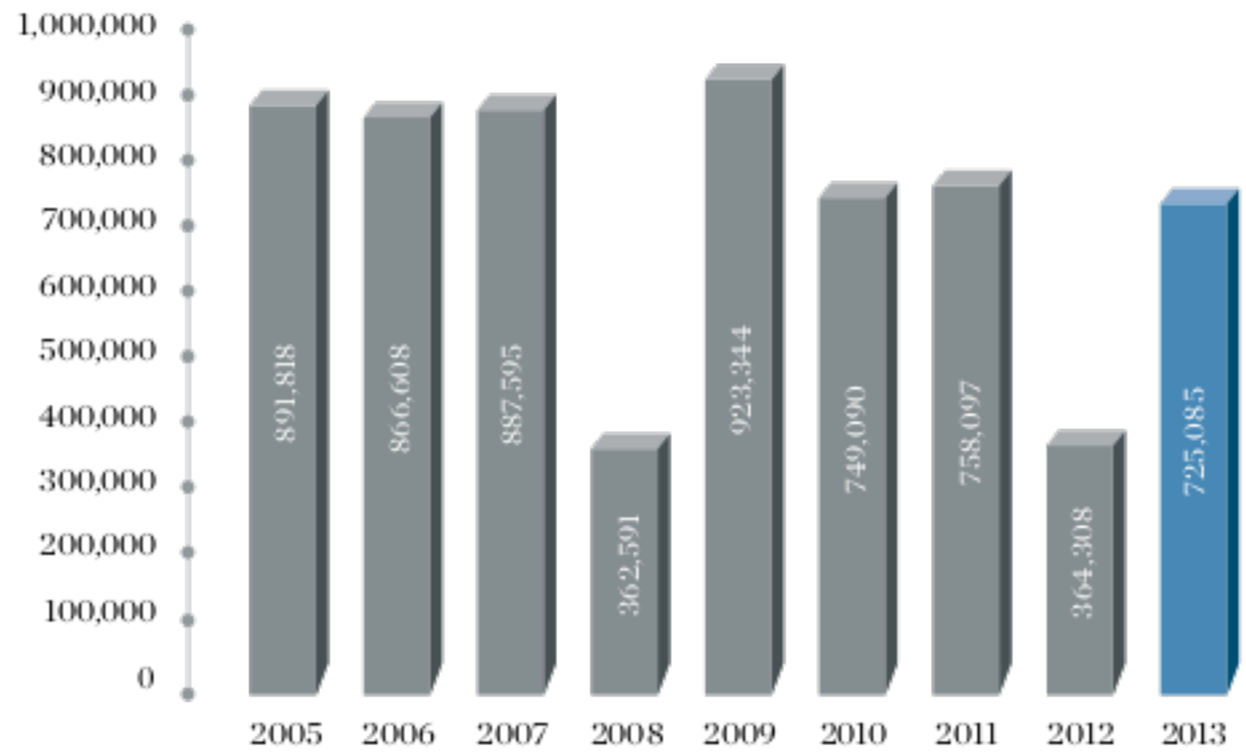


A total of 184,896,795 shares in NH Hoteles, S.A. were traded on the Continuous Market over the course of 2013 (93,263,049 shares in 2012), which accounted for 1.66 times (0.38 times in 2012) the total number of shares into which the Company's share capital is divided. Average daily share trading on the Continuous Market amounted to 725,085 securities (364,308 securities in 2012).

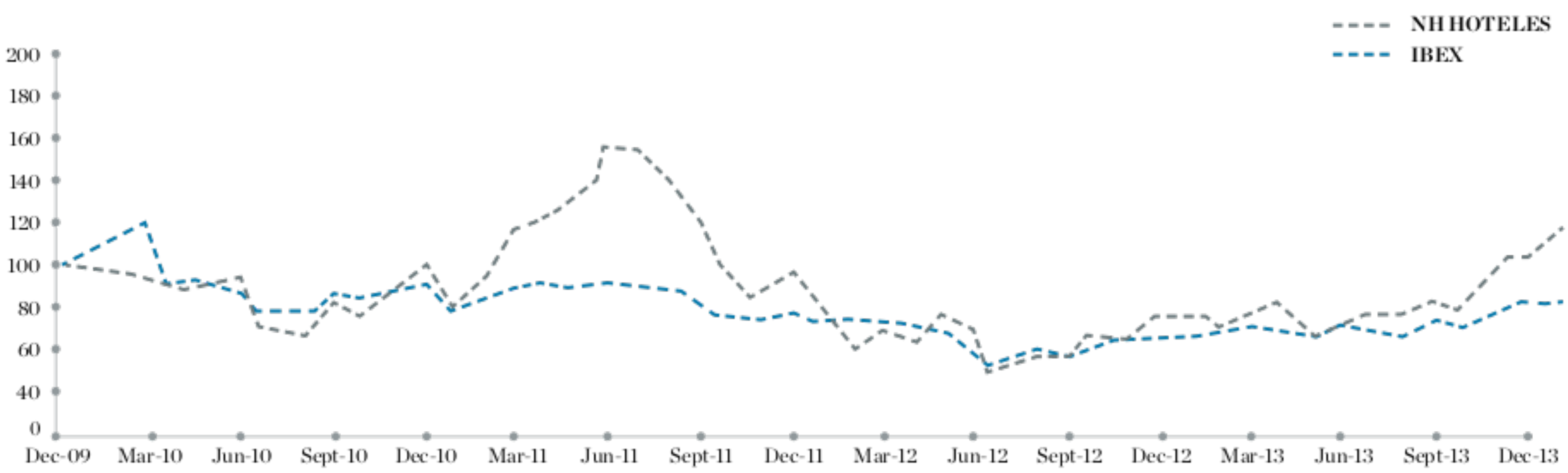
AVERAGE DAILY TRADING (€ MILLION)
2005-2013



AVERAGE DAILY TRADING IN SECURITIES
2005-2013



EVOLUTION NH HOTELES – IBEX
DECEMBER 2009- DECEMBER 2013



FUTURE OUTLOOK

As is well documented, the evolution of the hotel sector is closely linked to economic activity and tourism, although as a predominantly urban chain, the second factor is less relevant for NH Hoteles.

Forecasts by the World Tourism Organisation (WTO) predict annual growth of 3.8% until 2020. However in 2013, international tourist arrivals grew by 5% reaching 1.087 billion. Despite the economic difficulties experienced worldwide, international tourism figures significantly exceeded expectations, and in 2013, 52 million more people travelled than in 2012. For 2014, the WTO predicts growth of between 4% and 4.5%, exceeding the existing long-term projections once again.

Furthermore, economic forecasts made by the International Monetary Fund (IMF) serve as an invitation to leave recent pessimism behind. Europe, where the main bulk of the Group's hotels are located, appears to be coming out of recession. The IMF forecasts growth of 1% for 2014 and 1.4% for 2015, although the growth is expected to be uneven. This will be weaker in Spain and Italy, although the estimates have been revised slightly upwards (Italy 0.6% and 1.1% for 2014 and 2015 respectively, Spain 0.6% and 0.8% for the same periods).

Additionally, multinational hotel companies like NH Hoteles, with a significant number of hotels and revenues, a presence in many countries, with access to international distribution channels, etc. have recorded financial results in the last few years significantly above the results of smaller companies, with fewer hotels and focused on a single market, which are far more sensitive to fluctuations in price and occupancy. Likewise, the geographic diversification of the Group makes it possible for countries like Germany, England, Austria, Switzerland or Mexico, with better economic forecasts for 2014, to offset the less favourable evolution expected in markets such as Spain and Italy.

The company's own forecasts for 2014 suggest an increase in room revenue of around 5% for the year as a whole, excluding the sale of assets and contract terminations in 2013. The second part of the year will be of greater importance given the implementation of a series of initiatives in the Group's strategic plan. The plan was presented at the end of last year and lays the foundations for a major change to the business model (portfolio segmentation; redesign of the brand and the "NH experience"; new sales, marketing and communications plans; strengthening online direct channels; and a new focus on communication with clients, all accompanied by a different organisational model). The impact of changes to the repositioning plan (investment of around €90 million this year), should also lead to better growth during the second half of the year (with the impact expected to be more significant on pricing than occupancy). Furthermore, we will continue to reduce our cost base and to implement new streamlining and efficiency plans. Increased expenditure on marketing and IT will be partially offset by the reduction in fees. This year, the Group expects a year-on-year improvement in recurring EBITDA of around 10%.

SUBSEQUENT DISCLOSURES

On 17 January 2014, Banco Financiero y de Ahorros, S.A. informed the Spanish Securities Market Commission of the sale of 38,834,034 shares, representing its 12.6% stake in NH Hoteles, S.A.

On 28 January 2014, Pontegadea Inversiones, S.L. reported that it had transferred 12,512,971 shares in the Group, which represented 4.059% of the latter's share capital, to Tangla Spain, S.L.U., a subsidiary of HNA Group Co. Ltd.

That transfer derives from HNA Group Co. Ltd. exercising the purchase option granted to it by Pontegadea Inversiones, S.L. on 11 October 2013.

On 24 January 2014, the Argentine Peso was devalued by 12.7% against the euro. At 31 December 2013, the Company had net balances receivable amounting to EUR 5.191 million. The estimated impact of this devaluation, which is not estimated to be material, will be recognised in 2014, pursuant to the applicable legislation.

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED PUBLIC LIMITED COMPANIESIDENTIFICATION DETAILS OF THE ISSUER
YEAR-END DATE: 31/12/2012
TAX ID CODE (CIF): A28027944
Company Name: NH HOTELES, S.A.

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED PUBLIC LIMITED COMPANIES

A - STRUCTURE OF COMPANY OWNERSHIP

A.1 Complete the following table regarding the capital structure of the company:

Date of last modification	Company Equity Capital	Number of Shares	Number of voting rights
19/04/2013	616,543,576.00	308,271,788	308,271,788

Indicate if there are different share classes with different associated rights:

NO

A.2 List the direct and indirect significant shareholders in your company at the end of the year, excluding directors:

		Indirect rights		
Name or corporate name of the shareholder	Number of direct rights	Direct owner of the share	Number of voting rights	% of total voting rights
PONTEGADEA INVERSIONES, S.L	12.512.971			4,06
BANCO FINANCIERO Y DE AHORROS, S.A.	0	CORPORACIÓN INDUSTRIAL BANKIA, S.A.U.	24.766.555	12,60
		BFA PARTICIPACIONES COTIZADAS, S.A.U.	13.955.463	
INTESA SANPAOLO, S.P.A.	5.791.685	PRIVATE EQUITY INTERNATIONAL	8.148.802	4,52
TAUBE HODSON STONEX PARTNERS LLP	0	TAUBE HODSON STONEX PARTNERS LLP	12.000.000	3,89
GRUPO INVERSOR HESPERIA, S.A	61.870.384			20,07
HNA GROUP CO LIMITED	0	TANGLA SPAIN, S.L.	61.654.358	20,00
BLACKROCK INC	0	BLACKROCK INC	17.323.777	5,62

Indicate the most significant movements in the shareholding structure of the company during the year:

Name or corporate name of the shareholder	Date of Transaction	Description of transaction
GRUPO INVERSOR HESPERIA, S.A	19/04/2013	Fell below 25% of share capital
BANCO FINANCIERO Y DE AHORROS, S.A.	19/04/2013	Fell below 15% of share capital
CK CORPORACIÓN KUTXA-KUTXA KORPORAZIOA, S.L.	31/05/2013	Fell below 3% of share capital
INTESA SANPAOLO, S.P.A.	19/04/2013	Fell below 5% of share capital
PONTEGADEA INVERSIONES, S.L.	19/04/2013	Fell below 5% of share capital
IBERCAJA BANCO, S.A.	11/10/2013	Fell below 3% of share capital
HOTELES PARTICIPADOS	24/04/2013	Fell below 3% of share capital
HNA GROUP CO LIMITED	19/04/2013	Increased above 20%
TAUBE HODSON STONEX PARTNERS LLP	18/09/2013	Increased above 3%
BLACKROCK INC	17/10/2013	Increased above 5%

A.3 Complete the following tables with information on the members of the company's Board of Directors that hold voting rights on shares in the company:

		Indirect voting rights		
Name or corporate name of the director	Number of direct voting rights	Direct owner of the shareholding	Number of voting rights	% of total voting rights
RODRIGO ECHENIQUE GORDILLO	100	ABUVILLA INVERSIONES, SICAV, S.A.	100.000	0,03
FEDERICO GONZÁLEZ TEJERA	100			0,00
CARLOS GONZÁLEZ FERNÁNDEZ	25.050			0,00
FRANCISCO JAVIER ILLA RUIZ	1			0,00
GILLES PÉLISSON	15.000			0,00
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	100			0,00
RAMÓN LANAU VIÑALS	187			0,00
ROSALBA CASIRAGHI	1			0,00
DAOQI LIU	1			0,00
XIANYI MU	1			0,00
CHARLES MOBUS	250			0,00
ABITARIA CONSULTORIA Y GESTION, S.A.	100			0,00
JOSE ANTONIO CASTRO SOUSA	1.000	GRUPO INVERSOR HESPERIA, S.A EUROFONDO, S.A.	61.870.148 476.040	20,22
JOSE MARÍA LÓPEZ ELOLA	21.000			0,00
% of total voting rights held by the Board of Directors				20,25

Complete the following table with information on the members of the company's Board of Directors that hold rights on shares in the company:

		Indirect voting rights			
Name or corporate name of the director	Number of direct rights	Direct holder	Number of voting rights	Number of equivalent shares	% of total voting rights

A.4 Indicate, as appropriate, the family, commercial, contractual or corporate relationships existing between major shareholders, in so far as they are known by the company, unless they have little relevance or are derived from ordinary commercial business of the company:

Related name or corporate name	Type of relationship	Short description
PONTEGADEA INVERSIONES, S.L. HNA GROUP CO LIMITED	Contractual	Contract for the purchase of shares with condition precedent

A5 Indicate, as appropriate, the commercial, contractual or corporate relationships existing between major shareholders, and the company and/or its group, unless they have little relevance or are derived from the ordinary commercial business of the company

Related name or corporate name	Type of relationship	Short description

A6 Indicate whether the company has been informed of shareholders' agreements which affect it, as set forth under Articles 530 and 531 of the Capital Companies Act. If appropriate, describe them briefly and list the shareholders bound by the agreement:

YES

Participants in the shareholder agreement	% share capital affected	Short description of the agreement
BANCO FINANCIERO Y DE AHORROS, S.A. HNA GROUP CO LIMITED	12,60	On 24 April 2013, Banco Financiero y de Ahorros, S.A., via a Relevant Fact, reported the signing of a shareholders' agreement with HNA, whereby if the Spanish Securities Market Commission were to authorise a public take-over bid (OPA) of NH Hoteles shares at any time until 18 June 2014, inclusive, contingent on it being accepted by at least 50% of the capital, the Participating Shareholders would each independently have the right to demand that HNA sell their shares in the OPA to the amount necessary to reach minimum acceptance (Drag-Along Right in favour of Participating Shareholders), while HNA would have the right to buy the shares from the shareholders who exercised the drag-along right at the same price as the OPA (pre-emption right or call, in favour of HNA).
PONTEGADEA INVERSIONES, S.L. HNA GROUP CO LIMITED	4,60	Pontegadea Inversiones, S.L. signed a shareholders' agreement on 23 April 2013 with HNA under the same terms as those described between Banco Financiero y de Ahorros, S.A. and HNA

Indicate if the company is aware of the existence of concerted actions among its shareholders. If so, give a brief description:

NO

In the event of any modification or termination of these pacts, agreements or agreed actions during the year, please describe them below:

A7 State whether any individual or legal entity exercises or could exercise control over the company according to Article 4 of the Securities Market Act (LMV). If so, give details here:

NO

A8 Complete the following tables regarding the company's treasury stock:

Number of direct shares	Number of indirect shares	% of total share capital
9.062.741	0	2,94

Describe any significant changes, according to Royal Decree 1362/2007, that occurred during the year:

Notification date	Total shares acquired	Total indirect shares acquired	% of total share capital
30/10/2013	6.316.666	0	2,05

A9 Describe the conditions and the term of the current mandate of the Board of Directors to issue, repurchase or transmit treasury stock, as conferred by the General Shareholders' Meeting.

The General Shareholder´s meeting held on 25th June 2013, authorized to the Board of Directors the acquisition of own shares in accordance with the following terms:

a) The acquisition can be made by any title accepted as a right, once or more times, provided that the acquired shares, added to those the Company already owns, do not exceed 10% of the Company's share capital, together with those owned by other companies in the group, if applicable.

b) The acquisition, including the shares which the Company, or a person acting in their own name but on behalf of the Company, may have acquired beforehand and have in its portfolio, can be made as long as this does not lead to net equity being below the amount of share capital plus the reserves made unavailable by law or the Company's bylaws. For this purpose, net equity is considered to be the amount classified as such according to the criteria for drawing up the annual accounts, minus the amount of profits directly assigned to it, plus the amount of uncalled subscribed share capital and the par value and issue premiums of the subscribed share capital registered as a liability on the Company's books.

c) The shares must be fully paid up.

d) The authorisation will be valid for 5 years from the day this agreement comes into force.

e) The minimum purchase price will be 95% and the maximum price will be 105% of the listed market value at the close of Spain's Electronic Market the day before the transaction, and the purchase transactions will adhere to security market regulations and customs.

The shares acquired due to the authorisation can be disposed of or amortised, or used in the payment systems set out in Article 146.a) of the Capital Companies Act, and in particular may be wholly or partly allocated to the beneficiaries of the Payment Plan or Plans for Company executives and employees.

A10 Indicate whether there is any restriction on the transmissibility of securities and/or any restriction on voting rights. In particular, report the existence of any type of restriction which could hinder control of the company being taken through acquiring its shares on the market.

NO

A11 State whether the General Shareholders' Meeting has agreed to adopt neutralisation measures against take-overs bids, pursuant to Law 6/2007.

NO

A12 State whether the company has issued securities which are not traded on a regulated EU market.

NO

B - GENERAL SHAREHOLDERS' MEETING

B.1 Indicate whether differences exist between the minimum quorum established in the Spanish Capital Companies Act (LSC) and the quorum of the General Shareholder's Meeting. If so, explain these differences

NO

B.2 State whether here are differences with the methods established in the LSC in relation to passing company resolutions. If so, explain these differences:

NO

B.3 Regulations applicable to modification of the company bylaws. In particular, note the majorities required for changes to the bylaws and, if any, the regulations governing the protection of partners' rights when making changes to the bylaws.

Title VIII, covering Articles 285 - 345, of Royal Decree-Law 1/2010 of 2 July, approving the Revised Text of the Capital Companies Act (hereunder, LSC), and Articles 158 - 164 of Royal Decree 1784/1996, of 19 July, approving the Regulation of the Companies Register (hereunder, RRM) set forth the applicable legal regime for changing the Company's bylaws. The text of the bylaws of NH Hoteles faithfully reflects these legal regulations, with no higher quorum or majority required than is set out therein.

B4 Give details of attendance at the general shareholders' meetings held during the year to which this report refers, and for the previous year:

	Attendance Details				
			% distance voting		
Date of general meeting	% in person	% by proxy	Electronic vote	Others	Total
29/06/2012	32,08	40,53	0,01	0,00	72,62
25/06/2013	0,36	80,11	0,01	0,00	80,48

B.5 State whether there are any statutory restrictions that establish the minimum number of shares required to attend the General Shareholder's Meeting:

NO

B.6 Is there an agreement as to which decisions involving changes to the structure of the company ("subsidiarisation", the sale of essential operating assets, transactions equivalent to the liquidation of the company, etc.) must be submitted for approval by the general shareholders' meeting, even if not explicitly required in Commercial Law?

YES

B.7 Address and access on the Company website to information on corporate governance and other information on general meetings which must be available to shareholders on the Company website.

All information of relevance to shareholders, including information on corporate governance and other information on general meetings is available at all times on the NH Hoteles, S.A. website, www.nh-hotels.es, in the section ´Information for shareholders´.

C - ADMINISTRATIVE STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors set forth in the company's bylaws

Maximum number of directors	20
Minimum number of directors	5

C.1.2 Board members:

Name or corporate name of the director	Representative	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
RODRIGO ECHENIQUE GORDILLO		CHAIRMAN	23/11/2012	25/06/2013	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
JOSE ANTONIO CASTRO SOUSA		DEPUTY CHAIRMAN	24/05/2012	29/06/2012	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
FEDERICO GONZÁLEZ TEJERA		EXECUTIVE DIRECTOR	23/11/2012	25/06/2013	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
CARLOS GONZÁLEZ FERNÁNDEZ		DIRECTOR	29/06/2011	29/06/2011	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
FRANCISCO JAVIER ILLA RUIZ		DIRECTOR	27/10/2009	25/06/2013	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
GILLES PÉLISSON		DIRECTOR	18/01/2012	29/06/2012	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
JOSE MARÍA LÓPEZ ELOLA		DIRECTOR	25/04/2012	29/06/2012	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
PARTICIPACION ES Y CARTERA DE INVERSIÓN, S.L.	MANUEL GALARZA PONT	DIRECTOR	31/07/2012	25/06/2013	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
RAMÓN LANAU VIÑALS		DIRECTOR	26/05/2012	29/06/2012	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
ROSALBA CASIRAGHI		DIRECTOR	12/05/2009	29/06/2012	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
DAOQI LIU		DIRECTOR	17/04/2013	25/06/2013	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
XIANYI MU		DIRECTOR	17/04/2013	25/06/2013	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
CHARLES MOBUS		DIRECTOR	26/04/2013	25/06/2013	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
ABITARIA CONSULTORIA Y GESTION, S.A.	OCTAVIO SANCHEZ LAGUNA	DIRECTOR	20/12/2013	20/12/2013	CO-OPTED

Total number of executive directors	14

Indicate whether any directors have left the Board of Directors during the period being reported:

Name or corporate name of the director	Type of director at time of departure	Departure date
ROBERTO CIBEIRA MOREIRAS	Proprietary Director	20/03/2013
HOTELES PARTICIPADOS	Proprietary Director	17/04/2013
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	Proprietary Director	26/04/2013
IÑAKI ARRATÍBEL OLAZIREGI	Proprietary Director	03/10/2013
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	Proprietary Director	20/12/2013

C.1.3 Complete the following tables about the different types of Board members:

Executive Directors

Name or corporate name of director	Committee reporting the appointment	Position in the company's organisation chart
FEDERICO GONZÁLEZ TEJERA	COMISIÓN DE NOMBRAMIENTOS Y RETRIBUCIONES	CONSEJERO DELEGADO

Total number of executive directors	1
% over the Board as a whole	7,14

External Proprietary Directors

Name or corporate name of director	Committee reporting the appointment	Name or corporate name of the significant shareholder represented or proposing the appointment
JOSE ANTONIO CASTRO SOUSA	APPOINTMENTS AND REMUNERATION COMMITTEE	GRUPO INVERSOR HESPERIA, S.A
RAMÓN LANAU VIÑALS	APPOINTMENTS AND REMUNERATION COMMITTEE	GRUPO INVERSOR HESPERIA, S.A
FRANCISCO JAVIER ILLA RUIZ	APPOINTMENTS AND REMUNERATION COMMITTEE	GRUPO INVERSOR HESPERIA, S.A
ROSALBA CASIRAGHI	APPOINTMENTS AND REMUNERATION COMMITTEE	INTESA SANPAOLO, S.P.A.
DAOQI LIU	APPOINTMENTS AND REMUNERATION COMMITTEE	HNA GROUP CO LIMITED
XIANYI MU	APPOINTMENTS AND REMUNERATION COMMITTEE	HNA GROUP CO LIMITED
CHARLES MOBUS	APPOINTMENTS AND REMUNERATION COMMITTEE	HNA GROUP CO LIMITED
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	APPOINTMENTS AND REMUNERATION COMMITTEE	BANCO FINANCIERO Y DE AHORROS, S.A.
ABITARIA CONSULTORIA Y GESTION, S.A.	APPOINTMENTS AND REMUNERATION COMMITTEE	BANCO FINANCIERO Y DE AHORROS, S.A.

Total number of proprietary directors	9
% over the Board as a whole	64,29

Independent External Directors

Name or corporate name of director	Profile
CARLOS GONZÁLEZ FERNÁNDEZ	Graduate in economics from the University of Bilbao and chartered accountant. He spent 35 years of his career at Arthur Andersen, which in 2003 merged with Deloitte. He was appointed Chairman, firstly of Arthur Andersen in 2000 and subsequently of the firm that resulted from the merger - Deloitte - from 2003 to 2009.
JOSE MARÍA LÓPEZ ELOLA	Graduate in economics from the Complutense University of Madrid. For the last 35 years, he has been director general of various credit and banking institutions, such as Bancaya Hipotecaria, S.A., Citibank España, S.A., Banco Zaragozano, S.A. and Barclays, S.A. He currently sits on the board of directors of companies such as Festina Lotus, S.A. and Celo, S.A.
GILLES PÉLISSON	Graduate of ESSEC Business School with an MBA from Harvard Business School. He began his career at the hotel group Accor in 1983, where he held positions of responsibility, being appointed CEO of the group in 2006, as well as Chairman of the board from February 2009 to 2011. He has also held the position of Chairman and CEO of companies such as SUEZ Group, Bouygues Telecom and Disneyland Paris Resort. Nowadays he is member of the Advisory Board of Jefferies Group.

Total number of independent directors	3
% over the Board as a whole	21,43

Indicate whether any director classified as independent receives any money or benefit from the company or its group as a payment other than for his or her role as director, or has, or had, in the last financial year, any business relationship with the company or with any company in the group, whether in his own name or as a significant shareholder, director or senior manager of an entity maintaining or which has maintained such a relationship.

YES

If so, include a reasoned statement by the Board as to the reasons why it considers that this director can perform his duties as an independent director.

Name or corporate name of director	Description of the relationship	Reasoned statement
JOSE MARÍA LÓPEZ ELOLA	As a Director of Sotogrande, S.A., a company in which NH Hoteles, S.A. has a 97% holding, he receives an additional remuneration from this entity, other than that inherent to his position, not significant in terms of amounts.	It does not compromise his independence, as the remuneration he receives from Sotogrande, S.A. not significant in amount.

Other External Directors

Name or corporate name of director	Committee reporting or proposing his or her appointment
RODRIGO ECHENIQUE GORDILLO	APPOINTMENTS AND REMUNERATION COMMITTEE

Total number of Other External Directors	1
% over the Board as a whole	7,14

State the reasons why they cannot be considered proprietary or independent directors, and their relationship with the company, its directors or shareholders:

Name or corporate name of the director	Reasons	Company, director or shareholder with which it is linked
RODRIGO ECHENIQUE GORDILLO	He receives remuneration linked to the achievement of certain strategic goals other than those inherent to his position as Director.	NH HOTELES, S.A.

Indicate the changes that, as applicable, have occurred to the status of each director during the period:

Name or corporate name of the director	Date of the change	Previous condition	Current condition
RODRIGO ECHENIQUE GORDILLO	25/06/2013	Independent	Other External

C.1.4 Fill in the table below with the information relating to the number of female directors in the last 4 financial years, and their type:

	Number of female directors			
	Year t	Year t-1	Year t-2	Year t-3
Female executive	0	0	0	0
Proprietary	1	1	1	1
Independent	0	1	1	1
Other External	0	0	0	0
Total	1	2	2	2

	% of total directors of each type			
	Year t	Year t-1	Year t-2	Year t-3
Female executive	0,00	0,00	0,00	0,00
Proprietary	10,00	11,11	11,11	0,00
Independent	0,00	33,33	25,00	25,00
Other External	0,00	0,00	0,00	0,00
Total	7,14	13,33	13,33	7,69

C.1.5 Explain the methods adopted, if any, to seek to include a number of women in the Board of Directors which would permit a balanced presence of women and men.

Explanation of the measures
The responsibilities of the Appointments and Remuneration Committee include reporting proposed appointments and terminations of directors and senior managers of the Company and its affiliated companies, emphasising that in covering the vacancies arising in the Board of Directors, the Appointments and Remuneration Committee will endeavour to ensure that the selection process is not implicitly biased against selecting female Directors, and so that the potential candidates include women who meet the desired professional profile.

C.1.6 Explain the measures agreed, if any, by the Appointments Committee to ensure that the selection process is not implicitly biased against selecting female Directors, and so that the company deliberately seeks to include women who meet the desired professional profile among potential candidates:

Explanation of the measures
During the process of selecting Directors, in compliance with the principles set forth in the Board Regulations, the Appointments Committee has ensured women are included who meet the required professional profile in the list of candidates, and has endeavoured to ensure there are no biases inherent in the selection procedure that hinder the selection of female Directors.

If, despite the measures adopted, if any, there are few or no women Directors, explain the reasons:

Explanation of the measures
See above.

C.1.7 Explain how significant shareholders are represented on the Board.

As set forth in Article 9 of the Board Regulations, the Board will ensure that the majority group of external Directors includes, on one hand, those proposed by the holders of significant stable holdings in the company capital (proprietary Directors); and on the other, prestigious professionals who are not linked to the executive team nor to the significant shareholders (Independent Directors).

Proprietary Directors are those that represent or have a shareholding in the Company that is greater than or equal to what is legally considered significant, or that may have been appointed due to their status as shareholders even though their shareholding does not reach the legally established amount.

For the purposes of this definition, it shall be assumed that a director represents a shareholder when:

a) They are appointed in the course of exercising the right to representation.
b) The person is a director, senior manager, employee or regular service provider of this shareholder, or to companies belonging to the same group.
c) The company documentation states that the shareholder accepts that the director has been appointed by it or represents it.
d) The director is a spouse, a person connected to the shareholder by a similar level of affinity, or a relative of up to the second degree of kinship of a significant shareholder

C.1.8 Explain, should it be the case, the reasons why proprietary directors have been appointed at the request of shareholders whose holdings are below 5% of share capital

Name or corporate name of the shareholder	Justification

Indicate whether formal requests for representation on the Board from shareholders whose shareholding is equal to or greater than other shareholders at whose request proprietary directors have been appointed, have not been acted upon. Explain the reasons why they have not been acted on, as applicable

NO

C.1.9 Indicate whether any director has left their position prior to the completion of their mandate; whether the director has explained their reasons to the Board, and by what means; and, in the event that the written communication was sent to the whole of the Board, explain the reasons given:

Name of the director	Reason for departure
ROBERTO CIBEIRA MOREIRAS	Entry of the HNA Group as a shareholder
HOTELES PARTICIPADOS	Entry of the HNA Group as a shareholder
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	Entry of the HNA Group as a shareholder
IÑAKI ARRATÍBEL OLAZIREGI	Sale of the shares of the significant shareholder Caja de Ahorros y Monte de Piedad de Gipuzkoa y San Sebastian, represented by Mr. Arratíbel.
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	Restructuring of the organisation of the Bankia Group, which designated the company Abitaria Consultoría y Gestión, S.A., in its place.

C.1.10 State the powers that have been delegated to the Executive Director(s), if such authorisations exist:

State the powers that have been delegated to the Executive Director(s), if such authorisations exist	Short description
FEDERICO GONZÁLEZ TEJERA	ALL THE POWERS THAT CORRESPOND TO THE BOARD OF DIRECTORS, EXCEPT THOSE THAT CANNOT BE DELEGATED BY LAW OR THE COMPANY'S BYLAWS

C.1.11 Identify, as applicable, the members of the Board that hold administrative or management positions in other companies that form part of the group of the listed company:

Name or corporate name of the director	Corporate name of group company	Position
JOSE ANTONIO CASTRO SOUSA	SOTOGRANDE. S.A.	INDIVIDUAL REPRESENTING THE DIRECTOR GRUPO INVERSOR HESPERIA, S.A.
FEDERICO GONZÁLEZ TEJERA	NH ITALIA. S.R.L.	DIRECTOR
FEDERICO GONZÁLEZ TEJERA	SOTOGRANDE. S.A.	CHAIRMAN
FRANCISCO JAVIER ILLA RUIZ	NH ITALIA. S.R.L.	DIRECTOR
CARLOS GONZÁLEZ FERNÁNDEZ	SOTOGRANDE, S.A.	DIRECTOR
JOSE MARÍA LÓPEZ ELOLA	SOTOGRANDE, S.A.	DIRECTOR
FEDERICO GONZÁLEZ TEJERA	GRUPO FINANCIERO DE INTERMEDIACION Y ESTUDIOS, S.A.	INDIVIDUAL REPRESENTING THE SOLE ADMINISTRATOR, NH HOTELES, S.A.

C.1.12 State, as applicable, the directors of your company that are members of the Board of Directors of other entities listed on official stock exchanges, other than companies in your group, which the company has been notified of:

Nombre o denominación social del consejero	Corporate name of company or group company	Position
RODRIGO ECHENIQUE GORDILLO	VOCENTO. S.A.	DIRECTOR
RODRIGO ECHENIQUE GORDILLO	BANCO SANTANDER. S.A.	DIRECTOR
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	INDRA SISTEMAS. S.A.	DIRECTOR
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	REALIA BUSINESS. S.A.	DIRECTOR
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	DEOLEO. S.A.	DIRECTOR
GILLES PÉLISSON	ACCENTURE PLC	DIRECTOR
GILLES PÉLISSON	SUN RESORTS INTL MAUTITIUS	DIRECTOR
GILLES PÉLISSON	TF1	DIRECTOR

C.1.13 State, and as applicable explain, if the company has rules on the number of boards that its directors may belong to:

YES

Explanation of the measures
Article 29 of the Regulations of the Board expressly establishes that directors must dedicate the necessary time and effort to performing their duties, and must notify the Appointments and Remuneration Committee of any circumstances that may interfere with the required dedication. Similarly, directors may not belong to more than 10 boards of directors, excluding the Board of NH Hoteles, S.A. and the boards of holding companies and family companies, without the express authorisation from the Appointments and Remuneration Committee based on the individual circumstances in each case.

C.1.14 Show the company's general policies and strategies reserved for approval by the plenary session of the Board:

The investment and financing policy	YES
The definition of the corporate group structure	YES
The corporate governance policy	YES
The corporate social responsibility policy	YES
The strategic or business plan, as well as management objectives and the annual budget	YES
The policy on remuneration and performance evaluations of senior managers	YES
The policy on remuneration and performance evaluations of senior managers	YES
The dividend and treasury stock policy, and in particular, the limits of the same	YES

C.1.15 State the overall remuneration of the Board of Directors:

Overall remuneration of the Board of Directors (thousands of euros)	2.480
Amount of overall remuneration corresponding to the pension rights accumulated by the Directors (thousands of euros)	0
Overall remuneration of the Board of Directors (thousands of euros)	2.480

C.1.16 Identify the members of the senior management team that are not executive directors and indicate their total remuneration for the year

Name or corporate name	Position(s)
ROBERTO CHOLLET IBARRA	FINANCE DIRECTOR
RAMÓN ARAGONÉS MARÍN	GENERAL MANAGER, OPERATIONS
IÑIGO CAPELL ARRIETA	GENERAL MANAGER, RESOURCES
JESUS IGNACIO ARANGUREN GONZALEZ-TARRÍO	GENERAL MANAGER, ASSETS AND REVENUE
CARLOS ULECIA PALACIOS	GENERAL SECRETARY
ROCÍO ESCONDRILLAS LABAD	GENERAL MANAGER, MARKETING

Total remuneration of senior management (thousands of euros)	2.570

C.1.17 State, where applicable, the identity of Board members who are also members of the Board of Directors of companies of significant shareholders and/or entities in their group:

Name or corporate name of the director	Corporate name of significant shareholder	Position
FRANCISCO JAVIER ILLA RUIZ	GRUPO INVERSOR HESPERIA, S.A	SOLE DIRECTOR
XIANYI MU	HNA GROUP CO LIMITED	DEPUTY CHAIRMAN
XIANYI MU	TANGLA SPAIN, S.L.	CHAIRMAN
DAOQI LIU	TANGLA SPAIN, S.L.	DIRECTOR
CHARLES MOBUS	TANGLA SPAIN, S.L.	DIRECTOR

State, as applicable, the relevant relationships other than those in the point above, of members of the Board of Directors that ties them with significant shareholders and/or in entities in the group:

Name or corporate name of the related Director	Name or corporate name of the related significant shareholder	Description of relationship
JOSE ANTONIO CASTRO SOUSA	GRUPO INVERSOR HESPERIA, S.A	PERSONA FÍSICA REPRESENTANTE DEL ADMINISTRADOR SOLIDARIO EUROFONDO, S.A.

C.1.18 State whether there has been any modification to the regulations of the Board during the year:

NO

C.1.19 State the procedures for selecting, appointing, re-electing, appraising and removing directors. Name the competent bodies, the procedures to be followed and the criteria used in each procedure

Selection procedures for members of the Board

The directors are appointed by the General Shareholders' Meeting, or provisionally by the Board of Directors in accordance with the provisions contained in the Capital Companies Act and the company's bylaws.

The proposed appointments of Directors submitted by the Board of Directors for the consideration of the General Meeting and the agreements to appoint adopted by this body 23/75 by virtue of its legal entitlement to co-opt members, must follow the provisions of the Regulations of the Board of Directors and be proposed by the Appointments and Remuneration Committee in the case of independent Directors, and based on a prior report from said Committee in the case of all other types of directors.

1. Appointment of external directors

The Regulations of the Board of Directors make special mention of the selection and appointment of external directors, due to their unique characteristics compared to executive directors.

The Board of Directors and the Appointments and Remuneration Committee have a duty to ensure, within the scope of their respective competencies, that the election of candidates falls on people with a solid reputation, proven skills and experience, and who are prepared to dedicate a sufficient part of their time to the Company, taking the utmost care in choosing people who may be selected to be independent directors.

The basic characteristics of the appointment of the aforementioned external directors are briefly explained below:

1.1 Proprietary Directors

Proprietary Directors are directors that represent or that have a shareholding in the Company that is greater than or equal to what is legally considered significant, or that may have been appointed due to their status as shareholders even though their shareholding does not reach the legally established amount.

For the purposes of this definition, it shall be assumed that a director represents a shareholder when:

a) They are appointed in the course of exercising the right to representation.

b) The person is a director, senior manager, employee or regular service provider of this shareholder, or to companies belonging to the same group.

c) The company documentation states that the shareholder accepts that the Director has been appointed by it or represents it.

d) The director is a spouse, a person connected to the shareholder by a similar level of affinity, or a relative of up to the second degree of kinship of a significant shareholder.

2.2 Independent Directors

Independent directors are considered to be those directors appointed because of their personal and professional attributes, who can perform their duties without being influenced by relations with the company, its significant shareholders or its managers.

The following people may not qualify as independent directors under any circumstances:

a) Those who have been employees or Executive Directors of companies in the group, unless 3 or 5 years, respectively, have passed since that relationship ceased.

b) They receive any amount or benefit from the company, or from its group, as payment other than for their role as Director, unless this amount is insignificant. For the purposes of this section, neither the dividends nor supplementary pension that the director receives in relation to his/her former professional or employment relationship shall be taken into account, provided that such additional payments are not contingent and as a result, the Company that pays them cannot suspend, modify or revoke their payment without being in breach of its obligations.

c) Those that are, or have been, during the last three years, a partner in the external auditor's firm or responsible for the audit report, whether in relation to the audit of the listed company during this period, or of any other company in its group.

d) Executive Directors or Senior Managers in another different company in which an Executive Director or Senior Manager of the company is an external director.

e) Those who maintain or have maintained an important business relationship with the company or any company in the group in the last year, whether in their own name or as a significant shareholder, director or senior manager of an entity maintaining or which has maintained such a relationship. Business relations are defined as the supply of goods or services, including financial or advisory services, or consultancy.

f) Those that are significant shareholders, executive directors or senior managers of an entity that receives, or has received during the last three years, significant donations from the Company or its group. People or entities that have solely been patrons of a foundation that receives donations shall not be included in this section.

g) Spouses, persons connected by a similar level of affinity, or a relative of up to the second degree of kinship of an Executive Director or Senior Manager of the company.

h) They were not proposed, whether as an appointment or renewal, by the Appointments Committee.

i) They fall under any of the cases set out in paragraphs a), e), f) or g) of this Article in relation to a significant shareholder or represented body on the Board. In the case of being a relation as indicated in paragraph g), the limitation shall not only apply in connection with the shareholder, but also with its proprietary directors in the investee company.

C.1.20 Indicate whether the Board of Directors has assessed its own activity in the last year:

YES

If so, explain how far this self-assessment has led to important changes in its internal organisation, and what procedures are applicable to its activities:

Description of changes
At least once a year, the Board of Directors will assess the quality of its own work, how efficiently it functions, and based on the report sent to it by the Appointments and Remuneration Committee, how its members perform their duties. It will also evaluate the work of its Commissions or Committee annually, based on the reports they submit to it..

C.1.21 State cases in which directors are obliged to resign.

Directors will resign from their posts at the end of the period for which they were appointed, or when decided by the General Meeting in the exercise of its legal powers.

The Directors must also offer their resignation to the Board of Directors in the following cases:

a) When they reach the age of seventy. Directors with executive duties must cease to carry out those duties when they reach the age of seventy-five, though they many remain as directors, if the board so decides. .

b) When they leave the executive posts which were associated with their appointment as Director, or when the reasons for which they were appointed cease to exist. This is understood to be the case for a Proprietary Director when the entity or business group he or she represents no longer has a significant holding in the company's share capital, or in the case of an Independent Director, when he or she joins the executive staff of the company or any of its affiliated companies.

c) When they meet the criteria for incapacity, incompatibility or prohibition established by law, or any of the other criteria established in the board regulations. All those directly or indirectly holding interests of any type or that have an employment, professional or mercantile relationship, or relations of any other type with competitor companies, shall be considered incompatible for the position of director, except when the Board of Directors, with a favourable vote of at least 70% of its members, agrees to set aside this condition.

d) Where they are seriously reprimanded by the Appointments and Remuneration Committee for failing to comply with one of more of their obligations as Directors.

e) When their permanence on the Board may affect the Company's good standing or reputation in the market or jeopardise its interest in any other way whatsoever

C.1.22 State whether the post of Chief Executive Director of the company is held by the Chairman of the Board. If so, explain the measures that have been taken to limit the risks of concentrating powers in a single person

NO

Measures to limit risks

State and explain, as applicable, whether rules have been established to authorise one of the independent directors to call meetings of the Board or to include new points on the agenda, in order to co-ordinate and represent the concerns of the external directors, and to oversee evaluation by the Board.

YES

Explanation of the rules
Article 21 of the Regulations of the Board (Article 21.2) empowers directors to ask the Chairman to include items on the agenda, and the Chairman is obliged to include these when the request has been made at least ten days prior to the date set for the meeting and is accompanied by the relevant documentation needed for said items to be communicated to the other members of the Board. Likewise, when the Chairman of the Board is also the Chief Executive Director of the company, the Board shall appoint one of the independent directors to co-ordinate and represent the concerns of the external directors and to oversee the evaluation of the Chairman by the Board

C.1.23 Are reinforced majorities, different from legal majorities required for any type of decision?:

YES

If so, describe the differences.

Description of the differences
For the appointment of Directors with direct or indirect interests of any type in, or an employment, professional, commercial or any other relationship with competitor companies, a vote in favour by 70% of the Board members is required (Article 11.3 Board Regulations)

C.1.24 Explain if there are any specific requirements, other than those relating to Directors, to be appointed Chairman of the Board of Directors.

NO

C.1.25 State whether the Chairman has the casting vote:

YES

Matters on which there is a casting vote
Resolutions will be passed by absolute majority of the votes of the directors attending the meeting. In the event of a tie, the Chairman, or the Vice-Chairman substituting them, shall have the casting vote.

C.1.26 State whether the Bylaws or the regulations of the Board establish any limit on the age of directors:

YES

Age limit Chairman	65 years
Age limit Executive Director	70 years
Age limit director	65 years

C.1.27 Indicate whether the bylaws or the Board Regulations establish a limited mandate for Independent Directors, other than as set forth in the legal regulations:

NO

C.1.28 Indicate whether the bylaws or the Board of Directors Regulations establish specific rules for delegating votes to the Board of Directors, how this should be done, and in particular, the maximum number of delegations any Director may have, and whether there is any obligation to delegate to a Director of the same type. If so, give a brief summary of these rules.

Article 22 of the Regulations of the Board of Directors states that directors must attend Board meetings in person. In exceptional cases when this is not possible, they shall ensure that any representation conferred on another member of the Board includes, as far as possible, the appropriate instructions. Said delegations may be made in writing or by any other means that ensures the truth and validity of the representation in the Chairman's opinion.

C.1.29 State the number of meetings that the Board of Directors has held during the year. Also indicate, as applicable, the number of times that the Board has met without its Chairman attending: The calculation of non-attendance includes representations made with specific instructions.

Number of Board meetings	16
Number of Board meetings not attended by the Chairman	0

State the number of meetings that the various committees attached to the Board have held during the year:

Committee	No. of Meetings
EXECUTIVE OR DELEGATE COMMITTEE	11
AUDIT COMMITTEE	7
APPOINTMENTS AND REMUNERATION COMMITTEE	9

C.1.30 State the number of meetings that the Board of Directors has held during the year with the attendance of all of its members. The calculation of non-attendance includes representations made with specific instructions:

Attendances by Directors	14
Attendances as a percentage of total votes during the year	87.50

C.1.31 State whether the individual and consolidated financial statements that are presented to the Board to be approved are certified in advance:

NO

C.1.32 Explain, if applicable, the mechanisms established by the Board of Directors to prevent the individual and consolidated financial statements drafted by it from being submitted to the General Shareholder's Meeting with qualifications in the audit report.

Article 41.2 of the Regulations of the Board establishes that the Board of Directors shall try to definitively prepare the financial statements so that there are no auditor qualifications. Nevertheless, when the Board considers that its criteria should remain unchanged, it shall publicly explain the content and scope of the discrepancies.

C.1.33 Is the Secretary of the Board also a director?

NO

C.1.34 Explain the procedures for appointing and removing the Secretary of the Board, indicating if the appointment and removal have been reported by the Appointments Committee and approved by a plenary session of the Board.

Appointment and removal procedure
In accordance with Article 19.4 of the Regulations of the Board, the appointment and removal of the Secretary shall be reported by the Appointments Committee and approved by a plenary session of the Board.

Does the Appointments Committee notify the appointment?	YES
Does the Appointments Committee notify the removal?	YES
Is the appointment approved by a plenary session of the Board?	YES
Is the removal of the Secretary approved by the Board?	YES

Is the Secretary of the Board responsible for specifically monitoring the recommendations on good governance?

YES

Comments
As indicated under Article 19.3 of the Board Regulations, in all cases the Secretary will oversee the formal and material legality of the Board's actions and ensure its procedures and rules of governance are abided by.

C.1.35 State the mechanisms established by the Company, if any, to preserve the independence of external auditors, financial analysts, investment banks and rating agencies.

The Board of Directors has established a stable and professional relationship with the Company's external accounts auditor through the Audit and Control Committee, strictly respecting its independence. Article 25 b of the Board of Directors Regulations expressly states that their responsibilities include establishing the appropriate relations with auditors or auditing firms in order to be informed about any matters that may jeopardise the independence of the auditors, to be examined by the committee, and any other matters relating to the financial auditing process, as well as any other acts of communication required by the legislation on financial auditing and auditing standards. In any event, they must receive annual written confirmation from the auditors or auditing firms of their independence with regard to the entity or entities linked to this corporation, either directly or indirectly, as well as information about additional services of any kind provided to those entities by such auditors or firms, or by persons or entities linked to them, in accordance with Act 19/1988, of 12 July, on Financial Auditing. Likewise, every year, prior to issuing the audit report, the Audit and Control Committee must also issue a report in which it gives its opinion on the independence of the auditors or auditing firms. The report must always comment on the provision of additional services referred to in the preceding section.

In addition, the Audit and Control Committee shall ensure the independence and efficiency of the internal audit function, proposing the selection, appointment, re-election and dismissal of the manager of the internal audit service. Likewise, it shall be responsible for proposing the budget of the Internal Audit Department and for receiving periodic information about its activities, as well as verifying that senior management takes into consideration the conclusions and recommendations of its reports.

C.1.36 State whether during the year the Company has changed its external auditor. If so, please identify the incoming and outgoing auditors:

NO

C.1.37 State whether the audit firm carries out other work for the company and/or its group other than audit work and if so, state the total fees paid for such work and the percentage this represents of the fees billed to the company and/or its business group

YES

	Company	Group	Total
Amount from other work other than audit work (thousands of euros)	1.388	205	1.593
Amount for work other than audit work / Total amount invoiced by the audit firm (%)	67,80	13,93	45,28

C.1.38 State whether the audit report of the financial statements for the previous year included qualifications or reservations. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of these qualifications or reservations

NO

C.1.39 State the number of consecutive years that the current audit firm has audited the financial statements of the company and/or its group. Also, indicate how many years the current audit firm has been auditing the accounts as a percentage of the total number of years over which the annual accounts have been audited.

	Company	Group
Number of consecutive years	12	12

	Company	Group
Number of years audited by the current audit firm / Number of years that the company has been audited (%)	46,00	46,00

C.1.40 State whether there is a procedure by which directors may access external advice. If so, describe said procedure:

YES

Explanation of the reasons
Article 28 of the Regulations of the Board of Directors expressly states that directors may request the use of legal, accounting or financial advisers, or other experts, paid for by the Company, to help them in the discharge of their duties. Such help must relate to specifically defined and complex problems that arise in the course of their work. The decision to hire these services must be reported to the Company Chairman and implemented through the Secretary of the Board, unless the Board of Directors considers said hiring to be unnecessary or undesirable.

C.1.41 State whether there is a procedure by which directors may access the information required to prepare for the meetings of the administrative bodies with sufficient time. If so, describe said procedure:

YES

Detailed procedure
Article 27 of the board regulations reflects the right of members of the board of directors to be informed and their duty to inform. In that regard, it states that it is the right and duty of every director to gather as much information as they deem necessary or appropriate at any given moment for the correct performance of their duties. To this end, the Board has been assigned the broadest possible powers to gain information about any aspect of the Company; to examine its books, registers and documents and any other information concerning its operations that may be necessary or appropriate for the diligent exercise of its duties. This right to information also extends to the different subsidiaries that comprise the consolidated group, and must always being exercised in good faith

C.1.42 State whether the company has established rules that require directors to report and, as applicable, resign in those cases where company's credibility and reputation may be harmed. If so, describe said rules

YES

Explain the rules
Article 14.2.e) of the Regulations of the Board of Directors of NH Hoteles, S.A. expressly establishes that directors must present their resignation "When their permanence on the Board may affect the Company's good standing or reputation in the market or jeopardise its interest in any other way whatsoever. It also establishes that in all events, those subject to any incapacity, disqualification, prohibition or conflict of interests set forth in current legislation may not be put forward as Board members´.

C.1.43 State whether any member of the Board of Directors has notified the Company that they have been prosecuted or issued with a summons for oral proceedings in relation to the offences indicated in Article 213 of the Spanish Capital Companies Act:

NO

C.1.44 List the significant agreements signed by the company and that come into force, are modified or are terminated in the case of a change in control of the company resulting from a take-over bid, and their effects.

The NH Hoteles group has agreements signed with the partners of Residencial Marlín S.L. and Los Alcornoques de Sotogrande, S.L. that, given that the personal characteristics of the partners are essential for smooth running of projects involving these companies, establish that any change in effective control, either in the partners or in their respective parent companies, will result in a procedure enabling the other partner to leave the company with the right to have his or her shareholdings refunded and be compensated for any damages caused.

In addition, the NH Hoteles Group has been granted loans and credits with a joint limit of €35 million containing a clause establishing their early maturity in the event of circumstances that give rise to a change in control of the company NH Hoteles, S.A.

There are hotel management contracts signed by subsidiaries of the Group under which the company that owns (or leases) the hotels can exercise the right to terminate the contracts in the event of a change of control at NH Hoteles S.A., such a change being deemed to be that by which one or more persons acting together can exercise at least 50.01% of the voting rights. Should that right be exercised, the company owning the hotels must pay the managing company an amount that varies according to when the right is exercised, by way of compensation for the effects arising from the termination of the contract. Accordingly, the management contracts signed between Hoteles Hesperia, S.A. (which is 99% owned by NH Hoteles España, S.L.) and the respective owners of the hotels in question establishes, for example that, in the event of a change of control at NH Hoteles, S.A., the owner may opt to terminate the management contract, but would have to pay Hoteles Hesperia, S.A., an amount related to the Average Annual Earnings, as defined in the contracts.

C.1.45 Identify, in aggregate form, and indicate in detail the agreements between the company and its directors, managers or employees providing compensation, guarantee or protection in the event of their resignation or wrongful dismissal, or upon conclusion of the contractual relationship due to a take-over bid.

Number of beneficiaries	4
Type of beneficiary	Description of the resolution
Members of the Board and members of the Management Committee	In order to increase their fidelity with the company, their contracts have included certain indemnities that may be above the standard indemnity clauses in case of unilateral withdrawal of the company. These amounts may vary between one annularity of the fix salary and two annularities of the total salary.

Indicate whether these contracts must be communicated to, and/or approved by the governing bodies of the company:

	Board of Directors	General Shareholders' Meeting
Body that authorises the clauses	YES	NO

Is the General Shareholders' Meeting notified of the clauses?	NO

C.2 Committees attached to the Board of Directors

C.2 .1 List all the committees of the Board of Directors, their members and the proportion of Proprietary and Independent Directors on them:

COMISIÓN DELEGADA

Name	Position	Type
RODRIGO ECHENIQUE GORDILLO	CHAIRMAN	Other External
FEDERICO GONZÁLEZ TEJERA	EXECUTIVE	Executive
JOSE ANTONIO CASTRO SOUSA	EXECUTIVE	Proprietary
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	EXECUTIVE	Proprietary
XIANYI MU	EXECUTIVE	Proprietary

% of Executive Directors	20,00
% of Proprietary Directors	60,00
% of Independent Directors	0,00
% of other external directors	20,00

AUDIT AND CONTROL COMMITTEE

Name	Position	Type
CARLOS GONZÁLEZ FERNÁNDEZ	CHAIRMAN	Independent
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	EXECUTIVE	Proprietary
RAMÓN LANAU VIÑALS	EXECUTIVE	Proprietary
XIANYI MU	EXECUTIVE	Proprietary

% de Executive Directors	0,00
% of Proprietary Directors	75,00
% de Independent Directors	25,00
% of other external directors	0,00

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Type
GILLES PÉLISSON	CHAIRMAN	Independent
FRANCISCO JAVIER ILLA RUIZ	EXECUTIVE	Proprietary
ABITARIA CONSULTORIA Y GESTION, S.A.	EXECUTIVE	Proprietary
XIANYI MU	EXECUTIVE	Proprietary

% of Executive Directors	0,00
% of Proprietary Directors	75,00
% de Independent Directors	25,00
% of other external directors	0,00

C.2 .2 Fill in the table below with the information relating to the number of female directors on Board of Directors committees in the last four financial years:

	Number of female directors							
	Year t		Year t-1		Year t-2		Year t-3	
	Number	%	Number	%	Number	%	Number	%
COMISIÓN EJECUTIVA O DELEGADA	0	0,00	0	0,00	0	0,00	0	0,00
COMITÉ DE AUDITORÍA	0	0,00	0	0,00	0	0,00	0	0,00
COMISIÓN DE NOMBRAMIENTOS Y RETRIBUCIONES	0	0,00	1	33,33	1	33,33	1	33,33

C.2 .3 Indicate whether the following duties correspond to the Audit Committee:

Supervise the drafting process and integrity of the financial reporting relating to the Company and, as applicable, to the group, reviewing compliance with regulatory requirements, the appropriate scope of consolidation and the correct application of accounting criteria	YES
Periodically review the internal control and risk management systems so that the main risks are identified, managed and made known.	YES
Ensure the independence and effectiveness of the internal audit; propose the selection, appointment, re-election and removal of the internal audit service manager; propose the budget for this service; receive periodic information about its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.	YES
Establish and supervise a mechanism that allows employees to confidentially, and where applicable anonymously, communicate potential irregularities, particularly financial and accounting, which they discover within the company.	YES
Present to the Board of Directors proposals to select, appoint, re-elect and substitute the external auditor, as well as the conditions of its contract.	YES
Receive information about the audit plan and its results from the external auditor on a regular basis and verify that senior management takes its recommendations into account.	YES
Ensure the independence of the external auditor.	YES

C.2 .4 Give a description of the rules governing the organisation and functioning, as well as the responsibilities of each committee attached to the Board.

1. **The Executive Committee**

The organisation, composition and responsibilities of the Executive Committee are all governed in detail by Articles 45 et seq of the Company bylaws, and by Article 24 of the Board Regulations.

Thus, as set out in law and the internal regulations of NH Hoteles, the Board of Directors of the Company has a designated Executive Committee empowered to make generally applicable decisions, and which therefore expressly holds all the powers corresponding to the Board of Directors, except those which cannot be delegated by law or under the Company's bylaws.

a) Composition

Article 24 a) of the Company's Board of Directors Regulations expressly states that the "Executive Committee will be formed by the Chairman of the Board and three to nine Directors, designated by the Board of Directors."

In terms of the qualitative composition of the Executive Committee, the Board shall ensure that the different types of director represented will be similar to that of the main Board and its secretary will be the secretary of the Board. (Article 24.a Board Regulations).

In all events, the valid appointment or re-election of members of the Executive Committee shall require the favourable vote of at least two thirds of the members of the Board of Directors.

b) Duties

In accordance with the literal content of Article 24 b) of the aforementioned

Regulation 37/75, the Executive Committee shall meet as often as called by its Chairman. The Chairman and Secretary of the Board of Directors shall perform the same functions in the Executive Committee, although one or more Vice-chairmen and a Vice-secretary may also be appointed. The Executive Committee shall be validly convened when half plus one of the members are present or represented at the meeting.

Resolutions shall be passed by a majority of the directors at the meeting (in person or by proxy), with the Chairman holding the casting vote in the event of a tie.

The Executive Committee shall notify the Board of the matters discussed and the decisions made at its meetings. .

c) Competencies

The Executive Committee has a general decision-making capacity, with express delegation of all the powers corresponding to the Board of Directors, except those that cannot be delegated by law or the Company's bylaws.

2. **Audit and Control Committee**

Its composition, duties, and responsibilities or competencies are fully regulated by Article 48 of the Company's bylaws and Article 25 of the Board Regulations

a) Composition.

The Audit and Control Committee shall comprise a minimum of three and a maximum of five directors, appointed by the Board of Directors. All members of the Committee must be external or non-executive directors.

The members the Audit and Control Committee, and particularly its Chairman, shall be appointed after taking into account their knowledge and experience in accounting or auditing matters, or both.

The Chairman of the Audit and Control Committee must be an independent director and be appointed from among its non-executive members. The Chairman must also be replaced every four years; previous chairmen may be re-elected one year after their previous mandate has ended.

b) Duties

The Audit and Control Committee shall meet at least once every quarter and as often as considered necessary by its Chairman, or when requested by two of its members or the Board of Directors.

The Audit and Control Committee may summon any employee or manager of the Company, and also the Company's accounts auditor, to attend its meetings.

Through its Chairman, the Audit and Control Committee will give the board an account of its activities and work done, either at the meetings scheduled for the purpose or at the very next meeting when the Chairman of the Audit and Control Committee deems it necessary. The minutes of its meetings will be available to any member of the board that requests them.

b) Competencies.

The primary function of the Audit and Control Committee, notwithstanding any other task that the Board of Directors may assign it, shall be to support the Board in its supervisory duties, specifically:

The primary function of the Audit and Control Committee, notwithstanding any other task that the Board of Directors may assign it, shall be to support the Board in its supervisory duties, specifically: :

1. Report to the General Meeting on any matters broached within the sphere of its competence.

2. Oversee the efficacy of the company's internal controls, its internal auditing, as appropriate, and its risk management, as well as to discuss with the auditors of accounts or auditing firms any significant weaknesses detected in the internal control system during the course of an audit.

3. Oversee the process of drawing up and submitting mandatory financial reporting.

4. Propose the appointment of the auditors of accounts or auditing firm, in accordance with legislation applicable to the company, to the company's governing body so that it may be brought before the General Shareholders' Meeting or other of the company's equivalent bodies, depending on its legal nature.

5. Establish the appropriate relations with the auditors or auditing firms for the purpose of receiving information about matters that may jeopardise the independence of the auditors and should be brought before the committee, and any other matters relating to the financial auditing process, as well as other disclosures required by financial auditing laws and audit regulations. In any event, they must receive annual written confirmation from the auditors or auditing firms of their independence with regard to the entity or entities linked to this corporation, either directly or indirectly, as well as information about additional services of any kind provided to those entities by such auditors or firms, or by persons or entities linked to them, in accordance with Act 19/1988, of 12 July, on Financial Auditing.

6. Every year, prior to issuing the audit report, issue a report giving its opinion on the independence of the auditors or auditing firms. The report must always comment on the provision of additional services referred to in the preceding section.

7. Ensure the independence and effectiveness of the internal audit; propose the selection, appointment, re-election and removal of the internal audit service manager; propose the budget for this service; receive periodic information about its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

8. Set and oversee a mechanism that allows employees to confidentially and, if deemed appropriate, anonymously report any breaches of the Code of Conduct.

9. Supervise compliance and internal codes of conduct, as well as the rules of corporate governance

10. Inform the Board about all matters connected with related-party transactions, which shall be construed as they are defined by the Revised Text of the Capital Companies Act.

11. Inform the Board about the creation or acquisition of any equity investments in special purpose vehicles and companies registered in tax havens, as well as about any other transactions or operations of a similar nature which, due to their complexity, might negatively affect the group's transparency; and

12. Exercise any other competencies such Committee has been assigned by these Regulations or which may be assigned by the Board of Directors. .

3. **The Appointments and Remuneration Committee**

Article 47 of the Company bylaws and Article 26 of the Board Regulations govern every aspect of the Committee's organisation and the duties and competencies pertaining to it.

a) Composition.

The Appointments and Remuneration Committee shall comprise a minimum of three and a maximum of five directors. All members of the Committee shall be non-executive directors and the majority of its members must be independent directors.

The Chairman of the Appointments and Remuneration Committee must be an independent director and be appointed by the Committee itself from among its members.

b) Duties

The Appointments and Remuneration Committee shall meet as often as considered necessary by its Chairman, or when requested by two of its members or the Board of Directors.

c) Competencies.

The Appointments and Remuneration Committee shall have the following duties, notwithstanding any other tasks that may be assigned to it by the Board of Directors:

1. Report on proposals to appoint and dismiss directors and senior managers of the Company and its subsidiaries. In the case of vacancies arising on the Board of Directors, the Appointments and Remuneration Committee shall ensure that the selection procedure does not suffer from any implicit bias that may hamper the selection of female directors and that women that fulfil the professional profile sought are included among the potential candidates.

2. Approve the remuneration scales applied to senior managers of the Company

3. Approve the standard contracts applied to senior managers.

4. Determine the remuneration scheme of the Chairman and, as applicable, the Chief Executive Director. .

5. Examine or organise, as considered most appropriate, the Chairman's and the chief executive's succession, and if necessary bring proposals before the Board so that such successions are effected in an orderly well-planned fashion.

6. Propose the remuneration scheme applied to members of the Board of Directors and periodically review them to ensure they are suitable for the tasks carried out by them, in accordance with Article 35 of these regulations.

7. Report on incentive plans.

8. Carry out an annual review of the remuneration policy applied to directors and senior managers.

9. Report on the proposals to appoint members of the Executive Committee and the other committees attached to the Board of Directors.

10. Prepare and maintain a register of the positions of directors and senior managers of the Company; and

11. Perform any other duties that may be assigned to it under these regulations.

The Board of Directors shall be informed of all the tasks carried out by the Appointments and Remuneration Committee during its first meeting, and in all events the corresponding documentation shall be made available to the Board so that it can take these actions into consideration when performing its duties.

C.2 .5 Indicate, as applicable, the existence of the regulations governing the committees attached to the Board, where they are available for consultation and any amendments that have been made to them during the year. Also state whether an annual report on the activities of each committee has been voluntarily drafted.

The Company Bylaws (Articles 45 - 48), and the Regulations of the Board of Directors (Articles 23 - 26) comprehensively cover all regulations relating to the Board's Committees. The aforementioned internal regulations of the Company are available on the company website (www.nh-hotels.es), in the section "Information for Shareholders" - "Corporate Governance".

Since 2011 no changes have been made to the Company Bylaws or Board Regulations concerning committee regulation.

C.2 .6 State whether the composition of the delegate or executive committee reflects the participation on the Board of different categories of directors:

NO

If not, explain the composition of the Delegate or Executive Committee
The Executive Committee consists of 5 members. The Chairman is categorised as Other External Director, another is categorised as an executive and the remaining three members are Proprietary Directors. Independent Directors are not represented on the Executive Committee, due to the many significant shareholders represented on the Board and the low "free float" percentage.

D - RELATED AND IN-GROUP TRANSACTIONS

D.1 Identify the competent body and explain the procedure, if any, to approve transactions with related parties and parties within the group.

Competent body for approving related party transactions
The Board of Directors, after receiving the Report of the Audit and Control Committee

Procedure for approving related party transactions
Articles 33.1.c) of the Bylaws and 5.5 c) of the Board Regulations assign the Board of Directors the duty of approving related party transactions, understood to be transactions between the Company and Directors, significant shareholders or bodies represented on the Board, or people tied to them, as defined in the LSC. This approval will follow a Report by the Audit and Control Committee (Bylaw Article 48.4 and 25 b) of the Board Regulations). Authorisation of the Board shall not be required however, for related party transactions that simultaneously meet the following three conditions: 1. That are carried out under agreements with standardised conditions and are applied in a general way to numerous clients 2. That are carried out at established rates or prices, which in general are set by the supplier of the good or service; 3. For an amount not exceeding 1% of the company's annual revenues. The above notwithstanding, Article 3.2.7.f) of the NH Hoteles Code of Conduct, approved by the Board of Directors on 24 May 2011, interprets the foregoing internal regulation as follows: "All transactions referred to in this section will be subject to previous authorisation by the Board, after a favourable report by the Audit and Control Committee of NH Hoteles S.A. In the case of transactions forming part of normal company business, which are habitual and recurring, the general authorisation of the line of transactions and its execution conditions will be sufficient. However, authorisation by the Board shall not be required for related party transactions that simultaneously meet the following conditions: (i) that are due to contracts with standard conditions; (ii) that take place under market conditions and general conditions applicable to companies in the Group, and (iii) that the amount does not exceed 1% of the annual revenues of NH Hoteles, in relation to the audited annual consolidated accounts for the last year ended before the date of the transaction in question. If the authorisation of the Board of Directors should not be mandatory due to the foregoing requirements not being found, people subject to substantive rules on conflicts of interest, shareholders and the heads of the departments which have to formalise the related party transactions between companies in the Group, must provide a written report on the transactions in which they take part, or if applicable, their respective Related Parties, by a notification to the Secretary of the Audit and Control Committee. This notification must be sent every six months, in the first week of January and July of each calendar year. The notification must include the following: (a) Nature of the transaction; (b) Transaction start date; (c) Payment conditions and terms ; (d) Identity of the person carrying out the transaction, and their relationship, if any with the person people subject to substantive rules on conflicts of interest; (e) Amount of the transaction; and (f) Other relevant aspects, such as pricing policies, guarantees issued and received, and any other aspect of the operations permitting a suitable interpretation of the transaction, including information on operations which were not carried out under market conditions. For these purposes, every six months the Secretary of the above Committee will send the Directors and people subject to substantive rules on conflicts of interest a notification requiring them to send the relevant information to the Company. The Secretary of the Company Audit and Control Committee will draw up a Register of transactions with people subject to substantive rules on conflicts of interest, significant shareholders, companies in the Group, or the respective related parties. The information in the Register will regularly be made available to the Board of Directors. The transactions in the Register will be published in the cases and within the scope set out in the applicable regulations.

Explain whether the approval of related party transactions has been delegated, and if so, indicate the body or persons to whom it is delegated.

Article 33.2 of the Board Regulations explicitly stipulates that "The powers reserved exclusively to the Board by law or the Company's bylaws, or those needed for the responsible exercise of its basic duties of supervision and control, cannot be delegated." Therefore, the duty of approving related party transactions, which the Bylaws assign expressly to the plenary Board, cannot be delegated.

D.2 List transactions which are significant for their amount or relevant due to their subject, between the company or entities in its group, and significant shareholders of the company:

Name or corporate name of significant shareholder	Name or corporate name of company or group company	Nature of the relationship	Type of operation	Amount (thousands of euros)
INTESA SANPAOLO, S.P.A.	JOLLY HOTEL HOLLAND NV	Contractual	Other	625
INTESA SANPAOLO, S.P.A.	NH ITALIA, S.R.L.	Contractual	Other	1.389
INTESA SANPAOLO, S.P.A.	NH ITALIA, S.R.L.	Contractual	Other	63.750
GRUPO INVERSOR HESPERIA, S.A	HOTELES HESPERIA, S.L.	Contractual	Other	1.520
BANCO FINANCIERO Y DE AHORROS, S.A.	NH FINANCE, S.A.	Contractual	Other	69.870
BANCO FINANCIERO Y DE AHORROS, S.A.	NH HOTELES, S.A.	Contractual	Other	35.000
PONTEGADEA INVERSIONES, S.L.	NH HOTEL RALLYE PORTUGAL LTD.	Contractual	Other	878
PONTEGADEA INVERSIONES, S.L.	NH HOTELES ESPAÑA, S.L.	Contractual	Other	8.488

D.3 List transactions which are significant for their amount or relevant due to their subject, between the company or entities in its group, and managers or directors of the company:

Name or corporate name of director or manager	Name or corporate name of the related party	Relationship	Nature of the transaction	Amount (thousands of euros)

D.4 Report on the significant transactions carried out by the company with other entities belonging to the same group, provided they are not eliminated in the process of drafting the consolidated financial statements and do not form part of the Company's normal business in relation to its purpose and conditions:

In all cases, any in-group transaction with entities established in countries or territories considered tax havens will be reported:

Corporate name of entity in its group	Short description of the transaction	Amount (thousands of euros)
HARRINGTON HALL HOTEL LIMITED	LOAN	5.962
SOTOCARIBE, S.L.	LOAN	2.744
LOS ALCORNOQUES DE SOTOGRANDE, S.L	FINANCIAL INSTRUMENT	5.576
RESIDENCIAL MARLIN, S.L.	LOAN	478

D.5 State the amount of the transactions carried out with other related parties

D.6 Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and/or its group, and their directors, managers or significant shareholders.

Article 32 of the Board Regulations sets forth the mechanisms to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and their directors, stating that directors shall perform their functions with absolute loyalty to the company's corporate interests. .

Directors must therefore comply with the following obligations and requirements:

a) Directors may not use the name of the Company nor cite their position as directors in order to carry out transactions on their own behalf or on behalf of parties related to them.

b) Directors may not make investments or carry out transactions associated with the Company's assets, of which they have knowledge through the performance of their duties, for their own benefit or for the benefit of those related to them, when such transactions have been offered to the Company, or in which the Company has an interest, except when the Company has rejected them without the involvement of the director. .

c) Directors may not make use of the Company's assets nor their position within the Company to their economic advantage unless an appropriate consideration has been made.

If the benefit is received in their position as a shareholder, it shall only be deemed fair insofar as it respects the principle of the equal treatment of shareholders.

d) Directors must notify the Board of Directors of any direct or indirect situation of conflict of interest arising with the Company. In the case of a conflict, the affected director shall abstain from involvement in the transaction to which the conflict refers.

e) Directors shall abstain from voting on issues that affect matters in which they or those related to them have a direct or indirect interest.

f) No Director may directly or indirectly make professional or trade operations or transactions with the company or with any of its group companies, where such transactions are beyond the scope of the company's ordinary business or where they are not carried out under market conditions, unless the Board of Directors is informed thereof in advance and approves the transaction, after having received a report from the Audit and Control Committee, with a favourable vote of at least 80% of the Directors attending or represented by proxy at the meeting.

g) Directors shall likewise give notice of any direct or indirect interests they or the related parties referred to by Article 231 of the Revised Text of the Capital Companies Act may hold in the capital of a company having the same, analogous or complementary kind of activity as that which constitutes the company's corporate purpose. They shall also notify the offices they may hold or the functions they may perform in such company.

The persons referred to by Article 231 of the Revised Text of the Capital Companies Act shall be construed as related parties.

The situations of conflict of interest set out in the preceding paragraphs shall be reported in the Annual Report and in the annual Corporate Governance Report.

Similarly, the NH Hoteles Internal Code of Conduct, approved by the Board of Directors on 24 May 2011 regulates in detail a Procedure for Conflict of Interest that is applicable, among others, to Directors or senior management, who must in general refrain from attending or taking part in the deliberation and voting stages of matters in which they have a conflict of interest. The secretary of the Audit and Control Committee of NH Hoteles, S.A., will draw up a Register of Conflicts of Interest of Persons Subject to Substantive Rules on Conflicts of Interest, which will be constantly updated, with detailed information about each situation that arises. The information contained in the register will be made available to the Audit and Control Committee. The latter is entrusted with ensuring compliance with the internal codes of conduct, as well as its corporate governance functions.

D.7 Is more than one company in the Group listed in Spain?

YES

Identify the affiliate companies listed in Spain:

Listed subsidiary
SOTOGRANDE, S.A.

Indicate whether the respective areas of activity and the corresponding business relations between them have been publicly defined in detail, as well as the areas and relations of the listed subsidiary company with the other companies in the Group;

YES

State any possible business relationships between the parent company and the listed subsidiary, and between the latter and other group companies
The relationships derived from the management contracts that exist between the companies

State the mechanisms created for resolving any conflicts of interest between the listed subsidiary and the other companies in the Group:

Mechanisms for resolving possible conflicts of interest
The mechanisms for resolving possible conflicts of interest that may arise between NH Hoteles, S.A. and the listed company that forms part of its group, Sotogrande, S.A., are defined by the Audit and Control Committees attached to the respective companies, which propose the corresponding solutions that are approved, as appropriate, by the Board of Directors of each company.

E - RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System.

Grupo NH Hoteles, S.A.

E.2 Identify the company bodies responsible for creating and implementing the Risk Management System.

The Finance Department is the department responsible for establishing the design, implementation and comprehensive monitoring of the Group's internal Financial Reporting control system. That involves taking responsibility for the maintenance of the necessary control structure and ensuring that it functions effectively and continuously over time. The purpose of the internal control system is to provide the company with reasonable guarantees that the financial reporting generated is reliable.

The entity's Board of Directors is responsible for overseeing this control structure, in line with the provisions of Article 5 of the Regulation of the Board of Directors.

In order to carry out this previously-described oversight function, the Board of Directors turns to the Audit and Control Committee, which is obliged, through its internal auditing function, to implement measures and action plans to ensure that this oversight function is properly fulfilled, as described in Article 25 of the Regulation of the Board of Directors.

E.3 State the main risks which can affect business goal achievement.

1. Control system for financial risk

The group controls its financial risks using the following mechanisms:

1.1 Procedures Manual: The relevant operations carried out by the NH Hoteles Group are standardised through an internal procedures manual covering purchase cycles, asset management, treasury, end of month processes, etc. The regulations applicable to accounting matters for all national and foreign companies in the Group are also regulated. .

1.2 Internal Audit: The Internal Audit Department carries out an on-going function that mainly focuses on identifying risk situations and evaluating their management. To this end it has defined an annual audit plan that aims to verify the correct application of the established rules and procedures, both at the level of corporate departments and for different hotels, among other objectives.

1.3 Audit Committee: Reporting directly to the Board of Directors, the Audit Committee is responsible for supervising the correct functioning of all the Group's Internal Control Systems. It also periodically analyses the principal risks of the businesses and the systems established for their management and control. It is also the body responsible for relations with the Group's external auditors.

1.4 Centralised Management: The Group, through the Corporate Finance Department, implements a unified, centralised management policy based on non-speculative criteria to control financing policies, interest rates and exchange rates.

2. Strategic Risk Control Systems

2.1 The NH Hoteles Group has a team of professionals that analyse strategic opportunities of various types. This team selects the options best aligned with the Group's global strategy and submits them to the Expansion and Management Committee, and subsequently to the Executive Committee and the Board of Directors.

2.2 The Group has identified a set of employees who in each purchase determine the policies and procedures to apply in various critical areas (human resources, information systems, commercial management and marketing, etc.)

2.3 The Expansion Committee, which reports to the Management Committee, analyses the opportunities that arise. It comprises members from each area in order to analyse all the opportunities and risks of the businesses that arise in the Group.

3. Risk control systems for business, transaction control and environmental risks

3.1 The Management Committee meets on a weekly basis. It analyses the information contained in the management scorecards drawn up by the Corporate Control Management Department to assess the development of transactions, and closely monitors aspects of the business assessment obtained through the computer system.

It also sets the policy to be applied by each Company department and monitors the application of the market policy for the Committee.

3.2 The policy of the Group in general and its Golfing activity in particular is one of utmost respect for the environment, and for this reason, it has hired the services of an environmental consultancy for diagnosis and advice in the Group's activities

4. Other preventative procedures

4.1 Occupational health and safety

The occupational health and safety plans involve planning processes that are susceptible to causing risks and establishing the appropriate safety measures.

The Company organises numerous training courses for employees and subcontractors..

4.2 Insurance

The NH Hoteles group follows an extensive coverage policy by taking out insurance policies for the risks to which it is exposed. It also has a policy of continuously reviewing this coverage.

4.3 Risk Map

Through its Audit Committee, the NH Hoteles Group has created a risk map, including a wide range of up to 14 types of risk, from commitments to future income to the status of the operating permits of the hotels, via financial commitments in the form of loans.

This plan is updated annually to identify possible threats to the Group which might affect its operations.

E.4 State whether the entity has a risk tolerance leve.

NH Hoteles, S.A. has a risk tolerance level, which will depend both on subjective factors, such as risk aversion, and on objective factors, consisting of NH Hoteles group's financial and equity capacity to absorb the impact of certain risks.

E.5 State which risks have had an impact over the year .

Those inherent to the activity.

E.6 Explain the response and supervision plans for the entity's main risks.

The Audit and Control Committee is responsible for supervising internal control, which it does by means of the Internal Audit Department, which attends the sessions of the Audit and Control Committee whenever the committee feels this to be necessary.

The Audit and Control Committee regularly carries out the following supervisory and control functions, as specified in Article 25 b) of the Regulation of the Board of Directors.

F - INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS RELATION TO THE PROCESS OF ISSUING FINANCIAL REPORTS (SCIIF)

Describe the mechanisms making up the risk control and management systems in relation to the process of issuing financial reports (SCIIF) on your company.

F.1 The company's control environment

Report, indicating the main characteristics of at least:

F.1.1. What bodies and/or areas are responsible for: (i) the existence and maintenance of an adequate and effective internal financial reporting control system (SCIIF); (ii) its implementation; and (iii) its supervision

The Financial Department is responsible for the design, implementation and overall monitoring of the Group's Internal Financial Reporting Control System. This means maintaining the necessary control structure and ensuring it functions effectively and continuously over time. The purpose of the internal control system is to provide the company with reasonable guarantees that the financial reports generated are reliable.

The entity's Board of Directors is responsible for overseeing this control structure, in line with the provisions of Article 5 of the Board of Directors Regulations.

In order to carry out this previously-described supervisory function, the Board of Directors turns to the Audit and Control Committee, which, through its internal auditing area, is obliged to implement measures and action plans to ensure that this supervisory function is properly carried out, as described in Article 25 of the Board of Directors Regulations.

F.1.2. If the following elements exist, particularly in relation to the financial report generation process:

Departments and/or mechanisms responsible for: (i) the design and supervision of the organisational structure; (ii) clearly defining the chain of responsibility and authority with an adequate distribution of tasks and functions; and (iii) ensuring that there are adequate procedures for disseminating it within the company.

Defining and reviewing the organisational structure of the Group is the responsibility of the Management Committee; this organisational structure is fully defined. Significant changes to the organisation chart, when they occur, are approved by the Board of Directors on presentation by the Appointments and Remuneration Committee. The organisation chart is available to all employees on the Group's intranet.

All group employees are duly informed both of the chain of hierarchical responsibility and functions; to that end, internal channels of communication are used, most notably the intranet, managerial meetings and notice boards in each hotel.

In order to fulfil the objectives and responsibilities relating to maintenance and supervision of the Financial Reporting Control process, specific functions have been defined within the organisational structure, and these apply to those responsible for each process involved with Financial Reporting. The objectives of these functions are to ensure compliance with the implemented controls, analyse how they function, and provide information about any changes or incidents that may occur

On an ascending scale of responsibility, this structure includes the supervisors of each process in the area of control, the directors of each business unit and the directors of each corporate area directly concerned with the processes related to the internal Financial Reporting Control System. The Finance Department is entrusted with receiving information form the different individuals responsible for the process and is also responsible for ensuring correct operation of the internal control system.

Code of conduct, the approval body, the degree of dissemination and instruction, included principles and values (indicating if there are specific mentions of the transactions register and the generation of financial reports), the body in charge of analysing breaches and proposing corrective actions and penalties

Responsibility for approving the Code of Conduct rests with the Board of Directors of NH Hoteles. The document affects all NH group employees, being applicable not only to employees and members of the Board of Directors, but also, in certain cases, to customers and suppliers.

On 24 May 2011, the Board of Directors approved a new Code of Conduct, which has replaced the previous document that was approved in 2003.

All Group employees have been informed of the Code of Conduct, along with additional training material ("Practical Guide for Employees", "Frequently Asked Questions"), by various online and offline means which are permanently available to employees and third parties on the company website. The Company has established a procedure whereby each employee with an individual email address is sent the new Code of Conduct, and asked to commit to it. For other employees, there have been periodical communication campaigns. At present, the company website offers an online course for employees, intended to ensure familiarity with the Code of Conduct.

Any modification of the Code of Conduct must be previously approved by the Board of Directors, and employees and any other people affected must be notified.

The Code of Conduct contains the following points specifically relating to financial reports and the recording of transactions:

- Section 3.2.4 c) states that "NH Hoteles shall ensure that all records of financial and accounting activity are prepared in an accurate and reliable manner, co-operating with and facilitating the work of the internal audit, inspection and intervention units and other internal control units, as well as that of external auditors and competent authorities, in all cases collaborating with the Justice department".

- Section 3.2.7 a) expressly states that "transparency of information is a fundamental principle of the conduct of the Group, being a commitment to giving reliable information to markets, whether financial or of any other kind. In this way, the company's financial reports, both internal and external, will offer a true reflection of its financial situation and its assets in accordance with generally accepted accounting principles".

The aforesaid section stresses that "the individuals responsible must transmit truthful, complete and comprehensible financial reports. In no case will they knowingly provide incorrect, imprecise or inaccurate information. Employees must not:

- keep records of transactions recorded on media other than normal accounting records that are not entered into official books;
- record non-existent expenditure, income, assets or liabilities;
- make entries in accounting books, incorrectly indicating their purpose;
- use fake documents;
- deliberately destroy documents before the end of the legally-required time limit for retaining them".

Reporting channel for informing the Audit Committee of financial and accounting irregularities, as well as any breaches of the Code of Conduct and irregular activities in the organisation, noting if this is confidential.

A procedure has been established for lodging complaints about breaches of the principles enshrined in the Code of Conduct, and this enables employees to provide confidential information about any non-compliance with the principles set out in the Code of Conduct. The procedure for reporting and dealing with possible non-compliance and reports relating to the Code of Conduct is administered by the manager of the Group's Internal Audit Department, who acts independently, giving an account of the most significant incidents over the course the year to the Company's Audit and Control Committee. Complaints should preferably by lodged electronically using a channel expressly set up for the purpose on the NH Hoteles intranet (codeofconduct@nh-hotels.com), through which they are forwarded to the director of the Internal Audit Department, thereby ensuring that they remain confidential. In addition, they may be sent by ordinary mail to Santa Engracia 120, 28003 Madrid, Spain, addressed to the Director of Internal Audit of NH Hoteles, S.A. The director of the Internal Audit Department is responsible for examining the information submitted, requesting the relevant evidence and reports and, where appropriate, presenting the files containing all the information in his possession to the Chairman of the Board of Directors of NH Hoteles, S.A. All relevant complaints are presented to the Chairman of the Audit and Control Committee.

Training and periodic skills-updating programmes on, at least, accounting standards, audit, internal control and risk management for staff involved in preparing and reviewing financial reports and carrying out FICS evaluations.

The Company has put in place two action channels relating to the Internal Financial Reporting Control System:

- Basic training programmes: On the aims and characteristics of the Financial Reporting Control System. These programmes are aimed at the individuals that make up the Financial Reporting Control structure, process managers and business unit directors. The aim is to provide information on the most important aspects of the Financial Reporting generation process: The Company's operating processes making up the Control System, the bodies responsible for maintaining the controls defined for each process, reporting improvements or changes, understanding the established supervision system, etc. These training programmes were carried out at the start of the assessment project and are held once a year.

- Continuity programmes: The aim of these programmes is to maintain the efficiency and efficacy of the control system through periodic training of all the people belonging to the implemented control system. These programmes are designed individually, depending on the needs reported by the areas involved

In parallel, the Finance Department, the personnel of which has the greatest involvement in preparing financial reports, has a specific annual training plan delivered by external consultants that includes the chief areas of its activity: accounting rules, consolidation rules, specific financial reporting applicable to the sector and areas considered particularly important to its functions.

F.2 Financial reporting risk assessment

Report at least:

F.2.1. Which are the main characteristics of the risk identification process, including error and fraud, regarding:

Whether the process exists and is documented.

Risks relating to the Financial Reporting System are determined and evaluated within the general risk map produced by the Company, which is periodically reviewed and updated.

The risks defined within the Company's risk map are classified according to COSO criteria, including the following categories:

- Strategic risks: those caused by the uncertainty associated with changes in the competitive, company or industry environment.

- Financial risks: all risks caused by the uncertainty associated with fluctuations in interest rates, foreign exchange rates or difficulties and variations in the conditions for accessing financing.

- Unforeseen risks: in general, these relate to damage to the company's own assets and liabilities arising from damages caused to third parties and damages caused by natural hazards.

- Operational risks: these include risks associated with uncertainty in processes, operations and staff or due to inadequate internal systems.

The Company currently has a risk management process in place, which is properly documented and contained on a company IT application.

Whether the process covers all the objectives of financial reporting (existence and occurrence; integrity; assessment; presentation, itemisation and comparability; rights and obligations), whether it is updated and how often.

In order to ensure the reliability of the Financial Reporting, accounting errors that may arise from the following control objectives are always borne in mind:

- Completeness: balances or transactions that should be recorded but are not
- Transaction cut-off: those booked in a period other than when they were accrued
- Accuracy: transactions recorded with errors (amounts, conditions).
- Occurrence/ Existence: transactions that have taken place within the period.
- Valuation/Allocation: record of transactions involving incorrect sums due to inadequate valuation calculations.
- Presentation/ Classification: classification errors in the various entries of the financial statements.

The existence of a process for identifying the consolidation perimeter, taking aspects such as the possible existence of complex company structures, and instrumental entities or those with a specific purpose into account.

Defining the scope involves establishing which companies, countries and business units within the Group are relevant and, therefore, if they should be covered by the financial reporting control system, along with identifying the operating and support processes that have to be analysed within each business unit. To determine the scope, quantitative and qualitative criteria for relevance have been taken into account. The determination and review of this scope, as previously described, are fully documented within the Financial Reporting Control System, and must be overseen by the Group's Financial Department. It is approved annually by the Audit and Control Committee.

Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) insofar as these affect the financial accounts.

In designing the risk management process associated with generating Financial Reports, the Company has focused on the following objectives:

- Definition of the Financial Reporting Control System processes and subprocesses.

- Determination of the relevant risk categories and types for each of the different Internal Financial Reporting Control System processes defined in the point above.

  Corresponding subcategories have been defined for each of these risk categories. The Accounting, Reporting and Internal Control subcategories are differentiated and defined within the section on the group's operational risks.

- Definition and analysis of controls for each specific risk and establishment of their degree of effectiveness. A risk matrix has been established for each of the subprocesses detailed above, in which the most relevant risks for each process are defined, along with the operational controls and their effectiveness in mitigating the risks that affect them.

Which governing body of the company supervises the process.

The company's Board of Directors is responsible for supervising this control structure. In order to carry out the aforementioned supervision duties, the Board of Directors is supported by the Audit and Control Committee, through Internal Audit.

F.3 Control Activities

Informe, señalando sus principales características, si dispone al menos de:

F.3.1. Procedures to review and authorise the financial report and description of the SCIIF, to be published on the securities market, indicating its responsible bodies, and documentation describing the workflows and controls (including those regarding fraud risk) of the different types of transactions which can have a tangible effect on the financial accounts, including the accounting close procedure and the specific review of the relevant judgements, estimations, evaluations and projections.

Every month, the Group's Finance Department submits the management report to the Board of Directors for their consideration. This report includes the most relevant financial and management information; the Profit and Loss Account and the main economic indicators and ratios. A statement of financial position is also submitted quarterly.

The Board of Directors periodically requests an analysis of specific issues, as well as the details of particular financial transactions which, because of their importance, need to be studied in greater depth.

The Chairman of the Audit and Control Committee periodically reviews this financial reporting during its meetings and, as required, requests the attendance of either external and/ or internal auditors..

The internal Financial Reporting Control System defined within the control structure of the group includes a detailed definition not only of the companies in the group to which it must be applied, but also of the map of the most significant processes within each of them. Among the most important processes are those relating to reporting, closing accounts, consolidation and judgements and estimates.

F.3.1 The controls and procedures defined within the Internal Financial Reporting Control System support the relevant processes to ensure the proper functioning of the information systems, such as secure access, monitoring of changes in the systems, operational continuity and separation of functions.

F.3.2 Internal control policies and procedures regarding the information systems (including secure access, change monitoring and management, operational continuity and separation of functions) which support the company's processes relating to the generation and publication of financial reports. .

The controls and procedures defined within the Internal Financial Reporting Control System support the relevant processes to ensure the proper functioning of the information systems, such as secure access, monitoring of changes in the systems, operational continuity and separation of functions.

F.3.3 Internal control policies and procedures to supervise the management of outsourced activities and those aspects of evaluation, calculation or appraisal entrusted to independent experts, which may materially affect the financial accounts.

Supervision of the management of activities outsourced to third parties, as well as any possibly relevant evaluation, calculation or valuation tasks commissioned from independent experts are also covered by this control structure.

F.4 Information and communication

Report, indicating the main characteristics, whether it has at least:

F.4.1. A specific area responsible for defining and updating accounting policies (accounting policies area or department) and resolving queries or conflicts arising from their interpretation, maintaining constant communication with those responsible for operations in the organisation, and an updated manual of accounting policies communicated to the units through which the company operates.

The Company's Organisation Department is responsible for unifying, analysing and publishing all the rules and procedures applicable within it especially those dealing with operating, administrative (including accounting), quality and regulatory matters. It is the responsibility of each area (finance, operations, purchasing, sales, etc.) to issue and maintain the rules relevant to their area and that form an integral part of the company's internal controls. The Internal Audit Department is responsible for reviewing the previously defined processes and procedures regularly, ensuring the control tasks they include work and are correctly applied.

The Financial Department is responsible for defining and applying accounting criteria, checking that they are updated and approved. To that end, the Company currently has a common Accounting Plan, a Manual of Accounting Rules and a Consolidation Manual, applicable to all the countries in which the Group operates, which are updated at least on a yearly basis. This body of regulations reflects the International Financial Reporting Standards (IFRS requirements, which are the accounting standards by which the Group is governed. The Group's Financial Department is responsible for interpreting and applying regulations relating to Financial Reporting.

Every six months the Financial Department updates and verifies possible new laws affecting the generation of financial reports.

F.4.2 Mechanisms to capture and prepare financial reports with standardised formats, applicable and for use in all units of the company or the Group, supported by the main financial statements and notes, and the information provided on the SCIIF.

The Financial Department will consolidate the accounts every month. This process starts with the consolidated accounts being received from the various Business Units each month. These are checked and approved to ensure they comply with the established principles of control and significant influence. The last phase of this process includes verification of the standardisation adjustments affecting the income statement (monthly) and the balance sheet (quarterly).

This means all the Business Units share a documentation and consolidation system that is approved by the Financial Department, which reviews it once a year.

It is important to stress that the Company has a single Accounts Plan for the entire Group, as well as shared management IT tools in all the Business Units.

F.5 Supervision of the functioning of the system

Report, indicating the main characteristics of at least:

F.5.1 The supervision of the SCIIF by the Audit Committee and whether the company has an internal auditing area whose competency includes supporting the committee in supervising the internal control system, including the SCIIF. It will also report the scope of the evaluation of the SCIIF during the year and the procedure by which the body in charge of the evaluation will report its results, if the company has an action plan which details possible corrective measures, and if its impact on financial reporting has been considered.

Internal Control supervision is the responsibility of the Audit and Control Committee, which implements this through the Internal Audit Department. We must specify that, within the Company organisational chart, the Internal Audit department reports to the General Secretary and attends the sessions of the Audit and Control Committee when the latter considers it desirable

The Audit and Control Committee regularly carries out the following functions, as specified in the Board of Directors Regulations:

- Supervision of internal control and risk management: Evaluates and supervises the effectiveness of internal control and risk management systems, including those affecting the financial reporting reliability.
- Supervision of regulated financial reports: Overseeing the process of drawing up and submitting mandatory financial reporting.
- Supervision of audit activities

The Group has established a model for supervising financial reporting control system which:

- Enables Executive Management and the Board of Directors to be provided with enough information to determine the correct functioning over time of the internal financial reporting control system
- Helps Executive Management to detect and correct deficiencies in control before they can significantly affect the quality of financial reporting
- Maintains adequate control operations, as the defined supervision model is designed to prioritise risks, i.e., supervision is based on identifying the most significant risks, identifying key controls, and testing the sufficiency of those controls.

This supervision of the Internal Financial Reporting Control System takes the form of the following actions by the Internal Audit department:

1. Description and identification of the risks and controls associated with each process, and creation of the corresponding matrix.
2. Drawing up a Model Report for the Financial Reporting Control System and the Approval Matrix. .
3. Sending the reports to each manager in charge.
4. Filling in the reports by the manager in charge, reporting the operativity of the controls under their responsibility.
5. Supervision and obtaining evidence corresponding to the correct implementation of the controls described.
6. Communication of the results and most significant defects to the responsible managers, their managers, and the Audit and Control Committee, and correcting these defects so that the prioritisation is most efficient by drawing up an action plan.

It should be mentioned that each year, the Internal Audit Department and the manager responsible for the processes affecting financial reporting review the design internal control system and how it operates to assess its effectiveness in mitigating the associated risks..

Supervision is complemented by the actions included in the auditing plan by Grupo NH Hoteles Internal Audit Department. This Plan includes financial and operating audits which help assess the efficiency and effectiveness of the controls established in the Company. The Audit Plan is approved annually by the Audit and Control Committee, and applies to all the Group's business units.

In the process of reviewing and reporting the results, the internal audit team meets with the centre managers at the end of each review, and quarterly with the directors of the business units. At those meetings, incidents are examined and future action plans are defined.

F.5.2 Whether there is a discussion procedure through which the accounts auditor (as established in the NTA), the internal auditing area and other experts can report to senior management and the Audit Committee or company administrators on the significant weaknesses in internal control detected during the process of reviewing the annual accounts, or others for which they are responsible. Likewise, whether there is an action plan to correct or mitigate the weaknesses found.

The supervision results and the most significant deficiencies of the internal financial reporting control system are reported to the managers of those responsible, and reviewed in the Audit and Control Committee sessions, which requires the presence of both external and internal auditors

F.6 Other relevant information

The Internal Audit team is present in the Group's main business units, some of the most significant of which are Spain, Germany, Benelux and Italy, and its ongoing work helps to guarantee the effectiveness of the supervisory tasks needed to ensure proper application of the Company's internal control system.

F.7 Report by the external auditor

Report on

F.7.1. Whether the SCIIF reports sent to the markets have been reviewed by the external auditor, in which case the company must include the corresponding report as an appendix. If not, it must report its reasons.

The Audit and Control Committee has sufficient evidences with regard to the correct functions of the SCIIF within NH Hoteles Group and has not considered necessary to request for an additional revision on behalf of the external auditors.

G - DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the Unified Code of Good Governance. If any recommendation is not followed or is only followed in part, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company' methods. Generalised explanations will not be acceptable.

1. **The Bylaws of listed companies do not limit the maximum number of votes a single shareholder may cast, or have any other restrictions impeding the take-over of the company by acquiring its shares on the market.**

   See sections: A.10, B.1, B.2, C.1.23 y C.1.24.

   Complies

2. **When the parent company and an affiliate company are both listed, they both accurately define publicly:**
   a) Their respective areas of activity and possible business relations between them, as well as between the listed subsidiary and the other companies in the group;
   b) The mechanisms in place for resolving potential conflicts of interest that may arise.

   See sections: D.4 y D.7

   Complies

3. **Although not expressly required by commercial law, operations involving a change to the structure of the company are submitted to the general shareholders' meeting for approval, and particularly:**
   a) The transformation of listed companies into holding companies through "subsidiarisation" or the incorporation of essential activities into subsidiary entities, which to date were carried out by the company itself, even though the parent maintains full control over them;
   b) The acquisition or disposal of essential operational assets when this involves an effective modification of the corporate purpose;
   c) Operations equivalent to effectively winding up the company.

   See sections: B.6

   Partially complies

   The amendment of the articles approved by the General Shareholders' Meeting on 29 June 2011 expressly included the transactions mentioned in sections b) and c) of this Recommendation as matters to be submitted to the General Meeting for its approval. This does not apply to the transactions described in section a).

4. **The detailed proposals in the agreements to be adopted at the General Meeting, including the information referred to in recommendation 27, are published at the time of publishing the call to the AGM**

   Complies

5. **The General Meeting can vote separately on matters which are substantially independent, so that shareholders can exercise their voting preferences separately. And that this rule is applied, particularly to:**
   a) The appointment or ratification of directors, who must be voted for individually;
   b) In the event of amendments to the bylaws, to each essentially independent article or group of articles.

   Complies

6. **The companies allow votes to be split so that financial intermediaries appearing legitimately as shareholders but acting on behalf of different clients can cast their votes according to the clients' instructions.**

   Complies

7. **The Board performs its duties with unity of purpose and independence of mind, treats all shareholders equally, and is guided by the interests of the Company, understood as maximising the Company's economic value over time.**
   It should also ensure that the company respects all laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories in which it operates; and observes the principles of social responsibility to which it has voluntarily subscribed.

   Complies

8. **The Board takes the core of its mission to be approving the Company's strategy and the organisation it needs to put it into practice; and supervising and monitoring Executive Management's compliance with the goals set and its respect for the Company's purpose and interests. Therefore, the plenary sessions of the Board reserves the authority to approve:**

   a) The general strategies and policies of the company, in particular:

   i) The strategic or business plan, as well as management objectives and the annual budget;

   ii) The investment and financing policy;

   iii) The definition of the corporate group structure;

   iv) The corporate governance policy;

   iv) The corporate governance policy;

   v) The corporate social responsibility policy;

   vi) The policy on remuneration and performance evaluations of senior managers;

   vii) The risk control and management policy, and regular monitoring of internal reporting and control systems.

   viii) The dividend policy, treasury shares policy, and especially, their limits

   See sections: C.1.14, C.1.16 y E.2

b) The following decisions:

i) At the proposal of the Company's chief executive, the appointment and removal of senior managers, and their compensation clauses.

ii) The remuneration of directors, and in the case of executives, the additional remuneration for their executive functions and other conditions as set out in their contracts.

iii) The financial reports that listed companies must publish regularly.

iv) Investments and operations of all kinds which, due to their high worth or special characteristics, are strategic in nature, except where they must be approved by the General Meeting;

v) The creation or acquisition of shareholdings in special purpose vehicles or those registered in countries or territories considered tax havens, as well as other similar transactions or operations that, due to their complexity, could impair the transparency of the group

c) Operations that the company may carry out with directors, significant shareholders or those represented on the Board, or with any person related to them ("related party transaction"). Authorisation of the Board shall not be required however, for related party transactions that simultaneously meet the following three conditions:

1.ª That are carried out under agreements with standardised conditions and are applied in a general way to numerous clients;

2.ª That are carried out at established rates or prices, which in general are set by the supplier of the good or service;

3.ª Operations with a quantity that does not exceed 1% of the company's annual revenues.

The Board is advised to approve related party transaction that receive a prior favourable report from the Audit Committee or from any other committee that has been authorised to this end; and that the directors involved not only abstain from voting (without the right to delegation), but also vacate the meeting room while the Board deliberates and votes on the issue.

It is advisable that the competencies attributed to the Board in these matters should not be delegated, except in the aforementioned points b) and c), which may be adopted for reasons of urgency by the Executive Committee, and subsequently ratified by a plenary session of the Board.

Partially complies

The Company complies with the recommendation in this section, except for those points established in section b.i.), for which the Board of Directors considers that the decision regarding the appointment and possible removal of senior managers must correspond and continue to correspond to the Chief Executive Director of the Company. Notwithstanding the above, the Board of Directors Regulations attribute responsibility to the Appointments and Remuneration Committee to provide a prior report on the appointment or dismissal of the managers that report directly to the Chief Executive Director.

9. **The Board is the right size to function effectively and with full participation, with an advisable size being from five to fifteen members**

See section: C.1.2

Complies

10. **The external proprietary and independent directors are a large majority of the Board and the number of executive directors is the minimum needed, taking into account the complexity of the business group and the percentage the executive directors hold in the company's capital.**

See sections: A.3 y C.1.3.

Complies

11. **Within the external directors, the ratio of proprietary and independent directors reflects the proportion of company equity represented by proprietary directors and the remaining capital.**
This criterion of strict proportionality can be relaxed so that the percentage of proprietary directors is greater than the total percentage of capital they represent:

1.º In large cap companies in which few or no shareholdings are legally considered significant, but which include block stockholdings of considerable value.

2.º In companies in which there are numerous shareholders represented on the Board and these shareholders have no links between them.

See sections: A.2, A.3 y C.1.3

Complies

12. **The independent directors represent at least a third of the total directors**

See section: C.1.3.

Explain

Of the 14 directors making up the Board of Directors de NH Hoteles, S.A, three are independent, accounting for 21.42% of the total number of directors.

13. **The nature of each director is explained by the Board before the General Shareholders' Meeting which must appoint them or ratify their appointment, and confirmed or reviewed each year, as applicable, in the Annual Corporate Governance Report, after verification by the Appointments Committee. And this report also explains the reasons why proprietary directors may have been appointed at the request of shareholders who hold less than 5% of the capital; and states the reasons for denying, as applicable, formal requests for representation on the Board from shareholders whose holding is equal to or above that of other shareholders at whose request proprietary directors have been appointed.**

See sections: C.1.3 y C.1.8

Complies

14. When there are few or no women directors, the Appointments Committee will ensure, when considering new Board members:
   a) The selection procedures do not suffer from any implicit bias that hampers the selection of female directors;
   b) The company deliberately seeks and includes women who match the professional profile sought among the potential candidates

   See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 y C.2.4.

   Complies

15. The Chairman, who is responsible for the effective functioning of the Board, ensures that the directors receive sufficient information beforehand; promotes discussion and the active participation of directors during Board meetings, ensuring their freedom to make judgements and express opinions; and organises and co-ordinates with the chairmen of the relevant committees to periodically evaluate the Board as well as the Managing Director or the Chief Executive, as applicable.

   See sections: C.1.19 y C.1 41

   Complies

16. When the Chairman of the Board is also the chief executive of the company, one of the independent directors is empowered to call Board meetings or include new points on the agenda; to co-ordinate and represent the concerns of the external directors; and to organise the Board's appraisal of its Chairman.

   See section: C.1.22

   Not applicable

17. The secretary of the Board takes pains to ensure that the actions of the Board:
   a) Comply with the conditions and the spirit of the laws and regulations, including those approved by regulatory entities;
   b) Comply with the company's bylaws and with the regulations of the Shareholders' Meeting, the Board of Directors and any other company regulations;
   c) Take into account the recommendations on good governance contained in this Unified Code that the company has accepted.

   And in order to safeguard the independence, impartiality and professionalism of the secretary, their appointment and removal is notified by the Appointments Committee and approved by a plenary session of the Board; and this appointment and removal procedure is part of the Regulations of the Board of Directors.

   See section: C1.34

   Complies

18. The Board meets often enough to be able to perform its duties effectively, following the programme of dates and subjects established at the start of the year, and each director can propose other points for the agenda which were not initially planned.

   See section: C.1.29

   Complies

19. Non-attendance by directors is reduced to unavoidable cases and quantified in the Annual Corporate Governance Report. And in the event that representation is unavoidable, is it granted with instructions.

   See sections: C.1.28, C.1.29 y C.1.30

   Partially complies

   Although Article 22 of the Board Regulations states that directors shall personally attend Board meetings, and when they are unable to do so in exceptional circumstances they shall attempt to grant a proxy in favour of another member of the Board, including the relevant instructions in so far as possible, such instructions are not always in writing and may also be issued verbally.

20. When the directors or the Secretary express concern regarding a proposal, or in the case of directors, about the Company in general, and these concerns are not resolved in the Board, at the request of the person expressing the concern, this will be noted in the minutes.

   Complies

21. Once a year, a plenary session of the Board should assess:
   a) The quality and efficiency of the Board;
   b) The performance of the Chairman of the Board and the Chief Executive of the company based on the report provided by the Appointments Committee;
   c) The performance of its committees based on the reports provided by them.

   See sections: C.1.19 y C.1.20

   Complies

22. All the directors have the right to gather any additional information they consider necessary regarding matters within the competency of the Board. And, unless otherwise stated by the bylaws or the Board Regulations, they address their requirements to the Chairman or to the Secretary of the Board

   See section: C.1.41

   Complies

23. All directors have the right to attain the advice they need from the company in order to perform their duties. The company facilitates the appropriate channels for exercising this right, which in special circumstances may involve external advice at the expense of the company.

   See section: C.1.40

   Complies

24. **The companies establish an induction programme to give new directors a quick overview of the company and its corporate governance regulations. And directors are also offered programmes to improve their knowledge when circumstances demand.**

Complies

25. **The companies require directors to dedicate the necessary time and effort to perform their duties effectively, and therefore:**
   a) That directors notify the Appointments Committee of any other professional obligations that could interfere with the commitment required;
   b) That companies regulate the number of boards their directors may belong to

See sections: C.1.12, C.1.13 y C.1.17

Complies

26. **Proposals to appoint or re-elect directors submitted by the Board to the general shareholders' meeting, and provisional appointments by co-opting, are approved by the Board:**
   a) At the proposal of the Appointments Committee, in the case of independent directors.
   b) After a report by the Appointments Committee, in the case of all other directors.

See section: C.1.3

Complies

27. **The companies publish on their websites and keep updated the following information on their directors:**
   a) Professional profile and biography;
   b) Other boards they sit on, irrespective of whether these are listed companies;
   c) Indication of the category of director to which they belong, indicating in the case of proprietary directors, the shareholder they represent or to which they are related;
   d) Date of their first appointment as director of the company, and subsequent appointments; and,
   e) Shares and share options held by the director.

Partially complies

Although the updated composition of the Board is published on the website, giving the date of their first and most recent appointment, as well as their category and shareholding, not all the detailed information that is recommended is provided.

28. **Proprietary directors offer their resignation when the shareholder they represent sells all its shares in the company. And the number of proprietary directors is also reduced when the shareholders in question reduce their holdings to a level that requires fewer such directors.**

See sections: A.2 , A.3 y C.1.2

Complies

29. **The Board of Directors does not propose the removal of any independent director before the end of the statutory period for which he or she was appointed, unless there is a just cause recognised by the Board after a report by the Appointments Committee. In particular, just cause would be understood to exist if the director had failed to fulfil the duties inherent in the post, or if any of the circumstances transpire which would lead him or her to no longer being independent, as established in Order ECC/461/2013. The removal of independent directors may also be proposed as a result of mergers, take-overs or other similar corporate actions that change the structure of the company's capital when said changes obey the criteria of proportionality indicated in Recommendation 11.**

See sections: C.1.2, C.1.9, C.1.19 y C.1.27

Complies

30. **Companies establish rules which oblige the directors to report and, if applicable, resign in cases which might harm the credit and reputation of the company, and in particular, oblige them to report to the Board any criminal proceedings in which they are charged, and any subsequent trials. If a director is indicted or tried for any of the offences set out in Article 213 of the Capital Companies Act, the Board examines the case as soon as possible and, based on the specific circumstances, decide whether the director should continue in their post. The Board reports and explains all such occurrences in the Annual Corporate Governance Report.**

See sections: C.1.42, C.1.43

Complies

31. **All the directors clearly express their opposition when they consider a proposed decision submitted to the Board could be against the interests of the Company. Particularly independent and other directors who are not affected by any potential conflict of interest should oppose decisions that may be detrimental to shareholders not represented on the Board. When the Board adopts significant or repeated decisions about which a director has serious reservations, the director draws the appropriate conclusions and, if they decide to resign, explains the reasons in the letter referred to in the following recommendation.**
   This recommendation also applies to the secretary of the Board, even though they may not be a director.

Complies

32. **When a director leaves their post before the end of their mandate, whether due to resignation or for another reason, they explain their reasons in a letter to be sent to all Board members. And, notwithstanding the fact that this departure is reported as a significant event, the reason for the departure is reported in the Annual Corporate Governance Report.**

See section: C.1.9

Complies

33. That executive directors are limited to remuneration in the form of shares in the company or companies of the Group, share options or other share-based instruments, and variable payments linked to company performance or forecast systems. This recommendation will not include the provision of shares when it is conditional upon directors to hold them until their departure as a director.

Complies

34. The remuneration of external directors is as necessary to reward the dedication, qualification and responsibility the post demands; but not so high as to compromise their independence.

Complies

35. Remuneration relating to the company's profits takes into account any caveats which may appear in the external auditor's report and which decrease those profits.

Not applicable

36. In the case of variable remuneration, the payment policies include limits and the necessary technical safeguards to ensure such compensation is related to the professional performance of the beneficiaries and does not simply derive from the general state of the market or the sector of activity of the Company, or similar circumstances

Complies

37. When there is a Delegate or Executive Committee (hereunder, "Executive Committee"), the participation structure of the different categories of directors will be similar to that of the Board itself, and the secretary will be the same as for the Board.

See sections: C.2.1 y C.2.6

Complies

38. The Board is always aware of the matters discussed and the decisions adopted by the Executive Committee, and all the members of the Board receive copies of the minutes of Executive Committee sessions.

Complies

39. The Board of Directors creates, in addition to the Audit Committee demanded by the Securities Market Act, a committee, or two separate committees, on appointments and remuneration.
The rules regarding the composition and functioning of the Audit Committee and the committee(s) for appointments and remuneration appear in the Regulations of the Board of Directors and include the following:

a) The Board appoints the members of the committees on the basis of their knowledge, skills and experience and the tasks of each committee; deliberates on their proposals and reports; and at the first plenary session of the Board following their meetings, directors must report on their activity and be held accountable for the work they have done;
b) These committees are exclusively formed of external directors, comprising at least three members. The above is intended without prejudice to the attendance of executive directors or senior managers, when the members of the committee expressly agree.
c) Their chairpersons are independent directors.
d) They can receive outside advice when they consider it necessary for the performance of their duties.
e) Their meetings are recorded in minutes, a copy of which will be sent to all Board members

See sections: C.2.1 y C.2.4

Complies

40. The supervision of compliance with the internal codes of conduct and the rules of corporate governance are attributed to the Audit Committee, the Appointments Committee, or, if existing separately, the Compliance or Corporate Governance Committee

See sections: C.2.3 y C.2.4

Complies

41. The members of the Audit Committee, and its chairperson in particular, are designated taking into account their knowledge and experience in the fields of accounting, audit or risk management.

Complies

42. The listed companies have an internal audit function, supervised by the Audit Committee, which safeguards the smooth running of the information and internal control systems

See sections: C.2.3

Complies

43. The head of the internal audit function presents its annual work plan to the Audit Committee; they inform the committee directly of the incidents arise during its implementation; and, at the end of each financial year, they submit an activity report to the committee

Complies

44. **The risk management and control policy identifies at least the following:**

   a) **The different types of risk (operational, technological, financial, legal, reputation-related, etc.) to which the company is exposed, including contingent liabilities and other off-balance sheet risks among financial and economic risks;**

   b) **The level of risk that the company considers acceptable;**

   c) **The measures planned to mitigate the impact of identified risks should they materialise;**

   d) **The internal control and information systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance-sheet risks.**

   See section: E

   Complies

45. **It is the responsibility of the Audit Committee to:**

   1º In relation to internal control and information systems:

   a) **The main risks identified due to supervising the effectiveness of the company's internal control and internal auditing, where applicable, are managed and reported appropriately.**

   b) **Safeguard the independence and effectiveness of the function of the internal audit; propose the 69/75 selection, appointment, re-election and removal of the internal audit service manager; propose the budget for this service; receive periodic information about its activities; and verify that senior management takes the conclusions and recommendations of its reports into account.**

   c) **Establish and supervise the mechanism that allows employees to report confidentially, and if considered appropriate, anonymously any irregularities which might be significant, especially in finances and accounting, within the company**

   2º In relation to the external auditor:

   a) **Regularly receive information from the external auditor about the auditing plan and results of its implementation, and verify that senior management takes its recommendations into account.**

   b) **Ensure the independence of the external auditor, and for this purpose:**

   i) **The company must notify the Spanish National Securities Market Commission (CNMV) of a change in auditor by way of a Relevant Fact, and accompany it with a statement on the existence of any disagreements with the outgoing auditor, and if such exist, their content.**

   ii) **If the external auditor resigns, examine the circumstances causing thi**

   See sections: C.1.36, C.2.3, C.2.4 y E.2

   Complies

46. **The Audit Committee can call on any company employee or manager, and even require an interview without the presence of any other manager.**

   Complies

47. **The Audit Committee informs the Board, before it adopts the corresponding decisions, on the following matters, as set out in Recommendation 8:**

   a) **The financial reports that the company, as a listed company, must periodically publish. The committee must ensure that interim accounts are drawn up following the same accounting principles as the annual ones, and therefore consider the advisability of a limited review by the external auditor.**

   b) **The creation or acquisition of shares in entities with special purposes or domiciled in countries or territories that are considered tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, might be detrimental to the transparency of the Group.**

   c) **Related party transactions, unless this duty of prior reporting has been attributed to another committee than the Supervision and Control committees**

   See sections: C.2.3 y C.2.4

   Complies

48. **The Board of Directors, where possible, will present the accounts to the General Meeting without reservations or caveats in the auditor's report, and in the unusual case that there are any, both the Chairman of the Audit Committee and the auditors will clearly explain to the shareholders the content and scope of these reservations or caveats.**

   See section: C.1.38

   Complies

49. **Most of the members of the Appointments Committee, or the Appointments and Remuneration Committee if a single body, will be independent directors.**

   See section: C.2.1

   Explain

   On 31 December 2013, the Appointments and Remuneration Committee consisted of one independent director (Mr. Gilles Péllison), who also acts as Chairman, and three proprietary directors.

50. As well as the duties indicated in the above Recommendations, the Appointments Committee is responsible for the following:
   a) Assessment of the competencies, knowledge and experience needed on the Board; consequently, defining the functions and aptitudes needed in the candidates for each position, and evaluating the time and dedication necessary for appropriately complying with their remit.
   b) Examining or organising, as it considers suitable, the succession of the Chairman and the chief executive, and if applicable, making proposals to the Board so that this succession takes place in an orderly and well-planned manner.
   c) Reporting the appointments and removals of senior managers which the chief executive proposes to the Board.
   d) Report to the Board on the questions of gender diversity set out in Recommendation 14 of this Code.

   See section: C.2.4

   Complies

51. The Appointments Committee consults the Chairman and the chief executive of the company, particular concerning matters relating to executive directors.
   And that any director can request the Appointments Committee to take into consideration potential candidates to cover any director vacancies, if they consider the candidate appropriate.

   Complies

52. As well as the duties indicated in the above Recommendations, the Remunerations Committee is responsible for the following:
   a) Propose to the Board of Directors:
      i) The remuneration policy for directors and senior managers;
      ii) The individual remuneration of the executive directors and the other conditions of their contracts.
      iii) The basic conditions of the contracts of senior managers.
   b) Ensuring that the remuneration policy established by the company is respected.

   See sections: C.2.4

   Complies

53. The Remuneration Committee consults the Chairman and the chief executive of the company , especially concerning matters relating to executive directors and senior manager.

   Complies

H - OTHER USEFUL INFORMATION

1. If there are any aspects relating to the corporate governance of the Company or the Group's entities which have not been covered in the other sections of this report, but which are necessary to include in order to gather complete and detailed information on the structure and practices of the governance of the entity or the Group, please note them briefly.

SECTION A.2
The information provided in the reference section reflects holdings in the Company's shares on 31 December 2013.

Without prejudice to the above, on 17 January 2014 Banco Financiero y de Ahorros, S.A. notified the Spanish National Securities Market Commission (CNMV) of the sale of 38,834,034 shares, representing its 12.6% holding in NH Hoteles, S.A.

Also, on 24 January 2014, Pontegadea Inversiones, S.L. sold its shares (4.06%) in NH Hoteles, S.A. to HNA Group Co. Limited, which now holds 24.059% of Company equity.

SECTION A.3
The information contained in table A.3 sets out exclusively the number of voting rights held directly by private individuals and legal entities that have the status of members of the Board of Directors. This number does not include the voting rights held by legal entities that have requested and assigned proprietary directors.

SECTION A.5
All relations of a commercial, contractual or corporate nature made between significant shareholders and the Company and/or its group have been described in the section on Related Party Transactions (insofar as the significant shareholders are also Company directors). These relations have not been included in section A.5 since these transactions are considered to arise from the ordinary course of the Company's business.

SECTION A.6
In relation to the Shareholders' Agreements between HNA Group and the company Pontegadea Inversiones, S.L. referred to in the same section, it should be noted that on 28.01.2014 a Relevant Fact reported the acquisition of the shares which Pontegadea Inversiones, S.L. held in NH Hoteles, S.A. by the HNA Group, and the consequent dissolution of that agreement.

SECTION C.1.2
This section shows the composition of the Board on 31 December 2013. Please note that, as a consequence of the sale of the holding Banco Financiero y de Ahorros, S.A. FA had in the share capital of NH Hoteles in January 2014, the two proprietary directors designated by that bank, namely Participaciones y Cartera de Inversión S.L. and Abitaria Consultoria y Gestión, S.A. have presented their resignation..

It should also be noted that in the meeting of the Board of Directors of 27 February, at the request of the shareholder HNA Group, director Mr. Daoqi Liu was replaced by Mr.Haibo Bai.

SECTION C.1.8
Notwithstanding the fact, that Mrs. Rosalba Casiraghi was designated by Banco Intesa in 2009, when it holded more than 5%, nowadays and as a consequence of the increase of capital, the participation of Banca Intesa in NH Hoteles, S.A. decreased to 4%.

SECTION C.1.15
Following the instructions contained in the Circular 5/2013, 12 june of the CNMV, that establishes that the amounts to be indicated in the paragraph "Remuneration of the Board of Directors" has to be equivalent to the paragraph indicated in the paragraph c) "Resumee of the remuneration of the Board of Directors" included in the Annual Report of the members of the Board" contained in the Appendix I of the Circular 4/2013, of 12 June of the CNMV.

SECTION C.1.16
The members of the Management Team, excluding the CEO, are fixed to an amount up to 6, as per 31.12.2013. Notwithstanding the aforementioned, in the amount included as perceived by the Management team, it has been included the total perceivements obtained on behalf of 9 members that have been members of the Management team within 2013.

SECTION C.2
In relation to the lease agreements between the significant shareholder PONTEGADEA INVERSIONES, S.L. and various companies of the NH HOTELES, S.A. group, it should be noted that these agreements have actually been signed by the company PONTEGADEA INMOBILIARIA, S.L., a company that is 100% owned (indirectly) by PONTEGADEA INVERSIONES, S.L.

SECTION F.25
It is systematic practice in the company and is part of its internal procedures, that when new directors are selected, they are given informative and refresher sessions with the different management structures to provide them with information about internal aspects of the Company to help them to perform their duties better as directors of NH Hoteles, S.A.

SECTION F.33
In recognition of his exceptional work as Chairman of NH Hoteles, the Board has agreed to pay Mr. Rodrigo Echenique a amount, apart from his fixed allocation, linked to the achievement of certain strategic-corporate company goals.

2. This section may also include any other information, clarification or nuance relating to the above sections of the report, insofar as they are relevant and non-reiterative.

Specifically, please indicate whether the company is subject to legislation other than that of Spain in relation to corporate governance and, if applicable, include the information that must be provided and that is different to the information required by this report

3. The company may also indicate whether it has voluntarily committed to other codes of ethics or best practices, whether international, in the sector or in another context. If so, identify the code in question and the date of adhesion.

This annual corporate governance report has been approved by the company's Board of Directors in its session of

26/03/2014

Indicate whether any directors voted against or abstained in relation to the approval of this report.

NO

CONSOLIDATED BALANCE SHEETS

NH HOTELES, S.A. AND SUBSIDIARIES

Translation of Consolidated Financial Statements and Consolidated Management Report originally issued in Spanish and prepared in accordance with IFRS's as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

SUMMARY CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 31 DECEMBER 2012
(Thousands Euros)

	Note	31.12.13	31.12.12 *
NON_CURRENT ASSETS			
Tangible fixed assets	8	1,714,980	1,857,635
Goodwill	6	97,221	101,814
Intangible assets	7	72,616	91,968
Real estate investments	9	957	4,548
Investments valued using the equity method	10	84,179	95,674
Non-current financial investments-		111,599	111,247
Loans and accounts receivable not available for trading	11.1	103,867	101,539
Other non-current financial investments-	11.2	7,732	9,708
Deferred tax assets	22	198,782	210,939
Other non-current assets		499	786
Total non-current assets		2,280,833	2,474,611

	Note	31.12.13	31.12.12 *
CURRENT ASSETS			
Inventories	12	79,635	86,115
Trade debtors	13	119,195	121,497
Non-trade debtors		60,855	65,822
Public Authority debtors	22	39,692	37,966
Other non-trade debtors		21,163	27,856
Current financial investments	14	-	14,850
Cash and cash equivalents	15	133,869	40,793
Other current assets		12,987	14,089
Total current assets		406,541	343,166
TOTAL ASSETS		2,687,374	2,817,777

Translation of Consolidated Financial Statements and Consolidated Management Report originally issued in Spanish and prepared in accordance with IFRS's as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

SUMMARY CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 31 DECEMBER 2012
(Thousands Euros)

	Note	31.12.13	31.12.12 *
EQUITY			
Share capital	16.1	616,544	493,235
Parent Company Reserves	16.2	657,800	576,505
Reserves in fully consolidated companies		(115,318)	160,894
Reserves in companies consolidated using the equity method		343	(5,678)
Other Equity Instruments		27,230	-
Equity valuation adjustments	16.3	-	(5,690)
Currency translation differences		(103,657)	(79,811)
Treasury shares	16.4	(38,115)	(11,590)
Consolidated losses for the year		(39,818)	(293,737)
Equity attributable to Parent Company shareholders		**1,005,009**	**834,128**
Non-controlling Interests	16.5	153,001	159,158
TOTAL EQUITY		1,158,010	993,286

	Note	31.12.13	31.12.12 *
NON-CURRENT LIABILITIES			
Obligations and other negotiable securities	17	458,288	-
Debts with credit institutions	17	321,295	177,795
Financial lease liabilities		1,703	1,288
Other non-current liabilities	18	35,865	60,455
Provisions for contingencies and charges	21	66,735	63,791
Deferred tax liabilities	22	201,225	233,939
Total non-current liabilities		1,085,111	537,268

	Note	31.12.13	31.12.12 *
CURRENT LIABILITIES			
Obligations and other negotiable securities	17	3,661	-
Debts with credit institutions	17	96,044	853,331
Financial lease liabilities		2,428	2,274
Trade creditors and other accounts payable	23	239,760	255,060
Public Authority creditors	22	37,495	43,059
Provisions for contingencies and charges	21	26,270	53,458
Other current liabilities	25	38,595	80,041
Total current liabilities		444,253	1,287,223

TOTAL LIABILITIES AND EQUITY		2,687,374	2,817,777

** Presented solely for comparison purposes. Audited balances adjusted according to changes in IFRS 11 (please refer to Note 2.1.1)*

Notes 1 to 33 set forth in the Consolidated Annual Report and Appendices I/II form an integral part of the Consolidated Statement of Changes in Shareholders' Equity for the financial year ending 31 December 2013.
The consolidated financial statement at 31 December 2012 is presented solely for the purposes of comparison.

CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENTS

Translation of Consolidated Financial Statements and Consolidated Management Report originally issued in Spanish and prepared in accordance with IFRS's as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

SUMMARY CONSOLIDATED PROFIT AND LOSS STATEMENTS FOR 2013 AND 2012 (Thousand Euros)			
	Note	2013	2012 *
Net turnover	27.1	1,260,492	1,278,478
Other operating income	27.1	1,830	1,753
Net gains on the disposal of non-current assets	7, 8, 9 and 27.1	2,119	(2,357)
Procurements	12	(72,944)	(73,893)
Purchases		(66,695)	(69,256)
Inventory impairments		(6,249)	(4,637)
Personnel expenses	27.3	(396,061)	(434,424)
Allocation for depreciation	7, 8 and 9	(106,359)	(110,962)
Net impairment losses	6, 7 and 8	31,382	(199,366)
Other operating expenses		(714,503)	(753,913)
Variation in the provision for onerous contracts	21	6,642	(57,546)
Other operating expenses	27.4	(721,145)	(696,368)
Gains on the disposal of financial investments	2.5.5	40,851	(3,549)
Income from entities valued using the equity method	10	(8,095)	(6,071)
Financial income	27.2	4,176	3,779
Change in fair value of financial instruments	27.6	9,575	(1,548)
Financial expenses	27.6	(77,538)	(83,699)
Net exchange differences (Income/(Expense))		(7,762)	(7,470)
PRE-TAX PROFITS / (LOSSES) FROM CONTINUING OPERATIONS		(32,837)	(393,242)
Corporation Tax	22	(5,466)	55,578
PROFITS / (LOSSES) FOR THE FINANCIAL YEAR		(38,303)	(337,664)
Currency translation differences		(25,650)	2,977
Due to valuation of financial instruments		5,690	(5,314)
Income and expenses directly attributed to shareholder equity		(19,960)	(2,337)
TOTAL COMPREHENSIVE LOSS		(58,263)	(340,001)
Profits / Losses for the financial year attributable to:			
Parent Company Shareholders		(39,818)	(293,737)
Non-controlling Interests		1,515	(43,927)
Comprehensive loss attributable to:			
Parent Company Shareholders		(57,974)	(281,738)
Non-controlling Interests	16.5	(289)	(58,263)
Profit / Loss per share in euros (basic)	5	(0.13)	(1.20)

* *Presented solely for comparison purposes. Audited balances adjusted according to changes in IFRS 11 (please refer to Note 2.1.1)*

Notes 1 to 33 set forth in the Consolidated Annual Report and Appendices I/II form an integral part of the Consolidated Statement of Changes in Shareholders' Equity for the financial year ending 31 December 2013.
The consolidated financial statement at 31 December 2012 is presented solely for the purposes of comparison.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Translation of Consolidated Financial Statements and Consolidated Management Report originally issued in Spanish and prepared in accordance with IFRS's as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2013 AND 2012 (Thousands Euros)

	Share capital	Share premium	Parent Company's Reserves		Reserves in companies consolidated by			Translation differences	Other Instruments of Equity	Equity valuation adjustments	Treasury shares	Income attributable to Parent Company	Total	Minority interests	Total Equity
			Legal reserve	Other reserves	Full consolidation	Proportional consolidation	The equity method								
Balances at 31 December 2011	493,235	413,747	43,121	120,938	170,744	(1,526)	(11,624)	(83,429)	-	(376)	(11,914)	6,231	1,139,147	204,650	1,343,797
Adjustment due to change in accounting standard (Note 2.1.1)	-	-	-	-	(5,169)	1,526	(1,526)	-	-	-	-	-	(5,169)	191	(4,978)
Initial balance adjusted 31 December 2011	493,235	413,747	43,121	120,938	165,575	-	(13,150)	(83,429)	-	(376)	(11,914)	6,231	1,133,978	204,841	1,338,819
Net profit (loss) for 2012	-	-	-	-	-	-	-	-	-	-	-	(293,737)	(293,737)	(43,927)	(337,664)
Currency translation differences	-	-	-	-	-	-	-	3,618	-	-	-	-	3,618	(641)	2,977
Cash flow hedges	-	-	-	-	-	-	-	-	-	(5,314)	-	-	(5,314)	-	(5,314)
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognised income and expenses for the period	-	-	-	-	-	-	-	3,618	-	(5,314)	-	(293,737)	(295,433)	(44,568)	(340,001)
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of Profit (Loss) 2011-															
- To Reserves	-	-	-	(2,233)	2,477	-	5,987	-	-	-	-	(6,231)	-	-	-
- To Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in treasury shares	-	-	-	-	-	-	-	-	-	-	324	-	324	-	324
Acquisition of minority interests	-	-	-	-	(1,706)	-	1,706	-	-	-	-	-	-	-	-
Business combination	-	-	-	-	-	-	-	-	-	-	-	-	-	(58)	(58)
Dividend shareout	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	932	(5,452)	-	(221)	-	-	-	-	-	(4,741)	(1,057)	(5,798)
Balances at 31 December 2012 *	493,235	413,747	43,121	119,637	160,894	-	(5,678)	(79,811)	-	(5,690)	(11,590)	(293,737)	834,128	159,158	993,286
Adjustment due to change in accounting standard (Note 2.1.1)						-	-						-	-	-
Initial balance adjusted 31 December 2012	493,235	413,747	43,121	119,637	160,894	-	(5,678)	(79,811)	-	(5,690)	(11,590)	(293,737)	834,128	159,158	993,286
Net profit (loss) for 2013	-	-	-	-	-	-	-	-	-	-	-	(39,818)	(39,818)	1,515	(38,303)
Currency translation differences	-	-	-	-	-	-	-	(23,846)	-	-	-	-	(23,846)	(1,804)	(25,650)
Cash flow hedges (Note 16.3)	-	-	-	-	-	-	-	-		5,690	-	-	5,690	-	5,690
Other (Note 17)	-	-	-	-	-	-	-	-	27,230	-	-	-	27,230	-	27,230
Recognised income and expenses for the period	-	-	-	-	-	-	-	(23,846)	27,230	5,690	-	(39,818)	(30,744)	(289)	(31,033)
Capital increase (Note 16.1)	123,309	107,512	-	-	-	-	-	-	-	-	-	-	230,821	-	230,821
Distribution of Profit (Loss) 2012-															-
- To Reserves	-	-	-	(25,481)	(274,277)	-	6,021	-	-	-	-	293,737	-	-	-
- To Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in treasury shares	-	-	-	-	-	-	-	-	-	-	(26,525)	-	(26,525)	-	(26,525)
Remuneration Scheme in shares (Note 20)	-	-	-	483	-	-	-	-	-	-	-	-	483	-	483
Acquisition of minority interests (Note 2.5.5)	-	-	-	-	364	-	-	-	-	-	-	-	364	(3,875)	(3,511)
Dividend shareout	-	-	-		-	-	-	-	-	-	-	-	-	(1,466)	(1,466)
Convertible bonds (Nota 17)	-	-	-	-	-	-	-	-	27,230	-	-	-	27,230	-	27,230
Other movements	-	-	-	(1,219)	(2,299)	-	-	-	-	-	-	-	(3,518)	(527)	(4,045)
Balances at 31 December 2013	616,544	521,259	43,121	93,420	(115,318)	-	343	(103,657)	27,230	-	(38,115)	(39,818)	1,005,009	153,001	1,158,010

** Presented solely for comparison purposes. Audited balances adjusted according to changes in IFRS 11 (please refer to Note 2.1.1)*

Notes 1 to 33 set forth in the Consolidated Annual Report and Appendices I/II form an integral part of the Consolidated Statement of Changes in Shareholders' Equity for the financial year ending 31 December 2013. The Consolidated Statement of Changes in Shareholders' Equity for the year ending 31 December 2012 is presented solely for the purposes of comparison.

CONSOLIDATED CASH FLOW STATEMENTS

Translation of Consolidated Financial Statements and Consolidated Management Report originally issued in Spanish and prepared in accordance with IFRS's as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

SUMMARY CONSOLIDATED CASH FLOW STATEMENT FOR 2013 AND 2012 (Thousands Euros)			
	Nota	31/12/13	31/12/12*
1. OPERATING ACTIVITIES			
Consolidated profit (loss) before tax		(32,837)	(393,242)
Adjustments:			
Depreciation of tangible and intangible assets (+)	7, 8 and 9	106,359	110,962
Impairment losses (net) (+/-)	6, 7, 8 and 9	(25,133)	204,003
Allocations for provisions (net) (+/-)	21	(6,642)	57,546
Gains/Losses on the sale of tangible and intangible assets (+/-)	7, 8, 9 and 27.1	(2,119)	2,357
Gains/Losses on investments valued using the equity method (+/-)	10	8,095	6,071
Financial income (-)	27.2	(4,176)	(3,779)
Financial expenses and variation in fair value of financial instruments (+)	27.6	67,963	85,247
Net exchange differences (Income/(Expense))		7,762	7,470
Change in fair value of financial instruments	25.5	(40,851)	3,549
Other non-monetary items (+/-)		(15,476)	19,884
Adjusted profit (loss)		**62,945**	**100,068**
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		231	5,958
(Increase)/Decrease in trade debtors and other accounts receivable		(2,534)	7,721
(Increase)/Decrease in other current assets		8,501	(14,771)
Increase/(Decrease) in trade payables		(1,562)	16,248
Increase/(Decrease) in other current liabilities		(13,172)	(16,186)
Increase/(Decrease) in provisions for contingencies and expenses		(959)	(121)
Income tax paid		(7,168)	(9,132)
Total net cash flow from operating activities (I)		**46,282**	**89,785**
2. INVESTMENT ACTIVITIES			
Financial income		3,758	3,779
Investments (-):			
Group companies, joint ventures and associates		-	(614)
Tangible and intangible assets and investments in property		(39,601)	(53,039)
Non-current financial investments		(17,596)	-
Financial investment and other current financial assets		-	-
Other assets		-	-
		(57,197)	**(53,653)**
Disinvestment (+):			
Group companies, joint ventures and associates	2	141,388	-
Tangible and intangible assets and investments in property		2,412	2,105
Non-current financial investments		-	3,839
Financial investment and other current financial assets		-	-
Other assets		287	632
		144,087	**6,576**
Total net cash flow from investment activities (II)		90,648	(43,298)
3. FINANCING ACTIVITIES			
Dividends paid out (-)		-	-
Interest paid on debts (-)		(69,248)	(65,957)
Variations in (+/-):			
Equity instruments			
- Capital	16.1	123,309	-
- Reserves		107,512	43
- Treasury shares		(23,634)	-
- Equity effect regarding convertible bonds	17	27,230	-
Debt instruments:			
- Bonds and other tradable securities (+)		457,641	-
- Loans from credit institutions (+)		137,815	15,000
- Loans from credit institutions (-)		(765,684)	(39,249)
- Leases		-	-
- Other non-current liabilities (+/-)		(37,585)	(5,637)
Total net cash flow from financing activities (III)		(42,644)	(95,800)
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		94,286	(49,313)
5. Effect of exchange rate variations on cash and cash equivalents (IV)		1,210	475
6. Effect of variations in the scope of consolidation (V)		-	-
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		93,076	(49,788)
8. Cash and cash equivalents at the start of the financial year		**40,793**	**90,581**
9. Cash and cash equivalents at the end of the financial year (7+8)		**133,869**	**40,793**

** Presented solely for comparison purposes. Audited balances adjusted according to changes in IFRS 11 (please refer to Note 2.1.1)*

Notes 1 to 33 set forth in the Consolidated Annual Report and Annexes I to III form an integral part of the Consolidated Cash Flow Statement for 2013. The Consolidated Cash Flow Statement for 2012 is presented solely for the purposes of comparison.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

NH HOTELES, S.A. AND SUBSIDIARIES
REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2013

1.- ACTIVITY AND COMPOSITION OF THE PARENT COMPANY

NH HOTELES, S.A. (hereinafter the Parent Company) was incorporated as a public limited company in Spain on 23 December 1881 under the trade name "Material para Ferrocarriles y Construcciones, S.A.", which was subsequently changed to "Material y Construcciones, S.A." (MACOSA) and, subsequently, to "Corporación Arco, S.A.".

In 1992, Corporación Arco, S.A. took over Corporación Financiera Reunida, S.A. (COFIR), while at the same time adopting the trade name of the company taken over and amending its corporate purpose to the new activity of the Parent Company, which focused on the management of its shareholding portfolio.

In 1998, Corporación Financiera Reunida, S.A. (COFIR) merged with Grupo Catalán, S.L. and its subsidiaries and Gestión NH, S.A. through the absorption of these companies by the former. Subsequently, Corporación Financiera Reunida, S.A. (COFIR) took over NH Hoteles, S.A., adopted its trade name and broadened its corporate purpose to allow for the direct performance of hotel activities, activities in which it had already been engaged indirectly through its subsidiaries.

Information on these mergers can be found in the financial statements of the years in which said transactions took place.

In October 1999, a public takeover bid for 100% of the capital of Sotogrande, S.A. was launched, which has allowed the Company to hold a permanent controlling interest exceeding 75%.

An essentially European expansion strategy was initiated in 2000 aimed at creating a strong global brand in the city hotel segment through the incorporation of the Dutch hotel company "Krasnapolsky Hotels and Restaurants N.V.", followed by the acquisition of the Mexican company "Nacional Hispana de Hoteles, S.R.L de C.V." in June 2001 and the purchase of the German hotel company "Astron Hotels" in 2002.

Between 2003 and 2005, the organic growth of the Group enabled it to break into different European markets, such as the Italian and Rumanian markets, as well as into new cities such as London. It also entered the quality tourist sector, with a significant real estate component, in 2005 with projects in Cap Cana (Dominican Republic) and the Mayan Riviera (Mexico).

After consolidating the acquisitions made in previous periods, the Group continued with its international expansion strategy in 2007 and 2008 through the acquisition of the Italian hotel chains, Framon and Jolly Hotels.

In 2009, the Group entered into an agreement with Grupo Inversor Hesperia, S.A., ("Hesperia") to merge their respective hotel management businesses, whereby it would manage the 49 hotels owned or operated by Hesperia. The Group currently manages 39 hotels.

The Parent is the head of a group of subsidiaries engaged in the same activities and that constitute, together with NH Hoteles, S.A., the NH Hotels Group ("the Group" – see Appendices I and II).

At the end of 2013, the Group was operating hotels in 27 countries, with 379 hotels and 58,195 rooms, of which around 76% are located in Spain, Germany, Italy and the Benelux.

NH Hoteles, S.A. has its registered address in Madrid.

2.-BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATION PRINCIPLES

2.1 Basis of presentation of the Financial Statements

The consolidated financial statements for the year ended 31 December 2013 were formally prepared by the directors of NH Hoteles, S.A. at their Board of Directors Meeting held on 27 February 2014, in accordance with the regulatory financial reporting framework applicable to the Group, which is that established in the Spanish Commercial Code and all other Spanish corporate law. and in the International Financial Reporting Standards (IFRS), as adopted by the European Union in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council and Law 62/2003, of 30 December, on tax, administrative, labour and social security measures, and, accordingly, present the Group's consolidated equity and financial position at 31 December 2013 and the results of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended.

The consolidated financial statements for 2013 of the Group and the entities that comprise it have not yet been approved by the shareholders at the respective Annual General Meetings or by the respective shareholders or sole shareholders. Nonetheless, the directors of the Parent Company understand that said financial statements will be approved without any significant changes. The consolidated financial statements for 2012 were approved by the shareholders at the Annual General Meeting held on 25 June 2013 and filed at the Mercantile Registry of Madrid.

Since the accounting standards and valuation criteria applied in the preparation of the Group's consolidated financial statements for 2013 may differ from those used by some of its member companies, adjustments and reclassifications were used to standardise them and adapt them to the European Union's IFRS.

2.1.1. Standards and interpretations effective in this period

In 2013 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements, but which did not give rise to a change in the Group's accounting policies:

Standards, amendments and interpretations		Mandatory application for financial years starting from:
Approved for use in the EU		
Amendment to IAS 12 - Income tax - deferred taxes relating to property (published in December 2010)	On the calculation of deferred taxes relating to real estate property according to the IAS 40 fair value model	1 January 2013
Amendment to IFRS 7 - Off-setting financial assets and financial liabilities (published in December 2011)	Introduction of new breakdowns relating to the off-setting of financial assets and financial liabilities of IAS 32	1 January 2013
Improvement to IFRS 2009 -2011 Cycle (published in May 2012)	Minor amendments to a series of standards	1 January 2013
Interpretation of IFRIC 20 - Stripping costs in the production phase of a surface mine (published in October 2011)	This has a very specific scope in the mining sector	1 January 2013

The Group has applied the following standards and interpretations since they came into force on 1 January 2013 and which have led to changes in the Group's accounting policy:

IFRS 13 Fair Value Measurement

IFRS 13 – Fair value measurement, is currently the only source of information for calculating the fair value of asset or liability items that are measured in this way in accordance with the requirements of other standards. Fair value in accordance with IFRS 13 is defined as the measurement date price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, irrespective of whether or not this price is directly observable or estimated using another measurement technique.

The Group has analysed the extent to which the new fair value definition could affect the measurement of assets and liabilities. The conclusion reached is that IFRS 13 only gives rise to noteworthy modifications in relation to the methods and calculations carried out to date with regard to the valuation and registration of financial derivatives.

IFRS 11 Joint Arrangements

Effective 1 January 2013, the Group started to apply IFRS 11 Joint Arrangements early, after that standard replaced IAS 31. The essential change brought about is the elimination of the proportional consolidation option for entities subject to joint control, which shall be accounted for using the equity method.

The application of the most relevant headings of this standard as at 31 December 2012 entails a drop in property, plant and equipment of €11,548 thousand, a drop in investment property of €1,857 thousand, a drop of €20,187 thousand in working capital, a €7,558 thousand drop in liabilities, a drop in turnover of €7,555 thousand, a drop in purchasing costs of €5,961 thousand, an €860 thousand drop in personnel costs and €1,094 thousand less in operating costs.

These new standards had the previously described impact on the Group's consolidated financial statements, since the option that has been applied to consolidate joint ventures is the proportionate consolidation of its financial statements.

IAS 19 Employee Contributions

The entry into force of the amendment to IAS 19 Employee Contributions has had a significant impact on the Group, as accounting policy applied in the past involved applying the "band of fluctuation"; therefore, a certain proportion of actuarial gains and losses on defined benefit pension plans was deferred. This amendment is retroactive in nature, and as a result has also affected the figures reported in 2012 and the opening reserves for that financial year.

The application of the amendment to this standard, effective 1 January 2012, results in lower reserves of €5,169 thousand, higher minority holdings of €249 thousand and a decline in income in 2012 of €1.569 million.

2.1.2. Standards and interpretations issued and not in force

The most significant standards and interpretations published by the IASB on the date these consolidated annual accounts were drawn up but had not yet entered into force either because the date of their entry into force was subsequent to the date of these consolidated annual accounts or because they had not been endorsed by the European Union, were the following:

New standards, amendments and interpretations		Mandatory application starting from:
Approved for use in the European Union		
IFRS 10 Consolidated Financial Statements (published in May 2011)	Replaces the current consolidation requirements set by IAS 27	Annual periods starting from 1 January 2014
IFRS 12 Disclosure of Interests in Other Entities (published in May 2011)	Single standard which sets forth the disclosure of interests in subsidiaries, associates, joint ventures and unconsolidated entities.	Annual periods starting from 1 January 2014
IAS 27 (Reviewed) Separate Financial Statements (published in May 2011)	The standard has been reviewed, given that since the issuance of IFRS 10 now only the separate financial statements of an entity are included.	Annual periods starting from 1 January 2014
IAS 28 (Reviewed) Investments in Associates and Joint Ventures (published in May 2011)	Parallel review pursuant to the issuance of IFRS 11 Joint Arrangements	Annual periods starting from 1 January 2014
Transitional rules: Amendment to IFRS 10, 11 and 12 (published in June 2012)	Clarification of the transitional rules for these standards.	Annual periods starting from 1 January 2014
Investment companies: Amendment to IFRS 10, IFRS 11 and IAS 27 (published in October 2012)	Exception to consolidation for parent companies that comply with the definition of investment companies.	Annual periods starting from 1 January 2014
Amendment to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (published in December 2011)	Further clarifications regarding the rules for offsetting financial assets and liabilities under IAS 32.	Annual periods starting from 1 January 2014
Awaiting approval for use in the European Union as of the date of publication of this document		
IFRS 9 Financial Instruments: Classification and valuation (published in November 2009 and October 2010) and limited amendments to IFRS 9 and IFRS 7 regarding the effective date and transition disclosures (published in December 2011) and hedge accounting and additional amendments (published in November 2013)	Replaces the requirements regarding classification, measurement of financial assets and liabilities, derecognition and hedge accounting in IAS 39	Annual periods starting from 1 January 2015
Amendment to IAS 36 - Recoverable amount disclosures for non-financial assets (published in May 2013)	Clarifies when certain disclosures are required and extends the requirements when the recoverable amount is based on the fair value less selling costs	Annual periods starting from 1 January 2014
Amendments to IAS 39 - Novation of derivatives and continuation of hedge accounting (published in June 2013)	The amendments establish the cases and criteria in which the novation of derivatives does not necessarily entail discontinuing hedge accounting.	Annual periods starting from 1 January 2014
Amendments to IAS 19 - Defined benefit plans: employee contributions (published in November 2013)	The amendment was issued to make it possible to deduct these costs from the service cost in the same period in which they are paid when certain requirements are met.	Annual periods starting from 1 July 2014
2010-2012 and 2011-2013 IFRS Annual Improvements Cycles (published in December 2013)	Minor amendments to a series of standards	Annual periods starting from 1 July 2014
IFRIC 21 Levies (published in May 2013)	Interpretation of when to recognise a liability as regards levies that are dependent on the entity's participation in an activity on a given date.	Annual periods starting from 1 January 2014

The directors have assessed the potential impact of applying these standards in the future and estimate that their entry into force will not have a material impact on the consolidated financial statements.

2.2 Information relating to 2012

As required by IAS 1, the information from 2012 contained in this consolidated annual report is presented solely for comparison with the information from 2013 and consequently does not in itself constitute the Group's consolidated annual accounts for 2012.

During this financial year, the Group has chosen to apply IRFS 11 Joint Arrangements and IAS 19 Employee Contributions early. Accordingly, the consolidated statement of financial position, the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated cash flow statement included in the consolidated annual accounts for 2012 have been amended for the purposes of comparison with the 2013 figures. The impact of these amendments is featured in Note 2.1.1 of this consolidated annual report.

2.3 Currency of presentation

These consolidated financial statements are presented in euros. Any foreign currency transactions have been booked in accordance with the criteria described in Note 4.10.

2.4 Responsibility for the information, estimates made and sources of uncertainty

The Directors of the Parent Company are responsible for the information contained in these consolidated financial statements.

Estimates made by the management of the Group and of the consolidated entities (subsequently ratified by their Directors) have been used in the Group's consolidated financial statements to quantify some of the assets, liabilities, revenue, expenses and undertakings recorded. These estimates essentially refer to:

- Losses arising from asset impairment.
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce.
- The useful life of the tangible and intangible assets.
- The valuation of consolidation goodwill.
- The market value of specific assets.
- The estimation of onerous agreements.
- Calculation of provisions and evaluation of contingencies.

These estimates were made on the basis of the best available information on the facts analysed. Nonetheless, it is possible that future events may take place that make it necessary to modify them, which would be done in accordance with IAS 8.

2.5 Consolidation principles applied

2.5.1. Subsidiaries (see Appendix I)

Subsidiaries are considered as any company included within the scope of consolidation in which the Parent Company directly or indirectly controls their management due to holding the majority of voting rights in the governance and decision-making body, with the capacity to exercise control. This capacity is shown when the Parent Company holds the power to manage an investee entity's financial and operating policy in order to obtain profits from its activities.

The financial statements of subsidiaries are consolidated with those of the Parent Company by applying the full consolidation method. Consequently, all significant balances and effects of any transactions taking place between them have been eliminated in the consolidation process.

Stakes held by minority members in the Group's equity and results are respectively presented in the "Minority interests" item of the consolidated balance sheet and of the consolidated comprehensive profit and loss statement.

The profit or loss of any subsidiaries acquired or disposed of during the financial year are included in the consolidated comprehensive profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

2.5.2 Associate companies (see Appendix II)

Associated companies are considered as any companies in which the Parent Company holds the capacity to exercise significant influence, though it does not exercise either control or joint control. In general terms, it is assumed that significant influence exists when the percentage stake (direct or indirect) held by the Group exceeds 20% of the voting rights, as long as it does not exceed 50%.

Associated companies are valued in the consolidated financial statements by the equity method; in other words, through the fraction of their net equity value the Group's stake in their capital represents once any dividends received and other equity retirements have been considered.

2.5.3 Joint ventures (see Appendix II)

Joint ventures are considered to be any ventures in which the management of the investee companies is jointly held by the Parent Company and third parties not related to the Group, without any of them holding a greater degree of control than the others. The financial statements of the joint ventures are consolidated using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations.

2.5.4 Foreign currency conversion

The following criteria have been different applied for converting into euros the different items of the consolidated balance sheet and the consolidated comprehensive profit and loss statement of foreign companies included within the scope of consolidation:

• Assets and liabilities have been converted by applying the effective exchange rate prevailing at year-end.
• Equity has been converted by applying the historical exchange rate. The historical exchange rate existing at 31 December 2003 of any companies included within the scope of consolidation prior to the transitional date has been considered as the historical exchange rate.
• The consolidated profit and loss statement has been coverted by applying the average exchange rate of the year.

Any difference resulting from the application these criteria have been included in the "Translation differences" item under the "Equity" heading.

Any adjustments arising from the application of IFRS at the time of acquisition of a foreign company with regard to market value and goodwill are considered as assets and liabilities of such company and are therefore converted using the exchange rate prevailing at year-end.

2.5.5 Changes in the scope of consolidation

The most significant changes in the scope of consolidation during 2013 and 2012 that affect the comparison between financial years were the following:

a.1 Changes in the scope of consolidation in 2013

a.1.1 Disposals

During the first six months of the year, the Group sold off Krasnapolsky H&R Onroerend Goed, B.V. and Expl. mij. Grand Hotel Krasnapolsky, B.V., owner and manager, respectively, of the NH Grand Hotel Krasnapolsky in Amsterdam. The gross amount of the sale stood at €157 million and the net amount was €141 million creating a surplus of approximately €42 million.

The effect of removing the above-mentioned companies from the summary consolidated statement of financial position as at 31 December 2013 is as follows:

	Thousand euros
	Book Value
Tangible fixed assets (Note 8)	108,992
Deferred tax (Note 22)	(8,915)
Working capital	(853)
Total net assets sold	**99,224**
Sale price	**141,388**
Consolidated Profit	**42,164**

a.1.2 Other corporate transactions

In the first half of 2013, the Group acquired a 25% interest amounting to EUR 3,511 thousand in the Group company Coperama Servicios a la Hostelería, S.L., a percentage it had not previously held.

As a result of this transaction, the Group's reserves have been affected by €364 thousand.

On 29 October 2013, it was agreed that the loans granted by Sotogrande S.A. to Donnafugata Resort, S.r.l. would be capitalised for a total amount of €4.8 million. By virtue of the above-mentioned increase, on 31 December 2013 the Group's consolidated controlling interest in Donnafugata Resorts, S.r.l. increased to 98.99% (97.61% as of 31 December 2012).

As a result of the put option granted to the minority shareholders of Donnafugata Resort, S.r.l., described in Note 18, the Group consolidates the annual accounts of this company considering the equity interest represented by said option in relation to the share capital of this subsidiary.

a.2 Changes in the scope of consolidation in 2012

a.2.1 Incorporations

On 31 January 2012, a company belonging to the Grupo Sotogrande, S.A., acquired 819 shares in Resco Sotogrande, S.L., representing 50% of the share capital of that company, for a sum of EUR 240,000. As the result of the above transaction, the Group acquired control of Resco Sotogrande, S.L., which until this time had been consolidated by the proportional method, being jointly managed by both shareholders, Sotogrande S.A. and the vendor of the 819 shares, in accordance with the agreements signed by both parties.

The detail of the joint venture is as follows:

	Thousand euros		
	Book Value	Adjustments	Fair Value
Non-current assets	3	-	3
Inventories	11,285	(2,098)	9,187
Other current assets	55	-	55
Debts with credit institutions	(7,458)	-	(7,458)
Other liabilities	(237)	-	(237)
Total net assets	**3,648**	**(2,098)**	**1,550**
Cost of the business combination			**240**
Book value of the previous investment			**1,310**
Income from the businesses combination			-

The fair value of Resco Sotogrande, S.L.'s inventories was calculated on the basis of the sale prices offered in negotiations with clients that were ongoing at the time of the business combination.

In the event that the aforesaid business combination had taken place on 1 January 2012, the total comprehensive loss for the Group in 2012 would have been EUR 10,000 higher.

a.2.2 Other corporate transactions

On 30 April 2012, the General Shareholders' Meeting of Donnafugata Resort, S.r.l., resolved to reduce capital by EUR 7,082 thousand and charge it to previous years' losses, and to subsequently increase capital by approximately EUR 6,152 thousand. Both transactions were notarised on 20 July 2012. Given that the remaining shareholders did not participate in this capital increase, the Parent Company subscribed it entirely, thereby increasing its percentage interest from 78.00% to 88.80%.

3.-DISTRIBUTION OF EARNINGS

At the Ordinary General Shareholders' Meeting, the Parent Company's directors will propose that the losses be applied to the "Previous year's losses" account to be offset in future financial years. In accordance with Section 273.4 of the Revised Text of the Spanish Companies Act, the directors will propose to allocate EUR 418,000 as an unavailable reserve, as stipulated by that provision, at the Ordinary General Shareholders' Meeting and charge it to freely available reserves, because the Parent Company has not generated any profits this year.

4.-VALUATION STANDARDS

The main principles, accounting policies and valuation standards applied by the Group to draw up these consolidated financial statements, which comply with IFRS in force on the date of the relevant financial statements, have been the following:

4.1 Tangible fixed assets

Tangible fixed assets are valued at their original cost. They are subsequently valued at their reduced cost resulting from cumulative depreciation and, as appropriate, from any impairment losses they may have suffered.

Due to the transition to IFRS, the Group reappraised the value of some land to its market value on the basis of appraisals made by an independent expert for a total amount of EUR 217 million. The reappraised cost of such land was considered as a cost attributed to the transition to the IFRS. The Group followed the criterion of not revaluing any of its tangible fixed assets at subsequent year-ends.

Enlargement, modernisation and improvement costs entailing an increase in productivity, capacity or efficiency or a lengthening of the assets' useful life are booked as higher cost of such assets. Conservation and maintenance costs are charged against the consolidated comprehensive profit and loss statement for the year in which they are incurred.

The Group depreciates its intangible fixed assets following the straight line method, distributing the cost of the assets over their estimated useful lives, in accordance with the following table:

	Estimated years of useful life
Buildings	33-50
Plant and machinery	10-30
Other plant, fixtures and furniture	5-10
Other fixed assets	4-5

4.2 Real-estate investments

These reflect the value of land, buildings and structures held either for rental or to obtain a capital gain on their sale.

Real estate investments are valued at their original cost. Buildings are valued according to the cost of the corresponding certifications of the works executed plus any expenses associated with the project (works management, fees, architect's fees, etc.) and depreciated on a straight-line basis depending on their useful life, which is the same as that used in tangible fixed assets for similar elements.

Interest costs attributable to these investments are activated during the construction period up to the moment they are ready for sale and are considered as an increased investment cost. Should financial income be obtained from temporary investment of surpluses, said income reduces the cost of the investment.

Revenue and gains or losses arising from the sale of the assets to buyers and the execution of deeds of sale, being the time at which the inherent rights and obligations are transferred, are recognised. Rental income is attributed to the results on an accrual basis.

An accrual basis is used to recognise rental costs, charging all maintenance, management and depreciation costs of the rented assets to profit and loss.

The Group periodically determines the fair value of real estate investment elements, using appraisals performed by independent experts as a reference.

4.3 Consolidation goodwill

The goodwill generated on consolidation represents the excess of the cost of acquisition over the Group's share in the market value of the identifiable assets and liabilities of a subsidiary.

Any positive difference between the cost of interests in the capital of consolidated and associated entities and the corresponding theoretical book values acquired, adjusted on the date of the first consolidation, are recognised as follows:

1. If they are assignable to specific equity elements of the companies acquired, by increasing the value of any assets whose market value is above their net book value appearing in the balance statements.
2. If they are assignable to specific intangible assets, by explicitly recognising them in the consolidated balance sheet, provided their market value on the date of acquisition can be reliably determined.
3. Any remaining differences are entered into the books as goodwill, which is assigned to one or more specific cash-generating units (in general hotels) which are expected to make a profit.

Goodwill will only be booked when it has been acquired for valuable consideration.

Any goodwill generated through acquisitions prior to the IFRS transitional date, 1 January 2004, is kept at its net value booked at 31 December 2003 in accordance with Spanish accounting standards.

Goodwill is not depreciated. In this regard, the Group estimates, using the so-called "Impairment Test", the possible existence of permanent losses of value that would reduce the recoverable value of goodwill to an amount less that the net cost booked at the end of each year and provided evidence of a loss of value exists. Should this be the case, they are written down in the consolidated comprehensive profit and loss statement. Any write-downs entered into the books cannot be subject to subsequent reversal.

All goodwill is assigned to one or more cash-generating units in order to conduct the impairment test. The recoverable value of each cash-generating unit is determined either as the value in use or the net sale price that would be obtained for the assets assigned to the cash-generating unit, whichever is higher. The value in use is calculated on the basis of estimated future cash flows discounted at an after tax rate that reflects the current market valuation with respect to the cost of money and the specific risks associated with the asset.

The discount rates used by the Group for these purposes range from 7.03% to 12%, depending on the different risks associated with each specific asset.

4.4 Intangible assets

Intangible assets are considered to be any specifically identifiable non-monetary assets which have been acquired from third parties or developed by the Group. Only those whose cost can be estimated in an objective way and from which future economic profits are expected are recognised.

Any assets deemed to contribute indefinitely to the generation of profits are considered to have an indefinite useful life. The remaining intangible assets are considered have a "specific useful life".

Intangible assets with an indefinite useful life are not depreciated and are hence subjected to the "impairment test" at least once a year (Note 4.3).

Intangible assets with a definite useful life are depreciated according to the straight-line method on the basis of the estimated years of useful life of the asset in question.

The following are the main items recorded under the "Intangible assets" heading:

i) Rights of use: reflects the right to operate Hotel NH Plaza de Armas in Seville, acquired in 1994, whose depreciation is attributed to the consolidated comprehensive profit/loss over the 30-year term of the agreement at a growing rate of 4% per year.

ii) "Rental agreement premiums" reflect the amounts paid as a condition to obtain certain hotel lease agreements. They are depreciated on a straight-line basis depending on the term of the lease.

iii) "Concessions, patents and trademarks" basically reflect the disbursements made by Gran Círculo de Madrid, S.A. for the refurbishment and remodelling works of the building where the Casino de Madrid is located. The depreciation of such works is calculated on a straight-line basis by taking into account the term of the concession for operating and managing the services provided in the building where the Casino de Madrid is located, which finalises on 1 January 2037.

iv) "Software applications" include different computer programs acquired by different consolidated companies. These programmes are measured at acquisition cost and amortised at a rate of between 20%-25% per year on a straight-line basis.

4.5 Impairment in the value of tangible and intangible assets excluding goodwill

The Group assesses the possible existence of a loss of value each year that would oblige it to reduce the book values of its tangible and intangible assets. A loss is deemed to exist when the recoverable value is less than the book value.

The recoverable amount is either the net sale value or the value in use, whichever is higher. The value in use is calculated on the basis of estimated future cash flows discounted at an after tax discount rate that reflects the current market valuation with respect to the cost of money and the specific risks associated with the asset.

Future estimates have been drawn up over a period of five financial years, except in cases in which the remaining term of a lease agreement is less, plus a residual value.

The discount rates used by the Group for these purposes range from 7.03% to 12%, depending on the different risks associated with each specific asset.

If the recoverable amount of an asset is estimated to be lower than its book value, the latter is reduced to the recoverable amount by recognising the corresponding write-off using the consolidated comprehensive profit and loss statement.

If an impairment loss is subsequently reversed, the book value of the asset is increased to the limit of the original value at which such asset was booked before the loss of value was recognised.

Information on impairment losses detected in the financial year appears in Notes 7 and 8 of this Consolidated Annual Report.

4.6 Leases

The Group generally classifies all leases as operating leases. Only those leases which substantially transfer to the lessee the liabilities and advantages arising from the property and under the terms of which the lessee holds an acquisition option on the asset at the end of the agreement under conditions that could be clearly deemed as more advantageous than market conditions are classified as financial leases.

4.6.1 Operating leases

In operating lease transactions, ownership of the leased asset and substantially all the risks and advantages arising from the ownership of the asset remain with the lessor.

When the Group acts as the lessor, it recognises the income from operating leases according to the straight-line method in keeping with the terms of the agreements entered into. These assets are depreciated in accordance with the policies adopted for similar own use tangible assets. When the Group acts as the lessee, lease expenses are charged to the consolidated comprehensive profit and loss statement on a straight-line basis.

4.6.2 Financial leases

The Group recognises financial leases as assets and liabilities in the consolidated balance sheet at the start of lease term at the market value of the leased asset or at the actual value of the minimum lease instalments, should the latter be lower. The interest rate established in the agreement is used to calculate the actual value of the lease instalments.

The cost of assets acquired through financial leasing agreements is booked in the consolidated balance sheet according to the nature of the asset described in the agreement.

The financial expenses are distributed over the period of the lease in accordance with a financial criterion.

4.7 Financial instruments

4.7.1 Financial assets

Financial assets are recognised in the consolidated balance sheet when they are acquired and initially booked at their fair value. The financial assets held by Group companies are classified as follows:

- Marketable financial assets: These include any assets acquired by the companies with the aim of taking short-term advantage of any changes their prices may undergo or any existing differences between their purchase and sale price. This item also includes any financial derivatives that are not considered accounting hedges.
- Financial assets at maturity: These are assets subject to a fixed or determinable redemption amount which mature over time. The Group declares its intention and its capacity to keep these in its power from the date of acquisition to their maturity date.
- Outstanding loans and accounts receivable generated by the Company: These are financial assets generated by the companies in exchange for deliveries of cash or the supply of goods or services.

Marketable financial assets are valued after their acquisition at fair value, and any changes are included in the net profit/loss for the financial year.

Fair value of a financial instrument on a given date is construed as the amount for which it could be bought or sold on that same date by two knowledgeable parties acting freely and prudently under conditions of mutual independence.

Financial assets at maturity and accounts receivable issued by the Group are valued at their depreciated cost and any interest accrued is recognised in the consolidated comprehensive profit and loss statement on the basis of their effective interest rate. Depreciated cost is construed as the initial cost minus any charges or depreciation of the principal, taking into account any potential reductions arising from impairment or default.

As regards valuation corrections made to trade and other accounts receivable in particular, the criterion used by the Group to calculate the corresponding valuation corrections, if any, generally consists of provisioning for any balances expired at more than 180 days.

4.7.2 Cash and cash equivalents

"Cash and Cash Equivalents" in the consolidated statement of financial position includes cash, demand deposits and other short-term, highly liquid investments that can be realised in cash quickly and are not subject to a risk of changes in value.

4.7.3 Financial liabilities

ISSUES OF DEBENTURES AND OTHER SECURITIES

Debt issues are initially booked at the fair value of the consideration received, less the costs directly attributable to the transaction. They are subsequently valued at their amortised cost using the effective interest rate method. Bonds with a maturity date greater than twelve months are classified under non-current liabilities; those with a maturity date of less than twelve months are included in current liabilities.

Convertible bond issues are recorded at the time of their issue, distributing the fair value of the consideration received between their equity and liability components, assigning the residual value obtained after deducting the amount established separately for the liability component, from the fair value of these instruments as a whole, to the equity instrument. The value of any derivative embedded in the compound financial instrument other than the equity component will be included in the liability component.

BANK LOANS

Any loans received from banking institutions are booked at the amount received, net of any costs incurred in the transaction. They are subsequently valued at depreciated cost. Financial expenses are booked on an accrual basis in the consolidated comprehensive profit and loss statement using the effective interest rate method, and their amount is added to liabilities to the extent to which they are not settled in the period they were produced.

TRADE CREDITORS AND OTHER ACCOUNTS PAYABLE

Trade accounts payable are initially booked at fair value and are subsequently valued at depreciated cost using the effective interest rate method.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives used to hedge against the risks the Group's operations are exposed to, mainly exchange and interest rate risks, are valued at market value on the date they are contracted. Any subsequent changes in their market value are booked as follows:

- Concerning fair value hedges, the differences produced in both the hedging elements as well as in the hedged elements (regarding the kind of risk hedged) are directly recognised in the consolidated comprehensive profit and loss statement.

- For cash flow hedges, valuation differences in the effective part of the hedge elements are temporarily booked in the equity item "Equity valuation adjustments" and not recognised as results until the losses or gains of the hedged element are booked in profit or loss or until the hedged element matures. The ineffective part of the hedge is directly entered into the consolidated comprehensive profit and loss statement.

Hedge accounting is interrupted when the hedging instrument expires or is sold or finalised or exercised, or when it no longer meets the hedge accounting criteria. At that time, any cumulative gain or loss corresponding to the hedging instrument that has been booked in equity is kept there until the expected transaction is undertaken.

When the transaction covered by the hedge is not expected to take place, the net cumulative gains or losses recognised in equity are transferred to the profit or loss for the period. Any changes in the fair value of derivative financial instruments which fail to meet hedge accounting criteria are recognised in the consolidated comprehensive profit and loss statement as they arise.

The derivatives involved in other financial instruments or in other important agreements are booked separately as derivatives only when their risks and characteristics are not closely related to those of the important agreement and as long as such important agreements are not valued at fair value through the recognition of any changes occurred to fair value in the consolidated comprehensive profit and loss statement.

VALUATION TECHNIQUES AND HYPOTHESES THAT APPLY TO THE MEASUREMENT OF FAIR VALUE

The fair values of financial assets and liabilities are determined as follows:

• The fair value of financial assets and liabilities under standard terms and conditions which are traded in active liquid markets are based on market prices.
• The fair value of other financial assets and liabilities (excluding derivatives) is determined in accordance with generally accepted valuation models on the basis of cash flow discounting using the price of observable market transactions and contributor listings of similar instruments.
• In order to determine the fair value of interest rate derivatives, cash flow discounting is used based on the implicit flow determined by the interest rate curve according to market conditions. In order to determine the fair value of options, the Group uses the Black-Scholes valuation model and its variants, using for this purpose market volatility for the strike and maturity prices of said options.

Any financial instruments valued after their initial recognition at fair value are classified as level 1 to 3 based on the extent to which fair value can be observed:

• Level 1: Includes any instruments tied to listed prices (without adjustment) of identical assets or liabilities in active markets.
• Level 2: Includes any instruments indexed to other observable inputs (which are not the listed prices included under Level 1) for assets or liabilities, be it directly (i.e., prices) or indirectly (i.e., derived from prices).
• Level 3: Includes any instruments indexed to valuation techniques, which include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

4.7.4 Equity instruments

An equity instrument represents a residual interest in the equity of the Parent Company once all its liabilities are subtracted.

Equity instruments issued by the Parent Company are booked in equity for the amount received, net of the issue expenses.

4.8 Investments in associates

Investments in companies over which the Parent exercises significant influence or are jointly controlled are accounted for using the equity method. The book value of the investment in the associate includes the goodwill and the consolidated statement of comprehensive income includes the share in the results of the associate's operations. If the associate recognises gains or losses directly in equity, the Group also recognises its share in such items directly in equity.

At each year-end, the existence of indicators of a potential impairment of the investment in the associate is assessed in order to recognise the related impairment loss, where appropriate In order to determine the recoverable amount of the investments in companies whose sole asset consists of property inventories, appraisals were obtained from the same independent valuer that appraised the Group's inventories (Note 12). In the case of the other companies, discounted cash flow valuations performed internally similar to those described in Note 4.5.

4.9 Inventories

The criteria followed to value the different elements that comprise inventories are as follows:

Real estate operations (through Sotogrande, S.A.)

All costs incurred are identified by area and product in order to determine the cost of each element at the moment it is sold. This method assigns to the cost of the sale a proportional part of the total value of the land and of the development costs based on the percentage of the square metres sold represents of the total square metres available for sale in each area.

All land and plots held for sale are classified under current assets though their construction and sale period may exceed one year.

i) Undeveloped land: Undeveloped land is valued at original cost, which includes any legal expenses for deeds of sale, registration and any taxes not directly recoverable from the Inland Revenue.

ii) Developed land: Developed land is valued at cost or market value, whichever is lower. The cost mentioned above includes the cost of land, development costs and the cost of technical projects. Taking into consideration the specific characteristics of this activity (development and sale of a property measuring approximately 16 million square metres over a period of approximately 50 years), the value of developed land includes the personnel expenses and overheads incurred by the technical department in connection with the development and design of the different projects. In 2013, costs attributable directly to said projects amounted to EUR 38 thousand (no amount was attributed in 2012).

iii) Buildings constructed and under construction: These are valued at cost price, which includes the proportional part of the cost of land and infrastructures and any costs directly incurred in connection with the different promotions (projects, building licences, certifications of works, declaration of new works, registration at registry, etc.). The Group takes into account the market value and the term for realising the sales of its finished products, making the necessary value adjustments whenever needed.

Hotel operations

Catering edible products are valued at original cost or at realisation value, whichever is lower.

4.10 Foreign currency transactions and balances

The Group's functional currency is the euro. Consequently, any transactions in currencies other than the euro are considered as "foreign currency" and are booked according to the prevailing exchange rate on the date the transactions are performed.

Cash assets and liabilities denominated in foreign currencies are converted into the functional currency at the prevailing exchange rate on the date of each consolidated balance sheet. Any gains or losses thus revealed are directly attributed to the consolidated comprehensive profit and loss statement.

4.11 Classification of financial assets and debts into current and non-current

In the consolidated balance sheet attached, financial assets and debts are classified on the basis of their maturity; that is to say, those whose maturity date is equivalent to or less than twelve months are classified as current and those whose maturity date exceeds such period as non-current.

4.12 Income and expenses

Income and expenses are booked on an accrual basis, i.e., when the real flow of goods and services they represent occurs irrespective of the moment when the monetary or financial flows arising from them arise.

More specifically, income is calculated at the fair value of the consideration to be received and represents the amounts to be charged for the goods and services delivered within the ordinary framework of operations, subtracting any discounts and taxes.

Income and expenses arising from interest are accrued on the basis of a financial timing criterion depending on the outstanding principal to be charged for or paid and the effective interest rate that applies.

In accordance with IAS 18, the Group follows the criterion of booking sales of real estate under construction and, consequently, any profits from the same at the moment the significant risks and benefits of such real property are transferred to the buyer and the buyer has taken effective control over the property.

As a general rule and following the principle of correlation between income and expenses, any commission fees for sales staff and others of a general nature (sales representatives, advertising, etc.) not specifically attributable to real estate developments, though solely connected to the same, incurred from the moment the developments are initiated up to the moment the sales are booked are entered into the books under the "Other current assets" item of the assets side of the consolidated balance sheet, so that they may be attributed to expenses at the moment the sales are booked, provided the margin from the sale agreements entered into pending entry into the books exceeds the amount of such costs at the end of each year.

4.13 Official subsidies

Group companies follow the criteria set out below to book official subsidies:

- Non-reimbursable capital subsidies (connected with assets) are valued at the amount granted, booked as deferred income and attributed to results in proportion to the depreciation of the assets financed by such subsidies during the financial year.

- Operating subsidies are booked as income at the moment of their accrual

4.14 Tax on profits

The cost of the year's tax on profits is calculated through the sum of the current tax resulting from applying the tax rate on the year's taxable base and then applying any admissible tax write-offs plus any changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities include any temporary differences, being any amounts expected to be payable or recoverable due to differences between the book values of the assets and liabilities and their tax value, as well as any negative tax bases pending offsetting and any credits resulting from unapplied tax write-offs. Said amounts are booked by applying to the relevant temporary difference or credit the tax rate at which they are expected to be recovered or settled.

In some countries, the tax rate varies depending on whether a transfer of assets is made. In these cases, the Group's policy consists of applying the effective tax rate at which they are expected to be recovered or settled. In the opinion of the Directors of the Group, the deferred tax thus calculated covers the amount which may eventually be settled, if any, in the foregoing case.

Deferred tax liabilities for all taxable temporary differences are recognised, except for those in which the temporary difference arises from the initial recognition of goodwill whose depreciation may not be written-off for tax purposes or the initial recognition of other operating assets and liabilities which do not affect either the tax or accounting result.

Deferred tax assets identified as temporary differences, meanwhile, are only recognised if it is deemed probable that the consolidated entities will make sufficient tax profits in the future to make them effective and they do not come from the initial recognition of other assets and liabilities in a transaction which does not affect either the tax or accounting result. Other deferred tax asset (negative tax bases and write-offs pending offset) are only recognised if it is deemed likely that the consolidated companies will make sufficient tax profits in the future to make them effective.

At each year-end, deferred taxes (both assets and liabilities) are reviewed in order to verify that they remain in force and the relevant corrections are made in accordance with the outcome of the analyses conducted.

4.15 Undertakings made to the workforce

Spanish hotel companies are obliged to make a specific number of monthly salary payments to any employees who leave the company due to retirement, permanent incapacity to work or upon reaching a certain age, as well as to those who have attained a certain level of seniority and meet certain pre-established requirements.

The liabilities accrued for obligations to employees is recognised under "Provisions for Contingencies and Charges" in the accompanying consolidated statement of financial position (Note 21), in which the liabilities recognised in this connection relate mainly to the pension funds of certain employees of the Italy and Netherlands business units.

Under current Italian legislation, they are entitled to receive benefits in the event of voluntary severance or termination. "Non-Current Provisions" in the accompanying consolidated statement of financial position includes the liabilities accrued in this connection, which amounted to EUR 10,579 thousand at 31 December 2013 (31 December 2012: EUR 13,750 thousand).

In accordance with Real-Decree Law 16/2005, the Group has outsourced the above-mentioned undertakings, financing all the services accrued in advance.

4.16 Onerous agreements

The Group considers onerous agreements to be those in which the inevitable costs of fulfilling the obligations they entail exceed the economic benefits expected from them.

The Group follows the principle of recording a provision at the present value of the aforementioned differences between the costs and benefits of the contract, or the compensation foreseen for abandonment of the contract, if such is decided.

The pre-tax discount rates used reflect the current market value of money, as well as the specific risks associated with these agreements. More specifically, a rate between 7.03% and 12% has been used.

4.17 Share-based remuneration schemes

These schemes are valued at the time of granting, using a financial method based on a binomial model which takes into consideration the strike price, volatility, the exercise period, the expected dividends, the risk-free interest rate and the hypotheses made concerning the financial year.

In accordance with IFRS 2, above-mentioned valuation is attributed to profit or loss under personnel expenses during the period established for the employee to remain in the company before exercising the option. Said value is imputed on a straight-line basis to the consolidated comprehensive profit and loss statement from the date the scheme was implemented to the exercise date.

Plans settled in shares

The expense for the year is offset against equity. On each subsequent closing date, the Group reviews the estimates regarding the number of options expected to be exercisable, adjusting the equity figure, as applicable..

Cash-settled plans

The valuation obtained is recognised with a corresponding entry as a liability in favour of employees. Furthermore, the Group re-estimates the initial valuation mentioned above every year by recognising in the year's profit or loss both the part corresponding to the year in question and those corresponding to previous years.

Subsequently, the difference between the settlement price and the recognised liability, as described above, for any transactions settled, is recognised in the consolidated comprehensive profit and loss statement once the required permanence period for the employee has elapsed. Ongoing transactions at year-end are likewise charged to the consolidated comprehensive profit and loss statement for the amount of the difference between the recognised liability to date and the corresponding updated value.

Lastly, as detailed in Note 20 to the accompanying consolidated annual report, in order to hedge possible financial liabilities arising from said remuneration scheme, the Group arranged a financial instrument to hedge the future cash flows required to settle this remuneration system. This financial instrument (equity swap) is considered to be a derivative and is accounted for in accordance with general rules applicable thereto (Note 4.7).

4.18 Treasury shares

Pursuant to IAS 32, treasury shares are presented by reducing the Group's equity.

The gains and losses obtained by the Group on the disposal of these treasury shares are booked in the "Share premium" item of the consolidated balance sheet.

4.19 Provisions

The Group follows the policy of provisioning for the estimated amounts arising from ongoing litigation, indemnities or obligations, as well as for any surety or guarantees granted by Group companies which could involve a the Group in a payment obligation (either legal or implicit), provided the amount can be reliably estimated.

4.20 Severance payments

In accordance with current employment regulations and certain employment contracts, the Group is obliged to pay indemnities to employees who are dismissed under certain conditions. The Group recorded expenses of EUR 5,838 thousand for this item in 2013 (2012: EUR 25,257 thousand).

The consolidated financial statement at 31 December 2013 includes, pursuant to the International Financial Reporting Standards (IAS 37), a provision of EUR 4,864 thousand for this item (31 December 2012: EUR 19,981 thousand).

4.21 Business combinations

The business combinations by which the Group acquires control of an entity are accounted for using the acquisition cost method, calculating goodwill as the difference between the sum of the consideration transferred, the minority interests and the fair value of any previous stake in the acquired entity, less the identifiable net assets of the acquired entity, measured at fair value.

In the event that the difference between these items is negative, an income is booked in the consolidated comprehensive profit and loss statement.

In the case of business combinations carried out in stages, goodwill is only measured and recorded once control of a business has been acquired. To do this, any holdings are measured subject to fair value and the corresponding profit or loss is recognised.

4.22 Environmental policy

Investments arising from environmental activities are valued at their original cost and activated as increased fixed asset or inventory costs in the financial year in which they are incurred.

Any expenses arising from environmental protection and improvement are attributed to the profit or loss for the year when they are incurred, irrespective of the moment when the cash or financial flows arising from them arise.

Provisions for likely or certain liabilities, ongoing litigation and outstanding indemnities or obligations of an indeterminate amount connected with the environment and not covered by the insurance policies taken out are incorporated at the moment the liability or obligation linked to the indemnities or payment arises.

4.23 Consolidated cash flow statements

The following terms with their corresponding explanation are used in the consolidated cash flow statements prepared using the indirect method:

- Cash flows: Inflows or outflows of cash or cash equivalents. The latter are construed as highly liquid short-term investments with a little risk of change in their value.
- Operating activities: The typical activities of the entities comprising the consolidated group, along with other activities that cannot be classified as investment or financing activities.
- Investment activities: Activities involving the acquisition, disposal or drawing down by other means of long-term assets and other investments not included under cash and cash equivalents.
- Financing activities: Activities resulting in changes in the amount and composition of equity and liabilities and which do not form part of the operating activities

5.-PROFIT (LOSS) PER SHARE

The basic profit per share is calculated by dividing the net profit or loss attributable to the Group in a period by the weighted average number of shares in circulation during the period, excluding the average number of treasury shares held during the same period.
In accordance with this:

	31/12/2013	31/12/2012
Net Profit/(Loss) for the year (thousands of euros)	(39,818)	(293,737)
Weighted average number of shares in circulation (thousands)	295,228	244,644
Profit/(Loss) per share (in euros)	(0.13)	(1.20)

The diluted earnings per share is established on a similar basis as basic earnings per share; however, the weighted average number of shares outstanding has increased with the options on shares, warrants and convertible debt.

	31/12/2013
Net Profit/(Loss) for the year (thousands of euros)	(39,818)
Dilutive average weighted number of shares (thousands).	337,975
Diluted Profit/(Loss) per share (in euros)	(0.12)

6.-GOODWILL

The balance included under this item corresponds to the net goodwill arising from the acquisition of certain companies, and is broken down as follows (thousands of euros):

	2013	2012
NH Hoteles Deustchland, GmbH and NH Hoteles Austria, GmbH	94,710	97,467
Others	2,511	4,347
Total	97,221	101,814

The movements in this heading of the consolidated balance sheet in 2013 and 2012 were as follows (thousands of euros):

Company	Goodwill 31.12.11	Currency Translation difference	Impairment	Goodwill 31.12.12
NH Hoteles Deustchland, GmbH and NH Hoteles Austria, GmbH	108,068	-	(10,601)	97,467
Others	11,900	(1,295)	(6,258)	4,347
Total	119,968	(1,295)	(16,859)	101,814

Company	Goodwill 31.12.12	Currency Translation difference	Impairment	Goodwill 31.12.13
NH Hoteles Deustchland, GmbH and NH Hoteles Austria, GmbH	97,467	-	(2,757)	94,710
Others	4,347	(1,836)	-	2,511
Total	101,814	(1,836)	(2,757)	97,221

Any recoverable goodwill values have been allocated to each cash-generating unit, mainly rental agreements, by using five-year projections on the results, investments and working capital.

A breakdown of the cash generating units to which goodwill on consolidation have been allocated is shown below.

	Thousands of Euros
CGU 6	17,478
CGU 21	11,319
CGU 22	8,508
CGU 12	8,116
CGU 13	6,500
CGU 2	5,774
CGU 9	4,121
CGUs with individually allocated goodwill < €4 M	35,405
	97,221

The basic hypotheses used to estimate these generating unit's future cash flows are detailed below:

- Discount rate: 7.03% and 7.41%, since these are CGUs subject to the same risk (German and Austrian market).
- Terminal value growth rate (g): 2%

As a result of the impairment analysis performed by the Group at the end of 2013, an impairment of €2.757 million has been recorded primarily in Cash Generating Units with separately associated goodwill of less than €4 million.

A sensitivity analysis of the goodwill's loss of value with respect of changes in key financial hypotheses is shown below:

Rate value Terminal value growth rate	Thousand euros		
	Discount rate		
	-100pb	No change	100pb
0%	(2,251)	(2,341)	(3,527)
1%	90	(2,341)	(2,634)
2%	90	-	(2,427)

We will soon publish a sensitivity analysis regarding the loss in value of goodwill with respect to changes to the most important operating hypotheses, average price (ADR) and occupancy rate:

Change in average rate (ADR)	Thousand euros		
	Change in occupancy levels		
	-1%	No change	1%
-1%	(869)	(110)	161
No change	(760)	-	273
1%	(651)	111	385

7.-INTANGIBLE ASSETS

The breakdown and movements under this heading during 2013 and 2012 were as follows (in thousands of euros):

	Balance at 31.12.11	Inclusions/ Allowances	Retirements	Balance at 31.12.12	Change in consolidation boundary	Inclusions/ Allowances	Retirements	Assignments	Balance at 31.12.13
COST									
Rights of use	30,200	98	-	30,298	-	251	-	-	30,549
Rental agreement premiums	70,020	-	-	70,020	-	-	(1,590)	-	68,430
Concessions, patents and trademarks	34,964	630	(984)	34,610	-	-	(12)	64	34,662
Software applications	50,295	11,809	-	62,104	(9)	10,389	(76)	(2,535)	69,873
	185,479	12,537	(984)	197,032	(9)	10,640	(1,678)	(2,471)	203,514
CUMULATIVE DEPRECIATION									
Rights of use	(16,068)	(320)	-	(16,388)	-	(1,298)	-	-	(17,686)
Rental agreement premiums	(9,840)	(2,923)	-	(12,763)	-	(1,690)	636	(202)	(14,019)
Concessions, patents and trademarks	(10,146)	(1,982)	972	(11,156)	-	929	12	-	(10,215)
Software applications	(41,948)	(10,219)	-	(52,167)	9	(14,520)	46	636	(65,996)
	(78,002)	(15,444)	972	(92,474)	9	(16,579)	694	434	(107,916)
Impairment	(29)	(12,561)	-	(12,590)	-	(1,195)	1,163	(10,360)	(22,982)
NET BOOK VALUE	107,448			91,968					72,616

7.1 Rights of use

On 28 July 1994, NH Hoteles, S.A. was granted a right of use on Hotel NH Plaza de Armas in Seville, which is owned by Red Nacional de los Ferrocarriles Españoles (RENFE), for a thirty-year period commencing on the date the agreement was executed. NH Hoteles, S.A. will pay RENFE the amount of 30.20 million euros in accordance with a payment schedule which concludes in 2014.

The Group has reflected the entire amount agreed upon as the transaction's price in the "Rights of use" item. In order to correctly accrue this price, the result of spreading out the cost over the thirty year term of the agreement is assigned to the consolidated comprehensive profit and loss statement in accordance with an increasing instalment with a percentage annual growth of 4%. "Sundry Accounts Payable" and "Other Non-Current Liabilities" (Notes 25 and 18) in the accompanying consolidated statement of financial position includes the amounts outstanding, including a short-term balance of EUR 1.49 million at 31 December 2013 (31 December 2012: EUR 1.49 million short-term and EUR 1.49 million long-term).

7.2 Rental agreement premiums

There were no significant movements in 2013.

7.3 Software applications

The most significant inclusions in 2013 came about in Spain as a result of investments made to develop computer applications.

8.-TANGIBLE FIXED ASSETS

The breakdown and movements under this heading during 2013 and 2012 were as follows (in thousands of euros):

	Balance at 31.12.11	Currency translation diferences	Additions	Retirements	Assignments (Note 7)	Balance at 31.12.12	Change in the scope of consolidation	Currency translation diferences	Additions	Retirements	Assignments (Note 7)	Balance at 31.12.13
COST												
Land and buildings	1,943,598	(4,494)	7,807	(1,131)	1,499	1,947,279	(109,072)	(23,137)	5,479	(907)	(3)	1,819,639
Plant and machinery	788,565	(1,731)	13,884	(6,462)	2,603	796,859	(12,072)	(9,288)	3,313	(15,269)	(3)	763,540
Other fixtures, toolsand furniture	521,842	(1,791)	12,169	(10,688)	1,421	522,953	(26,982)	(4,362)	15,704	(25,004)	2,477	484,786
Other fixed assets	2,685	(5)	42	(1,071)	-	1,651	-	(41)	246	(598)	-	1,258
Fixed assets in progress	32,853	(334)	865	(1,363)	(5,523)	26,498	(234)	(161)	5,657	(88)	-	31,672
	3,289,543	(8,355)	34,767	(20,715)	-	3,295,240	(148,360)	(36,989)	30,399	(41,866)	2,471	3,100,895
CUMULATIVE DEPRECIATION												
Buildings	(269,702)	1,577	(27,385)	325	(344)	(295,529)	9,791	4,109	(25,139)	438	-	(306,330)
Plantand machinery	(464,441)	1,153	(36,850)	5,159	5	(494,974)	5,160	4,808	(39,232)	15,221	2	(509,015)
Other fixtures, tools and furniture	(403,761)	925	(30,767)	8,581	(5)	(425,027)	24,417	3,201	(25,109)	24,418	(436)	(398,536)
Other fixed assets	(3,147)	-	(168)	949	344	(2,008)	-	39	(59)	654	-	(1,374)
	(1,141,051)	3,670	(95,169)	15,012	-	(1,217,538)	39,368	12,157	(89,539)	40,731	(434)	(1,215,255)
Impairment	(51,498)	(107)	(169,722)	1,260	-	(220,067)	-	237	(2,261)	41,071	10,360	(170,660)
NET VALUE VALUE	2,096,994					1,857,635						1,714,980

The "Translation differences" column reflects the effect of changes in the exchange rate used in the conversion of the different tangible fixed asset items.

The most significant movements in this heading during the 2013 and 2012 were as follows

i) The exclusion from the scope of consolidation is due to the sale of the NH Grand Hotel Krasnapolsky (EUR 108.99 million) at the Netherlands business unit.

ii) The most significant additions to this heading during 2013 and 2012 broken down by business units were as follows:

	Thousand euros	
	2013	2012
Spain	5,349	7,375
Italy	7,095	13,010
Germany	9,199	9,447
Benelux	4,359	2,717
Latin America	3,341	1,214
Rest of Europe	1,056	1,004
	30,399	34,767

In Spain, the most significant additions in 2013 were related to the renovation of the NH Eurobuilding (€2.89 million), NH Embajada (€0.70 million), NH Príncipe de Vergara (€0.60 million), NH Amistad de Córdoba (€0.23 million), NH Plaza de Armas (€0.22 million), NH Suites Prisma (€0.20 million) and NH Canciller Ayala (€0.18 million), among others.

In Germany, they were related to the renovation of the NH Fürth Nürnberg (€2.23 million), NH Muenchen Dornach (€2.01 million), NH Berlin Mitte (€1.06 million), NH Muenchen am Ring (€0.57 million) and NH Dusseldorf City (€0.49 million).

In Italy, the renovation of the NH President (€1.06 million), Nhow Milan (€0.64 million), NH Milanofiori (€0.57 million), NH Trieste (€0.44 million), NH Laguna Palace (€0.36 million), NH Firenze (€0.36 million), NH Vittorio Veneto (€0.25 million), NH Leonardo Da Vinci (€0.21 million), NH Palermo (€0.19 million), NH Ambasciatori (€0.16 million), NH La Spezia (€0.15 million), NH Villa San Mauro (€0.13 million), NH Cavalieri (€0.13 million), NH Plaza (€0.12 million), NH Milano Touring (€0.11 million), in addition to the Valdagno head office (€0.17 million), among others.

iii) The most significant retirement in 2013 came about in Spain, Italy and Germany:

In Spain, the abandonment of the NH Califa (€0.83 million), NH La Perdiz (€0.63 million), NH Puerto de Sagunto (€0.26 million), NH Albar (€0.20 million), NH Abashiri (€0.17 million), NH Campo de Cartagena (€0.17 million), NH Villa de Coslada (€0.15 million), NH Girona (€0.04 million).

In Italy, the abandonment of the NH Vicenza (€1.86 million) in addition to works at the NH President (€1.33 million).

And, in Germany, the works on the NH Berlin Friedrichstrasse (€0.74 million).

This year, the Group has allocated provisions of €2.3 to the impairment of hotel assets. Furthermore, the most significant use of provisions allocated in previous years has been seen in hotel assets located in Spain, to the sum of €8.1 million, €20.1 million has been allocated to Donnafugata and €9.9 to the rest of Italy. At 31 December 2013 there were items of property, plant and equipment with a carrying amount of EUR 807.3 million (31 December 2012: EUR 1,076.7 million) securing several mortgage loans (Note 17).

The amount of the provisions used includes a balance of EUR 4.6 million corresponding to the impairment loss associated to the leased hotels that were abandoned in 2013.

The Group has taken out insurance policies to cover any possible risks to which the different elements of its tangible fixed assets are subject, and to cover any possible claims that may be filed against it in the course of its activities. It is understood that such policies sufficiently cover the risks to which the Group is exposed.

Firm purchase undertakings amounted to 5.2 million euros at 31 December 2013. These investments will be made between 2014 and 2016.

9.-REAL-ESTATE INVESTMENTS

The movements under this heading of the consolidated balance sheet in 2013 and 2012 were as follows:

	Thousands of euros					
	Balance at 31.12.11	Additions/ Allowances	Balance at 31.12.12	Additions/ Allowances	Disposals/ Reversals	Balance at 31.12.13
Cost:						
Buildings	7,810	-	7,810	-	(5,344)	2,466
	7,810	-	7,810	-	(5,344)	2,466
Cumulative depreciation:						
Buildings	(2,699)	(272)	(2,971)	(241)	1,994	(1,218)
	(2,699)	(272)	(2,971)	(241)	1,994	(1,218)
Impairment	(291)	-	(291)	-	-	(291)
	(291)	-	(291)	-	-	(291)
Net value	4,820		4,548			957

On 10 December 2013, the Group and Soto Almena, S.L., entered into an agreement to sell Colegio Internacional de Sotogrande, whose sale price amounted to EUR 4.500 million, giving rise to a gain of EUR 1,150 thousand which was recognised under "Net gains on the disposal of non-current assets" in the accompanying consolidated comprehensive profit and loss statements for 2013.

"Other Receivables" in the accompanying consolidated statement of financial position includes a balance of EUR 4,050 thousand at 31 December 3013, corresponding to the amount receivable from this transaction. According to the payment schedule established in the sale agreement, the payments shall be made on 30 June 2014 and 23 December 2014, amounting to EUR 2,025 thousand each. In order to secure the payment of said amounts, Soto Almena, S.L. established a mortgage on the transferred building in the Group's favour.

The most significant investments made by Sotogrande included under "Other Receivables" of the accompanying consolidated balance sheet at 31 December 2013 are as follows:

- Premise D.02 Puerto Deportivo Sotogrande
- Premise E.07 Puerto Deportivo Sotogrande
- Finca Hípica Valderrama
- Terrazas Ribera del Marlin

The Group's real estate investments mainly correspond to real estate to be operated under rental agreements. The use of said investments are broken down as follows:

	Square metres	
	2013	2012
Offices	219	219
Sports centre	11,215	11,215
Terrazas del Marlin	2,778	2,778
Educational centre	-	5,445
	14,212	19,657

The fair value of the Group's property investments at 31 December 2013, calculated on the basis of appraisals made by American Appraisal España, S.L. on 18 October 2013 using comparative market analysis amounted to EUR 2,958 thousand (31 December 2012: EUR 10,495 thousand), approximately. The valuer's report does not include any warning or limitation that could affect the appraisal.

In 2013 the rental income from the Group's property investments amounted to EUR 479 thousand (2012: EUR 390 thousand). Moreover, the direct operating expenses arising on the investment property amounted to EUR 39 thousand (2012: EUR 37 thousand).

At 2013 year-end there were no restrictions on making new investment property investments, on the collection of rental income therefrom or in connection with the proceeds to be obtained from the potential disposal thereof.

The Group has taken out insurance policies to cover any possible risks to which the different elements of its real estate investments are subject, as well as to cover any possible claims that may be filed against it in the course of its activities. It is understood that such policies sufficiently cover the risks to which the Group is exposed.

10.-INVESTMENTS VALUED USING THE EQUITY METHOD

The movements under this heading of the consolidated balance sheet during 2013 and 2012 were as follows:

Company	Net balance at 31.12.11	Additions	Assignments	Profit (Loss) 2012	Currency translation diference	Net balance at 31.12.12
Sotocaribe, S.L.	43,513	-	-	(480)	776	43,809
Capredo Investments GmbH	17,031	-	-	(3,039)	(95)	13,897
Varallo Comercial, S.A.	8,099	376	-	(947)	(470)	7,058
Inmobiliaria 3 Poniente, S.A. de C.V.	1,879	-	(171)	138	72	1,918
Palacio de la Merced, S.A.	1,322	-	-	16	-	1,338
Mil Novecientos Doce, S.A. de C.V.	1,708	-	171	46	78	2,003
Consorcio Grupo Hotelero T2, S.A. de C.V.	155	-	-	34	7	196
Fonfir1, S.L.	20	-	-	-	-	20
Residencial Marlin, S.L.	22,860	-	-	(1,670)	-	21,190
Borokay Beach, S.L.	4,405	-	-	(160)	-	4,245
Los Alcornoques de Sotogrande, S.L.	9	-	-	(9)	-	-
Losan Investment Ltd.	-	-	-	-	-	-
Harrington Hall, Ltd.	-	-	-	-	-	-
Total	73,727	376	-	(6,071)	368	95,674

Company	Net balance at 31.12.12	Assignments (Note 11.2)	Profit (Loss) 2013	Currency translation diferences	Net balance at 31.12.13
Sotocaribe, S.L.	43,809	-	(538)	(1,330)	41,941
Capredo Investments GmbH	13,897	-	(5,741)	(1,808)	6,348
Varallo Comercial, S.A.	7,058	-	1,918	717	9,693
Inmobiliaria 3 Poniente, S.A. de C.V.	1,918	-	15	(391)	1,542
Palacio de la Merced, S.A.	1,338	-	58	-	1,396
Mil Novecientos Doce, S.A. de C.V.	2,003	-	277	(493)	1,787
Consorcio Grupo Hotelero T2, S.A. de C.V.	196	-	355	(177)	374
Hotelera del Mar, S.A.	-	2,730	131	(2,647)	214
Fonfir1, S.L.	20	-	-	-	20
Residencial Marlin, S.L.	21,190	-	(1,862)	-	19,328
Borokay Beach, S.L.	4,245	-	(2,709)	-	1,536
Los Alcornoques de Sotogrande, S.L.	-	-	-	-	-
Losan Investment Ltd.	-	-	-	-	-
Harrington Hall, Ltd.	-	-	-	-	-
Total	95,674	2,730	(8,095)	(6,130)	84,179

After commencing its activity, the NH Group consolidated Hotelera del Mar, S.A., reclassifying its balance to "Other non-current financial investments" since 1 January 2013 (Note 11.2).

Although the NH Group has an ownership interest of 22.33%, it exercises significant influence therein, since it participates in the determination of the distribution/allocation of its profit/loss.

Grupo NH Hoteles' policy on interests in associate companies consists of the Group ceasing to recognise losses in these companies if the associate's consolidated losses attributable to the Group are equivalent to or exceed the cost of its interest in them, provided there are no additional contingencies or guarantees connected with already incurred losses. This is the case of the ownership interests in Los Alcornoques de Sotogrande, S.L., Harrington Hall Hotel, Ltd. and Losan Investment, Ltd.

The most relevant financial information related to the main ownership interests in joint ventures is detailed in Appendix II to this consolidated annual report.

11.-NON-CURRENT FINANCIAL INVESTMENTS

11.1 Loans and accounts receivable not available for trading

The breakdown of this item at 31 December 2013 and 2012 is as follows:

	Thousand euros	
	2013	2012
Subordinated loans to companies owning hotels operated by the Group through leases (*)	45,885	44,373
Other collection rights	10,116	11,574
Other loans	16,722	-
Lease advance payments	3,660	22,124
Accounts receivable from joint ventures (Note 28)	5,576	4,921
Loans to associated companies (Note 28) (*)	2,250	2,250
Long-term deposits and surety	15,172	12,052
Others	4,486	4,245
Total	103,867	101,539

* These loans accrue an average rate of interest of between 3% and 4.89%

The “Subordinated loans to companies owning hotels operated by the Group through leases” item includes a series of loans granted by the Group to companies which own hotels in countries such as Germany, Austria, Luxembourg, the Netherlands, Italy and Spain, and which are operated by the Group under a leasing agreement.

These transactions, which are mainly aimed at refinancing and reducing rents, are currently being used for the Group’s growth. The main features of these agreements are as follows:

- Hotel rents are not subject to evolution of the inflation rate or to that of any other index.
- The above-mentioned subordinated loans accrue interest at a fixed rate of 3% per year (EUR 2.23 million in 2013 and EUR 2.21 million in 2012).
- New rental agreements establish a purchase right on properties subject to agreements that, as a general rule, may be executed in the fifth, tenth and fifteenth year from the entry into force of the agreement.
- The model used for these rental agreements has been analysed and independent experts consider them to be operating leases.

“Other Collection Rights” includes the claim filed against the insurance company that underwrote the ten-year building works insurance. The amount claimed corresponds to the repair works performed and yet to be carried out on a housing development belonging the subsidiary Sotogrande, S.A. (please refer to Note 26).

“Other Loans” includes the loan granted to the owner of the NHow Rotterdam hotel, operated on a management basis, which accrues a fixed annual interest rate of 3%.

The “Lease advance payments” item includes advance payments made to the owners of certain hotels operated under a rental scheme for the purchase of decoration and furniture; these are discounted from future rental payments.

Also, in 2012, EUR 17,428 thousand was recognised as a balancing entry for the promissory notes provided to the owners of several leased hotels (Note 18).

11.2 Other non-current financial investments

This item of the consolidated balance sheet comprised the following interests valued at cost at 31 December 2013 and 2012:

	Thousand euros	
	2013	2012
Hotelera del Mar, S.A. (Note 10)	-	3,151
NH Panama	3,767	3,539
Others investments	6,072	5,547
Provisión Hotelera del Mar, S.A. (Note 10)	-	(421)
Other provisions	(2,107)	(2,108)
Total	7,732	9,708

These companies were not consolidated at 31 December 2013 as they were inactive on such date.

12.-INVENTORIES

The composition and movements for this item of the consolidated balance sheet at 31 December 2013 and 2012 was as follows in both years:

	Balance at 31/12/11	Changes in the scope of consolidation (Note 2.5.5)	Additions	Retirements	Net Changes in Inventories	Balance at 31/12/12	Additions	Net Changes in Inventories	Balance at 31/12/13
Developed land	46,558	-	-	-	-	46,558	38	-	46,596
Undeveloped land	10,697	-	-	-	-	10,697	-	(157)	10,540
Finished works	27,097	5,642	-	-	(6,160)	26,579	-	(59)	26,520
Ancillary materials and others	8,367	-	-	-	649	9,016	-	(53)	8,963
	92,719	5,642	-	-	(5,511)	92,850	38	(269)	92,619
Impairment	-	(2,098)	(5,764)	1,127	-	(6,735)	(6,249)	-	(12,984)
Net value	92,719	3,544	(5,764)	1,127	(5,511)	86,115	(6,211)	(269)	79,635

The Group has reduced the value of its property inventories to their possible recovery value, basing its calculations on the appraisals carried out by independent experts. The existing provision of this item at 31 December 2013 amounts to €12,984 thousand (€6,735 thousand in 2012). The net provision allowance booked in 2013, to the amount of €6,249 thousand, is included under "Inventory impairment" in the attached consolidated comprehensive profit and loss statement for 2013.

Below, the conciliation of the "Provisions" account is presented, with the variation in inventories for 2012 and 2013 presented in the consolidated comprehensive profit and loss statement:

	2012			2013		
	Net Changes in Inventories	Purchases	Total Procurements	Net Changes in Inventories	Purchases	Total Procurements
Undeveloped land	-	-	-	157	-	157
Finished works	6,160	-	6,160	59	-	59
Trade inventories	(649)	(74,767)	(75,416)	53	(66,964)	(66,911)
Total	5,511	(74,767)	(69,256)	269	(66,964)	(66,695)

The Group currently owns approximately 1,535,000 square metres of land subject to the urban development regulations of the San Roque General Urban Zoning Plan approved by the Cadiz Provincial Town Planning Commission on 2 November 1987, which generally classifies the land owned by the Group as land for scheduled development. . The average cost of developed land amounted to 42 euros per square metre and the cost of undeveloped land was of 22 euros per square metre at 31 December 2013. The Group also has valuations carried out by independent third parties, which state that the market value of this land exceeds the book value.

On 23 April 2007, the Group entered into a legal-administrative town planning agreement with the San Roque Town Council pursuant to Act 7/2002 of 17 December on the Urban Zoning of Andalusia. The maximum plot area in said agreement totalled 633,893 m² with 2,887 housing units, which greatly exceeded the figures set forth in the Plan's initial review in February 2005. The review was left without effect and the maximum plot area was raised to the figure assigned in the aforementioned General Plan of 1987.

Based on the appraisals conducted by American Appraisal España, S.L. and by Tasaciones Inmobiliarias, S.A. on 2013 June, the market value of the Group's property inventories was as follows:

	Thousand euros
Developed land	44,828
Undeveloped land	117,108
Finished works	20,511
Total	182,447

The comparative market method and the development method have been used as part of the valuation process. The valuer's report does not contain any warnings or limitations that could affect the valuation.

At 31 December 2013, the value of inventories used as security for mortgage loans amounted to EUR 4.194 million (EUR 4.194 million in 2012) (see Note 16).

13.-TRADE RECEIVABLES

This item reflects different accounts receivable from the Group's operations. The breakdown at 31 December 2013 and 2012 is as follows:

	Thousand euros	
	2013	2012
Trade receivables for services provided	127,190	130,016
Trade receivables for real-estate product sales	7,654	6,625
Provision for bad debts	(15,649)	(15,144)
Total	119,195	121,497

As a general rule, these receivables do not accrue any interest at all and are due at less than 90 days with no restrictions on how they may be used.

Movements in provision for bad debts during the years ending 31 December 2013 and 2012 is as follows:

	Thousand euros	
	2013	2012
Balance at 1 January	15,144	18,323
Currency translation differences	(132)	(23)
Allowances	2,798	991
Applications	(2,161)	(4,147)
Balance at 31 December	15,649	15,144

The analysis of the aging of financial assets in arrears but not considered as impaired at 31 December 2013 and 2012 is as follows:

	Thousand euros	
	2013	2012
Less than 30 days	15,024	15,284
From 31 to 60 days	12,568	11,839
More than 60 days	14,377	25,466
Total	41,969	52,589

14.-CURRENT FINANCIAL INVESTMENTS

The breakdown of this item at 31 December 2013 and 2012 is as follows:

	Thousand euros	
	2013	2012
Short-term deposits	-	12,000
Loans to staff (Note 28)	-	2,850
Total	-	14,850

15.-CASH AND CASH EQUIVALENTS

This item essentially includes the Group's cash position, along with any loans granted and bank deposits that mature at no more than three months. The average interest rate obtained by the Group for its cash and cash equivalents balances during 2013 and 2012 was a variable Euribor-tied rate. These assets are booked at their fair value.

There are no restrictions on how cash may be used.

As a result of the enactment of Royal Decree 1558/2012 of 15 November, of Article 42a of Royal Decree 1065/2007 of 27 July, approving the General Regulations on tax management, inspection and procedures, and implementing the common rules of the procedures for applying taxes, which establishes certain reporting obligations with regard to overseas assets and rights, among others, it is disclosed that some members of the NH Hoteles S.A. Board of Directors have the right to dispose, as representatives or authorised officials, of bank accounts located abroad, which are in the name of Group companies. The reason certain Board members have the right to dispose of overseas bank accounts is that they are directors or board members of said subsidiaries.

NH Hoteles S.A. holds other accounting documents, namely the consolidated annual accounts, from which sufficient data can be extracted in relation to the aforementioned accounts.

16.-SHAREHOLDERS' EQUITY

16.1 Subscribed share capital

On 17 April 2013, the capital increase of the Parent Company approved by the Board of Directors in its meeting of 27 February 2013 was executed, incorporating Tangla Spain, S.L., a company belonging to the Chinese HNA Group, into the shareholder base of the Parent Company with a post-increase stake of 20% of the share capital.

The aforementioned capital increase was fully subscribed and paid up at a nominal amount of EUR 123,308,716, through the issuance of a total of 61,654,358 ordinary shares, with a par value of EUR 2 each, together with a share premium of EUR 1.80 per share (representing a total share premium of EUR 110,977,844.40 net of issue costs), representing a total payment of EUR 234,286,560.40. Los expenses associated with this capital increase amounted to EUR 3.5 million and were recognised as a reduction in the share premium.

As at 31 December 2013, the Parent Company's share capital after the capital increase is represented by 308,271,788 fully subscribed and paid up bearer shares with a nominal value of €2 each.

All these shares are entitled to identical voting and economic rights and are traded on the Continuous Market of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

According to the latest notifications received by the Parent Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December were as follows:

	2013	2012
Grupo Inversor Hesperia, S.A.	20.07%	25.09%
HNA Group Co Limited	20.00%	-
Banco Financiero y de Ahorros, S.A.	12.60%	15.75%
Blackrock Inc.	5.62%	-
Intesa Sanpaolo, S.p.A	4.52%	5.65%
Pontegadea Inversiones, S.L.	4.06%	5.07%
Taube Hodson Stonex Partners LLP	3.89%	
Fidelity International Limited	1.47%	-
CK Corporación Kutxa, S.L.	-	6.25%
Hoteles Participados, S.L.	-	5.43%
Ibercaja Banco, S.A.	-	5.04%
Shares allocated to Employee Remuneration Schemes	-	0.84%
Shares owned by NH employees	0.12%	0.60%

At year-end 2013 and 2012, the members of the Board of Directors were the holders or stable proxies of shareholdings representing approximately 61.43% and 73.49% of the share capital, respectively.

The main aims of NH Hoteles Group capital management are to ensure short and long-term financial stability, the positive evolution of NH Hoteles, S.A. share price, and suitable funding for investments while maintaining the level of indebtedness. All the above is geared towards ensuring that the Group maintains its financial strength and the strength of its financial ratios, enabling it to maintain its businesses and maximise value for its shareholders.

In recent years, the Group's strategy has not varied, maintaining a financial leverage ratio of 0.64x. The leverage ratios at 31 December 2013 and 2012 were the following:

	Thousand euros	
	2013	2012
Obligations and other negotiable securities (Note 17)	461,949	-
Debts with credits institutions (Note 17)	417,339	1,031,126
Gross debt	879,288	1,031,126
Cash and cash equivalents (Note 15)	133,869	40,793
Liquid assets	133,869	40,793
Total Net Debt	745,419	990,333
Total Equity	1,158,010	993,286
Financial leverage	0.64	0.99

16.2 Parent Company Reserves

i) Legal reserve
In accordance with the Revised Text of the Capital Companies Act, 10% of the net profit for each year must be allocated to the legal reserve until it reaches at least 20% of share capital. The legal reserve may be used to increase capital provided the remaining balance does not fall below 10% of the increased capital amount. With the exception of the aforementioned purpose, and when it does not exceed 20% of share capital, this reserve may only be used to offset losses, provided no other reserves are available for this purpose.

ii) Share premium
The Revised Text of the Capital Companies Act expressly allows the balance of this reserve to increase capital and lays down no restrictions on how it is used.

iii) Other non-available reserves
Dividends may not be distributed until the goodwill item (excluding consolidation goodwill) booked in the individual financial statements of the companies included within the scope of consolidation of the Group has been fully written off, unless the amounts of available reserves are at least equal to the unamortised balances.

Reserves totalling EUR 38,115 thousand at 31 December of 2012 (EUR 11,590 thousand at 31 December 2012) could not be distributed, as this figure corresponds to the treasury share reserve.

16.3 Equity valuation adjustments

Cash flow hedges

This consolidated balance sheet item reflects the net changes in the value of financial derivatives designated as cash flow hedging instruments (Note 4.7.3).

Movements in the balance of this item during 2013 and 2012 are shown below:

	Thousand euros	
	2013	2012
Opening balance	(5,690)	(376)
Retirements	5,690	376
Additions	-	(5,690)
Ending balance	-	(5,690)

In 2013 a loss amounting to EUR 5,650 thousand attributable to the consolidated statement of changes in equity at 2012 year-end corresponding to an adjustment made in relation to the cash flow hedging relationships of IRSs and collars.

16.4 Treasury shares

At 2013 year-end, NH Hoteles held 9,062,741 treasury shares (1,937,517 shares at 2012 year-end) representing 2.94% of its share capital amounting to EUR 38,115 thousand (2012 year-end: EUR 11,590 thousand).

Of the total number of treasury shares, on 4 November 2013, the Spanish National Securities Market Commission (CNMV) was notified of the loan of 9,000,000 of shares to the three financial institutions involved in the placement of the bonds convertible or exchangeable for shares of NH Hoteles, S.A. amounting to EUR 250 million. The purpose of this loan was to allow said financial entities to offer the shares to subscribers to the bonds requesting them (Note 17).

16.5 Minority interests

The movements in this heading in 2013 and 2012 are summarised below:

	Thousand euros	
	2013	2012
Opening balance	159,158	204,650
Comprehensive profit (loss) attributed to minority interests	(289)	(44,568)
Changes in percentage stakes	(3,875)	(58)
Dividends paid to minority interests	(1,466)	-
Other movements	(527)	(1,057)
Ending balance	153,001	159,158

In 2013 the acquisition of 25% of the share capital of Coperama Servicios a la Hostelería, S.L. for EUR 3,875 thousand and the capital increase not subscribed by the non-controlling interests of Donnafugata Resorts, S.r.l. was recognised under "Change in Proportion of Ownership Interest" (Note 2.5.5).

The "Dividends paid to minority interests" item basically reflects the dividends paid out in 2013 to the following companies: NH Marín, S.A. for EUR 275 thousand and Latinoamericana de Gestión Hotelera, S.A. for EUR 1,191 thousand.

17.-DEBT INSTRUMENTS AND BANK BORROWINGS

The balance of "Obligations and other marketable securities" and "Bank borrowings" at 31 December 2013 and 2012 is as follows:

	Thousand euros			
	2013		2012	
	Long-term	Short-term	Long-term	Short-term
Convertible notes	223,417	-	-	-
Guaranteed senior notes	250,000	-	-	-
Borrowing costs	-	3,661	-	-
Arrangement expenses	(15,129)	-	-	-
Obligations and other negotiable securities	458,288	3,661	-	-
Syndicated loans	114,333	19,000	13,558	715,855
Mortgages loans	131,124	55,855	91,057	131,415
Equity loans	-	6,493	1,000	8,272
Subordinated loans	75,000	-	75,000	-
Credit lines	6,506	12,482	-	11,036
Arrangement expenses	(5,668)	(716)	(2,820)	(15,366)
Borrowing costs	-	2,930	-	2,119
Debts with credit institutions	321,295	96,044	177,795	853,331
Total	779,583	99,705	177,795	853,331

On 31 October and 8 November 2013, respectively, the placement and payment of guaranteed convertible senior note and convertible bond issues took place and a new syndicated loan was arranged. Part of the funds obtained were allocated to fully repaying the syndicated financing awarded in March 2012 and the pending balance of the Equity Swap signed by the Parent Company. This transaction resulted in the early settlement of the debt arrangement expenses associated with this syndicated financing for EUR 7,913 thousand.

Convertible bonds

On 31 October 2013, the Parent performed a placement of convertible bonds among institutional investors totalling EUR 250,000 thousand, with the following characteristics:

Size of the issue	€250,000,000
Face value of the bond	€100,000
Maturity	5 years
Rank of debt	Unguaranteed senior
Issue price	100%
Coupon	4%
Swap price	€4.919
Conversion premium	30%
Redemption price	100%
Maximum number of shares to issue	50,823,338

In certain circumstances, at the request of the bondholder or Parent Company, this instrument may be redeemed or converted early.

This transaction is considered an instrument comprising liabilities and equity, with the equity at the time of issuance worth €27,230 million.

As is commonplace for this type of issue, and in order to enhance the liquidity of the instrument on the secondary market, NH Hoteles, S.A. signed a security loan agreement with the placing entities for up to 9 million treasury shares. This loan bears interest at 0.5% and was fully drawn at 31 December 2013 (Note 16.4).

Guaranteed senior notes

On 30 October 2013, the Parent performed a placement of guaranteed convertible senior notes at a nominal amount of EUR 250,000 thousand, maturing in 2019. The nominal yearly interest rate for said issuance of notes is 6.875%.
This financing requires the fulfilment of a series of contractual obligations which had been fulfilled in their entirety at 31 December 2013.

Syndicated loans

In November 2013, a Group company and a group of eight financial institutions arranged a new syndicated loan of EUR 200,000 thousand with final maturity in November 2017. This syndicated loan comprises two tranches:

- Tranche A: taken out as a business loan of €133.333 million, with €19.000 million maturing on the first three annual anniversaries from the effective date on which the syndicated loan was granted, and a final maturity on the fourth annual anniversary of €76.333 million.

- Tranche B: taken out as revolving business credit of €66.667 million, maturing on the fourth annual anniversary from the effective date on which the loan was granted.

In relation to this financing, the Group undertakes to fulfil a series of financial ratios measured on a six-monthly basis, on 30 June and 31 December. At 31 December 2013, the aforesaid financial ratios had been fully achieved.

The guaranteed senior notes and the syndicated loan share first tier mortgage guarantees on NH Group hotels in Spain (NH Eurobuilding) and the Netherlands (NH Barbizon Palace, NH Amsterdam Centre, NH Conference Centre Leeuwenhorst, NH Conference Centre Koningshof, NH Schiphol Airport, NH Conference Centre Sparrenhorst, NH Zoetermeer, NH Naarden, NH Capelle, NH Geldrop, NH Best and NH Marquette), pledging 100% of the shares in H.E.M. Diegem, B.V. and Onroerend Gooed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V., 89.3% of the shares in Sotogrande, S.A., and the joint guarantee payable on demand of the Group's main operating companies that are wholly owned by the Parent Company.

Mortgages

The detail of the mortgage loans and credit facilities is as follows (in thousands of euros):

	Mortgaged asset	Fixed interest	Interest Interest	Total	Net book value of mortgaged assets
Spain	NH Lagasca	-	8,320	8,320	17,241
	NH Príncipe de La Paz	-	3,502	3,502	2,229
	NH Sotogrande	-	4,383	4,383	4,194
	Resco	-	3,096	3,096	5,210
Total Spain		-	19,301	19,301	28,874
Mexico	NH Querétaro	-	2,330	2,330	1,982
	NH Santa Fe	-	2,822	2,822	2,855
Total Mexico		-	5,152	5,152	4,837
Netherlands	NH Carlton	-	625	625	74,089
	NH Groningen	-	2,448	2,448	6,415
	NH Rotterdam	-	6,506	6,506	13,865
Total Netherlands		-	9,579	9,579	94,369
Germany	NH Leipzig Messe	7,365	-	7,365	13,281
	NH Bingen & Viernheim	5,837	-	5,837	10,523
	NH Airport Raunheim	16,013	-	16,013	11,333
	NH Aukamm Wiesbaden	8,942	-	8,942	1,415
Total Germany		38,157	-	38,157	36,552
Italy	NH Ancona, NH Palermo, NH Cavalieri, NH Ravenna., NH Vittorio Veneto	-	63,750	63,750	140,844
	Donnafugata	-	34,473	34,473	51,990
	NH Trieste	-	667	667	21,470
	NH Torino Ambasciatori	-	1,875	1,875	16,009
	NH Milanofiori y centro de convenciones	-	8,100	8,100	44,571
	NH Bellini	-	1,389	1,389	8,531
	NH Genova	-	3,479	3,479	22,444
	NH Villa San Mauro	-	3,075	3,075	1,708
Total Italy		-	116,808	116,808	307,567
Switzerland	NH Fribourg	4,488	-	4,488	8,856
Total Switzerland		4,488	-	4,488	8,856
Total		42,645	150,840	193,485	481,055

Assets granted as mortgage security against the syndicated loan of €200 million and guaranteed senior notes of €250 million, can be broken down as follows (thousands of euros):

	Mortgaged asset	Fixed interest
Spain	NH Eurobuilding	100,902
Total Spain		100,902
Netherlands	NH Barbizon Palace	58,431
	NH Amsterdam Centre	42,956
	NH Conference Centre Leeuwenhorst	47,135
	NH Conference Centre Koningshof	31,844
	NH Schiphol Airport	38,966
	NH Conference Centre Sparrenhorst	16,903
	NH Zoetermeer	6,915
	NH Naarden	10,823
	NH Capelle	6,047
	NH Geldrop	6,991
	NH Best	4,683
	NH Marquette	4,046
Total Netherlands		275,740
Net book value of assets assigned as mortgage collateral		376,641
Value of guaranteed debt		450,000
Fixed interest		250,000
Variable interest		200,000

There are also companies whose shares are pledged as collateral for said lines of financing.

Subordinated loans

Two loans for a combined amount of €75.000 million wholly available at 31 December 2013 and with a single maturity and repayment date at the end of their useful lives, in 2037, are included in this item.

Credit lines

At 31 December 2013, the balances under this item include the amount drawn down from several loan agreements and credit facilities. The joint limit of loan agreements and credit facilities as at 31 December 2013 amounts to €19,100 million.

The detail, by maturity, of the items included under "Non-Current and Current Payables" is as follows (in thousands of euros):

				Maturity					
Instrument	Limit	Available	Disposed	2013	2014	2015	2016	2017	Remainder
Mortgages	186,979	-	186,979	-	55,855	19,793	19,202	49,312	42,817
Fixed interest	42,645	-	42,645	-	2,688	2,858	3,030	3,304	30,765
Variable interest	144,334	-	144,334	-	53,167	16,935	16,172	46,008	12,052
Equity loans	6,493	-	6,493	-	6,493	-	-	-	-
Variable interest	6,493	-	6,493	-	6,493	-	-	-	
Subordinated loans	75,000	-	75,000	-	-	-	-	-	75,000
Variable interest	75,000	-	75,000	-	-	-	-	-	75,000
Syndicated loans	200,000	66,667	133,333	-	19,000	19,000	19,000	76,333	-
Tranche A (floating rate)	133,333	-	133,333	-	19,000	19,000	19,000	76,333	-
Tranche B (floating rate)	66,667	66,667	-	-	-	-	-	-	-
Guaranteed line of credit	14,000	7,494	6,506	-	-	6,506	-	-	-
Variable interest	14,000	7,494	6,506	-	-	6,506	-	-	-
Convertible notes	223,417	-	223,417	-	-	-	-	-	223,417
Fixed interest	223,417	-	223,417	-	-	-	-	-	223,417
Guaranteed senior notes	250,000	-	250,000	-	-	-	-	-	250,000
Fixed interest	250,000	-	250,000	-	-	-	-	-	250,000
SUBTOTAL	955,889	74,161	881,728	-	81,348	45,299	38,202	125,645	591,234
Credit lines	19,100	6,618	12,482	-	12,482	-	-	-	-
Variable interest	19,100	6,618	12,482	-	12,482	-	-	-	-
Arrangement expenses	-	-	(21,513)	-	(716)	(716)	(716)	(2,876)	(16,489)
Borrowing costs	-	-	6,591	-	6,591	-	-	-	-
Borrowing situation at 31/12/2013	974,989	80,779	879,288	-	99,705	44,583	37,486	122,769	574,745
Borrowing situation at 31/12/2012	1,052,636	710	1,031,126	853,331	17,298	24,696	11,648	8,180	115,973

18.- OTHER NON-CURRENT LIABILITIES

The breakdown of the "Other non-current liabilities" item of the accompanying consolidated balance sheets, at 31 December 2013 and 2012, is as follows:

	Thousand euros	
	2013	2012
At fair value:		
Put option for Donnafugata Resort, S,r,l,	9,900	9,900
Interest rate derivatives (Notes 19 and 25)	-	3,207
At amortised cost:		
Capital subsidies	18,086	19,718
Issue of promissory notes	1,810	17,428
Indemnity for termination of the Hotel NH Buhlerhöhe lease	3,593	6,032
Right of use Hotel Plaza de Armas (Note 7.1)	-	1,495
Loans with members	818	914
Other liabilities	1,658	1,761
	35,865	60,455

On 26 October 2012 the arbitral tribunal ratified the valuation of Donnafugata Resort, S.r.l. made by an independent valuer in response to the communication made by the non-controlling interests of said company in 2010 of their intention to exercise the put option (at 31 December 2012 they represented 8.81% of the share capital). As a result of this decision, the Parent recognised the put option of the non-controlling interests in accordance with said valuation, which amounted to EUR 9,900 thousand.

The financial liability resulting from booking the Donnafugata Resort, S.r.l. put option at fair value, as well as other derivatives, was classified as level 2 in accordance with the calculation hierarchy established in IFRS 7.

At 31 December 2012, "Interest-Rate Derivative Financial Instruments" included the liability for swaps (combinations of fixed-rate options) to hedge the interest rate risk of the syndicated loan granted in the first half of 2012. Interest-rate hedge derivatives were settled in November 2013.

Subsidies received to build hotels and golf courses are basically included in the "Capital subsidies" item at 31 December 2013, as follows:

	Thousand euros	
	2013	2012
Donnafugata	16,408	16,269
Sotogrande	1,673	1,905
Parco Degli Aragonesi	-	1,534
Other subsidies	5	10
	18,086	19,718

At 31 December 2013, the Directors of the Parent Company considered that all the requirements stipulated for such subsidies had been fulfilled and therefore deemed them as non-reimbursable.

In 2013 the Group's external lawyers in Italy issued a legal opinion whereby they deemed Donnafugata's subsidy to be non-refundable.

The "Issue of promissory notes" item included liabilities for the registration of future payment commitments derived from renting several of the chain's hotels. The balancing entry for this liability is detailed in Note 11.

The liability corresponding to the part of the compensation to be paid to the hotel's owner for termination of the long term maturity lease agreement has been booked in the "Compensation for termination of the Buhlerhöhe Hotel lease agreement" item. The Group paid EUR 3 million in 2013.

19.-DERIVATIVE FINANCIAL INSTRUMENTS

The breakdown of the derivative financial instruments in the consolidated balance sheets for 2013 and 2012 is as follows:

Item	Thousand euros	
	2013	2012
	Financial liabilities	Financial liabilities
Interest-rate derivatives (Notes 18 and 25)	59	5,814
Share-based remuneration scheme 2007-2013 (Notes 20 y 25)	-	40,344
Total	59	46,158

19.1 Interest rate derivatives

The following is a breakdown of derivative financial instruments and their corresponding fair values at 31 December 2013 and 2012, along with the notional maturity dates to which they are linked. This information is presented (in thousands of euros) separating the derivatives considered as accounting hedges (in accordance with the requirements set forth in IAS 39) from any considered as inefficient.

Subsidiary company	Instrument	Fair Value 31.12.2013	Fair Value 31.12.2012	Outstanding notional amount	
		Financial	Financial	31.12.2013	31.12.2014
Efficient hedges					
NH Finance, S.A.	IRS	-	(5,690)	-	-
Total efficient hedges	-	-	(5,690)	-	-
Inefficient hedges					
Donnafugata Resort	Cap	(59)	(124)	11,187	10,634
Total inefficient hedges		(59)	(124)	11,187	10,634
Total hedges		(59)	(5,814)	11,187	10,634

In order to determine the fair value of interest rate derivatives (IRS, collars and others), the Group uses cash flow discounting on the basis of the implicit discount rates determined by the euro interest rate curve according to market conditions on the date of valuation.

These financial instruments have been classified as level 2 instruments in accordance with the calculation hierarchy established in the IFRS 7.

Efficient hedges

In 2012 the Group arranged interest rate swaps totalling EUR 316 million, equivalent to 100% of the A1 tranche of the syndicated loan of NH Finance, S.A. at an average rate of 1.02%. On 8 November 2013, the Group had fully repaid the syndicated loan and cancelled the swap agreement.

As a result of the settlement of the swaps, a loss of EUR 5,880 thousand was recognised with a charge to the consolidated statement of comprehensive income for 2013 (Note 27.7) (in 2012 a loss of EUR 5,314 thousand was recognised with a charge to equity).

Inefficient hedges

The Group hedges the interest-rate risk of part of its euro loans, using a cap interest-rate option. The cap hedging agreement sets a maximum interest-rate limit in exchange for a premium. If the interest rates exceed this limit, the financial institution will pay the Group the differential laid down in the agreement.

The change in the fair value of this interest rate derivative contributed EUR 65 thousand in 2013 (2012: EUR 62 thousand) to the consolidated comprehensive profit and loss statement.

19.2 Sensitivity analysis of derivative financial instruments

Interest rate sensitivity analysis

Changes in the fair value of the interest rate derivatives contracted by the Group depend on the long-term change in the euro interest rate curve. The fair value of these derivatives totalled a negative amount of EUR 59 thousand at 31 December 2013 (31 December 2012: EUR 5,814 thousand).

The details of the sensitivity analysis on the fair values of the derivatives contracted by the Group at the 2013 and 2012 year ends in both net assets ("efficient hedges") as well as in Profit (Loss) ("inefficient hedges") are shown below:

Sensitivity	Thousand euros			
	Equity		Income	
	2013	2012	2013	2012
+0,5% (rise in the rate curve)	-	3,790	1	1
-0,5% (fall in the rate curve)	-	(3,790)	(1)	(1)

20.- SHARE-BASED REMUNERATION SCHEMES

At 31 December 2012, the Group had implemented a share-based remuneration scheme approved in May 2007.

On 28 May 2013 the final settlement date of the equity swap expired. On this date, none of the legal rights had been exercised, since the quoted price of the shares of NH Hoteles S.A. had not reached the minimum required for such exercise, whereupon on that date, pursuant to the legislation applicable to this remuneration scheme, said legal rights automatically expired.

The changes in the number of rights granted within the framework of this Remuneration Scheme in 2013 and 2012 were as follows:

	Plan 2007
In force at 31 December 2011	**2,181,604**
Cancelled options	(118,075)
In force at 31 December 2012	**2,063,529**
Cancelled options	(2,063,529)
In force at 31 December 2013	-

In order to hedge the possible financial liabilities of said remuneration scheme, the Group entered into a swap agreement to hedge the possible financial liabilities arising from the exercise of this share-based incentives plan. Subsequently, a novation amending this agreement was signed on 13 July 2009 to complement the financial hedge and adjust it to new market conditions.

Upon expiry of the last equity swap settlement date, a six-month extension of the swap agreement was granted. Subsequently, on 6 November 2013, the Group settled the swap for EUR 30,601 thousand.

The change in fair value of this financial instrument to the settlement date has had a positive impact of EUR 9.5 million on the consolidated statement of comprehensive income for the year ended 31 December 2013 (Note 27.7) (31 December 2012: positive impact of EUR 3 million).

Sensitivity analysis of NH Hoteles share price

The changes in fair value of the derivative arranged by the Group with respect to the price of the shares of NH Hoteles, S.A. depended mainly on the change in market price, the evolution of the euro yield curve and the dividend estimates made by market agents. The net fair value of the aforesaid derivative at the time of its early settlement was EUR -30.061 million (31 December 2012: EUR -40.344 million).

A breakdown of the sensitivity analysis on the fair values of the derivatives contracted by the Group is shown below:

Sensitivity on Results	Thousand euros	
	2013	2012
+10% (rise in the share price)	-	2,409
-10% (fall in the share price)	-	(2,409)

The sensitivity analysis shows that the negative fair value of the derivatives falls with increases in the share price, while their negative fair value increases with falls in the share price.

Long-term share-based incentive plan

The shareholders at the Annual General Meeting held on 25 June 2013 approved the grant of a total of 896,070 shares of the Parent to the CEO. The Group valued these shares at the closing market price on the date of establishing the commitment with the beneficiary. The item recognised in the income statement for 2013 in this connection amounted to EUR 483 thousand (Note 30.1).

New long-term incentive plan

On 25 June 2013, the Company's shareholders at the Annual General Meeting approved a long-term share-based incentive plan ("the plan") aimed at the NH Hoteles Group's executives and employees as follows:

The plan will consist of the grant of ordinary shares of NH Hoteles, S.A. to the beneficiaries calculated as a percentage of the fixed salary in accordance with their level of responsibility. The number of shares to be granted shall be subject to the degree of fulfilment of the following objectives:

- TSR (total shareholder return) at the end of each of the plan cycles, comparing NH Hoteles share performance with the following indices:
  - IBEX Medium Cap
  - Dow Jones Euro Stoxx Travel & Leisure
- Result of the transaction, discounting the amount corresponding to rentals compared annually with the forecasts of the Company's strategic plan.

If the minimum degree of fulfilment established in the aforementioned objectives is not achieved, the plan beneficiaries shall not be entitled to shares under said plan.

The plan is aimed at a maximum of 100 beneficiaries. The Board of Directors, at the proposal of the Managing Director, may include new members in the plan.

The plan will have a total duration of five years, divided into three three-year cycles:

- The first cycle commences on 1/1/14 with delivery of shares on 1/1/17.
- The second cycle commences on 1/1/15 with delivery of shares on 1/1/18.
- The third cycle commences on 1/1/16 with delivery of shares on 1/1/19.

The Board of Directors will be authorised to decide, before the start of each of the cycles, the effective implementation thereof in accordance with the Group's financial position at the time.

The number of shares to be delivered to each beneficiary shall be that resulting from dividing the maximum amount destined to each beneficiary in each cycle by NH's share price in the ten days prior to the grant date of each cycle ("reference value").

The total maximum amount destined to the plan in each of the cycles is as follows:

- First cycle: EUR 6,170,000
- Second cycle: EUR 5,830,000
- Third cycle: EUR 4,440,000
- Total: EUR 16,400,000

The beneficiaries must remain in the Group on each of the plan settlement dates, notwithstanding the exceptions deemed appropriate. Also, the aforementioned minimum TSR and GOP thresholds must be reached.

21.-PROVISIONS FOR LIABILITIES AND CHARGES

The breakdown of the "Provisions for liabilities and charges" item at 31 December 2013 and 2012, together with the main movements recorded in those years were as follows:

	Thousand euros				
	Balance at 31/12/11	Allowances	Applications/ Reductions	Assignments	Balance at 31/12/12
Provisions for contingencies and extraordinary expenses:					
Onerous contracts	1,034	58,787	-	(33,477)	26,344
Provisions for pensions and similar obligations	22,766	4,201	(3,646)	-	23,321
Other claims	11,991	6,545	(4,410)	-	14,126
	35,791	69,533	(8,056)	(33,477)	63,791
Provisions for contingencies and running expenses:					
Onerous contracts	1,241	-	(1,241)	33,477	33,477
Restructuring provision	-	19,981	-	-	19,981
	1,241	19,981	(1,241)	33,477	53,458
Total	37,032	89,514	(9,297)	-	117,249

	Thousand euros				
	Balance at 31/12/12	Allowances	Applications/ Reductions	Assignments	Balance at 31/12/13
Provisions for contingencies and extraordinary expenses:					
Onerous contracts	26,344	12,732	-	(11,835)	27,241
Provisions for pensions and similar obligations	23,321	58	(5,428)	-	17,951
Other claims	14,126	5,741	(726)	2,402	21,543
	63,791	18,531	(6,154)	(9,433)	66,735
Provisions for contingencies and running expenses:					
Onerous contracts	33,477	-	(21,504)	9,433	21,406
Restructuring provision	19,981	5,275	(20,392)	-	4,864
	53,458	5,275	(41,896)	9,433	26,270
Total	117,249	23,806	(48,050)	-	93,005

Onerous agreements

The Group has classified a number of hotel lease agreements, to which it is committed between 2013 and 2030 and on which the Group makes a loss, as onerous. Cancellation of these agreements could force the Group to make full payment of rent for the outstanding years of the lease or compensation, where applicable.

The provisions for 2013 include EUR 4,019 thousand corresponding to the increase in the provision for onerous contracts. Further, the applications include the application of EUR 6,149 thousand corresponding to the hotels no longer managed by the Group.

Provisions for pensions and similar obligations

The "Provisions for pensions and similar obligations" account includes the pension fund of a certain number of employees of the Netherlands business unit, in addition to T.F.R. (Trattamento di fine rapporto), or amount paid to all workers in Italy at the moment they leave the company for any reason whatsoever. This is another remuneration element, subject to deferred payment and allocated annually in proportion to fixed and variable remuneration both in kind and in cash, which is valued on a regular basis. The annual amount to be reserved is equivalent to the remuneration amount divided by 13.5. The annual cumulative fund is reviewed at a fixed interest rate of 1.5% plus 75% of the increase in the consumer price index (CPI).

At the end of 2013, the liabilities entered against this item were of €17,951 thousand (€23,321 thousand at 31 December 2012).

The breakdown of the main hypotheses used to calculate actuarial liabilities is as follows:

	2013	2012
Discount rates	5.75%	5.75%
Expected annual rate of salary rise	2.50%	2.50%
Expected return from assets allocated to the plan	4.75%-5.75%	4.75%-5.75%

No plan reductions or settlements came about in 2013. Any actuarial gains and losses generated were not material in any case (Note 4.19).

Restructuring provision

The de-recognition of restructuring provisions is attributable to the restructuring plan that the Group passed as regards reorganisation in Italy and Spain that took place during 2013 and is expected to end in 2014. At the end of 2013, the Group's provisions amounted to €4,864 thousand.

22.-TAX NOTE

Balances with Public Administrations

The debit balances with Public Administrations item at 31 December 2013 and 2012 is as follows:

	Thousand euros	
	2013	2012
Deferred tax assets		
Tax credits	140,048	140,810
Tax assets due to asset impairment	38,735	40,591
Tax withholdings of workforce	1,437	1,137
Derivative financial instruments	-	10,932
Other prepaid taxes	18,562	17,469
	198,782	210,939

	Thousand euros	
	2013	2012
Short term taxes receivable		
Corporation Tax	4,746	5,119
Value Added Tax	29,196	24,941
Other tax receivables	5,750	7,906
Total	39,692	37,966

The balances of the "Deferred tax assets" item mainly correspond to the tax withholdings that arose as a consequence of the depreciation of certain assets, and from the activation of negative tax bases.

The movements of the "Deferred tax assets" item in 2013 and 2012 are as follows:

	Thousand euros	
	2013	2012
Opening balance	**210,939**	**134,961**
Asset impairment	(1,856)	12,184
Disposals due to derivative instruments	(10,932)	(915)
Tax credits	(761)	57,686
Others	1,392	7,293
Total	198,782	210,939

The additions due to other deferred tax assets are due mainly to the recognised provisions not considered as an expense for tax purposes.

At 31 December 2013, the Group had updated the tax credit recovery plan based on the Group's business plan, considering an annual increase in the tax base of 2% as of 2018, in which tax planning actions or extraordinary transactions are not taken into account. In accordance with the results of said recovery plan, the tax credits will be carried forward in 2021. Therefore, the Parent's directors have decided to carry forward tax losses recognised in prior years, but not activate the tax credits generated in 2013 in accordance with the principle of prudence.

Below is a sensitivity analysis based on the tax base used in the estimate:

Annual Tax Base Variation	(10%)	(20%)	(30%)
Year of Recovery	2022	2023	2024

Further, also in accordance with the principle of prudence, the Group did not capitalise the finance costs not deductible for Spanish corporation tax purposes due to exceeding 30% of the profit from operations of the tax group calculated in accordance with Article 20 of the Consolidated Spanish Corporation Tax Law, approved by Royal Legislative-Decree 4/2004, of 5 March, due to not having the required degree of certainty that sufficient profit from operations will be generated over the next ten years to offset said result pursuant to Article 20. The amount of the financial costs exceeded in 2013 was EUR 53,344 thousand (2012: EUR 42,501 thousand) and may be offset for tax purposes within a period of 18 months from their generation.

Italian tax legislation is similar to Spanish legislation in terms of the limitation on the deductibility of finance costs, due to which the Italy Business Unit incurred non-deductible finance costs between 2008 and 2012 amounting to EUR 33,199 thousand. Finance income of EUR 2,331 thousand was offset in 2013, which was not deductible in prior years. In accordance with Italian legislation, there is no deadline for offsetting non-deductible finance costs.

The composition of the credit balances with Public Administrations at 31 December 2013 and 2012 is as follows:

	Thousand euros	
	2013	2012
Deferred tax liabilities		
Revaluation of assets	201,225	233,939
Total	201,225	233,939

	Thousand euros	
	2013	2012
Short term taxes payable		
Corporation Tax	7,314	14,482
Value Added Tax	12,009	7,584
Personal Income Tax	5,124	6,281
Capital Gains Tax	1,196	1,538
Social Security	6,695	6,987
Others	5,157	6,185
Total	37,495	43,059

The deferred tax balance mainly corresponds to revaluations made to several assets belonging to the Group.

The movements in deferred tax liabilities during 2013 were as follows:

	Thousand euros	
	2013	2012
Opening balance	**233,939**	**246,204**
Changes in the scope of consolidation due to asset disposals (Note 2.5.5)	(8,915)	-
Others	(23,799)	(12,265)
Ending balance	201,225	233,939

The disposals made in 2013 relate mainly to the adaptation of tax liabilities associated with accounting revaluations at the expected effective tax rate.

The detail, by country and item, of these deferred taxes is as follows:

	Thousand euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	134,984	38,324	173,308	64,861
Italy	4,329	7,215	11,544	117,469
Germany	-	3,700	3,700	1,077
Others	735	9,495	10,230	17,818
Total	140,048	58,734	198,782	201,225

Company tax expenses

The Group operates in many countries and is therefore subject to different tax jurisdictions regarding taxation and corporation tax matters.

NH Hoteles, S.A. and the companies with a tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2013 tax period is subject to the tax consolidation scheme governed by Chapter VII, Title VII of the Revised Text of the Company Tax Act approved by Royal Legislative Decree 4/2004 of 5 March.

The companies belonging to the tax group have signed an agreement to share out the tax burden. Hence, the parent company settles any credits and debts which arise with subsidiary companies due to the negative and positive tax bases these contribute to the tax group.

In 2013 two entities were included in the Spanish tax group consolidation perimeter.

Company tax is calculated on the economic or accounting profit or loss resulting from the application of generally accepted accounted standards in each country, and does not necessarily coincide with the tax result, this being construed as the tax base of the tax.

The Spanish Companies pay taxes at the general tax rate of 30% irrespective of whether they apply the consolidated or separate taxation schemes. The remaining companies are subject to the prevailing tax rate in the countries where they are domiciled. In addition, taxes are booked in some countries at the estimated minimum profit on a complementary basis to Corporation Tax.

The prevailing tax rates in the different jurisdictions where the Group performs relevant activities are as follows:

Country	Nominal Rate
Argentina [(1)]	35%
Colombia [(1)]	34%
Chile	20%
Panama	25%
Brazil	34%
Mexico (1)	30%
Uruguay	25%
Czech Republic	25%
Germany	30%

Country	Nominal Rate
Romania	16%
Poland	19%
Switzerland	7.80%
Czech Rep.	19%
Luxembourg	29.20%
Italy	31.40%
Netherlands	25%
France	33%
Portugal	31.50%

[(1)] Jurisdictions in which there is a minimum taxable income..

The reconciliation between the accounting profit or loss, the corporation tax base, current and deferred tax for the year, is as follows:

	Thousand euros														
	2013													2012	
	Spain	Germany	France	Czech Rep.	Romania	Poland	Switzer-land	Luxembourg	Latin America (1)	Italy	Netherlands (2)	Portugal	TOTAL	Spanish Companies	Other Companies
Consolidated profit (loss) before tax	(125.754)	1.247	(589)	(112)	168	50	584	7.680	7.528	5.169	71.001	191	(32.837)	(307.330)	(84.342)
Adjustments to accounting profit (loss):														-	-
Accounting consolidation adjustments	22,770	2,750	-	-	-	-	-	-	7,224	-	-	-	32,744	89,699	11,820
Due to permanent differences	40,433	(1,648)	281	-	206	-	467	(7,274)	(2,379)	8,301	-	(23)	38,364	16,919	99,435
Due to temporary differences	22,618	380	-	-	-	(2)	-	49	18,720	(10,019)	5,678	-	37,424	9,876	90,368
Tax base (Taxable profit or loss)	(39,933)	2,729	(308)	(112)	374	48	1,051	455	31,093	3,451	76,679	168	75,695	(190,836)	117,281
Current taxes to be refunded / (to pay)	(194)	-	(102)	-	20	1	-	-	332	4,890	(2,377)	(3)	2,567	(579)	9,791
Total current tax income / (expense)	387	(819)	103	-	(60)	(10)	(82)	(133)	(8,551)	(1,084)	(15,576)	(53)	(25,878)	57,228	(32,553)
Total deferred tax income / (expense)	(7,827)	114	-	-	-	-	-	14	5,148	(3,907)	26,870	-	20,412	2,963	27,863
Total Corporation Tax income / (expense)	(7,440)	(705)	103	-	(60)	(10)	(82)	(119)	(3,403)	(4,991)	11,294	(53)	(5,466)	60,191	(4,690)

(1) The Latin America business area includes the profits and losses obtained by the Group in Argentina, Mexico, Uruguay, the Dominican Republic, Colombia, Chile, Panama and Brazil.
(2) The Netherlands business area includes Belgium and South Africa.

Financial years subject to tax inspection

In accordance with Spanish tax legislation, the years open for review to the Consolidated Tax Group are:

Tax	Pending Periods
Corporation Tax	2008 a 2012
VAT	2010 a 2013
Personal Income Tax	2010 a 2013
Others	2010 a 2013

In relation to the years open for review, there might be contingent tax liabilities which cannot be objectively quantified which, in the opinion of the Group's directors, would not be material.

Write-offs applied by the consolidated tax group of the Parent Company

The deductions generated during the year are essentially due to double taxation.

At 31 December 2013, the Tax Group held the following tax incentive carry-forwards (in thousands of euros):

Year of Origin	Deduction pending application	Amount
2002 to 2010	Investment in export activity	29,047
2006 to 2013	Tax deduction to avoid double taxation	15,941
2002 to 2013	Other	475
		45,463

Similarly, the consolidated tax group of the Parent Company took advantage in prior years of the "Deferral of extraordinary profits for reinvestment" scheme. The essential characteristics of such reinvestment are as follows (in thousands of euros):

Year of origin	Revenue Qualifying for deferral	Amount offset			
		Previous years	Year 2013	Amount Outstanding	Last year of deferral
1999	75,145	50,075	682	24,388	2049

This income was reinvested in the acquisition of buildings.

Revenue from previous year written off for the reinvestment of extraordinary profits in accordance with the provisions set forth in Section 42 of the Revised Text of the Corporation Tax Act is shown below (in thousands of euros).

Financial year	Date of transmission	Revenue deferred	Deduction		Company generating the capital gain	Company reinvesting
			Applied	Outstanding		
2008	June	1,583	-	190	Gran Círculo de Madrid, S.A.	NH Hotel Rallye, S.A.

The capital gains obtained in 2008 were reinvested in 2009 through the Group's acquisition of new shares in its Italian subsidiary through NH Hotel Rallye, S.A. These shares were issued as a result of an increase of capital amounting to EUR 73 million allocated to acquire new hotels and refurbish existing hotels. There is an obligation to maintain the investment over a three year period.

Negative tax bases

At 31 December 2013, the Consolidated Tax Group headed by NH Hoteles, S.A. has the following tax loss carry-forwards:

Financial year	Thousand euros	Maturity
2007	8,992	2025
2008	20,424	2026
2009	96,752	2027
2010	61,832	2028
2011	33,444	2029
2012	190,344	2030
2013	38,011	2031
Total	449,799	

NH Central Reservation Office, S.L. (formerly Retail Invest, S.A.), Latinoamericana de Gestión Hotelera, S.A., Hoteles Hesperia, S.A., Nuevos Espacios Hoteleros, S.A, Club Deportivo Sotogrande, S.A. and Resco Sotogrande, S.L. obtained tax losses before being incorporated in the Group headed by NH Hoteles, S.A.

The amounts of the above-mentioned tax loss carry-forwards that can only offset positive results of the aforementioned companies when the Group obtains a positive tax base, are as follows (in thousands of euros):

Year of origin	Amount	Offsetting Deadline
1997	11,107	2015
1998	4,119	2016
1999	-	2017
2000	-	2018
2001	17,713	2019
2002	19,037	2020
2003	25,900	2021
2004	8,438	2022
2005	1,491	2023
2006	15,242	2024
2007	2,332	2025
2008	2,426	2026
2009	1,567	2027
2010	960	2028
2011	245	2029
2012	1,397	2030
	111,976	

Italian and Spanish legislation envisages a limitation on the deductibility of finance costs. The amount of non-deductible finance costs generated in Italy and Spain to be carried forward is as follows (in thousands of euros):

Year of origin	Spain	Italy	Total
2008	-	1,600	1,600
2009	-	10,279	10,279
2010	-	2,185	2,185
2011	-	9,855	9,855
2012	42,501	9,280	51,781
2013	53,344	(2,331)	51,013
	95,845	30,868	126,713

23.-TRADE CREDITORS

The breakdown of this item on the consolidated balance sheet at 31 December 2013 and 2012 is as follows (in thousands of euros):

	Thousand euros	
	2013	2012
Trade payables	218,332	233,278
Advance payments from customers	21,428	21,782
	239,760	255,060

The "Trade creditors" item reflects the accounts payable arising from the Group's regular trading activities.

The "Advance payments from customers" item mainly includes customer deposits arising from the Group's hotel and real estate businesses. Sotogrande, S.A., included advance payments from customers in the amount of EUR 0.28 million in 2013 (31 December 2012: EUR 0.22 million).

24.-INFORMATION ON DEFERRED PAYMENTS TO SUPPLIERS. THIRD ADDITIONAL PROVISION, "DUTY TO REPORT" OF ACT 11/2013 OF 26 JULY

A breakdown of the information required by the Third Additional Provision of Act 15/2010 of 5 July on agreements executed under Spanish legislation appears below:

	2013		2012	
	Thousand euros	%	Thousand euros	%
Payments made within the maximum legal term	186,466	70%	159,204	75%
Remainder	81,102	30%	53,960	25%
Total payments in the financial year	267,568	100%	213,164	100%
Weighted average exceeded payment period (days)	38		31	
Deferrals which exceeded the maximum legal deadline at year end	18,418		5,037	

The data set out in the table above on payments to suppliers makes reference to any which by their nature are trade creditors due to debts with suppliers of goods and services. The data therefore includes the "Trade creditors" item in current liabilities of the attached consolidated balance sheet at 31 December 2013.

The weighted average exceeded payment period (PMPE) has been calculated as the coefficient comprised of the sum of the product of each of the supplier payments made in the year with a delay exceeding the legal payment deadline and the number of days by which the relevant deadline has been exceeded in the numerator, and the total amount of the payments made in the year with a delay exceeding the legal payment deadline in the denominator.

The maximum payment period applicable to the Group's Spanish companies under Law 3/2004, on combating late payment in commercial transactions, is 60 days for 2013. Said law was amended by Law 11/2013, of 26 July, which establishes since its enactment, a maximum payment period of 30 days except in the case of agreement between the parties, with a maximum period of 60 days (75 days for 2012).

25.- OTHER CURRENT LIABILITIES

The composition of this item at 31 December 2013 and 2012 is as follows:

	Thousand euros	
	2013	2012
Outstanding remuneration	28,687	28,836
Indemnity for the early termination of the lease arranged with Hotel Buhlerhöhe (Note 18)	2,936	2,936
Corporate restructuring provision in Mexico	2,500	-
Rent reviews	1,566	1,368
Provision for Los Cortijos refurbishment expenses	682	1,008
Interest rate derivatives financial intruments (Notes 18 and 19)	59	2,607
Share-based remuneration scheme of shares 2007-2013 (Notes 18 and 19)	-	40,344
Other creditors	2,165	2,942
	38,595	80,041

In November 2013 the debt of the interest rate hedging derivatives arranged by the Group company NH Finance, S.A. (Notes 18 and 19).

Also, in November 2013 the Group settled the debt of the share-based remuneration scheme approved in May 2007 (Notes 18 and 19).

26.-THIRD-PARTY GUARANTEES AND CONTINGENT ASSETS AND LIABILITIES

Financial institutions had granted surety to the Group for an amount totalling EUR 21.68 million (31 December 2012: EUR 23.42 million) which, in general terms, guarantee the fulfilment of certain obligations taken on by the consolidated companies in the performance of their activities.

At 31 December 2013, the Group had taken out insurance policies to cover risks arising from damage to material goods, loss of profits and third-party liability. The principal insured sufficiently covers the assets and risks mentioned above.

Undertakings with third parties

- A Group company currently acts as co-guarantor for a syndicated loan granted by two banks to the associated company Sotocaribe, S.L., which at 31 December 2013 had an outstanding principal of EUR 17,813 thousand, with final maturity in 2014.

- The shareholders' agreements on Harrington Hall Hotel Ltd. (the company which owns the Harrington Hall Hotel) and Losan Investments Ltd. (the company which owns the Kensington Hotel) were respectively signed on 29 March 2005 and 10 March 2006 by NH Europa, S.A. and Losan Hoteles, S.L. (currently Carey Property, S.L.). By means of these agreements, should the latter company receive a purchase offer for 100% of the shares in either of the companies at a price deemed to be the market price, Losan Hoteles, S.L. (currently Carey Property, S.L.) may require NH Europa, S.A., which shall be obliged to accept, to transfer its shares to the third party making the offer. However, NH Europa, S.A. shall have a preferential acquisition right on Losan Hoteles, S.L. (currently Carey Property, S.L.) shares in Harrington Hall Ltd. and Losan Hoteles Ltd.

- On 26 December 2006 Sotogrande, S.A. entered into an agreement with the shareholders of Los Alcornoques de Sotogrande, S.L. whereby the former granted the latter a series of put options on several of its land plots with a total joint surface area of 221,078 square metres. On 5 July 2013 a novation amending the aforementioned shareholders' agreement was signed, as well as a novation of the deed of sale of the two land plots initially transferred, whereby the latter agrees to waive the aforementioned put options and agrees to sell the two land plots owned by Los Alcornoques de Sotogrande, S.L., allocating 78% of the sale price thereof to cancelling the account receivable from the associate and the remaining 22% will be allocated to paying dividends to its shareholders after having settled its debts. In this connection, the Group has reduced the value of this account receivable to its possible recovery value. If the land plots have not been sold at 30 June 2018, the Group will be obliged to repurchase them at an amount equivalent to 78% of the market price, according to the most recent appraisal report issued by the Group's independent valuer.

- On 1 December 2005, an agreement was reached with Intesa Sanpaolo S.p.A. for this company to acquire NH Italia S.r.l. share capital. In the agreement, a put option was granted to Intesa Sanpaolo S.p.A. on the stake thus acquired from March 2008 to March 2015. The price will be set at the fair value and determined by an independent investment bank. The price shall be settled in NH Hoteles, S.A. shares. The EUR 124 million investment made by Intesa Sanpaolo in NH Italia, S.r.l., is booked under the "Minority interests" heading of the attached consolidated balance sheet.

- On 25 March 2009, Sotogrande, S.A. granted a sale option to the minority shareholders of Donnafugata Resort, S.r.l that represented 30% of the share capital. On 20 October 2010, the shareholders of Compagnia Immobiliare Azionaria, S.p.A. and Repinvest Sicily, S.r.l. provided notification of their intention to proceed to exercise the abovementioned sale option in part, in accordance with the agreement signed between the parties in March 2009. As a result of this notification, an independent expert was entrusted with the task of valuing the company. Sotogrande, S.A. believes that the valuation this expert came up with for the company was too high and clearly far off the real valuation; for this reason it initiated arbitration proceedings challenging the independent expert's report. On 26 October 2012 the arbitral tribunal issued an award in which it confirmed the valuation of the independent valuer. Sotogrande, S.A. lodged an appeal against this award and the hearing has been set for 23 February 2016. On 15 November 2013, CIA and Repinvest Sicily filed a new arbitral claim ordering Sotogrande, S.A. to pay EUR 9,900,000 plus EUR 11,451 plus interest, in accordance with the valuation stated in the aforementioned award (Note 18).

- Within the context of operations in the Caribbean, an undertaking was made by the Parent Company as part of the Real Arena complex management agreement to obtain a minimum return to guarantee coverage of the 35 million dollars obtained to finance construction of the hotel.

Contingent assets and liabilities

The Group's main contingent assets and liabilities on the date these consolidated financial statements were drawn up, are set out below:

- During the 2008 financial year, a Group subsidiary in Italy terminated a service agreement with the construction company entrusted with the tourism complex project that the subsidiary company was developing, with various breaches of the agreement as grounds for doing so. As a result of this termination, the construction company filed a suit against the Italian company claiming damages in the amount of approximately €15 million.

- A counterclaim was filed on behalf of the Group company in Italy on the grounds that the termination was justified due to contractual breaches; to this end, compensation of approximately €33 million is being sought from the construction company for damage and losses caused. The tribunal appointed a technical expert, who quantified the damages in the construction company's favour in the amount of approximately EUR 1.4 million and in the Sotogrande Group's favour in the minimum amount of EUR 6.4 million and maximum amount of approximately EUR 9.1 million.

- The company has already received payment for the damages amounting to EUR 5.1 million from the first-demand bank guarantee provided by the Intesa San Paolo, S.p.A. where applicable, in order to seek payment of additional damages, it must be considered that the construction company would pay a part under the terms of the court approved restructuring plan.

  However, for reasons of prudence and given the financial situation of the Group as at 31 December 2013, the attached consolidated balance sheet includes a liability for the sum of EUR 6,771 thousand under "Current provisions".

- The owner of a tourist complex has initiated arbitration proceedings against a Group company in Italy, claiming damages for a delay in construction works and demanding demolition of part of the works and the execution of some additional works. The Group company has filed a counterclaim for, among other things, errors in the maps attached to the lease agreement, which gave rise to errors in the sizes of the plots. The arbitral proceeding is currently awaiting the expert's report.

- The owners of a hotel in Belgium have started arbitration proceedings against a Group company in Belgium and its guarantor. Pursuant to the latest request before the Court of Arbitration, they are seeking payment of approx. €910,000 or approx. €414,000, where applicable.

- The owner of premises in France filed a suit against a Group company claiming compensation for eviction; the Court ruled that the compensation should amount to approximately EUR 4 million. This decision has been appealed to the competent courts and the hearings have been set for 15 January and 12 March 2014.

- The Group has appeared in the necessary bankruptcy proceedings of Viajes Marsans, S.A. and Tiempo Libre, S.A. in relation to the unclaimed estate of Mr. Gonzalo Pascual Arias and Mr Gerardo Díaz Ferrán, and in the voluntary bankruptcy proceedings against Ms. María Ángeles de la Riva Zorrilla, for the purpose of claiming the outstanding amounts. Said balances were provisioned in consolidated financial statements in the amounts deemed not recoverable.

- The Group has appeared in the voluntary bankruptcy proceeding of the Orizonia Group for the purpose of claiming the outstanding amounts.

- A Group company in Spain served a notice that it was terminating a lease agreement due to non-fulfilment of obligations attributable to the owner of the property. The owner initiated a claim for performance of the contractual obligations consisting of rent payments not made since the early termination of the lease. The Group has lodged an appeal. the deliberation, vote and ruling date is yet to be set.

- The owner of a hotel has filed a suit against the Group claiming certain contractual obligations. The Group company has lodged an appeal and extraordinary petition for review on the grounds of breach of procedure before the Supreme Court.

27.-INCOME AND EXPENSES

27.1 Income

The breakdown of this heading in the consolidated comprehensive profit and loss statements for 2013 and 2012 is as follows:

	Thousand euros	
	2013	2012
Hotel occupancy	839,417	849,058
Catering	304,642	313,942
Meeting rooms and others	65,744	68,443
Real Estate	10,874	14,757
Golf and sports clubs	3,013	3,329
Rents and other services	36,802	28,951
Net turnover	**1,260,492**	**1,278,478**
Operating subsidies	156	26
Other operating income	1,674	1,727
Other operating income	**1,830**	**1,753**
Net gain (loss) on disposal of assets	2,119	(2,357)

"Rentals and Other Services" includes the income from fees invoiced to hotels operated on a management basis and the services provided by the NH Hoteles Group to third parties.

The breakdown of net turnover by geographic markets in 2013 and 2012 is as follows:

	Thousand euros	
	2013	2012
Spain - Hotels	297,262	305,302
Spain - Real Estate	10,874	14,757
Benelux	266,823	283,846
Italy	223,541	214,031
Germany	282,984	281,233
Rest of Europe	92,124	93,367
Latin America	86,884	85,942
Net gain (loss) on disposal of assets	1,260,492	1,278,478

27.2 Financial income and changes in the fair value of financial instruments

The breakdown of this item's balance in the consolidated profit and loss statement is as follows:

	Thousand euros	
	2013	2012
Dividend income	22	18
Income from marketable securities	1,539	658
Interest income	1,958	1,924
Other financial income	657	1,179
	4,176	3,779

27.3 Personnel expenses

The composition of this item in the consolidated comprehensive profit and loss statement is broken down as follows:

	Thousand euros	
	2013	2012
Wages, salaries and similar	303,088	312,945
Social security contributions	72,168	76,881
Indemnities	5,838	25,257
Contributions to pension plans and similar	5,224	9,846
Other social expenses	9,743	9,494
	396,061	434,424

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in 2013 and 2012 broken down by professional categories was as follows:

	2013	2012
Group's general management	8	9
Department Managers and Heads	1,078	1,378
Technical staff	922	1,000
Sales representatives	408	552
Administrative staff	335	478
Rest of workforce	10,643	10,378
	13,394	13,795

The breakdown by sex and professional categories of the workforce at 31 December 2013 and 2012 was as follows:

	31-12-2013		31-12-2012	
	Males	Females	Males	Females
Group's general management	7	1	9	-
Department Managers and Heads	688	391	742	617
Technical staff	427	331	761	244
Sales representatives	169	501	146	393
Administrative staff	93	191	144	314
Rest of workforce	6,313	3,520	5,837	3,997
	7,697	4,936	7,639	5,565

The reduction in the average number of employees was aimed at adapting the staff to the Group's activity, basically in Spain and Italy.

The average number of people suffering from a disability equivalent to or greater than 33% directly employed by the Parent Company and the companies consolidated through full consolidation in 2013 and broken down by professional categories was as follows:

	2013	2012
Department Managers and Heads	2	2
Technical staff	5	3
Rest of workforce	23	33
	30	38

The average age of the Group's workforce was approximately 38 years and average seniority in the Group amounted to 8.8 years.

27.4 Other operating expenses

The detail of "Other Operating Expenses" of the consolidated statement of comprehensive income for 2013 and 2012 is as follows:

	Thousand euros	
	2013	2012
Rents	273,928	282,434
External services	449,113	408,443
Allowances for contingency and expense provisions	(1,896)	5,491
	721,145	696,368

In 2013 and 2012, the fees for auditing of accounts and other services provided by the Group's auditors, Deloitte, S.L. and other companies linked to the auditor through controlling interests, common ownership or management, as well as by the auditing firms of the different companies that comprise Grupo NH Hoteles are booked in this item, were as follows:

2013

Services billed	Thousand euros		
	Principal Auditor	Others	Total
Auditing services	1,387	81	1,468
Other verification services	538	-	538
Total auditing and related services	1,925	81	2,006
Tax consulting services	294	186	480
Other services	1,299	31	1,330
Total services billed	3,518	298	3,816

2012

Services billed	Thousand euros		
	Principal Auditor	Others	Total
Auditing services	1,484	42	1,526
Other verification services	60	-	60
Total auditing and related services	1,544	42	1,585
Tax consulting services	270	9	279
Other services	856	-	856
Total services billed	2,670	51	2,721

27.5 Operating leases

At 31 December 2013 and 2012, the Group had made undertakings concerning future minimal rental instalments by virtue of operating non-cancellable lease agreements, which expire as set out in the table below.

The current value of the rental payments has been calculated by applying a discount rate in keeping with the Group's weighted average cost of capital and includes the undertakings which the Group estimates will have to be covered in the future to guarantee a minimum return from hotels operated under a management agreement.

	Thousand euros	
	2013	2012
Less than one year	277,994	296,112
Between two and five years	1,042,681	1,081,433
More than five years	793,691	841,425
Total	2,114,366	2,218,970

The term of the operating lease agreements signed by the Group ranges from 5 to 40 years. The agreements likewise include several methods to determine the rent to be paid. Essentially, the methods used to determine the rent can be reduced to fixed rents linked to the consumer price index; fixed rents complemented by a variable part, which is linked to the property's operation; or completely variable rents which are determined by business performance during the year. In some cases, variable rents are set with a minimum profitability threshold for the owners of the property under operation.

The breakdown, by business units, of the current value of the rental payments at 31 December 2013 is as follows:

	Less than one year	Between two and five years	More than five years	Total
Spain	85,046	334,745	234,601	654,392
Germany and Central Europe	108,551	404,856	282,473	795,880
Italy	41,014	141,144	63,706	245,864
Benelux	40,447	157,350	212,911	410,708
Latin America	2,936	4,586	-	7,522
Total	277,994	1,042,681	793,691	2,114,366

The breakdown, by business units, of the current value of the rental payments at 31 December 2012 is as follows:

	Less than one year	Between two and five years	More than five years	Total
Spain	101,780	352,435	242,336	696,551
Germany and Central Europe	111,266	407,673	309,442	828,381
Italy	43,564	176,131	119,097	338,792
Benelux	36,384	138,284	170,550	345,218
Latin America	3,118	6,910	-	10,028
Total	296,112	1,081,433	841,425	2,218,970

27.6 Financial expenses and changes in fair value of financial instruments

The detail of "Operating Leases" of the consolidated statement of comprehensive income for 2013 and 2012 is as follows:

	Thousand euros	
	2013	2012
Expenses for interest	55,356	70,147
Financial expenses for means of payment	10,585	10,634
Cancellation of interest rate derivative financial instruments (Note 19.1)	5,880	-
Other financial expenses	1,698	2,449
Financial effect relating to provisions	4,019	469
Total financial expenses	77,538	83,699

	Thousand euros	
	2013	2012
Put option on Donnafugata Resort (Note 17)	-	4,001
Interest-Rate Derivative financial Instruments(Note 19.1)	(65)	592
Share-based remuneration scheme 2007-2013 (Note 20)	(9,510)	(3,045)
Total change in fair value of financial instruments	(9,575)	1,548

28.-RELATED-PARTY TRANSACTIONS

In addition to the subsidiaries, associates and multigroup entities, the "key management personnel" of the Parent Company (members of the Board of Directors and Directors, in addition to their close family members) are also considered "related parties" to the Group, as are any entities over which the key management personnel may exercise significant influence or control.

Transactions carried out by the Group with its related parties during 2013 and 2012 are stated below, distinguishing between major shareholders, members of the Board of Directors and Directors of the Parent Company and other related parties. The conditions for the related-party transactions are the same as those found in transactions carried out under market conditions:

Expenses and Income	Thousand euros 31/12/2013 Major Shareholders	Directors and Senior Management	Group Persons, Companies or Entities	Total
Expenses:				
Financial expenses	13,839	-	-	13,839
Management or cooperation agreements	-	-	-	-
R&D transfers and licence agreements	-	-	-	-
Rents	9,366	-	-	9,366
Reception of services	-	-	-	-
Purchase of goods (finished or in-progress)	-	-	-	-
Write downs for bad debts and doubtful accounts	-	-	-	-
Losses due to retirement or disposal of assets	-	-	-	-
Other expenses	1,238	-	-	1,238
	24,443	-	-	24,443
Income:				
Financial income	-	31	-	31
Management or cooperation agreements	5,337	-	-	5,337
R&D transfers and licence agreements	-	-	-	-
Dividends received	-	-	-	-
Rents	-	-	-	-
Rendering of services	-	-	(1,536)	(1,536)
Sale of goods (finished or in-progress)	-	-	-	-
Gains on retirement or disposal of assets	-	-	-	-
Other income	-	-	-	-
	5,337	31	(1,536)	3,832

Financial expenses accrued from financing agreements with credit institutions that are major shareholders of the Parent Company amounted to €13,839 thousand in 2013 (€13,566 thousand in 2012).

The Group maintains several operating lease agreements with Pontegadea Inversiones, S.L. totalling €9,366 thousand in 2013 (€10,341 thousand in 2012).

Furthermore, until 8 November 2013, the Group maintained a swap arrangement with Bankia (previously Caja Madrid) to hedge against any possible financing liabilities arising from the 2007-2013 share-based remuneration scheme. On said date the Group settled the contract in the amount of EUR 30,601 thousand (Note 19). The financial expenses linked to this agreement as at 31 December 2013 totalled €1,238 thousand (€1,548 thousand at 31 of December of 2012).

The heading "Management or cooperation agreements" includes the amounts that have accrued in the form of management fees payable to the NH Hoteles Group during the period of 2013 by virtue of the hotel management agreement signed with Grupo Inversor Hesperia, S.A.

Remuneration of payment awarded in 1998 to a number of the Group's directors to purchase shares in the Parent Company is included in the financial income heading. This financing, which was converted into a loan in 2001, matured on 30 April 2013 and was settled in line with the contractual provisions. These loans gave rise to €31 thousand in interest during this financial year.

Commissions invoiced on the sale of apartments and premises to Residencial Marlin, S.L. are entered under "Provision of services".

Other Transactions	Thousand euros 31/12/2013 Major Shareholders	Group Persons, Companies or Entities	Total
Expenses:			
Purchases of tangible, intangible or other assets	-	-	-
Financing agreements: loans and capital contributions (lender)	-	(3,868)	(3,868)
Financial lease agreements (lessor)	-	-	-
Repayment or cancellation of loans and lease agreements (lessor)	-	-	-
Sales of tangible, intangible or other assets	-	-	-
Financing agreements: loans and capital contributions (borrower)	(143,969)	-	(143,969)
Financial lease agreements (lessee)	-	-	-
Repayment or cancellation of loans and lease agreements (lessee)	-	-	-
Guarantees and securities given	-	-	-
Guarantees and securities received	-	-	-
Commitments assumed	-	-	-
Commitments/guarantees cancelled	-	-	-
Dividends and other distributed profits	-	-	-
Other operations	(52)	-	(52)

FINANCING AGREEMENTS: LOANS AND CAPITAL CONTRIBUTIONS

The composition of the financing agreements with major shareholders in the Group as at 31 December 2013 and 31 December 2012 is as follows:

	Thousand euros		
	2013	2012	Movement
Expenses:			
Banco Financiero y de Ahorros, S.A.	104,870	132,001	(27,131)
Intesa Sanpaolo S.p.A.	65,764	101,458	(35,694)
Caja de Ahorros y Monte de Piedad de Gipuzkoa y San Sebastián	-	28,400	(28,400)
NCG Banco, S.A.	-	28,316	(28,316)
Banco Mare Nostrum, S.A.	-	10,325	(10,325)
Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	-	14,450	(14,450)
Total	170,634	314,950	(144,316)
Interest accrued but not due	377	30	347

Unmatured accrued financial expenses in relation to the financing agreements with credit institutions that are shareholders in the Parent Company amounted to €377 thousand as at 31 December 2013 (€30 thousand as at 31 December 2012).

OTHER FINANCING AGREEMENTS

	Thousand euros	
	2013	2012
Loans to staff (Note 14)	-	2,850
Accounts receivable from joint operations:		
Los Alcornoques de Sotogrande, S.L.	5,576	5,576
Other accounts receivable from joint operations	478	2,967
Current accounts with joint ventures		
Resco Sotogrande, S.L.	-	-
Loans to associated companies		
Harrington Hall Hotel, Ltd.	5,962	4,394
Corporación Hotelera Dominicana, S.A.	-	697
Sotocaribe, S.L.	2,744	2,144
Total	14,760	18,628

En el epígrafe “Cuentas a cobrar a negocios conjuntos- Los Alcornoques de Sotogrande, S.L.”, se recoge el saldo a cobrar a Los Alcornoques de Sotogrande, S.L., negocio The balance receivable from Los Alcornoques de Sotogrande, S.L., one of the Group’s joint ventures following the sale of a plot of land in 2008, is entered under the heading “Accounts receivable from joint ventures: Los Alcornoques de Sotogrande, S.L.”. This account receivable was written down in prior years in order to adjust it to its expected realisable value.

The subordinated loan granted by the Group to Harrington Hall Hotel Ltd. for the amount of €2,250 thousand to refinance the entity's financial debt prior to its acquisition is entered under the "Loans to associated companies- Harrington Hall Hotel Ltd." heading. This heading also includes the interest accrued during the financial year by the above-mentioned loan to Harrington Hall Hotel, Ltd. and a current account held with this company in the amount of €3,712 thousand.

OTHER OPERATIONS

By virtue of the contractual relationship entered into with Grupo Inversor Hesperia, S.A., at 31 December 2013 EUR 1.88 million had not yet been received for various reasons, of which EUR 0.86 million were due on said date. The net balance recorded in relation to Grupo Inversor Hesperia, S.A. at 31 December 2013 stood at €1.52 million (€1.57 million as at 31 December 2012).

	Thousand euros				
	31/12/2012				
Expenses and Income	Major Shareholders	Directors and Senior Management	Group Persons, Companies or Entities	Other Related Parties	Total
Expenses:					
Financial expenses	13,566	-	-	-	13,566
Management or cooperation agreements	-	-	-	-	-
R&D transfers and licence agreements	-	-	-	-	-
Rents	10,341	-	-	-	10,341
Reception of services	-	-	-	-	-
Purchase of goods (finished or in-progress)	-	-	-	-	-
Write downs for bad debts and doubtful accounts	-	-	-	-	-
Losses due to retirement or disposal of assets	-	-	-	-	-
Other expenses	1,548	-	-	-	1,548
	25,455	-	-	-	25,455
Income:					
Financial income		183	105	-	288
Management or cooperation agreements	2,765	-	-	-	2,765
R&D transfers and licence agreements	-	-	-	-	-
Dividends received	-	-	-	-	-
Rents	-	-	-	-	-
Rendering of services	-	-	55	-	55
Sale of goods (finished or in-progress)	-	-	-	-	-
Gains on retirement or disposal of assets	-	-	-	-	-
Other income	-	-	-	-	-
	2,765	183	160	-	3,108

29.-INFORMATION BY SEGMENTS

The information by segments is primarily structured around the Group's different business lines and then according to geographic distribution.

Main segments – Business

The business lines described below have been established on the basis of the organisational structure of Grupo NH Hoteles' existing at the end of 2013, taking into account both the nature of the products and services offered and the target customer segments.

In 2013, Grupo NH Hoteles focused its operations on two main business lines: hotels and real estate. These constitute the basis upon which the Group presents the information on its main segments.

The Group does not include its catering operations as a main segment because it cannot be separated from the accommodation activity; both constitute a single business, the hotel business.

Secondary segments – Geographic

The Group's operations are located in Spain, the Benelux, Germany, Italy, the rest of Europe, South America and the rest of the world.

The information by segments set out below is based on the reports drawn up by Grupo NH Hoteles and is generated through a computer application which categorises transactions by business lines and geography.

Ordinary income corresponds to income directly attributable to the segment plus a relevant proportion of the Group's general income that can be distributed to it using fair rules of distribution. The ordinary income of each segment does not include interest income and dividends, gains on the disposal of investments or proceeds from debt redemption or extinguishment, or share of results of associates.

The assets and liabilities of the segments are those which are directly connected with the segments' operations.

The information by segments of these operations is presented below.

29.1 Information on main segments

	Thousand euros					
	Hotel Business		Real Estate		Total	
	2013	2012	2013	2012	2013	2012
INCOME						
Sales and other operating income	1,251,448	1,265,474	10,874	14,757	1,262,322	1,280,231
Net gain on disposal of noncurrent assets	2,119	(2,357)	-	-	2,119	(2,357)
Total income	1,253,567	1,263,117	10,874	14,757	1,264,441	1,277,874
PROFIT (LOSS)						
Inventory impairments	(155)	-	(6,094)	(4,637)	(6,249)	(4,637)
Net losses from asset impairment	11,488	(199,366)	19,894	-	31,382	(199,366)
Profit (loss) from entities valued through the equity method	46	(873)	(8,141)	(5,198)	(8,095)	(6,071)
Financial income	4,103	3,257	73	522	4,176	3,779
Change in fair value of financial instruments	9,575	(1,548)	-	-	9,575	(1,548)
Financial expenses	(76,670)	(83,191)	(868)	(508)	(77,538)	(83,699)
Net exchange-rate differences	(7,762)	(7,470)	-	-	(7,762)	(7,470)
Gain (Loss) on disposal of financial investments	40,851	(3,549)	-	-	40,851	(3,549)
Profit (Loss) before tax	(10,161)	(377,460)	(22,676)	(15,782)	(32,837)	(393,242)
Tax	(7,793)	50,252	2,327	5,326	(5,466)	55,578
Profit (Loss) for the year	(17,954)	(327,208)	(20,349)	(10,456)	(38,303)	(337,664)
Minority interests	1,515	(43,927)	-	-	1,515	(43,927)
Profit (Loss) attributable to the Parent Company	(19,469)	(283,281)	(20,349)	(10,456)	(39,818)	(293,737)

	Thousand euros					
	Hotel Business		Real Estate		Total	
	2013	2012	2013	2012	2013	2012
OTHER INFORMATION						
Inclusions of fixed assets	30,361	34,681	38	86	30,399	34,767
Depreciation	(106,939)	(111,627)	580	665	(106,359)	(110,962)
Net losses from asset impairment	31,382	(199,366)	-	-	31,382	(199,366)
BALANCE SHEET						
ASSETS						
Assets by segments	2,495,076	2,620,925	108,119	101,178	2,603,195	2,722,103
Shareholdings in associated companies	16,562	16,778	67,617	78,896	84,179	95,674
Total consolidated assets	2,511,638	2,637,703	175,736	180,074	2,687,374	2,817,777
LIABILITIES						
Liabilities and equity by segments	2,511,638	2,637,703	175,736	180,074	2,687,374	2,817,777
Total Consolidated Liabilities and Shareholders' Equity	2,511,638	2,637,703	175,736	180,074	2,687,374	2,817,777

29.2 Information on secondary segments

The following table shows the breakdown of certain of the Group's consolidated balances in accordance with the geographic distribution of the entities giving rise to them:

	Thousand euros					
	Net turnover		Total assets		Inclusions of tangible fixed assets and intangible assets	
	2013	2012	2013	2012	2013	2012
Spain	308,136	320,059	881,629	847,234	5,349	7,375
Benelux	266,823	283,846	614,007	722,831	4,359	2,717
Germany	282,984	281,233	300,031	302,728	9,199	9,447
Italy	223,541	214,031	591,083	618,544	7,095	13,010
Rest of Europe	92,124	93,367	37,543	35,233	1,056	1,004
Latin America	86,884	85,942	263,081	291,207	3,341	1,214
Total	1,260,492	1,278,478	2,687,374	2,817,777	30,399	34,767

30.-REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The amount accrued in 2013 and 2012 by the members of the Parent's managing bodies, Board of Directors (2013: 14 members; 2012: 15 members), Executive Committee (5 members), Audit and Control Committee (5 members) and Appointments and Remuneration Committee (4 members), in relation to the remuneration of the CEO, bylaw stipulated directors' fees and attendance fees, is as follows:

30.1 Remuneration of the Board of Directors

Remuneration item	Thousand euros	
	2013	2012
Fixed remuneration	800	1,072
Variable remuneration	500	86
Parent Company: allowances	225	192
Parent Company: attendance allowances	520	530
Share options and other financial instruments (Note 20)	452	-
Compensation/other	335	1,128
Life insurance premiums	18	-
Consolidated companies: allowances	5	2
Consolidated Companies: attendance allowances	95	95
Total	2,950	3,105

As regards indemnities, in 2012 both the indemnity and remuneration of the post-contractual non-competition remuneration received by Mr. Mariano Pérez Claver, whose severance from the Group was made effective on 23 November 2012.

At 31 December 2013, the members of the Board of Directors totalled 14, of which 1 is a woman and 13 are men (2012: 15 persons, of which 1 was a woman and 14 are men).

30.2 Remuneration of Senior Management

The remuneration of members of the Management Committee at 31 December 2013 and 2012, excluding any who simultaneously held office as members of the Board of Directors (whose remuneration has been set out has above), is detailed below:

	Thousand euros	
	2013	2012
Remuneration in cash	2,512	2,708
Remuneration in kind	58	52
Total	2,570	2,760

In 2012, the Management Committee unanimously accepted a 10% voluntary reduction in their fixed salaries. In July 2013, the applicable salary prior to the aforesaid voluntary reduction was reinstated, with the exception of salaries of members who voluntarily accepted amendments to their employment contracts resulting in payment of a lower salary than had previously been agreed.

Excluding the Executive Director, there were 6 members of Senior Management at 31 December 2013; however, it is worth mentioning that to calculate the remuneration received by the Directors, payments made to the 9 members that formed part of the company's Senior Management team in 2013 (10 members in 2012) have been considered.

The accrued part of the variable remuneration is included within the remuneration of Senior Management, excluding Executive Directors item. The accrued part of the variable remuneration that should have been paid in 2013 was accounted for as at 31 December 2012. However, this variable remuneration was not paid out as the targets set were not achieved to a sufficient degree in some cases and due to a voluntary waiver of the variable remuneration in others.

30.3 Information on conflicts of interest among Directors

At year end 2013, the members of the Board of Directors of NH Hoteles, S.A. and certain individuals associated with the Board, as defined in the Revised Text of the Capital Companies Act, held interests in the capital of the following companies engaged in the same, similar or complementary type of operations as those comprising the corporate purpose of NH Hoteles, S.A.

Holder	Investee company	Activity	Number of shares
Francisco Javier Illa Ruiz	Hotel Comtat de Vic, S.A.	Hotel Business	23.50%
Francisco Javier Illa Ruiz	Hoteles y Gestión, S.A.	Hotel Business	1.086%
José Antonio Castro Sousa	Bonanova Squash Garden, S.A	Hotel Business	100.00%
José Antonio Castro Sousa	Bristol Services, S.L.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotel Colibri, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotel Conde de Aranda, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Cordobatel, S.A.	Hotel Business	65.47%
José Antonio Castro Sousa	Gerencias y Serv. Turisticos, S.A.	Hotel Business	85.49%
José Antonio Castro Sousa	Hotelera Metropol, S.A.	Hotel Business	85.82%
José Antonio Castro Sousa	Infond, S.A.	Hotel Business	89.52%
José Antonio Castro Sousa	Desjust, S.L.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotelera Sant Just, S.A.	Hotel Business	84.73%
José Antonio Castro Sousa	Playa del Oeste, S.A.	Hotel Business	58.28%
José Antonio Castro Sousa	Hotelera del Noroeste, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotelera del Tormes, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotel Hesperia Madrid, S.L.	Hotel Business	100.00%
José Antonio Castro Sousa	Hoteles Almeria, S.A.	Hotel Business	66.29%
José Antonio Castro Sousa	Hotelera Salvatierra, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotelera del Este, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotel Fontoria, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotelera Paseo de Gracia, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Bercuma, S.L.	Hotel Business	86.28%
José Antonio Castro Sousa	Hotels Hesperia Andorra, S.A.	Hotel Business	99.99%
José Antonio Castro Sousa	Corp. Hotelera Hemtex, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Desarrollo Turistico Isla Bonita, C.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Inversiones HMR, C.A.	Hotel Business	35.70%
José Antonio Castro Sousa	Hesperia del Golf, S.L.	Hotel Business	100.00%
José Antonio Castro Sousa	Hesperia Purchasing Center, S.A.	Procurement network	100.00%
José Antonio Castro Sousa	Hotelera de Levante, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Espesalud, S.L.	Hotel Business	100.00%
José Antonio Castro Sousa	Fondotel, S.A.	Hotel Business	96.88%
Participaciones y Cartera de Inversión, S.L.	NH Segovia, S.L.	Hotel Business	46.73%
Participaciones y Cartera de Inversión, S.L.	AC Dos Norte, S.L.	Hotel Business	3.33%
Participaciones y Cartera de Inversión, S.L.	Inversora de Hoteles Vacacionales, S.L.	Hotel Business	25%
Participaciones y Cartera de Inversión, S.L.	Playa Hotels & Resorts, S.L.	Hotel Business	7.23%
Participaciones y Cartera de Inversión, S.L.	Fontecruz Inversiones, S.A	Hotel Business	9.89%
Participaciones y Cartera de Inversión, S.L.	Hotel Barcelona Golf, S.A.	Hotel Business	16.64%
Participaciones y Cartera de Inversión, S.L.	VIP Cartera, S.L.	Hotel Business	15.77%
Abitaria Consultoría y Gestión, S.A	NH Segovia, S.L.	Hotel Business	46.73%
Abitaria Consultoría y Gestión, S.A	AC Dos Norte, S.L.	Hotel Business	3.33%
Abitaria Consultoría y Gestión, S.A	Inversora de Hoteles Vacacionales, S.L.	Hotel Business	25%
Abitaria Consultoría y Gestión, S.A	Playa Hotels & Resorts, S.L.	Hotel Business	7.23%
Abitaria Consultoría y Gestión, S.A	Fontecruz Inversiones, S.A	Hotel Business	9.89%
Abitaria Consultoría y Gestión, S.A	Hotel Barcelona Golf, S.A.	Hotel Business	16.64%
Abitaria Consultoría y Gestión, S.A	VIP Cartera, S.L.	Hotel Business	15.77%

Regarding the references made to the ownership interests held by the two directors who represent Banco Financiero de Ahorros (i.e. Sociedad de Promoción y Participación Empresarial Caja Madrid, S.A. Abitaria Consultoría y Gestión, S.A.) in seven companies with identical company object to that of NH Hoteles, S.A., it should be noted that said ownership interest is held indirectly through various companies belonging to the Banco Financiero de Ahorros Group, due to which it is replicated in the references made in relation to the two directors.

The breakdown of the offices held in companies engaged in the same, similar or complementary type of operations as those comprising the corporate purpose of NH Hoteles, S.A. and which do not belong to the Group or are not associated to it, by members the Parent Company's Board of Directors and individuals associated with them is as follows:

Holder	Investee company	Activity	Functions
Francisco Javier Illa Ruiz	Desarrollo Turístico Isla Bonita, C.A.	Hotel Business	Director
	Grupo Inversor Hesperia, S.A.	Hotel Business	Joint Director
	Corporación Hotelera Hemtex, S.A.	Hotel Business	Director
	Hotels Hesperia Andorra, S.A.	Hotel Business	Board Sec. and Attorney-in-Fact
	HMR	Hotel Business	Director
	RH2005	Hotel Business	Director
José Antonio Castro Sousa	Bonanova Squash Garden, S.A	Hotel Business	Sole Director
	Bristol Services, S.L.	Hotel Business	Sole Director
	Hotel Colibri, S.A.	Hotel Business	Sole Director
	Hotel Conde de Aranda, S.A.	Hotel Business	Sole Director
	Cordobatel, S.A.	Hotel Business	Board Member
	Gerencias y Serv. Turisticos, S.A.	Hotel Business	Sole Director
	Hotelera Metropol, S.A.	Hotel Business	Sole Director
	Infond, S.A.	Hotel Business	Joint Director
	Desjust, S.L.	Hotel Business	Sole Director
	Hotelera Sant Just, S.A.	Hotel Business	Sole Director
	Hotelera del Noroeste, S.A.	Hotel Business	Sole Director
	Hotelera del Tormes, S.A.	Hotel Business	Sole Director
	Hotel Hesperia Madrid, S.L.	Hotel Business	Sole Director
	Hoteles Almeria, S.A.	Hotel Business	Sole Director
	Hotelera Salvatierra, S.A.	Hotel Business	Sole Director
	Hotelera del Este, S.A.	Hotel Business	Sole Director
	Hotel Fontoria, S.A.	Hotel Business	Sole Director
	Hotelera Paseo de Gracia, S.A.	Hotel Business	Joint Director
	Bercuma, S.L.	Hotel Business	Joint Director
	Hoteles Hesperia Andorra, S.A.	Hotel Business	
	Corp. Hotelera Hemtex, S.A.	Hotel Business	Director
	Desarrollo Turistico Isla Bonita, C.A.	Hotel Business	Director
	Inversiones HMR, C.A.	Hotel Business	Director
	Hesperia del Golf, S.L.	Hotel Business	Joint Director
	Hesperia Purchasing Center, S.A.	Hotel Business	Sole Director
	Hotelera de Levante, S.A.	Hotel Business	Sole Director
	Espesalud, S.L.	Hotel Business	Sole Director
	Fondotel, S.A.	Hotel Business	Sole Director
	Grupo Inversor Hesperia, S.A.		Representative of the Joint Director Eurofondo, S.A.
Gilles Pélisson	Sun Resorts Intl (Mauritius)	Hotel Business	Board Member
	Groupe L Barrière Hotels and Casinos SAS	Hotel Business	Board Member
Daoqi Liu	Tangla Spain, S.L.U	Holding	Board Member
	Hainan HNA Aviation I&E Co, Ltd	Aviation	Chairman
Xianyi Mu	Tangla Spain, S.L.U	Holding	Chairman and General Manager
	NHA Hotel Group	Hotel Business	Deputy Chairman and General Manager

31.-SUBSEQUENT DISCLOSURES

On 17 January 2014, Banco Financiero y de Ahorros, S.A. informed the Spanish Securities Market Commission of the sale of 38,834,034 shares, representing its 12.6% stake in NH Hoteles, S.A.

On 28 January 2014, Pontegadea Inversiones, S.L. reported that it had transferred 12,512,971 shares in the Group, which represented 4.059% of the latter's share capital, to Tangla Spain, S.L.U., a subsidiary of HNA Group Co. Ltd.

That transfer derives from HNA Group Co. Ltd. exercising the purchase option granted to it by Pontegadea Inversiones, S.L. on 11 October 2013.

On 24 January 2014, the Argentine Peso was devalued by 12.7% against the euro. At 31 December 2013, the Company had net balances receivable amounting to EUR 5,191 thousand. The estimated impact of this devaluation, which is not estimated to be material, will be recognised in 2014, pursuant to the applicable legislation.

32.-INFORMATION ON ENVIRONMENTAL POLICY

The management of the integrated water cycle within the Sotogrande development and its surroundings forms part of the operations performed by the Group through Sotogrande, S.A., which include waste water treatment and purification to minimise damage to the environment.

As part of its treatment and purification operations the Group owns two wastewater treatment plants capable of serving up to 20,000 inhabitants. These plants are interconnected, so that treated effluent is discharged into the sea through an underwater outfall. These stations are intercommunicated, so that treated effluents are discharged into the sea through an underwater outfall. Likewise, the Company has built a tertiary treatment system in one of the treatment stations. This further purifies water, making it suitable to irrigate part of the Real Club de Golf de Sotogrande and the pitches of the Santa María Polo Club, with whom agreements have been signed for this purpose. The tertiary treatment plant has been in service since July 2003. The entry into service of this tertiary system has increased water resources by 300,000 m^3 / year.

Furthermore, the Group is currently focusing its actions on urban land with partially approved plans as part of its promotional and development activities for the Sotogrande Development. In these circumstances, no preliminary environmental impact studies need be conducted on its real estate or tourist developments. Nonetheless, the Group's policy aims to achieve maximum respect for the environment, and for this purpose it has contracted the services of an environmental consulting firm to provide environmental diagnoses and consulting on the Company's actions.

The amount of the environmental assets described net of depreciation at 31 December 2013 amounted to EUR 1,293 thousand (2012: EUR 1,384 thousand).

The Group had not allocated any provisions for environmental contingencies and claims at year end 2013.

33.-EXPOSURE TO RISK

The Group's financial risk management is centralised at the Corporate Finance Division. This Division has put the necessary measures in place to control exposure to changes in interest and exchange rates on the basis of the Group's structure and financial position, as well as credit and liquidity risks. If necessary, hedges are made on a case-by-case basis. The main financial risks faced by the Group's policies are described below:

CREDIT RISK

The Group main financial assets include cash and cash equivalents (Note 15), as well as trade and other accounts receivable (Note 13). In general terms, the Group holds its cash and cash equivalents in institutions with a high level of creditworthiness and part of its trade and other accounts receivable are guaranteed through guarantees, surety and advance payments by tour operators.

The Group has no significant concentration of third-party credit risk due to the diversification of its financial investments as well as to the distribution of trade risks with short collection periods among a large number of customers.

INTEREST RATE RISK

The Group's financial assets and liabilities are exposed to fluctuations in interest rates, and this may have an adverse effect on its results and cash flows. In order to mitigate this risk, the Group has established policies and has refinanced its debt at fixed interest rates through the issuance of convertible bonds and guaranteed convertible senior notes. At 31 December 2013, approximately 68% of the net borrowings was tied to fixed interest rates.

In accordance with reporting requirements set forth in IFRS 7, the Group has conducted a sensitivity analysis on possible interest-rate fluctuations in the markets in which it operates, based on these requirements. In November 2013, the Group closed its debt refinancing process through the issuance of convertible bonds, guaranteed convertible senior bonds and a new syndicated loan totalling EUR 700 million (Note 17). At 31 December 2013, 68% of the Group's net consolidated debt was tied to fixed interest rates.

Aside from the impact any changes in the interest rates could have on financial assets and liabilities which comprise the net cash position, changes could arise in the valuation of the financial instrument contracted by the Group. The effects of changes in the interest rates on efficient derivatives are booked against equity, while the effects on inefficient derivatives are booked in the consolidated comprehensive profit and loss statement. The Group has chosen to exclude the temporary value of designating hedges in order to improve their efficiency. Note 19 of the consolidated annual report attached hereto sets out the sensitivity analysis conducted on the above-mentioned derivatives in the faces of changes in interest rates.

Lastly, the long-term financial assets set out in Note 11 of this annual report are also subject to interest rate risks.

EXCHANGE RATE RISK

The Group is exposed to exchange rate fluctuations that may affect its sales, results, equity and cash flows. These mainly arise from:

- Investments in foreign countries (essentially Mexico, Argentina, the Dominican Republic, Colombia, Panama and the United States).
- Transactions made by Group companies operating in countries whose currency is other than the euro (essentially Mexico, Argentina, the Dominican Republic, Venezuela and the United States).

The NH Group endeavours to align its borrowings with the cash flows in the different currencies.
A sensitivity analysis was performed in relation to the possible fluctuations in the exchange rates that might arise in the markets in which it operates. For this analysis, the Group has taken into consideration fluctuations in the main currencies with which it operates other than its functional currency (the US dollar, the Argentine peso, the Mexican peso and the Colombian peso). On the basis of this analysis, the Group considers that a 5% depreciation in the corresponding currencies would have the following impact on equity:

	Thousand euros	
	Equity	Income
US dollar	(408)	(26)
Argentine peso	(2,678)	(3)
Mexican peso	(4,611)	(281)
Colombian peso	(941)	(12)

LIQUIDITY RISK

Exposure to adverse situations in debt or capital markets could hinder or prevent the Group from meeting the financial needs required for its operations and for implementing its Strategic Plan.

Management of this risk is focused on thoroughly monitoring the maturity schedule of the Group's financial debt, as well as on proactive management and maintaining credit lines that allow any cash needs forecast to be met.

The Group's liquidity position in 2013 is based on the following points:

- The group had cash and cash equivalents amounting to EUR 133.869 million available at 31 December 2013.
- Available in credit facilities amounting to EUR 73,285 thousand which has not been drawn down at 31 December 2013.
- The Group's business units have the capacity to generate cash flow from their operations in a recurrent and significant manner. Cash flow from operations in 2013 amounted to EUR 133.869 million.
- The Group's capacity to increase its financial borrowing, given that the financial leverage ratio stood at 0.64 at 31 December 2013 (Note 16).

On 22 March 2010, NH Hoteles, S.A. entered into an agreement with Banco Bilbao Vizcaya Argentaria, S.A. in order to increase liquidity of shares in the subsidiary company Sotogrande, S.A. and advertising them in the market. Thus, an undertaking was made to respond to purchase orders for shares in the above-mentioned company. Likewise, liquidity and advertising shares will be fostered when there are purchase or sale positions in the market.

Lastly, the Group makes cash position forecasts on a systematic basis for each business unit and geographical area in order to assess their needs. This liquidity policy followed by the Group ensures payment undertakings are fulfilled without having to request funds at onerous conditions and allows its liquidity position to be monitored on a continuous basis.

MARKET RISKS

The Group is exposed to risks connected with the evolution of the share price in listed companies. This risk is materialised in the remuneration schemes linked to the listed value of shares in the Parent Company. In order to mitigate this market risk arising from an increase in listed prices, the Group entered into the equity swap arrangement described in Note 19 of this consolidated annual report. Likewise, Note 19 mentioned above describes the sensitivity analysis of this financial derivative with regard to changes of +/- 10% in Parent Company shares. In November 2013 and for the purpose of refinancing the Group's debt, said derivative was fully cancelled.

At 31 December 2013, 68% of its borrowings was fixed-rate (basically, convertible bonds and guaranteed convertible senior bonds) and had accounts receivable guaranteed by credit insurance with a limit of EUR 40 million. In addition, the Company does not consider necessary to implement an interest-rate risk mitigation policy, as its exposure to such risks is low. Nonetheless, it maintains loan agreements in several currencies as a natural hedge (US dollar and Swiss franc).

APPENDIX I: SUBSIDIARIES

The data on the Company's subsidiaries at 31 December 2013 are presented below:

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company	Thousand euros				
					Net book value at parent company	Assets	Liabilities	Equity	Profit (Loss) for the year
Airport Hotel Frankfurt-Raunheim, GmbH & Co.	Munich	Real Estate	94%	100%	11,333	22,932	(17,253)	(4,484)	(1,195)
Artos Beteiligungs, GmbH	Munich	Holding	94%	100%	45,815	115,212	(66,473)	(41,314)	(7,425)
Astron Immobilien, GmbH	Munich	Holding	100%	100%	25,597	42,516	(16,919)	(25,597)	-
Astron Kestrell Ltd. (**)	Plettenberg Bay	Hotel Business	100%	100%	(1,061)	484	(1,545)	1,145	(84)
Atlantic Hotel Exploitatie B.V.	The Hague	Hotel Business	100%	100%	(189)	912	(1,101)	(447)	636
Blacom, S.A.	Buenos Aires	Investment	100%	100%	333	663	(330)	(262)	(70)
Caribe Puerto Morelos, S.A. de C.V. (*)	Mexico City	Hotel Business	100%	100%	4,579	4,535	44	(4,481)	(98)
Chartwell de México, S.A. de C.V. (*)	Mexico City	Hotel Business	100%	100%	867	5,104	(190)	(2,744)	1,877
Chartwell de Nuevo Laredo, S.A. de C.V. (*)	Nuevo Laredo	Hotel Business	100%	100%	6,235	3,531	(1,343)	(3,699)	(2,536)
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V. (*)	Coatzacoalcos	Hotel Business	100%	100%	2,127	3,209	(1,082)	(2,175)	48
City Hotel, S.A. (*)	Buenos Aires	Hotel Business	50%	50%	2,085	6,840	(2,670)	(3,510)	(661)
Club Deportivo Sotogrande, S.A.	San Roque	Tourist Services	93%	93%	3,482	3,836	(103)	(3,872)	146
Cofir, S.L.	Madrid	Corporate services	100%	100%	54	-	54	(56)	2
Columbia Palace Hotel, S.A. (*)	Montevideo	Hotel Business	100%	100%	5,693	8,577	(2,885)	(5,473)	(219)
COMPANIA SERVICIOS QUERETARO	Querétaro	Hotel Business	50%	50%	(0)	0	(0)	0	-
Coperama Servicios a la Hosteleria, S.L. (*)	Barcelona	Procurement network	100%	100%	8,625	10,681	(3,273)	(11,705)	3,080
DAM 9 B.V.	Amsterdam	Holding	100%	100%	(0)	686	(686)	-	0
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	100%	100%	16,282	20,090	(3,808)	(16,042)	(240)
Desarrollo Inmobiliario Santa Fe, S.A. de C.V. (*)	Mexico City	Hotel Business	50%	50%	3,595	11,278	(4,088)	(6,368)	(821)
Donnafugata Resort, S.r.l (*)	Italy	Tourist Services	95%	95%	2,450	60,048	(57,475)	(8,548)	5,976
Edificio Metro, S.A. (*)	Buenos Aires	Hotel Business	100%	100%	3,317	5,221	(1,904)	(3,263)	(54)
NH Establecimientos Complementarios Hoteleros, S.A.	Barcelona	Sports centres	100%	100%	(3,839)	5,060	(8,870)	2,988	850
Expl. Mij. Grand Hotel Krasnapolsky B.V.	Amsterdam	Hotel Business	100%	100%	(0)	-	-	3,057	(3,057)
Expl. Mij. Hotel Best B.V.	Best	Hotel Business	100%	100%	(225)	115	(340)	(127)	351
Expl. Mij. Hotel Doelen B.V.	Amsterdam	Hotel Business	100%	100%	7,650	8,140	(491)	(6,870)	(779)
Expl. Mij. Hotel Naarden B.V.	Naarden	Hotel Business	100%	100%	(1,098)	566	(1,664)	539	558
Expl. Mij. Hotel Schiller B.V.	Amsterdam	Hotel Business	100%	100%	8,854	10,276	(1,422)	(7,943)	(911)
Exploitatiemaatschappij Caransa Hotel, B.V.	Amsterdam	Without activity	100%	100%	311	-	311	(311)	-
Exploitatie Mij. Tropenhotel B.V.	Hilversum	Hotel Business	100%	100%	(0)	255	(255)	3	(3)
Fast Good Islas Canarias, S.A.	Las Palmas	Catering	100%	100%	(1,537)	-	(1,537)	1,559	(21)
Fast Good Península Ibérica, S.L.	Madrid	Catering	100%	100%	(23,288)	10,464	(34,090)	23,320	(32)
Franquicias Lodge, S.A. de C.V. (*)	Mexico City	Hotel Business	100%	100%	239	240	(1)	(165)	(74)
Gran Círculo de Madrid, S.A. (*)	Madrid	Catering	99%	99%	27,668	30,796	(2,668)	(28,667)	646
Grupo Financiero de Intermediacion y Estudios, S.A.	Madrid	Corporate services	100%	100%	(18,891)	-	(18,891)	18,864	27
Grupo Hotelero Monterrey, S.A. de C.V.	Mexico City	Hotel Business	100%	100%	3,034	2,670	(1,169)	(1,734)	(1,300)
Grupo Hotelero Queretaro, S.A. de C.V.	Querétaro	Hotel Business	69%	69%	3,033	7,148	(2,727)	(4,018)	(403)
Hanuman Investment, S.L.	Tenerife	Hotel Business	50%	50%	(774)	4,721	(6,233)	1,352	196
Heiner Gossen Hotelbetrieb, GmBH	Mannheim	Hotel Business	100%	100%	(799)	(6)	(793)	776	23
HEM Atlanta Rotterdam B.V.	Hilversum	Hotel Business	100%	100%	5,875	6,443	(568)	(5,802)	(72)
HEM Epen Zuid Limburg B.V.	Wittem	Hotel Business	100%	100%	(2,363)	1,361	(3,724)	1,904	459
HEM Forum Maastricht B.V.	Maastricht	Hotel Business	100%	100%	2,217	3,065	(849)	(2,041)	(176)
HEM Jaarbeursplein Utrecht B.V.	Utrecht	Hotel Business	100%	100%	7,537	8,524	(987)	(7,511)	(26)
HEM Janskerkhof Utrecht B.V.	Hilversum	Hotel Business	100%	100%	968	1,233	(265)	(957)	(12)
HEM Marquette Heemskerk B.V.	Hilversum	Hotel Business	100%	100%	(1,712)	248	(1,960)	1,383	329
HEM Onderlangs Arnhem B.V.	Arnhem	Hotel Business	100%	100%	273	682	(409)	(406)	133
HEM Spuistraat Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%	17,388	19,678	(2,284)	(15,810)	(1,578)
HEM Stadhouderskade Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%	3,655	4,690	(1,035)	(4,326)	671
HEM Van Alphenstraat Zandvoort B.V.	Hilversum	Hotel Business	100%	100%	2,058	2,619	(561)	(2,313)	256

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company	Thousand euros				
					Net book value at parent company	Assets	Liabilities	Equity	Profit (Loss) for the year
Hesperia Enterprises de Venezuela, S.A.	Margarita Island	Hotel Business	100%	100%	2,507	3,148	(641)	(960)	(1,547)
Highmark Geldrop B.V.	Geldrop	Hotel Business	100%	100%	(2,506)	449	(2,955)	1,870	635
Highmark Hoofddorp B.V.	Hoofddorp	Hotel Business	100%	100%	(13,187)	1,583	(14,770)	11,420	1,767
Hispana Santa Fe, S.A. of C.V.	Mexico City	Hotel Business	50%	50%	8	(62)	77	(1)	(14)
Hotel Aukamm Wiesbaden, GmbH & Co.	Munich	Real Estate	94%	100%	1,415	10,745	(9,779)	(160)	(806)
Hotel Ciutat de Mataro, S.A.	Barcelona	Hotel Business	50%	50%	(614)	514	(1,742)	1,019	209
Hotel de Ville B.V.	Groningen	Hotel Business	100%	100%	(1,471)	204	(1,675)	1,287	184
Hotel Expl. Mij. Amsterdam Noord B.V.	Amsterdam	Hotel Business	100%	100%	(2,847)	7,559	(10,406)	3,032	(185)
Hotel Expl. Mij. Leijenberghlaan Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%	4,969	5,133	(164)	(5,444)	475
Hotel Expl. Mij. Capelle a/d Ijssel, B.V.	Capelle a/d Ijssel	Hotel Business	100%	100%	4,248	4,508	(260)	(4,303)	55
Hotel Expl. Mij. Danny Kayelaan Zoetermeer B.V.	Hilversum	Hotel Business	100%	100%	(980)	780	(1,759)	713	266
Hotel Expl. Mij. Stationsstraat Amersfoort B.V.	Amersfoort	Hotel Business	100%	100%	(140)	1,726	(1,866)	64	76
Hotel Holding Onroerend Goed d'Vijff Vlieghen B.V.	Hilversum	Hotel Business	100%	100%	4,539	2,884	1,655	(6,100)	1,561
Hotel Houdstermaatschappij Jolly, B.V.	Amsterdam	Holding	56%	56%	391	713	(7)	(707)	2
Hoteleira Brasil, Ltda.	Brazil	Hotel Business	100%	100%	437	561	(119)	(437)	-
Hotelera de la Parra, S.A. de C.V. (*)	Mexico City	Hotel Business	100%	100%	15,656	18,283	(2,628)	(15,242)	(414)
Hotelera del Mar, S.A.	Mar del Plata	Hotel Business	20%	20%	2,432	15,490	(3,328)	(7,960)	(4,201)
Hotelera Lancaster, S.A. (*)	Buenos Aires	Hotel Business	50%	50%	1,033	2,600	(533)	(1,610)	(457)
Hotelera de Chile	Santiago de Chile	Hotel Business	100%	100%	12,387	13,280	(893)	(11,414)	(973)
Hoteles Hesperia, S.A. (*)	Barcelona	Hotel Business	100%	100%	11,148	13,971	(2,822)	(9,251)	(1,898)
Hotelexploitatiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	56%	56%	37,810	85,919	(17,794)	(65,285)	(2,840)
Hotels Bingen & Viernheim, GmbH & Co.	Munich	Real Estate	94%	94%	10,523	11,185	(6,406)	(4,244)	(535)
Iberinterbrokers	Barcelona	Corporate services	75%	75%	26	34	-	(4)	(30)
Immobiliare 4 Canti S.r.l. (*)	Messina	Hotel Business	50%	50%	-	-	-	-	-
Inmobiliaria y Financiera Aconcagua, S.A. (*)	Buenos Aires	Hotel Business	100%	100%	1,665	2,097	(432)	(1,454)	(212)
Inmobiliaria y financiera Chile S.A..	Santiago de Chile	Real Estate	100%	100%	9,690	8,209	1,481	(9,228)	(461)
Inversores y Gestores Asociados, S.A.	Madrid	Corporate services	100%	100%	125	(13)	137	(70)	(54)
Jan Tabak N.V. (**)	Bussum	Hotel Business	81%	81%	7,249	9,841	(887)	(9,083)	129
JH Belgium, S.A. (*)	Brussels	Hotel Business	56%	56%	(218)	1,665	(2,057)	(108)	500
JH Deutschland GmbH (*)	Cologne	Hotel Business	56%	56%	6,068	13,286	(2,353)	(8,841)	(2,092)
JH Holland N.V. (*)	Amsterdam	Hotel Business	56%	56%	5,721	10,348	(40)	(10,306)	(2)
JH USA, Inc. (*)	Wilmington	Hotel Business	56%	56%	26,675	70,183	(22,120)	(47,744)	(319)
Koningshof B.V.	Veldhoven	Hotel Business	100%	100%	32,220	41,215	(8,995)	(30,882)	(1,337)
Krasnapolsky Belgian Shares B.V.	Hilversum	Holding	100%	100%	(8,522)	0	(8,522)	8,522	-
Krasnapolsky Hotel B.V.	Amsterdam	Without activity	100%	100%	69	69	-	(69)	-
Krasnapolsky H&R Onroerend Goed B.V.	Amsterdam	Real Estate	100%	100%	0	-	(0)	5,190	(5,190)
Krasnapolsky Hotels & Restaurants N.V.	Amsterdam	Holding	100%	100%	316,021	481,060	(165,039)	(319,727)	3,706
Krasnapolsky Hotels Ltd. (**)	Somerset West	Hotel Business	100%	100%	(1,715)	1,090	(2,805)	1,873	(158)
Krasnapolsky ICT B.V.	Hilversum	Without activity	100%	100%	16	16	-	(16)	-
Krasnapolsky International Holding B.V.	Amsterdam	Holding	100%	100%	(14,202)	12,044	(26,245)	(10,273)	24,474
Latina Chile, S.A. (*)	Santiago de Chile	Hotel Business	100%	100%	8,921	9,082	(160)	(7,162)	(1,759)
Latina de Gestión Hotelera, S.A. (*)	Buenos Aires	Hotel Business	100%	100%	56,009	69,139	(13,131)	(57,018)	1,009
Latinoamericana de Gestión Hotelera, S.L.	Madrid	Holding	100%	100%	33,743	163,421	(129,677)	(70,136)	36,393
Leeuwenhorst Congres Center B.V.	Noordwijkerhout	Hotel Business	100%	100%	57,715	63,698	(5,984)	(55,501)	(2,214)
Liberation Exploitatie B.V.	Sprang Capelle	Hotel Business	100%	100%	(6,014)	729	(6,744)	5,309	706
Marquette Beheer B.V.	Hilversum	Real Estate	100%	100%	292,437	292,437	-	(292,437)	-
Museum Quarter B.V.	Hilversum	Hotel Business	100%	100%	(51)	563	(614)	(448)	499
Nacional Hispana de Hoteles, S.A. (*)	Mexico City	Hotel Business	100%	100%	72,711	73,269	(558)	(70,152)	(2,558)
NH Aguamarina S.A.	Dominican Republic	Corporate services	100%	100%	1,224	1,483	(259)	(947)	(277)

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company	Thousand euros				
					Net book value at parent company	Assets	Liabilities	Equity	Profit (Loss) for the year
NH Atardecer Caribeño, S.L.	Madrid	Corporate services	100%	100%	954	962	(8)	(1,351)	398
NH Belgium CvbA	Diegem	Holding	100%	100%	-	-	-	-	-
NH Caribbean Management B.V.	Hilversum	Management	100%	100%	(100)	-	(100)	100	-
NH Central Europe Management GmbH	Berlin	Hotel Business	100%	100%	53	54	(1)	(50)	(3)
NH Central Europe GmbH & Co. KG (*)	Berlin	Hotel Business	100%	100%	108,408	121,061	(1,819)	(109,815)	1,407
NH Central Reservation Office, S.L.	Madrid	Call Centre	100%	100%	9,191	346	8,846	(6,174)	(3,017)
NH Fashion Tapas, S.L.	Madrid	Catering	100%	100%	(27)	3	(30)	(51)	78
NH FINANCE, S.A. (**)	Luxembourg	Financial company	100%	100%	80,703	221,887	(141,184)	(83,841)	3,138
NH Financing Services S.a r.l.	Luxembourg	Financial company	100%	100%	(18)	3	(21)	(13)	30
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel Business	90%	90%	1,334	1,925	(445)	(1,510)	30
NH Europa, S.A. (*)	Barcelona	Hotel Business	100%	100%	625,852	847,646	(221,794)	(621,912)	(3,940)
NH Hotelbetriebs.u. Dienstleistungs, GmbH	Berlin	Hotel Business	100%	100%	(14,295)	(13,055)	(1,240)	14,743	(448)
NH Hotelbetriebs-u Entwicklungs, GmbH	Berlin	Hotel Business	100%	100%	(2,898)	(2,076)	(822)	3,642	(744)
NH Hoteles Austria GmbH (*)	Vienna	Hotel Business	100%	100%	(1,126)	11,774	(12,900)	(2,265)	3,391
NH Hoteles Deutschland GmbH (*)	Berlin	Hotel Business	100%	100%	6,139	48,444	(53,138)	(3,589)	(2,550)
NH Hoteles España, S.L. (*)	Barcelona	Hotel Business	100%	100%	74,758	194,348	(119,590)	(86,215)	11,456
NH Hoteles France S.R.L.	France	Hotel Business	100%	100%	1,909	6,114	(4,204)	(2,396)	487
NH Hoteles Participaties, NV (*)	Amsterdam	Holding	100%	100%	439,162	466,617	(27,456)	(393,390)	(45,772)
NH Hoteles Switzerland GmbH	Fribourg	Hotel Business	100%	100%	6,359	13,047	(6,688)	(5,857)	(502)
NH Hotels Czequia, s.r.o.	Prague	Hotel Business	100%	100%	(1,445)	(9)	(1,436)	1,333	112
NH Hotels Polska, Sp. Zo.o.	Poland	Hotel Business	100%	100%	168	170	(2)	(127)	(41)
NH Hotels USA Inc.	Houston	Hotel Business	100%	100%	322	205	117	(260)	(62)
NH Hungary Hotel Management, Ltd. (*)	Budapest	Hotel Business	100%	100%	(239)	2,664	(2,903)	(190)	429
NH Italia S.r.l. (*)	Milan	Hotel Business	56%	56%	151,908	691,986	(418,279)	(277,825)	4,118
NH Lagasca, S.A.	Madrid	Hotel Business	100%	100%	6,312	18,120	(11,808)	(6,173)	(139)
NH Las Palmas, S.A. (*)	Gran Canaria	Hotel Business	75%	75%	12,095	19,854	(3,730)	(15,802)	(321)
NH Logroño, S.A.	Logroño	Hotel Business	76%	76%	1,125	2,185	(714)	(1,421)	(50)
NH Management Black Sea, S.R.L.	Bucharest	Hotel Business	100%	100%	2,135	2,228	(93)	(2,026)	(108)
NH Marin, S.A. (*)	Barcelona	Hotel Business	50%	50%	977	3,335	(1,381)	(1,041)	(912)
NH Private Equity, B.V.	Amsterdam	Hotel Business	100%	100%	(19,876)	4,933	(24,809)	15,784	4,092
NH Rallye Portugal, Lda.	Portugal	Hotel Business	100%	100%	1,495	812	683	(1,357)	(138)
NH The Netherlands B.V. (vh GTI B.V.)	Hilversum	Holding	100%	100%	498,159	585,821	(87,668)	(465,715)	(32,444)
NHOW ROTTERDAM BV	The Hague	Hotel Business	100%	100%	(1,076)	158	(1,234)	1,076	0
Noorderweb BV	Hilversum	Hotel	100%	100%	(4,950)	-	(4,950)	(3)	4,953
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	100%	100%	(4,603)	5,425	(10,028)	4,251	352
Objekt Leipzig Messe, GmbH & Co.	Munich	Real Estate	94%	100%	13,281	13,344	(12,890)	341	(795)
Olofskapel Monumenten B.V.	Amsterdam	Real Estate	100%	100%	1,314	1,613	(298)	(1,073)	(241)
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real Estate	100%	100%	21,603	22,005	(402)	(20,215)	(1,388)
Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V.	Geldrop	Real Estate	100%	100%	10,321	10,504	(183)	(9,702)	(618)
Onroerend Goed Beheer Maatschappij Capelle aan den Ijssel, B.V.	Capelle a/d Ijssel	Real Estate	100%	100%	9,529	9,610	(82)	(9,119)	(410)
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real Estate	100%	100%	9,773	9,928	(155)	(8,895)	(877)
Onroerend Goed Beheer Maatschappij Ijsselmeerweg Naarden, B.V.	Naarden	Real Estate	100%	100%	15,936	16,195	(259)	(15,135)	(802)
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real Estate	100%	100%	59,786	60,673	(887)	(56,455)	(3,332)
Onroerend Goed Beheer Maatschappij Maas Best, B.V.	Best	Real Estate	100%	100%	6,842	6,948	(106)	(6,526)	(316)
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Real Estate	100%	100%	6,328	6,332	(5)	(6,059)	(268)
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Real Estate	100%	100%	86,346	87,469	(1,123)	(80,540)	(5,806)
Onroerend Goed Beheer Maatschappij Stadhouderskade Amsterdam, B.V.	Amsterdam	Real Estate	100%	100%	69,663	70,725	(1,062)	(64,384)	(5,280)
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real Estate	100%	100%	14,634	14,538	96	(13,920)	(715)
Operadora Nacional Hispana, S.A. de C.V.	Mexico City	Hotel Business	100%	100%	7,587	24,240	(16,653)	(6,678)	(909)
Palatium Amstelodamum N.V.	Amsterdam	Hotel Business	100%	100%	6,255	9,698	(3,443)	(6,554)	299
Parque de la 93, Colombia	Colombia	Hotel Business	100%	100%	18,916	19,836	(921)	(18,674)	(242)

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company	Thousand euros				
					Net book value at parent company	Assets	Liabilities	Equity	Profit (Loss) for the year
Parque de la 93 B.V	Amsterdam	Hotel Business	100%	100%	(48)	16,726	(16,774)	(4)	52
Polis Corporation, S.A.	Buenos Aires	Hotel Business	100%	100%	6,277	9,069	(2,792)	(5,354)	(923)
Resco Sotogrande, S.L.	San Roque	Real Estate	100%	100%	2,164	4,461	(3,311)	(1,291)	142
NH Resorts Europa, S.L.	Madrid	Hotel Business	100%	100%	(527)	114	(641)	512	14
Restaurant D'Vijff Vlieghen B.V.	Amsterdam	Catering	100%	100%	2,432	3,892	(1,460)	(2,252)	(180)
Servicios Chartwell de Nuevo Laredo, S.A. de C.V. (*)	Nuevo Laredo	Hotel Business	100%	100%	24	25	(1)	(28)	4
Servicios Corporativos Chartwell Monterrey, S.A. de C.V. (*)	Monterrey	Hotel Business	100%	100%	(1,569)	57	(93)	713	856
Servicios Corporativos Hoteleros, S.A. de C.V. (*)	Mexico City	Hotel Business	100%	100%	993	1,455	(463)	(791)	(202)
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V. (*)	Mexico City	Hotel Business	100%	100%	59	657	(597)	15	(74)
Servicios de Operación Turística, S.A. de C.V. (*)	Guadalajara	Hotel Business	100%	100%	0	0	(0)	(0)	-
Servicios Hoteleros Tlalnepantla, S.A. de C.V. (*)	Mexico City	Hotel Business	100%	100%	0	0	-	(0)	-
Sotogrande, S.A. (*)	San Roque	Real Estate	97%	97%	124,464	240,058	(111,774)	(129,359)	1,075
Stadskasteel Oudaen B.V.	Utrecht	Without activity	100%	100%	(1,067)	-	(1,067)	1,067	-
Toralo, S.A. (*)	Montevideo	Hotel Business	100%	100%	6,159	6,654	(495)	(6,124)	(34)
VSOP VIII B.V. (**)	Groningen	Hotel Business	50%	50%	1,854	8,104	(4,394)	(3,413)	(296)

(*) Companies audited by Deloitte
(**) Companies audited by PriceWaterhouseCoopers

APPENDIX II: ASSOCIATED COMPANIES

The data on the Associated Companies at 31 December 2013 are presented below:

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee company	% of voting rights controlled by parent company	Thousand euros				
					Net book value at parent company	Investee Company Details			
						Assets	Liabilities	Equity	Profit (Loss) for the year
Borokay Beach, S.L.	Madrid	Hotel Business	50%	50%	1,536	2,896	(2,543)	(8,490)	5,418
Capredo Investments, GmbH (*)	Switzerland	Holding	50%	50%	23,297	46,962	(369)	(47,090)	497
Consorcio Grupo Hotelero T2, S.A. de C.V.	Mexico City	Hotel Business	10%	10%	480	22,012	(17,211)	(4,456)	(346)
Fonfir 1, S.L.	Madrid	Real Estate	50%	50%	1,503	25	(10)	(100)	85
Harrington Hall Hotel, Ltd.	London	Hotel Business	25%	25%	1,259	57,215	(63,572)	6,655	(249)
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel Business	27%	27%	1,795	8,702	(2,077)	(6,118)	(507)
Los Alcornoques de Sotogrande, S.L.	San Roque	Real Estate	49%	49%	381	9,671	(8,909)	(762)	(0)
Losan Investment, Ltd.	London	Hotel Business	30%	30%	3,248	5,546	-	7,224	(12,771)
Mil Novecientos Doce, S.A. de C.V.	Mexico	Hotel Business	25%	25%	1,971	13,083	(5,201)	(7,700)	(183)
Palacio de la Merced, S.A.	Burgos	Hotel Business	25%	25%	1,533	15,326	(8,986)	(6,089)	(251)
Residencial Marlin, S.L.	San Roque	Real Estate	49%	49%	26,110	53,866	(1,645)	(55,946)	3,725
Sotocaribe, S.L.	Madrid	Holding	36%	36%	58,997	250,434	(86,554)	(164,013)	133
Varallo Comercial, S.A.	Dominican Republic	Hotel Business	14%	14%	(10,719)	134,511	73,489	(65,939)	(9,019)

(*) Companies audited by Deloitte

ANNUAL REPORT OF THE NH HOTELES, S.A. AUDIT AND CONTROL COMMITTEE

CORRESPONDING TO THE 2013 FINANCIAL YEAR

I) FUNCTIONS, COMPETENCE AND FUNCTIONING OF THE AUDIT AND CONTROL COMMITTEE

The Audit and Control Committee has as its main function to support the Board of Directors in its monitoring and control functions, with the most important of these consisting in ensuring the effective internal control of the Company and supervise the preparation and presentation process for the regulated financial information.

On 31 March 2004 the Board of Directors passed the Board of Directors Regulations which develop the rules in the articles of association which regulate the regime, functioning and composition of the Audit and Control Commission, having approved two subsequent modifications. One of the most significant changes was due to the entry into force of Act 12/2010, of 30 June, which modifies the Accounts Auditing Act 19/1988, of 12 July, the Stock Market Act 24/1988, of 28 July and the consolidated Corporations Act passed by Legislative Royal Decree 1564/1989, of 22 December, in order to adapt it to the EU regulations, by virtue of which the Audit and Control Committee has been entrusted with a specific legal development as regards its functioning and competences, having modified it therefore in order to adapt it to said legal text, the articles of association and the contents of the Board Regulations on this issue. As a result of said legislative changes, the Board of Directors at its session of 24 May 2011 agreed to introduce two modifications to the text of its Board of Directors Regulations in order to adapt it to said changes.

As a result both the text of the Company Articles of Association and the regulations contained in the Board Regulations contain everything relating to the composition, competence and functioning of the Audit and Control Committee and which can be summarised as follows:

a) Composition.

The Audit and Control Committee shall be made up of a minimum of three and a maximum of five directors appointed by the Board of Directors. All of the members of said Committee must be external or non-executive directors.

The members of the Audit and Control Committee, and in particular its Chairperson, shall be appointed taking into account their knowledge and experience on the issues of accounting, auditing or both.

The Chairperson of the Audit and Control Committee must be an independent director and shall be appointed from amongst the non-executive directors or members or do not hold management or executive functions in the entity, or have any contractual relationship other than that due to the condition under which they are appointed, and appointed from amongst its non-executive directors. The Chairperson shall be replaced every four years and can be re-elected again one year after they ceased in the office.

b) Competence.

Without prejudice to any other tasks which may be assigned by the Board of Directors, the Audit and Control Committee has as its main function to support the Board of Directors in its supervision functions and in particular and at least the following competences:

1. Report to the General Meeting about the issues which arise within its competence.

2. Supervise the effective internal control of the Company, the internal audit, if applicable, and the risk management systems, as well as discussing with the account auditors or audit companies the significant weaknesses in the internal control system detected during the audit.

3. Supervise the preparation and presentation process for the regulated financial information.

4. Propose to the body of administration for it to submit to the General Shareholders Meeting or equivalent company body, according to its legal status, the appointment of the account auditors or audit companies, according to the regulations applicable to the entity.

5. Establish the appropriate relations with the account auditors or audit companies in order to receive information about those issues which could put at risk their independence, so that it can be examined by the committee, and any others relating to the account auditing process, and those other communications set out in the accounting auditing legislation and in the auditing regulations. In any event written confirmation must be received annually from the account auditors or audit companies about their independence from the entity or entities directly or indirectly related to it, as well as the information about any type of additional services provided to these entities by said auditors or companies, or by the persons or entities related to them in accordance with the provisions of the Account Auditing Act 19/1988, of 12 July.

6. Annually issue, before the issue of the accounts audit report, a report in which an opinion is stated about the independence of the account auditors or audit companies. This report must under all circumstances consider the provision of the additional services referred to in the previous section.

7. Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-election and dismissal of the head of the internal audit service; propose the budget for that service; receive periodic information about its activities; and check that the senior management takes into account the conclusions and recommendations from its reports.

8. Establish and supervise a mechanism which allows the employees to confidentially and anonymously report breaches of the Code of Conduct.

9. Supervise the compliance and the internal codes of conduct, as well as the corporate governance rules.

10. Report to the Board about anything regarding related operations, considering as such those defined in the Consolidated Capital Companies Act.

11. Report to the Board about the creation or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens, as well as any similar transactions or operations which, due to their complexity, could affect the transparency of the group, and

12. Exercise any other competences allocated to said Committee in these Regulations or which may be allocated by the Board of Directors.

c) Functioning.

The Audit and Control Committee shall meet at least quarterly and as often as necessary after being called by its Chairperson, on own initiative or in response to a request from two of its members of from the Board of Directors.

The Audit and Control Committee can ask for any employee or manager of the company to attend at its sessions and also the Company's Accounts Auditor.

2) COMPOSITION OF THE AUDIT COMMITTEE

The composition of the Audit and Control Committee complies with the regulations imposed by the Board Regulations of NH Hoteles, S.A. which accurately reflect the Recommendations from the Unified Good Governance Code.

During the 2013 financial year there were two changes to the composition of the Audit Committee due on the one hand to the resignations by both Mr Iñaki Arratibel Olaziregui, and Hoteles Participados, S.L., as well as the appointment of Mr Xianyi as new Committee member.

Following this modification the composition of the Audit and Control Committee as at 31 December 2013 is as follows:

Chairperson:
Mr Carlos González Fernández

Members:
Mr Manuel Galarza Pont (representing Participaciones y Cartera de Inversión S.L.)
Mr Ramón Lanau Viñals
Mr Xianyi Mu

Secretary: Mr Pedro Ferreras
Vice-Secretary: Mr Carlos Ulecia Palacios

3) RELATIONS WITH EXTERNAL AUDITORS

The parent company of the NH Hotels Group has been audited since the 1986 financial year by prestigious companies. During 1986-1992 it was covered by Peat Marwick, 1993-2001 Arthur Andersen. Since 2002 it has been audited by Deloitte.

The Consolidated Annual Accounts for the 2013 financial year have been audited by four independent companies.

Deloitte is the main auditor and as such issues an audit report on the Consolidated Annual Accounts. Said audit firm has checked the accounts of the companies in the Business Units in Spain (except Portugal), Italy, Germany, Holland/Belgium (except United States), Austria/Switzerland (except Hungary), Mexico, MERCOSUR and Sotogrande (except Sotocaribe) which represent 96.5% of the consolidated assets and 98.6% of the net turnover.

Deloitte was appointed for a one year term as the Group's main auditor at the General Shareholders Meeting of NH Hoteles held on 29 June 2013 and auditor of the different Business Units mentioned above at their respective General Shareholders Meeting. This firm has been the Group's main auditor since the 2002 financial year, although in the 2003, 2005 and 2007 financial years there were changes to the partner in charge of the audit. The total fees received by the firm for its professional auditing services corresponding to the 2013 financial year amounted to 1.39 million Euros (1.40 million in 2012).

PriceWaterhouseCoopers was appointed auditor of the Dutch, Belgian and Swiss companies in the 1998 financial year, of the Austrian companies in the 2004 financial year and of a Luxembourg company in the 2009 financial year, and as replaced by Deloitte in this function in the 2011 financial year.

The NH companies in Portugal are audited by Batista, Costa y Asociados; the United States subsidiary by Mc Gladrey & Pullen, LLP and the Hungarian by Ernst&Young. The total fees for audit services corresponding to the 2013 financial year for all of these audit firms amounted to 0.08 million Euros (0.04 million Euros en 2012).

The Audit Committee has received information about those issues which may have placed the independence of the account auditors at risk and after carefully revising said information has issued a Report stating its opinion on their independence and on the provision of additional services apart from the audit.

4) CONTENT AND RESULTS FROM THE WORK OF THE AUDIT COMMITTEE

The Audit Committee held 7 sessions during the 2013 financial year dealing with the following issues:

a) Analysis and evaluation, together with the external auditors, of the Financial Statements and the Report corresponding to the 2012 financial year checking that their audit opinion was issued under conditions of absolute independence.

b) Revision of the information about those issues which could put at risk the independence of the account auditors. Issue of the Report on the independence of the account auditors.

c) Revision of the periodic financial information before it is analysed and approved by the Board of Directors in order to ensure that it is reliable, transparent and prepared applying homogenous accounting principles and criteria.

d) Monitoring of the Internal Audit Plan for the 2013 financial year examining its conclusions and implementation if applicable of the necessary corrective measures.

e) Revision and update of the Group's Risks Map. Analysis and evaluation of the risks relating to the Financial Information Control System.

f) Examination of the Annual Corporate Governance Report for it is referred to the Board of Directors to be studies and approved, with particular emphasis on the analysis of the directors and managers register.

g) Analysis of the operations with related parties in order to check, as was the case, that they were performed under market conditions.

h) Monitoring of the most significant projects performed by the internal audit team. SCIIF implementation. Continuous Audit implementation evolution analysis.

5) PRIORITIES FOR THE 2014 FINANCIAL YEAR

Apart from the customary work required under the general regulations and the NH regulations in relation to the financial information to be sent to the market and the supervision of the independence of the external auditors, the Audit Committee has examined and approved a working plan for the internal audit department for 2014 which covers the following priorities:

1. Development of the Internal Control System of the Financial Information. Performance and periodic revision of the established system (Corporate and Spain and Portugal Business Unit).

2. Implementation of the Continuous Audit Project

   - Obtaining the final indicators (KPI/KRI)
   - Use of said indicators to select the areas of risk. Implementation of the control system based on sending them to the different business centres.
   - Implementation of new work roles distinguishing the following stages:
     - Prior risk areas analysis.
     - Remote audit, requesting information, risk control through the indicators.
     - On-site audit: performance of substantive tests in the centres.

3. Revision of the map of operative and administrative risks relating to the hotels:

   - Revision and improvement of the controls currently implemented.
   - Design of new controls, implementation in the computer tools.

4. Monitoring of the incidents detected in the audits performed in previous years. Compliance with the action plans prepared by the different departments and Business Units.

5. Analysis and evaluation (Efficiency Plan) in the processes relating to the computer systems implemented in the Front of the company (Reservations, production, invoicing). Development of controls and procedures.

To end this Report, it must be stressed that in order to perform all of the work mentioned above, this Commission has had access, whenever it was considered useful, to all external professionals (auditors, appraisers or consultants) or members of the economic-financial, internal audit or management control departments which has been deemed necessary.

In Madrid, on 26 March 2014

NH Eurobuiliding - Madrid, España

NH | HOTEL GROUP

NH HOTELS

NH COLLECTION

nhow

Hesperia RESORTS

Santa Engracia, 120
28003 - Madrid
T: +34 91 451 97 18
nh-hotels.com

NH | HOTEL GROUP

NH HOTELS

NH COLLECTION

nhow

Hesperia RESORTS