# SALES AND RESULTS 2016

## 28 February 2017

NH | HOTEL GROUP

NH HOTELS

NH COLLECTION

nhow

Hesperia RESORTS

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**Key financial highlights 2016**

- **Revenue growth of +5.7%** (+8.0% at a constant exchange rate) **reaching €1,475M** (+€79M) due to the good performance in Spain (+13.5%) and Central Europe (+7.8%), despite external factors:
    - A lower contribution from Belgium compared with 2015 for security reasons (revenue -€7.8M, -15%). At EBITDA level the loss vs. business plan has been -€6.5M.
    - Currency evolution in Latam. Excluding the negative effect of -€33M, revenue would have increased +8.0%. Impact at EBITDA level is reduced to -€5.9M.
    - Difficult comparison in the case of Italy because of the Expo Milan in 2015, with a lower revenue contribution of -€18.8M and an EBITDA of -€14.1M from that event.

- **Increase in RevPar** (+5.8% in 2016) **through ADR** (+4.6%, 79% contribution) **and greater growth vs. competitors.** (+1.3 p.p. in relative ADR).

- The **repositioning investments in Benelux and Central Europe** has concluded, strengthening the Group's portfolio with a higher positioning (20% of the rooms under the NH Collection brand with a premium of +40% on the ADR), **following a repositioning investment phase lasting two and a half years.**

- **EBITDA reached €181M, growth of +€31M** (+21%), explained by the excellent performance by Spain and Central Europe and a favourable development in the remaining countries. As a result, **the EBITDA margin has improved by +1.6 points, reaching 12.3%** given a conversion ratio of 40%. Excluding -€5.2M from linearization of leases and -€1.4M for leaving indemnities (non-recurring in 2015) the adjusted conversion rate would amount to 48%.

- **Positive recurring net profit** (first year since 2008) **of €11M** (-€3M in 2015) and Total Net Profit of €31M compared to €1M in 2015, boosted by capital gains from asset rotation.
    - Proposal to submit for AGM approval the distribution of a maximum gross **dividend of €0.05 per outstanding share** for the financial year 2016, implying an estimated payment of €17M

- Favourable **cash generation** in the period and **capex financed with** non-strategic **asset disposals** (target of €140M achieved), has contributed to **reduce net financial debt position by -€91M to €747M**, **representing a leverage ratio of 4.1x** (5.6x in December 2015).

**Outlook for 2017**

- The **EBITDA guidance of €220-225M** (c.+25%) is confirmed based on harvesting the rewards from previous years and the implementation under way of **the first phase of the Efficiency Plan,** on track to achieve savings of €7-8M in 2017.

- **Acceleration of deleverage** from 4.1x **to 3.0-3.25x** by the end of 2017. If the sale of the hotel in NY takes place in the second half of the year, the level would decline below 3.0x.

- Launch of the **second phase of the Efficiency Plan**, to be executed in the second half of 2017, enabling **additional savings of €7-10M in 2018**, by defining new operating model through the geographical reorganization of the functions of the various Business Units and the new structure at Corporate level.

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**Main figures for the fourth quarter of 2016 (Q4)**

- Growth of **RevPar** in Q4 of **+4.5%** through increases in **ADR of +2.8% and +1.6% in occupancy.**

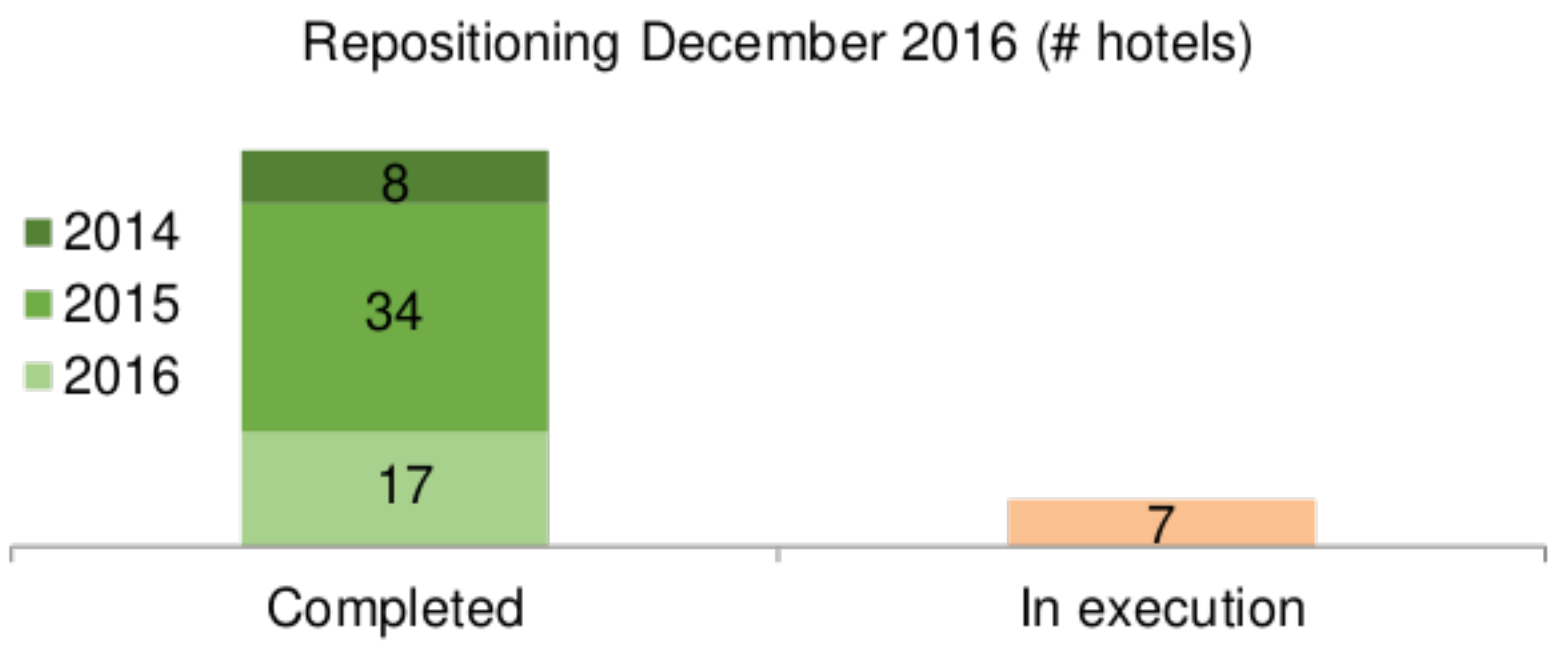
- **Revenue has risen by +2.9%** (+€10.6M) explained by the extraordinary contribution by Spain and Italy in Q4 2015 (+17% and +16% respectively), together reporting revenue growth of +€22M, and the negative currency evolution. **In Q4 2016 at a constant exchange rate** revenue would have risen +**4.3%.**

- **EBITDA in Q4 reached €56.3M**, growth of +€4.7M (+9.1%), increasing the **margin by +0.8 points, reaching a margin of EBITDA of 14.9% with a conversion ratio of 44%**. All of this despite the contribution from Expo Milan in 2015 (+€5.5M in revenue and +€4.1M in EBITDA) and currency evolution in Q4 2016 (-€5.3M in revenue and -€1.3M in EBITDA).

- **Recurring net income** for Q4 has amounted to **€7.0M** compared with the €5.0M of Q4 2015, and Total Net Income reached €9.2M, compared with €14.4M in Q4 2015, from a greater reversal of provisions in 2015.

**Status of the Strategic Plan**

- **Repositioning Plan**




Since the start of the plan through to December 2016 a total of 59 hotels have been fully refurbished. Compound annual RevPar growth for those hotels with 6 months of post-refurbishment operation during the 12 months of 2016 compared with the same period prior to the refurbishment is +12.7%. The hotels included in the sample are: NH Collection Eurobuilding, NH Collection Abascal, NH Alonso Martínez, NH Collection Aránzazu, NH Pamplona Iruña, NH Collection Gran Hotel Zaragoza, NH Florence, NH Madrid Atocha, NH Madrid Nacional, NH Madrid Ventas, NH Collection Hamburg City, NH Collection Brussels Centre, NH Utrecht, NH Milan Congress Centre and NH Genoa Centro.

- **Brand:** NH has 379 hotels with 58,472 rooms at 31st December 2016, of which 67 hotels and 10,473 rooms belong to NH Collection, demonstrating their price potential (+40% premium; ADR NH Collection €118 vs ADR NH €85) and quality (with improvements also in hotels that have not been refurbished). At Group level, 34% of the portfolio is positioned in the top 10 for the city (45% in the case of NH Collection hotels) and 53% in the top 30 (62% for NH Collection hotels), an indication of the higher quality levels perceived by customers.

| % hotels NH | Dec. '13 | Dec. '14 | Dec. '15 | Dec. '16 |
|---|---|---|---|---|
| Top 10 | 19% | 24% | 27% | 34% |
| Top 30 | 41% | 47% | 49% | 53% |

Source: Trip Advisor

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- **Pricing & Revenue Management:** Group ADR has evolved positively during the year in the main cities when compared to direct competitors. The increase in Group relative prices has been +1.3 points vs. competitors.

  - There has been a notable performance in Benelux with an increase in ADR of +8.4% vs. 1.9% in the case of the competitive set. NH continues to maximise its market opportunities both in Amsterdam (relative ADR +4.3p.p.; relative RevPar +6.7p.p.), and in Brussels (relative ADR +8.7p.p.; relative RevPar +3.3p.p.), with a lower drop in prices than the compset.
  - In Italy the strategy in the city of Milan in 2016 has been to maintain the high RGI in absolute terms through volume, as prices in 2015 rose at a faster rate than those of the compset (+7.0 points). In Italy the RGI continues to be 104.7%.
  - Performance in Spain has been favorable, with an increase in ADR of +8.6% vs. the compset, which has seen growth of +4.9%. As a result, the relative RevPar in Spain has improved to +8.1p.p.

| | ADR % var. | | "Relative" ADR |
|---|---|---|---|
| 2016 | NH | Compset | Var. |
| **Total NHH** | **2.1%** | **0.9%** | 1.3 p.p. |
| **Spain** | 8.6% | 4.9% | 3.7 p.p. |
| **Italy** | -14.5% | -10.9% | -3.6 p.p. |
| **Benelux** | 8.4% | 1.9% | 6.5 p.p. |
| **Central Europe** | 7.7% | 4.3% | 3.4 p.p. |

| | RevPar % var. | | "Relative" RevPar |
|---|---|---|---|
| 2016 | NH | Compset | Var. |
| **Total NHH** | **3.1%** | **-1.3%** | 4.4 p.p. |
| **Spain** | 12.4% | 4.4% | 8.1 p.p. |
| **Italy** | -16.0% | -16.8% | 0.8 p.p. |
| **Benelux** | 2.4% | -3.8% | 6.2 p.p. |
| **Central Europe** | 12.6% | 4.6% | 8.0 p.p. |

Website revenues recorded an increase of +18% in the 12 months of 2016.

- **Portfolio Optimisation:**

  - The disposal target of €140M in 2016 has been reached. By 31 December 2016 net cash for €119M was recorded. The sale and leaseback of the NH Malaga announced in February 2017 for a net cash amount of €20M was included in the target for the year.

  - In addition, during 2016 agreements have been signed for 16 hotels with 2,114 rooms. All these agreements have been under lease and management contracts, and most are positioned within the upper segment brand in key cities (Milan, Venice, Antwerp, Eindhoven, Marseille, Leipzig, Monterrey, Mexico DF and Santiago de Chile).

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## RevPar evolution in the Fourth Quarter

> ***Note:*** *The "Like for Like plus Renovations" (LFL&R) criteria includes hotels renovated in 2015 and 2016, so that the sample of "LFL" hotels is not reduced by the high number of hotels affected by the renovations*

**NH HOTEL GROUP REVPAR 4T 2016/2015**

| | HAB. MEDIAS | | OCUPACION % | | | ADR | | | REVPAR | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | % Var | 2016 | 2015 | % Var | 2016 | 2015 | % Var |
| **España & Portugal LFL & R** | 11,038 | 10,883 | 68.9% | 67.5% | 2.1% | 85.1 | 80.5 | 5.7% | 58.7 | 54.3 | 7.9% |
| B.U. España Consolidado | 11,161 | 11,257 | 68.8% | 67.9% | 1.3% | 85.6 | 80.7 | 6.1% | 58.9 | 54.8 | 7.5% |
| **Italia LFL & R** | 6,859 | 6,828 | 66.0% | 66.8% | -1.2% | 100.2 | 113.4 | -11.6% | 66.1 | 75.7 | -12.7% |
| B.U. Italia Consolidado | 7,330 | 7,506 | 65.8% | 65.4% | 0.7% | 103.1 | 112.5 | -8.4% | 67.8 | 73.5 | -7.7% |
| **Benelux LFL & R** | 8,377 | 8,221 | 65.6% | 63.7% | 3.0% | 99.7 | 92.7 | 7.5% | 65.3 | 59.0 | 10.7% |
| B.U. Benelux Consolidado | 8,720 | 8,286 | 65.7% | 63.7% | 3.2% | 100.4 | 93.0 | 8.1% | 66.0 | 59.2 | 11.5% |
| **Europa Central LFL & R** | 12,387 | 12,378 | 70.6% | 68.4% | 3.3% | 89.0 | 86.0 | 3.4% | 62.9 | 58.8 | 6.9% |
| Europa Central Consolidado | 12,470 | 12,583 | 70.5% | 68.2% | 3.3% | 88.9 | 86.1 | 3.2% | 62.7 | 58.8 | 6.7% |
| **Total Europa LFL & R** | 38,661 | 38,311 | 68.2% | 66.8% | 2.1% | 92.0 | 90.7 | 1.5% | 62.8 | 60.6 | 3.6% |
| Total Europa Consolidado | 39,681 | 39,633 | 68.1% | 66.6% | 2.2% | 92.9 | 90.8 | 2.3% | 63.3 | 60.5 | 4.6% |
| **Latinoamerica LFL & R** | 3,044 | 3,044 | 68.8% | 69.5% | -1.1% | 75.8 | 72.5 | 4.5% | 52.2 | 50.4 | 3.4% |
| Latinoamerica Consolidado | 5,204 | 5,230 | 62.5% | 64.3% | -2.8% | 78.9 | 74.1 | 6.5% | 49.3 | 47.7 | 3.5% |
| **NH Hoteles LFL & R** | 41,705 | 41,355 | 68.3% | 67.0% | 1.8% | 90.8 | 89.3 | 1.7% | 62.0 | 59.9 | 3.6% |
| Total NH Consolidado | 44,886 | 44,863 | 67.4% | 66.4% | 1.6% | 91.4 | 88.9 | 2.8% | 61.7 | 59.0 | 4.5% |

- **Consolidated RevPar growth of +4.5%** in Q4 2016. In its composition , the increase in prices of +2.8% represented 62% of the growth in RevPar. At a constant exchange rate, RevPar growth would have been +5.6% (69% through prices).
  - In **Italy,** Expo Milan 2015 ended in October 2015, being the month with the greatest contribution (-€5.5M in revenue in Q4 '16) and as a result the Q4 2015 RevPar rose +20%. Good performance by Rome and secondary cities together with new openings were unable to offset that contribution, with a drop in RevPar of -7.7% in Q4 '16.
  - The Benelux BU has recorded a higher level of activity, posting an occupancy increase of +3.2% and an increase in prices of +8.1% explained by the refurbishment executed in the first half of the year and the good performance in Netherlands LFL (+2.2% occupancy, +4.2% in ADR, RevPar +6.5%). In Q4 Belgium continued to show the impact of the security concerns (Belgium LFL occupancy -2.8%, ADR +3.7%, RevPar +0.8%), despite the fact that at the end of 2015 results had already been penalised, making the comparison more favourable.
  - Group **activity level** in Q4 has been slightly higher, up **+1.6%,** with the drop in Latin America offset by good performance in Central Europe (+3.3%) and the recovery in Benelux (+3.2), with December being a low season month.
- In **LFL&R** terms RevPar in Q4 has grown by **+3.6%** despite the dificult comparison difficulty in Italy, where a RevPar of -12.7% has been reported. Remarkable performance in Benelux BU, with a growth of +10.7% driven by an increase in prices of +7.5% (following renovations in the first half of the year) and the Spain BU, with growth of +7.9% (72% through prices). The Latin America BU has still been affected by the volatility of local currencies.

- **Excluding renovations**, growth in LFL RevPar in Q4 has been **+1.5%,** with a price reduction of -0.5% (with drop in Italy and Latam in real exchange terms) and an improvement in occupancy of +2.0% from the good performance in Central Europe.

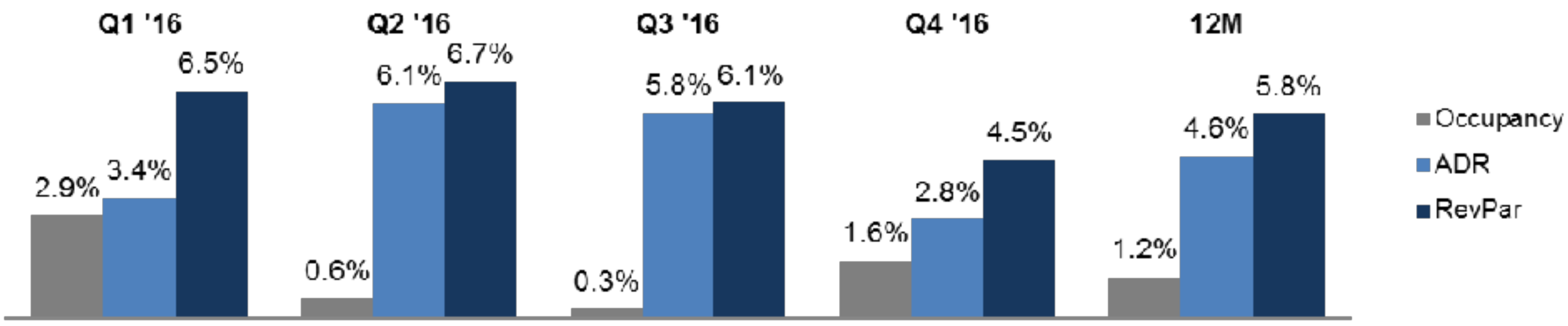
**RevPar evolution for the 12 months**

- The accumulated 12 month, Consolidated RevPar has grown +5.8%, with an increase in prices of +4.6% and an increase in occupancy of +1.2%. Excluding reforms, LFL RevPar has grown +3.5%, being 60% explained by higher prices of +2.1%.

**Evolution of Consolidated Ratios by Quarter and for the 12 month period:**

**NH HOTEL GROUP REVPAR 12M 2016/2015**

| | HAB. MEDIAS | | OCUPACION % | | | ADR | | | REVPAR | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | % Var | 2016 | 2015 | % Var | 2016 | 2015 | % Var |
| España & Portugal LFL & R | 10,990 | 10,828 | 70.3% | 67.6% | 4.0% | 83.9 | 77.3 | 8.6% | 59.0 | 52.3 | 12.9% |
| B.U. España Consolidado | 11,196 | 11,332 | 70.3% | 67.6% | 3.9% | 84.2 | 77.1 | 9.2% | 59.2 | 52.1 | 13.5% |
| Italia LFL & R | 6,861 | 6,854 | 68.5% | 68.4% | 0.1% | 105.5 | 112.3 | -6.0% | 72.3 | 76.8 | -5.9% |
| B.U. Italia Consolidado | 7,459 | 7,406 | 67.6% | 66.9% | 1.1% | 108.2 | 111.7 | -3.1% | 73.2 | 74.7 | -2.0% |
| Benelux LFL & R | 8,169 | 8,287 | 66.5% | 68.1% | -2.4% | 97.5 | 91.7 | 6.3% | 64.8 | 62.5 | 3.7% |
| B.U. Benelux Consolidado | 8,396 | 8,341 | 66.3% | 68.2% | -2.8% | 97.9 | 91.8 | 6.6% | 64.9 | 62.7 | 3.6% |
| Europa Central LFL & R | 12,305 | 12,289 | 71.4% | 69.6% | 2.6% | 87.6 | 82.3 | 6.4% | 62.5 | 57.3 | 9.2% |
| Europa Central Consolidado | 12,463 | 12,494 | 71.4% | 69.5% | 2.7% | 87.5 | 82.4 | 6.2% | 62.4 | 57.2 | 9.1% |
| Total Europa LFL & R | 38,325 | 38,257 | 69.5% | 68.5% | 1.5% | 91.7 | 88.3 | 3.9% | 63.7 | 60.5 | 5.4% |
| Total Europa Consolidado | 39,514 | 39,572 | 69.3% | 68.2% | 1.6% | 92.5 | 88.2 | 4.8% | 64.1 | 60.2 | 6.5% |
| Latinoamerica LFL & R | 3,029 | 3,044 | 66.0% | 66.6% | -0.9% | 71.2 | 72.3 | -1.5% | 47.0 | 48.1 | -2.4% |
| Latinoamerica Consolidado | 5,204 | 4,876 | 61.9% | 63.0% | -1.9% | 74.7 | 72.4 | 3.2% | 46.2 | 45.6 | 1.2% |
| NH Hoteles LFL & R | 41,354 | 41,301 | 69.3% | 68.4% | 1.3% | 90.3 | 87.1 | 3.6% | 62.5 | 59.6 | 5.0% |
| Total NH Consolidado | 44,718 | 44,448 | 68.4% | 67.6% | 1.2% | 90.6 | 86.6 | 4.6% | 62.0 | 58.6 | 5.8% |




| Consolidated Ratios<br>% Var | Occupancy | | | | | ADR | | | | | RevPar | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 '16 | Q2 '16 | Q3 '16 | Q4 '16 | 12M | Q1 '16 | Q2 '16 | Q3 '16 | Q4 '16 | 12M | Q1 '16 | Q2 '16 | Q3 '16 | Q4 '16 | 12M |
| Spain | 11.3% | 2.4% | 3.5% | 1.3% | 3.9% | 8.6% | 11.0% | 11.5% | 6.1% | 9.2% | 20.8% | 13.7% | 15.4% | 7.5% | 13.5% |
| Italy | 4.7% | 1.4% | -0.8% | 0.7% | 1.1% | 0.5% | -1.2% | -2.0% | -8.4% | -3.1% | 5.2% | 0.2% | -2.9% | -7.7% | -2.0% |
| Benelux | -1.3% | -5.8% | -6.4% | 3.2% | -2.8% | 4.6% | 7.1% | 6.3% | 8.1% | 6.6% | 3.3% | 1.0% | -0.4% | 11.5% | 3.6% |
| Central Europe | 0.3% | 2.9% | 3.4% | 3.3% | 2.7% | 3.6% | 9.5% | 8.5% | 3.2% | 6.2% | 3.9% | 12.7% | 12.2% | 6.7% | 9.1% |
| TOTAL EUROPE | 3.8% | 0.6% | 0.4% | 2.2% | 1.6% | 4.3% | 6.7% | 5.9% | 2.3% | 4.8% | 8.3% | 7.4% | 6.4% | 4.6% | 6.5% |
| Latin America real exc. rate | -5.1% | 0.0% | -1.1% | -2.8% | -1.9% | -2.5% | -0.5% | 4.5% | 6.5% | 3.2% | -7.5% | -0.5% | 3.3% | 3.5% | 1.2% |
| NH HOTEL GROUP | 2.9% | 0.6% | 0.3% | 1.6% | 1.2% | 3.4% | 6.1% | 5.8% | 2.8% | 4.6% | 6.5% | 6.7% | 6.1% | 4.5% | 5.8% |

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| RECURRING HOTEL ACTIVITY 2016 VS 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(€ million)* | 2016 Q4 | 2015 Q4 | DIFF. 16/15 | %DIFF. | 2016 12 months | 2015 12 months | DIFF. 16/15 | %DIFF. |
| SPAIN | 92.6 | 85.9 | 6.7 | 7.8% | 359.0 | 316.4 | 42.6 | 13.5% |
| ITALY | 55.4 | 62.0 | (6.5) | (10.6%) | 248.6 | 255.8 | (7.2) | (2.8%) |
| BENELUX | 78.9 | 73.1 | 5.8 | 7.9% | 298.8 | 291.6 | 7.2 | 2.5% |
| CENTRAL EUROPE | 101.1 | 94.7 | 6.4 | 6.7% | 389.5 | 361.3 | 28.2 | 7.8% |
| AMERICA | 21.6 | 23.2 | (1.6) | (6.9%) | 77.7 | 82.0 | (4.3) | (5.2%) |
| **TOTAL RECURRING REVENUE LFL&R** | **349.6** | **338.9** | **10.7** | **3.2%** | **1,373.5** | **1,307.0** | **66.5** | **5.1%** |
| **OPENINGS, CLOSINGS & OTHERS** | **29.4** | **29.5** | **(0.1)** | **(0.2%)** | **101.0** | **88.5** | **12.5** | **14.2%** |
| **RECURRING REVENUES** | **379.0** | **368.4** | **10.6** | **2.9%** | **1,474.6** | **1,395.5** | **79.1** | **5.7%** |
| SPAIN | 61.6 | 56.7 | 4.9 | 8.6% | 243.1 | 219.8 | 23.3 | 10.6% |
| ITALY | 36.4 | 38.8 | (2.4) | (6.2%) | 164.0 | 163.6 | 0.4 | 0.2% |
| BENELUX | 54.0 | 49.9 | 4.1 | 8.2% | 203.6 | 200.0 | 3.6 | 1.8% |
| CENTRAL EUROPE | 66.7 | 63.9 | 2.8 | 4.4% | 260.4 | 246.8 | 13.6 | 5.5% |
| AMERICA | 12.6 | 16.5 | (3.9) | (23.7%) | 53.6 | 60.4 | (6.9) | (11.4%) |
| **RECURRING OPEX LFL&R** | **231.2** | **225.8** | **5.5** | **2.4%** | **924.6** | **890.5** | **34.1** | **3.8%** |
| **OPENINGS, CLOSINGS & OTHERS** | **19.9** | **18.9** | **1.0** | **5.2%** | **67.5** | **62.8** | **4.7** | **7.4%** |
| **RECURRING OPERATING EXPENSES** | **251.1** | **244.7** | **6.5** | **2.6%** | **992.1** | **953.4** | **38.7** | **4.1%** |
| SPAIN | 31.0 | 29.2 | 1.8 | 6.3% | 115.9 | 96.6 | 19.3 | 20.0% |
| ITALY | 19.0 | 23.2 | (4.1) | (17.8%) | 84.6 | 92.2 | (7.6) | (8.2%) |
| BENELUX | 24.9 | 23.2 | 1.6 | 7.1% | 95.2 | 91.6 | 3.6 | 4.0% |
| CENTRAL EUROPE | 34.4 | 30.9 | 3.6 | 11.6% | 129.0 | 114.5 | 14.6 | 12.7% |
| AMERICA | 9.0 | 6.7 | 2.3 | 34.5% | 24.1 | 21.5 | 2.6 | 12.1% |
| **RECURRING GOP LFL&R** | **118.4** | **113.2** | **5.2** | **4.6%** | **448.9** | **416.5** | **32.5** | **7.8%** |
| **OPENINGS, CLOSINGS & OTHERS** | **9.5** | **10.6** | **(1.0)** | **(9.9%)** | **33.5** | **25.7** | **7.9** | **30.7%** |
| **RECURRING GOP** | **127.9** | **123.7** | **4.2** | **3.4%** | **482.5** | **442.1** | **40.3** | **9.1%** |
| SPAIN | 20.5 | 18.6 | 1.9 | 10.1% | 82.1 | 75.3 | 6.9 | 9.1% |
| ITALY | 9.1 | 10.8 | (1.7) | (15.6%) | 42.7 | 44.0 | (1.3) | (2.9%) |
| BENELUX | 10.8 | 11.5 | (0.7) | (5.9%) | 47.2 | 47.3 | (0.1) | (0.3%) |
| CENTRAL EUROPE | 23.9 | 23.9 | (0.1) | (0.2%) | 103.3 | 103.2 | 0.1 | 0.1% |
| AMERICA | 1.2 | 1.6 | (0.4) | (25.6%) | 5.2 | 5.8 | (0.6) | (10.8%) |
| **RECURRING LEASES&PT LFL&R** | **65.5** | **66.4** | **(0.9)** | **(1.4%)** | **280.4** | **275.5** | **4.9** | **1.8%** |
| **OPENINGS, CLOSINGS & OTHERS** | **6.1** | **5.7** | **0.4** | **7.4%** | **21.2** | **17.1** | **4.1** | **23.7%** |
| **RECURRING RENTS AND PROPERTY TAXES** | **71.6** | **72.1** | **(0.5)** | **(0.7%)** | **301.6** | **292.6** | **9.0** | **3.1%** |
| SPAIN | 10.5 | 10.6 | (0.1) | (0.5%) | 33.8 | 21.4 | 12.4 | 58.2% |
| ITALY | 9.9 | 12.4 | (2.5) | (19.8%) | 41.9 | 48.3 | (6.3) | (13.1%) |
| BENELUX | 14.1 | 11.7 | 2.3 | 19.8% | 48.0 | 44.3 | 3.8 | 8.5% |
| CENTRAL EUROPE | 10.6 | 6.9 | 3.6 | 52.2% | 25.8 | 11.3 | 14.5 | 128.4% |
| AMERICA | 7.9 | 5.1 | 2.7 | 52.9% | 19.0 | 15.7 | 3.2 | 20.5% |
| **RECURRING EBITDA LFL&R** | **52.9** | **46.8** | **6.2** | **13.2%** | **168.5** | **140.9** | **27.6** | **19.6%** |
| **OPENINGS, CLOSINGS & OTHERS** | **3.4** | **4.9** | **(1.5)** | **(30.4%)** | **12.4** | **8.6** | **3.8** | **44.5%** |
| **RECURRING EBITDA EX. ONEROUS PROVISION** | **56.3** | **51.6** | **4.7** | **9.1%** | **180.9** | **149.5** | **31.4** | **21.0%** |

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

**Spain B.U.:**

- RevPar growth of +7.9% in Q4 with an increase in prices of +5.7% (representing 72% of the growth) and +2.1% in occupancy.
- During the year RevPar grew +12.9% with a growth in prices of +8.6% (a weighting of 66%) and +4.0% in occupancy.
- Excellent revenue evolution, with growth of +13.5% (+€42.6M) in the year. The LFL perimeter grew +10.7% and refurbished hotels were up +26.9%. There has been a notable performance in cities such as Valencia, Seville and Zaragoza, where revenue has increased by an average of 16%, more than in Barcelona (+13%) and Madrid (+5%).
- Operating costs for the year increased +10.6% (+€23.3M), explained by the increased occupancy in the period (+4.0% reaching 70.3%), higher commissions from the change in segmentation and the hotels that were being refurbished in 2015.
- GOP in 2016 totalled €115.9M, a rise of +20.0% (+€19.3M), implying a conversion rate of 45%. The increase in leases in the year has been +€6.9M (+9.1%) explained by the variable component. As a result, EBITDA reached €33.8M for the year, an increase of €12.4M (+58.2%).

**Italy B.U.:**

- RevPar dropped -12.7% in Q4 because of the unfavourable comparison from the impact of Expo Milan in 2015 (+€5.5M revenue gain) as October recorded the greatest contribution from the entire event. In addition, a leased hotel in Turin began the refurbishment being financed by the owner.
- In the year RevPar was down -5.9% with a reduction in prices of -6.0% and a flat occupancy (+0.1%), entirely explained by Expo Milan 2015, which contributed revenues of -€18.8M in 2015.
- As a result, revenue for the year was down -2.8% and could not be offset by the refurbishments in 2015 or the sound LFL performance of tier-2 cities (+8%). Adjusted for the impact of the Expo in 2015, revenue growth would have been +4.9%.
- Operating costs in 2016 remained steady (+€0.4M). GOP dropped -8.2% (-€7.6M) and EBITDA totalled €41.9M (-€6.3M), entirely explained by the Expo Milan contribution in 2015 of +€14.1M in EBITDA.

**Benelux B.U.:**

- Higher level of activity in Q4 with increased occupancy of +3.0% and +7.5% in prices, explained by the refurbishments during the first part of the year and the sound LFL performance in the Netherlands (+2.2% for occupancy, ADR up +4.2%, RevPar +6,5%). In Q4 Belgium continued to show the impact from the security concerns (Belgium LFL -2.8% for occupancy, ADR +3.7%, RevPar +0.8%), despite the fact that at the end of 2015 results had already been penalised, making the comparison easier.
- RevPar growth of +3.7% in the year, following a rise in prices (+6.3%) that offset lower occupancy in Benelux (-2.4%) from the impact of the security situation on LFL Hotels in Belgium (occupancy -17.5%, ADR +4.9%, RevPar -13.5%).
- In 2016 the good performance in the Netherlands excluding refurbishments (LFL +€9.9m, +6.3%) fully offset the lower contribution from Belgium of -€7.8M (-15.4%). As a result, LFL revenue for the BU excluding refurbishments has been +2.9%, and including the refurbishments undertaken, reported growth has amounted to +2.5% (+€7.2M).

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- Operating costs for the year increased +1.8% (+€3.6M), showing an increase in GOP of +4.0% (+€3.6M) and an improvement in EBITDA of +€3.8M, (a conversion ratio of 52%).

**Central Europe B.U.:**

- RevPar has risen by +6.9% in Q4 with a growth in prices of +3.4% and an increase in occupancy of +3.3%. Revenue increased by +6.7% (+€6.4M).
- RevPar grew +9.2% in 2016 with an increase in prices of +6.4% (70% of the increase in RevPar) and an increase in occupancy of +2.6%. Revenue in 2016 was up +7.8% (+€28.2M), explained by the favourable trade fairs calendar, where biannual and tri-annual fairs took place in 2016 .
- Operating costs for the year rose by +5.5% (+€13.6M) from the higher activity levels and increased commissions (segmentation change with greater weight in Germany).
- GOP in 2016 improved by +12.7% (+€14.6M) and flat rental expenses made it possible to achieve an EBITDA of €25.8M, an increase of +€14.5M and a revenue conversion ratio of 51%.

**Americas B.U.:**

- Growth continued at a double-digit rate in local currency in Q4 (+21.0%, +€4.9M). Negative currency evolution led to a drop in reported revenues of -6.9% (-€1.6M).
- In 2016 revenue with constant exchange rate was up +26.6% (+€21.8M), reaching +€103.8M compared with €82.0M in the previous year. With Real exchange rate revenues were down -5.2% (-€4.3M).
- This decline in the level of revenue (-€4.3M), linked to currency devaluations (Argentine peso -37%, Mexican peso -15%, Colombian peso -9%), has been fully offset by the cost control measures and the contribution from the largest hotel in Mexico that was refurbished at the end of 2015, resulting in an increase in EBITDA for the year (+€3.2M).
- By region, in 2016 Mexico recorded RevPar growth of +19.8% in local currency, with a +17.1% increase in prices. The increase in revenues in local currency was +15.5% that, together with a GOP conversion rate of 42%, generated a growth in EBITDA of +22% (+€1.9M) at a constant exchange rate, benefitting from the renovation of the NH Collection Mexico City that was completed in Q1.
- In the Mercosur, mainly Argentina, RevPar was up +37.0% in local currency, with increases in average prices of +41.5% (with dollarization of 75% of the rates). This has led to revenue growth of +48%, above the high rates of inflation, allowing that with constant exchange rate GOP has risen by +€6.3M and EBITDA by +€6.0M.
- In 2016 Hoteles Royal (including Openings and Closings) RevPar has risen by +9.9% in local currency, with average price increases of +12.0%. For the year the performance by Chile has been weaker because of greater price competition and a high level of dependence on customers from Argentina. In 2016 Colombia posted revenue growth of mid- single digit with constant exchange rate, despite a worse performance by other revenue owing to the change in segmentation towards more profitable rates, an increase in the hotel offering in the country, and a reduction in the number of events generated by companies in the oil industry. The implementation of cost synergies in 2015 and 2016 explain the increase in EBITDA in Hoteles Royal on a real exchange rate basis, reaching €8.3M (compared with €7.1M in the 10 months that were consolidated in 2015).

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### Consolidated Income Statement

NH HOTEL GROUP P&L ACCOUNT

| (€ million) | Q4 2016 | Q4 2015 | Var. | | 12M 2016 | 12M 2015* | Var. | |
|---|---|---|---|---|---|---|---|---|
| | M. Eur | M. Eur | M. Eur | % | M. Eur | M. Eur | M. Eur | % |
| **TOTAL REVENUES** | **379.0** | **368.4** | **10.6** | **2.9%** | **1,474.6** | **1,395.5** | **79.1** | **5.7%** |
| Staff Cost | (130.5) | (124.4) | (6.0) | 4.8% | (515.1) | (496.4) | (18.7) | 3.8% |
| Operating expenses | (120.7) | (120.2) | (0.4) | 0.4% | (477.0) | (457.0) | (20.1) | 4.4% |
| **GROSS OPERATING PROFIT** | **127.9** | **123.7** | **4.2** | **3.4%** | **482.5** | **442.1** | **40.3** | **9.1%** |
| Lease payments and property taxes | (71.6) | (72.1) | 0.5 | (0.7%) | (301.6) | (292.6) | (9.0) | 3.1% |
| **EBITDA BEFORE ONEROUS** | **56.3** | **51.6** | **4.7** | **9.1%** | **180.9** | **149.5** | **31.4** | **21.0%** |
| Margin % of Revenues | 14.9% | 14.0% | | 0.8% | 12.3% | 10.7% | | 1.6% |
| Onerous contract reversal provision | 0.8 | 2.3 | (1.5) | (66.1%) | 5.0 | 10.0 | (5.0) | (49.9%) |
| **EBITDA AFTER ONEROUS** | **57.1** | **53.9** | **3.2** | **5.9%** | **185.9** | **159.5** | **26.4** | **16.6%** |
| Depreciation | (26.4) | (24.9) | (1.5) | 6.0% | (101.7) | (94.8) | (6.9) | 7.3% |
| **EBIT** | **30.7** | **29.0** | **1.7** | **5.7%** | **84.1** | **64.7** | **19.5** | **30.1%** |
| Interest expense | (15.4) | (11.6) | (3.8) | 33.1% | (52.4) | (46.6) | (5.8) | 12.4% |
| Income from minority equity interests | 0.1 | (1.3) | 1.4 | (107.1%) | 0.1 | (1.1) | 1.2 | (106.7%) |
| **EBT** | **15.4** | **16.1** | **(0.8)** | **(4.7%)** | **31.8** | **17.0** | **14.9** | **87.5%** |
| Corporate income tax | (7.7) | (11.0) | 3.3 | (29.7%) | (17.0) | (17.3) | 0.4 | (2.0%) |
| **NET INCOME before minorities** | **7.6** | **5.1** | **2.5** | **49.8%** | **14.9** | **(0.3)** | **15.2** | **n.a.** |
| Minority interests | (0.7) | (0.1) | (0.6) | 593.3% | (3.4) | (2.4) | (1.0) | 43.1% |
| **NET RECURRING INCOME** | **7.0** | **5.0** | **2.0** | **39.5%** | **11.5** | **(2.7)** | **14.2** | **n.a.** |
| Non Recurring EBITDA | 1.7 | (4.4) | 6.2 | n.a. | 43.9 | (17.9) | 61.8 | n.a. |
| Other Non Recurring items | 0.5 | 14.3 | (13.7) | n.a. | (24.6) | 21.5 | (46.1) | n.a. |
| **NET INCOME including Non-Recurring** | **9.2** | **14.8** | **(5.6)** | **n.a.** | **30.8** | **0.9** | **29.8** | **n.a.** |

** Includes Hoteles Royal from March 4, 2015*

### Comments for the year 2016:

- **Revenues were up +5.7% reaching €1.475bn** (+€79M) due to the good performance in Spain and Central Europe and despite certain external factors:
  - A lower contribution from Belgium compared with 2015 for security concerns (€7.8M, -15%).
  - Currency evolution in Latam. Excluding the negative effect of -€33M, mainly Latam, revenue would have increased +8.0%.
  - Tough comparison in Italy because of the of Expo Milan in 2015, with a lower revenue contribution of -€18.8M.

  By perimeter, at LFL level, revenue growth was +6.1% with constant exchange rate (+3.7% reported), driven by Spain, Central Europe and Latin America. The hotels that were renovated in 2015 reported a growth in revenue of +28% and the hotels renovated in 2016 have lost (-€1.7M vs 2015), as the renovations in the first half of the year have had a greater weight.

- **Costs:**
  - **Staff costs** increased +3.8% (+€18.7m), explained by the higher level of activity in Spain and Central Europe, the hotels refurbish in 2015, the changes in perimeter and the lower variable remuneration in 2015

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  - **Other direct costs** increased by +4.4% (+€20.1m) mainly due to the increase in commissions due to higher revenues and the evolution of the mix of sale channels, the higher level of activity, the hotels Refurbished in 2015 and the changes in perimeter.

- **EBITDA reached €181M, an increase of +€31M** (+21%), following the good performace from Spain and Central Europe and the positive performance from the remaining countries, despite certain circumstantial factors such as the problems in Belgium (-€6.5M drop in EBITDA vs Plan) and the evolution of exchange rates in Latin America (-€5.9M at the level of EBITDA). **EBITDA margin has improved by +1.6 points, reaching 12.3%** based on a conversion rate of 40%. Excluding the amount of -€5.2M from the linearization of leases and -€1.4M from severance payments (not recurring in 2015) the adjusted conversion rate amounts to 48%.

- **Financial expenses** rose -€5.8M mainly due to lower gains from exchange rate forwards (-€4.1M) vs. 2015, and in a lesser extend to lower interest rates applied to deposits and the refinancing of September 2016 with higher cost for extended maturity.

- **Corporate Tax:** The use of tax incentives has compensated for the higher business performance and the reversal of tax holding provision in Spain (Royal Decree 3/2016).

- **A positive recurring net result,** not reported since 2008, **of €11.5M** has been recorded, compared with the loss of -€2.7M in 2015.

- **Non-recurring activity**: This item mainly includes gains from non-core asset disposals, legal reserves, accelerated depreciation from the repositioning investments and refinanced debt arrangement in the third quarter of the year, as well as the fiscal impacts of each item.

- **Total Net Income** amounted to €30.8M against €0.9M in 2015 driven by gains from asset sales.

  - Proposal to submit for AGM approval the distribution of a maximum gross dividend of €0.05 per outstanding share for the financial year 2016, implying an estimated payment of €17M

**Comments on the fourth quarter of 2016:**

- **Q4 revenues grew by +2.9%** (+€10.6M) explained by the extraordinary contribution from Spain and Italy in Q4 2015 (+17% and +16% respectively) together reporting a +€22M increase in revenue, and the negative evolution of the currency. **At a constant rate of exchange,** revenues would have risen by +**4.3% in Q4.**

  By perimeter, at LFL level revenue growth was +2.9% at a constant exchange rate of (+0.7% reported). At constant exchange rate the hotels that were refurbished in 2015 recorded revenue growth of +20% in Q4 (+€5.5M) and those refurbished in 2016 +14% (+€3.5M), as the refurbishments that were made in the first half of the year had a greater weight and offset the opportunity cost of the hotels refurbished in the quarter.

- **EBITDA in Q4 amounted to €56.3M**, showing growth of +€4.7M (+9.1%), improving the **margin by +0.8 points, reaching 14.9% with a conversion ratio of 44%**. This despite the contribution by Expo Milan 2015 in Q4 (+€5.5M in revenue and +€4.1M in EBITDA) and currency evolution (-€5.3M in revenue and -€1.3M in EBITDA).

- **Recurring net income** in Q4 totalled **€7.0M** against €5.0M in Q4 2015 and Total net income has amounted to €9.2M compared with €14.4M in Q4 2015 from an increased reversal of provisions 2015.

## Financial Debt and Liquidity

| As of 31/12/2016<br>Data in Euro million | Maximum<br>Available | Availability | Drawn | Repayment schedule<br>2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Rest |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Senior Credit Facilities** | | | | | | | | | | | | |
| Senior Secured Notes due 2019 | 250.0 | - | 250.0 | - | - | 250.0 | - | - | - | - | - | - |
| Senior Secured Notes due 2023 | 285.0 | - | 285.0 | - | - | - | - | - | - | 285.0 | - | - |
| Senior Secured RCF (3+2 years) | 250.0 | 250.0 | - | - | - | - | - | - | - | - | - | - |
| **Total debt secured by the same Collateral** | **785.0** | **250.0** | **535.0** | **-** | **-** | **250.0** | **-** | **-** | **-** | **285.0** | **-** | **-** |
| Other Secured loans | 37.4 | - | 37.4 | 4.3 | 6.6 | 2.4 | 1.9 | 1.8 | 1.3 | 1.4 | 1.4 | 16.2 |
| **Total secured debt** | **822.4** | **250.0** | **572.4** | **4.3** | **6.6** | **252.4** | **1.9** | **1.8** | **1.3** | **286.4** | **1.4** | **16.2** |
| Convertible Bonds due 2018 | 250.0 | - | 250.0 | - | 250.0 | - | - | - | - | - | - | - |
| Unsecured loans ** | 80.1 | 58.9 | 21.2 | 19.0 | 1.1 | 0.7 | 0.3 | - | - | - | - | - |
| Subordinated loans | 40.0 | - | 40.0 | - | - | - | - | - | - | - | - | 40.0 |
| **Total unsecured debt** | **370.1** | **58.9** | **311.2** | **19.0** | **251.1** | **0.7** | **0.3** | - | - | - | - | **40.0** |
| **Total Gross Debt** | **1,192.5** | **308.9** | **883.6** | **23.3** | **257.7** | **253.2** | **2.2** | **1.8** | **1.3** | **286.4** | **1.4** | **56.2** |
| Cash and cash equivalents *** | | | (136.7) | | | | | | | | | |
| **Net debt** | | | **746.8** | | | | | | | | | |
| Equity Component Convertible Bond | | | (11.3) | | (11.3) | | | | | | | |
| Arranging loan expenses | | | (17.6) | (5.0) | (5.1) | (3.5) | (0.9) | (0.9) | (0.9) | (0.7) | (0.03) | (0.5) |
| Accrued interests | | | 7.1 | 7.1 | | | | | | | | |
| **Total adjusted net debt** | | | **725.1** | | | | | | | | | |

* Bilateral mortgage loans

** Comprises €9.9 million drawn under RCFs to be renewed in the short term and other debt facilities with amortization schedule

*** Does not include the market value of 9.6M treasury shares, of which 9.0M we lend to the joint lead managers of the convertible bonds. (9.6M shares at €3.845 closing price 30/12/16: €36.9M)

- Net financial debt reached (€747M) at 31st December 2016, a drop of €91M compared with 31 December 2015, following the satisfactory generation of operating cash in the period, as the Capex invested has been almost entirely financed from the sale of non-strategic assets.

- At 31 December 2016 the Company held cash for €136.7M and available lines of credit for €308.9M of which €250M relate to the syndicated line of credit signed in September 2016.

- The disposal target for 2016 of €140M has been met. By 31st December 2016 asset disposals had amounted to for an amount of €119M. The sale and leaseback of the NH Malaga Hotel announced in February 2017 for a net amount of €20M in 2017 was part of the 2016 disposal target.

- Net Financial Debt to recurring EBITDA ratio reached 4.1x at 31 December 2016 compared with 5.6x at 31 December 2015.

- On 29 September 2016 debt refinancing was carried out with the issuance of €285M in Senior Secured Notes due 2023 (the HY Bond) with a coupon rate of 3.75%, with the aim of extending maturities and increase average life, and the subscription of a €250M syndicated Long Term Revolving Credit Facility ("RCF)" for a term of 3 years with an automatic 2-year renewal when the HY Bond due 2019 is refinanced, thus increasing the liquidity of the Group.

- Rating agencies Standard & Poors y Fitch have upgraded the corporate NHH rating from "B-" to "B with a stable outlook" based on greater liquidity and the improved operating performance. These agencies have also upgraded the rating of the HY 2019 Bond to "BB-" and have assigned the same rating to the new HY Bond due 2023. Moody's has assigned the Group a corporate rating of B2 with a stable outlook and a Ba3 rating to the new HY Bond due 2023.

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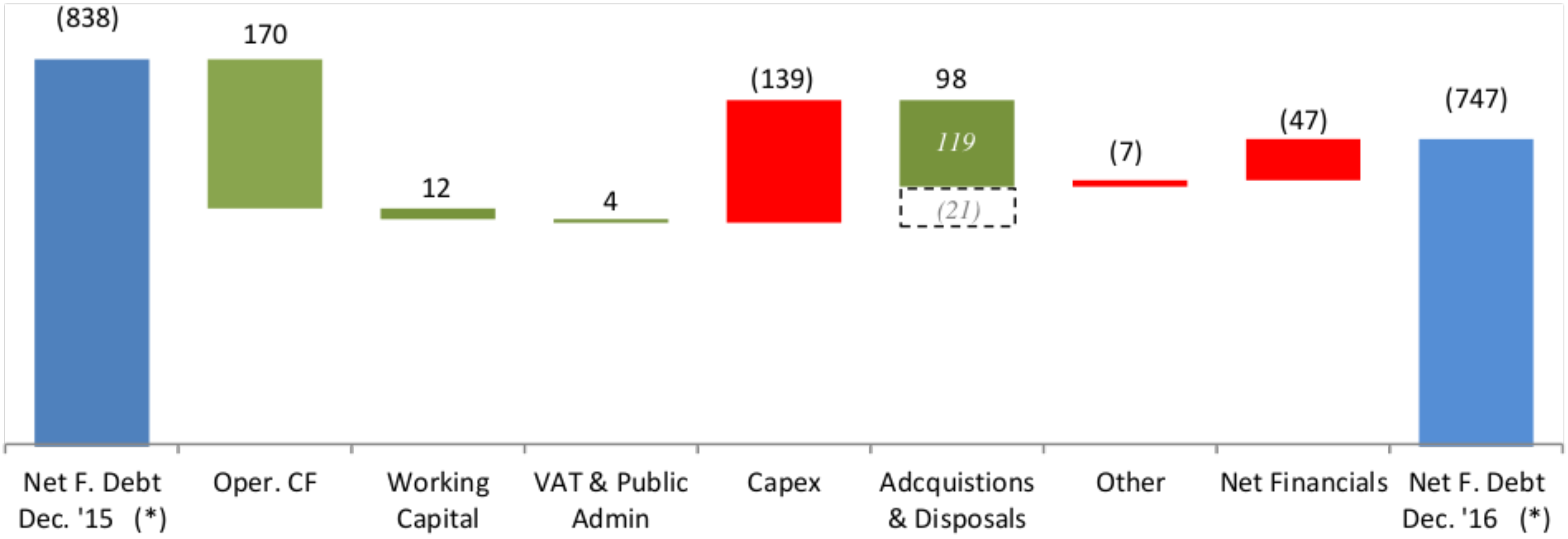
**Evolution Net Financial Debt in the 12 months of 2016**




(*) Net financial debt excluding accounting adjustments for the portion of the convertible bond treated as Equity, arrangement expenses and accrued interest. Including these accounting adjustments, adjusted net debt would be (€725M) at 31 December 2016 vs. (€809M) at December 31, 2015

€91M reduction in the Net Financial Debt during the year due to the favourable cash flow generation in the year and capex financed by disposals of non-strategic assets.

Cash flow generated during the year from:

- (+) +€170M in operating cash flow, including -€14.5M in financial costs from credit cards and taxes paid for -€13.4M
- (+) Working capital: Improvement from the reduction in average collection period (down from 36 days at the end of 2015 to 23 days at the end of 2016)
- (-) Capex payments: -€139M. Repositioning Capex in 2016 of -€25M to be paid in 2017
- (+) Disposal target (€140M) reached with of +€119M in 2016 and €20M in 2017 from the recent leaseback of NH Malaga.
- (-) Other investments for -€21M: Put de Donnafugatta (-€10.3M), JV China (-€4.1M) and the purchase of the minority interests in NH Palacio de la Merced (Burgos, from 25% to 72%) with an investment of -€7M (-€5.0M in debt and a payment of -€1.4M in 2016 and -€0.6M in 2017) representing an implicit EBITDA multiple of 9x.
- (-) Others: statutory payments and pensions in Italy and Benelux, regular ordinary business leaving indemnities and treasury stock purchases.
- (-) Net financial cash flows: include -€8.1M in refinancing costs.

# Appendix

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NH HOTELS

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**Appendix I:** In accordance with the Directives published by the ESMA in relation to Alternative Performance Measures (APMs), we define and reconcile below the APMs used by the Group within the Results Publication dated 28 February 2017.

**A) Definitions**

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

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

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

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

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

| | | 12 M 2016 | 12 M 2015 |
|---|---|---|---|
| | | M Eur. | M Eur. |
| **Total revenues** | A+B | **1,474.6** | **1,395.5** |
| Total recurring revenue LFL & Refurbishment | A | 1,373.5 | 1,307.0 |
| Openings, closings & others | B | 101.0 | 88.5 |

We also provide a reconciliation for the “Total Revenues” line in Point II for the period of 12 months ended 31 December 2016.

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

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

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

| | | 12 M 2016 | 12 M 2015 |
|---|---|---|---|
| | | M Eur. | M Eur. |
| **EBITDA before onerous** | B-A | **180.6** | **149.5** |
| Rents and Property taxes | A | 301.6 | 292.6 |
| GROSS OPERATING PROFIT (GOP) | B | 482.2 | 442.1 |

***Conversion rate:*** This measures the proportion of revenue that has been able to be transferred to EBITDA. It is obtained by dividing the change in EBITDA by the change in total revenue.

**B) Reconciliation of the APM to the most directly reconcilable item, sub-total or total on the financial statements:**

The Results Publication of 28 February 2017 includes the following significant APMs:

**I. ADR and RevPar**

Page 6 of the Results Publication of 28 February 2017 details the development of RevPar and ADR on the following tables:

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| NH HOTEL GROUP REVPAR 12M 2016/2015 | HAB. MEDIAS | | OCUPACION % | | | ADR | | | REVPAR | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | % Var | 2016 | 2015 | % Var | 2016 | 2015 | % Var |
| España & Portugal LFL & R | 10,990 | 10,828 | 70.3% | 67.6% | 4.0% | 83.9 | 77.3 | 8.6% | 59.0 | 52.3 | 12.9% |
| B.U. España Consolidado | 11,196 | 11,332 | 70.3% | 67.6% | 3.9% | 84.2 | 77.1 | 9.2% | 59.2 | 52.1 | 13.5% |
| Italia LFL & R | 6,861 | 6,854 | 68.5% | 68.4% | 0.1% | 105.5 | 112.3 | -6.0% | 72.3 | 76.8 | -5.9% |
| B.U. Italia Consolidado | 7,459 | 7,406 | 67.6% | 66.9% | 1.1% | 108.2 | 111.7 | -3.1% | 73.2 | 74.7 | -2.0% |
| Benelux LFL & R | 8,169 | 8,287 | 66.5% | 68.1% | -2.4% | 97.5 | 91.7 | 6.3% | 64.8 | 62.5 | 3.7% |
| B.U. Benelux Consolidado | 8,396 | 8,341 | 66.3% | 68.2% | -2.8% | 97.9 | 91.8 | 6.6% | 64.9 | 62.7 | 3.6% |
| Europa Central LFL & R | 12,305 | 12,289 | 71.4% | 69.6% | 2.6% | 87.6 | 82.3 | 6.4% | 62.5 | 57.3 | 9.2% |
| Europa Central Consolidado | 12,463 | 12,494 | 71.4% | 69.5% | 2.7% | 87.5 | 82.4 | 6.2% | 62.4 | 57.2 | 9.1% |
| Total Europa LFL & R | 38,325 | 38,257 | 69.5% | 68.5% | 1.5% | 91.7 | 88.3 | 3.9% | 63.7 | 60.5 | 5.4% |
| Total Europa Consolidado | 39,514 | 39,572 | 69.3% | 68.2% | 1.6% | 92.5 | 88.2 | 4.8% | 64.1 | 60.2 | 6.5% |
| Latinoamerica LFL & R | 3,029 | 3,044 | 66.0% | 66.6% | -0.9% | 71.2 | 72.3 | -1.5% | 47.0 | 48.1 | -2.4% |
| Latinoamerica Consolidado | 5,204 | 4,876 | 61.9% | 63.0% | -1.9% | 74.7 | 72.4 | 3.2% | 46.2 | 45.6 | 1.2% |
| NH Hoteles LFL & R | 41,354 | 41,301 | 69.3% | 68.4% | 1.3% | 90.3 | 87.1 | 3.6% | 62.5 | 59.6 | 5.0% |
| Total NH Consolidado | 44,718 | 44,448 | 68.4% | 67.6% | 1.2% | 90.6 | 86.6 | 4.6% | 62.0 | 58.6 | 5.8% |

We detail below the way in which the above-mentioned data have been calculated:

| | | 12M 2016 Miles Eur. | 12M 2015 Miles Eur. |
|---|---|---|---|
| A | Room revenues | 1,014,179 | 954,218 |
| | Other revenues | 433,724 | 422,416 |
| | **Revenues according to profit&loss statement** | **1,447,903** | **1,376,634** |
| B | Thousands of Room nights | 11,198 | 11,020 |
| A / B = C | **ADR** | **90.6** | **86.6** |
| D | Occupancy | 68.4% | 67.6% |
| C x D | **RevPar** | **62.0** | **58.6** |

## II. Income Statement 12 MONTHS 2016 AND 2015

Page 7 of the Results Publication of 28 February 2017 shows a table headed "Recurring Hotel Activity" taken from the "Consolidated Income Statement" table on page 10 of the above-mentioned Results Publication. We explain below the significant APMs included on those tables.

### II.1 INCOME STATEMENT 12 MONTHS 2016

We include below a summary of the table on page 7 of the Results Publication of 28 February 2017 obtained from recurring EBITDA excluding less costs included on the table on page 10 of the same Results Publication:

| RECURRING HOTEL ACTIVITY 2016 VS 2015 | | |
|---|---|---|
| *(€ millions)* | 12 M 2016 | 12 M 2015 |
| **Recurring EBITDA ex. onerous provision** | 180.9 | 149.5 |

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Summary table on page 10 of the Results Publication of 28 February 2017:

| NH HOTEL GROUP P&L ACCOUNT | | | | |
|---|---|---|---|---|
| *(€ million)* | 12M 2016 | 12M 2015* | Var. | |
| | M. Eur | M. Eur | M. Eur | % |
| **TOTAL REVENUES** | **1,474.6** | **1,395.5** | **79.1** | **5.7%** |
| Staff Cost | (515.1) | (496.4) | (18.7) | 3.8% |
| Operating expenses | (477.0) | (457.0) | (20.1) | 4.4% |
| **GROSS OPERATING PROFIT** | **482.5** | **442.1** | **40.3** | **9.1%** |
| Lease payments and property taxes | (301.6) | (292.6) | (9.0) | 3.1% |
| **EBITDA BEFORE ONEROUS** | **180.9** | **149.5** | **31.4** | **21.0%** |
| Margin % of Revenues | 12.3% | 10.7% | | 1.6% |
| Onerous contract reversal provision | 5.0 | 10.0 | (5.0) | (49.9%) |
| **EBITDA AFTER ONEROUS** | **185.9** | **159.5** | **26.4** | **16.6%** |
| Depreciation | (101.7) | (94.8) | (6.9) | 7.3% |
| **EBIT** | **84.1** | **64.7** | **19.5** | **30.1%** |
| Interest expense | (52.4) | (46.6) | (5.8) | 12.4% |
| Income from minority equity interests | 0.1 | (1.1) | 1.2 | (106.7%) |
| **EBT** | **31.8** | **17.0** | **14.9** | **87.5%** |
| Corporate income tax | (17.0) | (17.3) | 0.4 | (2.0%) |
| **NET INCOME before minorities** | **14.9** | **(0.3)** | **15.2** | **n.a.** |
| Minority interests | (3.4) | (2.4) | (1.0) | 43.1% |
| **NET RECURRING INCOME** | **11.5** | **(2.7)** | **14.2** | **n.a.** |
| Non Recurring EBITDA | 43.9 | (17.9) | 61.8 | n.a. |
| Other Non Recurring items | (24.6) | 21.5 | (46.1) | n.a. |
| **NET INCOME including Non-Recurring** | **30.8** | **0.9** | **29.8** | **n.a.** |

** Includes Hoteles Royal from March 4, 2015*

We reconcile below the table shown in the Results Publication to the Condensed Consolidated Balance Sheet on the Consolidated Financial Statements. To this end, we have based ourselves on the income statement in the Results Publication to arrive at the consolidated financial statements:

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| | APM | Reclassifications and different presentation | Rebates | Financial expenses for means of payment | Outsourcing | Extraordinary indemnities | Assets Disposal | Entities disposals and purchases | Impairment and non recurring depreciation | Scrapping | Extraordinary claims and other | Others | Profit and loss statment | Consolidated Statements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| APM Total revenues | 1,474.6 | (1,474.6) | - | - | - | - | - | - | - | - | - | - | | |
| Revenues | - | 1,466.9 | (18.1) | - | - | - | - | - | - | - | - | (0.8) | 1,447.9 | Revenues |
| Other Operating income | - | 7.7 | - | - | - | - | - | - | - | - | - | - | 7.7 | Other Operating income |
| **APM TOTAL REVENUES** | **1,474.6** | **-** | **(18.1)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(0.8)** | **1,455.6** | |
| Net gains on disposal of non-current assets | - | - | - | - | - | - | 53.2 | - | - | (11.8) | - | 0.1 | 41.5 | Net gains on disposal of non-current assets |
| APM Staff Cost | (515.1) | - | - | - | 111.3 | (12.0) | - | - | - | - | | | (415.9) | APM Staff Cost |
| APM Operating expenses | (477.0) | (217) | - | 14.5 | (111.3) | - | - | - | - | - | (6.1) | 1.2 | (795.2) | APM Operating expenses |
| Procurements | - | (85.0) | 18.1 | - | - | - | - | - | - | - | - | 0.0 | (66.9) | Procurements |
| **APM GROSS OPERATING PROFIT** | **482.5** | **(301.6)** | **-** | **14.5** | **-** | **(12.0)** | **53.2** | **-** | **-** | **(11.8)** | **(6.1)** | **0.5** | **219.2** | |
| APM Lease payments and property taxes | (301.6) | 301.6 | - | - | - | - | - | - | - | - | - | - | - | |
| **APM EBITDA BEFORE ONEROUS** | **180.9** | **-** | **-** | **14.5** | **-** | **(12.0)** | **53.2** | **-** | **-** | **(11.8)** | **(6.1)** | **0.5** | **219.2** | |
| APM Onerous contract reversal provision | 5.0 | - | - | - | - | - | - | - | (0.8) | - | - | - | 4.2 | Variation in the provision of onerous contract |
| **APM EBITDA AFTER ONEROUS** | **185.9** | **-** | **-** | **14.5** | **-** | **(12.0)** | **53.2** | **-** | **(0.8)** | **(11.8)** | **(6.1)** | **0.5** | **223.4** | |
| Net Profits/(Losses) from asset impairment | - | - | - | - | - | - | - | - | (2.7) | - | - | - | (2.7) | Net Profits/(Losses) from asset impairment |
| APM Depreciation | (101.7) | | - | | - | - | - | - | (11.9) | - | - | (0.6) | (114.2) | Depreciation and amortisation charges |
| **APM EBIT** | **84.1** | **-** | **-** | **14.5** | **-** | **(12.0)** | **53.2** | **-** | **(15.4)** | **(11.8)** | **(6.1)** | **(0.1)** | **106.5** | |
| Gains on financial assets and liabilities and other | - | 1.1 | - | - | - | - | - | 8.8 | - | - | - | - | 9.9 | Gains on financial assets and liabilities and other |
| APM Interest expense | (52.4) | (5.4) | - | (14.5) | - | - | - | - | - | - | - | (0.0) | (72.3) | Finance costs |
| Finance income | - | 3.3 | - | - | - | - | - | - | - | - | - | 0.0 | 3.3 | Finance income |
| Change in fair value of financial instruments | - | 0.4 | - | - | - | - | - | - | - | - | - | - | 0.4 | Change in fair value of financial instruments |
| Net exchange differences (Income/(Expense)) | - | (3.6) | - | - | - | - | - | - | - | - | - | 0.0 | (3.6) | Net exchange differences (Income/(Expense)) |
| APM Income fom minority equity interests | 0.1 | - | - | - | - | - | - | - | - | - | - | 0.0 | 0.1 | Profit (loss) from companies accounted for using the equit method |
| **APM EBT** | **31.8** | **(4.2)** | **-** | **-** | **-** | **(12.0)** | **53.2** | **8.8** | **(15.4)** | **(11.8)** | **(6.1)** | **0.0** | **44.4** | **Profit (losses) before tax from continuing operations** |
| APM Corporate income tax | (17.0) | 9.0 | - | - | - | - | - | - | - | - | - | - | (7.9) | Income tax |
| **APM NET INCOME before minorities** | **14.9** | **4.80** | **-** | **-** | **-** | **(12.0)** | **53.2** | **8.8** | **(15.4)** | **(11.8)** | **(6.1)** | **0.0** | **36.4** | **Profit for the financial year - continuing** |
| Profit (loss) for the year from discontinued operations net of tax | - | (2.3) | - | - | - | - | - | - | - | - | - | - | (2.3) | Profit (loss) for the year from discontinued operations net of tax |
| **APM NET INCOME before minorities** | **14.9** | **2.5** | **-** | **-** | **-** | **(12.0)** | **53.2** | **8.8** | **(15.4)** | **(11.8)** | **(6.1)** | **0.0** | **34.1** | **Profit for the financial year** |
| APM Minority interests | (3.4) | - | - | - | - | - | - | - | - | - | - | - | (3.4) | Non-controlling interests |
| **APM Net Recurring Income** | **11.5** | **2.5** | **-** | **-** | **-** | **(12.0)** | **53.2** | **8.8** | **(15.4)** | **(11.8)** | **(6.1)** | **0.0** | **30.8** | **Profits for the year attributable to Parent Company Shareholders** |
| APM Non Recurring EBITDA | 43.9 | - | - | - | - | 12.0 | (53.2) | (8.8) | - | - | 6.1 | 0.0 | - | |
| APM Other Non Recurring items | (24.6) | (2.6) | - | - | - | - | - | - | 15.4 | 11.8 | - | - | - | |
| **APM NET INCOME including Non-Recurring** | **30.8** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **30.8** | **Profits for the year attributable to Parent Company Shareholders** |

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| | APM | Reclassifications and different presentation | Rebates | Financial expenses for means of payment | Outsourcing | Extraordinary indemnities | Assets Disposal | Entities disposal and purchase | Impairment and non recurring depreciation | Scrapping | Extraordinary claims and other | Others | Profit and loss statment | Consolidated Statements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| APM Total revenues | 1,395.5 | (1,395.5) | - | - | - | - | - | - | - | - | - | - | - | |
| Revenues | - | 1,394.3 | (18.3) | - | - | - | - | - | - | - | - | 0.7 | 1,376.6 | Revenues |
| Other Operating income | - | 1.2 | - | - | - | - | - | - | - | - | - | - | 1.2 | Other Operating income |
| **APM TOTAL REVENUES** | **1,395.5** | **-** | **(18.3)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **0.7** | **1,377.8** | |
| | | | | | | | | | | | | - | | |
| Net gains on disposal of non-current assets | - | - | - | - | - | - | 8.8 | - | - | (9.4) | - | (0.2) | (0.8) | Net gains on disposal of non-current assets |
| APM Staff Cost | (496.4) | - | - | - | 107.0 | (4.7) | - | - | - | - | (4.1) | - | (398.1) | APM Staff Cost |
| APM Operating expenses | (457.0) | (207) | - | 13.1 | (107.0) | - | (1.6) | - | - | - | (25.2) | (2.7) | (787.1) | APM Operating expenses |
| Procurements | - | (85.9) | 18.3 | - | - | - | - | - | - | - | - | - | (67.6) | Procurements |
| **APM GROSS OPERATING PROFIT** | **442.1** | **(292.6)** | **-** | **13.1** | **-** | **(4.7)** | **7.2** | **-** | **-** | **(9.4)** | **(29.2)** | **(2.3)** | **124.2** | |
| APM Lease payments and property taxes | (292.6) | 292.6 | - | - | - | - | - | - | - | - | - | - | - | |
| **APM EBITDA BEFORE ONEROUS** | **149.5** | **-** | **-** | **13.1** | **-** | **(4.7)** | **7.2** | **-** | **-** | **(9.4)** | **(29.2)** | **(2.3)** | **124.2** | |
| APM Onerous contract reversal provision | 10.0 | - | - | - | - | - | 6.0 | - | 0.7 | - | 2.4 | - | 19.01 | Variation in the provision of onerous contract |
| **APM EBITDA AFTER ONEROUS** | **159.5** | **-** | **-** | **13.1** | **-** | **(4.7)** | **13.1** | **-** | **0.7** | **(9.4)** | **(26.9)** | **(2.3)** | **143.2** | |
| Net Profits/(Losses) from asset impairment | - | - | - | - | - | - | - | - | 30.9 | - | - | - | 30.9 | Net Profits/(Losses) from asset impairment |
| APM Depreciation | (94.8) | | - | | - | - | | | (11.7) | | - | 0.3 | (106.2) | Depreciation and amortisation charges |
| **APM EBIT** | **64.7** | **-** | **-** | **13.1** | **-** | **(4.7)** | **13.1** | **-** | **19.9** | **(9.4)** | **(26.9)** | **(1.9)** | **67.9** | |
| Gains on financial assets and liabilities and other | - | - | - | - | - | - | - | 4.8 | - | - | - | - | 4.8 | Gains on financial assets and liabilities and other |
| APM Interest expense | (46.6) | (10.6) | - | (13.1) | - | - | (4.4) | - | - | - | - | 1.0 | (73.7) | Finance costs |
| Finance income | - | 5.2 | - | - | - | - | - | - | - | - | - | - | 5.2 | Finance income |
| Change in fair value of financial instruments | - | 4.5 | - | - | - | - | - | - | - | - | - | 0.2 | 4.7 | Change in fair value of financial instruments |
| Net exchange differences (Income/(Expense)) | - | 2.1 | - | - | - | - | - | - | - | - | - | - | 2.1 | Net exchange differences (Income/(Expense)) |
| APM Income from minority equity interests | (1.1) | - | - | - | - | - | - | - | - | - | - | 0.4 | (0.7) | Profit (loss) from companies accounted for using the equit method |
| **APM EBT** | **17.0** | **1.2** | **-** | **-** | **-** | **(4.7)** | **8.7** | **4.8** | **19.9** | **(9.4)** | **(26.9)** | **(0.4)** | **10.3** | **Profit (losses) before tax from continuing operations** |
| APM Corporate income tax | (17.3) | 4.2 | - | - | - | - | - | - | - | - | - | - | (13.1) | Income tax |
| **APM NET INCOME before minorities** | **(0.3)** | **5.44** | **-** | **-** | **-** | **(4.7)** | **8.7** | **4.8** | **19.9** | **(9.4)** | **(26.9)** | **(0.4)** | **(2.8)** | **Profit for the financial year - continuing** |
| Profit (loss) for the year from discontinued operations net of tax | - | 5.6 | - | - | - | - | - | - | - | - | - | 0.45 | 6.1 | *Profit (loss) for the year from discontinued operations net of tax* |
| **APM NET INCOME before minorities** | **(0.3)** | **11.1** | **-** | **-** | **-** | **(4.7)** | **8.7** | **4.8** | **19.9** | **(9.4)** | **(26.9)** | **0.1** | **3.3** | **Profit for the financial year** |
| APM Minority interests | (2.4) | - | - | - | - | - | - | - | - | - | - | - | (2.4) | Non-controlling interests |
| **APM Net Recurring Income** | **(2.7)** | **11.1** | **-** | **-** | **-** | **(4.7)** | **8.7** | **4.8** | **19.9** | **(9.4)** | **(26.9)** | **0.1** | **0.9** | **Profits for the year attributable to Parent Company Shareholders** |
| APM Non Recurring EBITDA | (17.9) | - | - | - | - | 4.7 | (8.8) | (4.8) | - | - | 26.8 | - | - | |
| APM Other Non Recuring items | 21.5 | (11.1) | - | - | - | - | - | - | (19.9) | 9.41 | - | - | - | |
| **APM NET INCOME including Non-Recurring** | **0.9** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **0.9** | **Profits for the year attributable to Parent Company Shareholders** |

## III. DEBT AND CASH FLOW STATEMENTS FOR 2016 AND 2015

### III.1 Debt published in the Results Publication of 28 February 2017.

| As of 31/12/2016 | Maximum | | | Repayment schedule | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Data in Euro million | Available | Availability | Drawn | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Rest |
| **Senior Credit Facilities** | | | | | | | | | | | | |
| Senior Secured Notes due 2019 | 250.0 | - | 250.0 | - | - | 250.0 | - | - | - | - | - | - |
| Senior Secured Notes due 2023 | 285.0 | - | 285.0 | - | - | - | - | - | - | 285.0 | - | - |
| Senior Secured RCF (3+2 years) | 250.0 | 250.0 | - | - | - | - | - | - | - | - | - | - |
| **Total debt secured by the same Collateral** | **785.0** | **250.0** | **535.0** | **-** | **-** | **250.0** | **-** | **-** | **-** | **285.0** | **-** | **-** |
| Other Secured loans | 37.4 | - | 37.4 | 4.3 | 6.6 | 2.4 | 1.9 | 1.8 | 1.3 | 1.4 | 1.4 | 16.2 |
| **Total secured debt** | **822.4** | **250.0** | **572.4** | **4.3** | **6.6** | **252.4** | **1.9** | **1.8** | **1.3** | **286.4** | **1.4** | **16.2** |
| Convertible Bonds due 2018 | 250.0 | - | 250.0 | - | 250.0 | - | - | - | - | - | - | - |
| Unsecured loans ** | 80.1 | 58.9 | 21.2 | 19.0 | 1.1 | 0.7 | 0.3 | - | - | - | - | - |
| Subordinated loans | 40.0 | - | 40.0 | - | - | - | - | - | - | - | - | 40.0 |
| **Total unsecured debt** | **370.1** | **58.9** | **311.2** | **19.0** | **251.1** | **0.7** | **0.3** | - | - | - | - | **40.0** |
| **Total Gross Debt** | **1,192.5** | **308.9** | **883.6** | **23.3** | **257.7** | **253.2** | **2.2** | **1.8** | **1.3** | **286.4** | **1.4** | **56.2** |
| Cash and cash equivalents *** | | | (136.7) | | | | | | | | | |
| | | | | | | | | | | | | |
| **Net debt** | | | **746.8** | | | | | | | | | |
| Equity Component Convertible Bond | | | (11.3) | | (11.3) | | | | | | | |
| Arranging loan expenses | | | (17.6) | (5.0) | (5.1) | (3.5) | (0.9) | (0.9) | (0.9) | (0.7) | (0.03) | (0.5) |
| Accrued interests | | | 7.1 | 7.1 | | | | | | | | |
| **Total adjusted net debt** | | | **725.1** | | | | | | | | | |

* Bilateral mortgage loans

** Comprises €9.9 million drawn under RCFs to be renewed in the short term and other debt facilities with amortization schedule

*** Does not include the market value of 9.6M treasury shares, of which 9.0M we lend to the joint lead managers of the convertible bonds. (9.6M shares at €3.845 closing price 30/12/16: €36.9M)

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

### III.2 Cash flow statement included in the Results Publication of 28 February 2017.

Net financial debt at 31 December 2016 and 2015 is obtained from Note 15 on debt and the balance of the balance sheet line “Cash and cash equivalents,” both of which are included in the annual accounts filed on 28 February 2017:

**Note 15 to the annual accounts:**

| Instrument | Limit | Available | Disposed | Maturity | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Remainder |
| **Mortgages** | **37,403** | **-** | **37,403** | **-** | **4,325** | **6,587** | **2,449** | **1,901** | **1,784** | **20,357** |
| Fixed rate | 20,958 | - | 20,958 | - | 314 | 314 | 629 | 629 | 734 | 18,338 |
| Variable interest | 16,445 | - | 16,445 | - | 4,011 | 6,273 | 1,820 | 1,272 | 1,050 | 2,019 |
| **Subordinated loans** | **40,000** | - | **40,000** | - | - | - | - | - | - | **40,000** |
| Variable interest | 40,000 | - | 40,000 | - | - | - | - | - | - | 40,000 |
| **Convertible bonds** | **238,724** | **-** | **238,724** | **-** | **-** | **238,724** | **-** | **-** | **-** | **-** |
| Fixed rate | 238,724 | - | 238,724 | - | - | 238,724 | - | - | - | - |
| **Guaranteed senior notes mat. in 2019** | **250,000** | - | **250,000** | - | - | - | **250,000** | - | - | - |
| Fixed rate | 250,000 | - | 250,000 | - | - | - | 250,000 | - | - | - |
| **Guaranteed senior notes mat. in 2023** | **285,000** | **-** | **285,000** | **-** | **-** | **-** | **-** | **-** | **-** | **285,000** |
| Fixed rate | 285,000 | - | 285,000 | - | - | - | - | - | - | 285,000 |
| **Unsecured loans** | **11,230** | **-** | **11,230** | **-** | **9,072** | **1,149** | **706** | **303** | **-** | **-** |
| Variable interest | 11,230 | - | 11,230 | - | 9,072 | 1,149 | 706 | 303 | - | - |
| **SUBTOTAL** | **862,357** | **-** | **862,357** | **-** | **13,397** | **246,460** | **253,155** | **2,204** | **1,784** | **345,357** |
| **Secured credit line** | **250,000** | **250,000** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Variable interest | 250,000 | 250,000 | - | - | - | - | - | - | - | - |
| **Credit lines** | **68,852** | **58,908** | **9,944** | **-** | **9,944** | **-** | **-** | **-** | **-** | **-** |
| Variable interest | 68,852 | 58,908 | 9,944 | - | 9,944 | - | - | - | - | - |
| **Arrangement expenses** | **-** | **-** | **(17,633)** | **-** | **(5,030)** | **(5,082)** | **(3,510)** | **(883)** | **(926)** | **(2,202)** |
| **Borrowing costs** | **-** | **-** | **7,148** | **-** | **7,149** | **-** | **-** | **-** | **-** | **-** |
| **Borrowing at 31/12/2016** | **1,181,208** | **308,908** | **861,816** | **-** | **25,458** | **241,379** | **249,645** | **1,321** | **858** | **343,155** |
| **Borrowing at 31/12/2015** | **929,523** | **30,833** | **886,921** | **78,885** | **56,380** | **413,610** | **248,352** | **2,377** | **618** | **86,699** |

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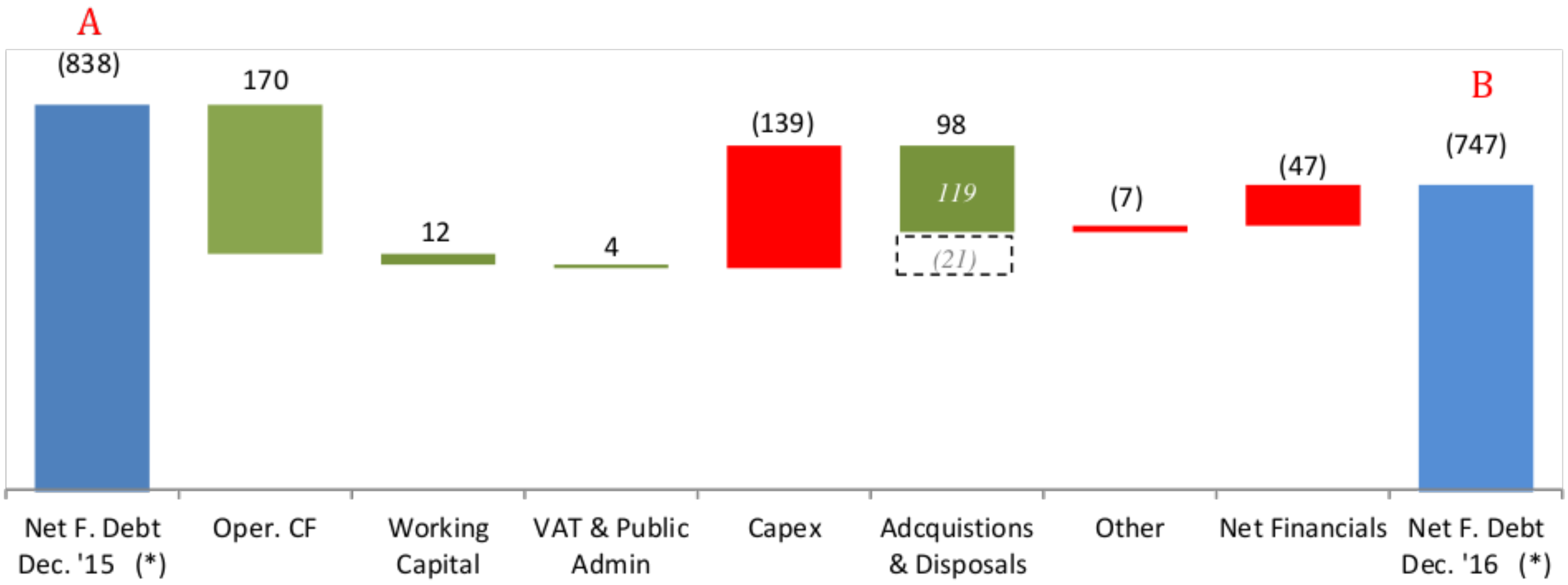
Net debt consists of the following amounts:

| | 2,016 | 2,015 | VAR. |
|---|---|---|---|
| *Debt instruments and other marketable securities according to financial statements* | 763,637 | 471,871 | |
| *Bank borrowings according to financial statements* | 72,720 | 336,165 | |
| ***Bank borrowings and debt instruments ans other marketable securities according to financial statements*** | **836,357** | **808,036** | |
| *Debt instruments and other marketable securities according to financial statements* | 2,233 | 3,613 | |
| *Bank borrowings according to financial statements* | 23,226 | 75,272 | |
| ***Bank borrowings and debt instruments ans other marketable securities according to financial statements*** | **25,459** | **78,885** | |
| ***Total Bank borrowings and debt instruments ans other marketable securities according to financial statements*** | **861,816** | **886,921** | |
| *Arrangement expenses* | a 17,633 | 16,873 | |
| *Convertible liability* | b 11,276 | 16,749 | |
| *Borrowing costs* | c (7,149) | (5,105) | |
| ***APM Gross debt*** | **883,576** | **915,438** | |
| *Cash and cash equivalents according to financial statements* | (136,733) | (77,699) | |
| ***APM Net Debt*** | B **746,843** | A **837,739** | **(90,896)** |

*Note: The amount of the embedded derivative of the convertible bond is recorded by reducing the nominal bond amount. The nominal bond amount totals 250 million euros and the balance of the liability for the convertible bond at 31 December 2016 amounted to 238.724 million euros, so that the balance of the embedded derivative is 11.276 million euros.*

Below we reconcile the variation in net financial debt shown in the Results Publication of 28 February 2017 on the following chart:

**Development of Net Financial Debt in the 12 months of 2016**




To do so we have taken each of the lines on the cash flow statement on the annual accounts showing the grouping:

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| | Net Debt Dec15 | Working Capital | Vat & Public Admin | Other | Capex | Acquisitions& Disposals | Net Financials | Total |
|---|---|---|---|---|---|---|---|---|
| **Totals** | **(169.5)** | **(12.1)** | **(4.3)** | **7.5** | **139.4** | **(98.4)** | **46.6** | **(90.9)** |
| Adjusted profit (loss) | 197.4 | | | | | | | 197.4 |
| Income tax paid | (13.4) | | | | | | | (13.4) |
| Interest paid on debts and other interest | (14.5) | | | | | | | (14.5) |
| | | | | | | | | |
| (Increase)/Decrease in inventories | | (0.3) | | | | | | (0.3) |
| (Increase)/Decrease in trade debtors and other accounts receivable | | 28.6 | | | | | | 28.6 |
| (Increase)/Decrease in trade payables | | (16.2) | | | | | | (16.2) |
| | | | | | | | | |
| (Increase)/Decrease in VAT & Public Administration | | | 4.3 | | | | | 4.3 |
| | | | | | | | | |
| (Increase)/Decrease in current assets | | | | (0.0) | | | | (0.0) |
| (Increase)/Decrease in other current liabilities | | | | (3.8) | | | | (3.8) |
| (Increase)/Decrease in provisions for contingencies and expenses | | | | (7.7) | | | | (7.7) |
| - Treasury shares | | | | (2.4) | | | | (2.4) |
| - Finance leases | | | | (1.1) | | | | (1.1) |
| - Otros financial liabilities (+/-) | | | | 0.8 | | | | 0.8 |
| 5. Effect of exchange rate variations on cash and cahs equivalents (IV) | | | | 0.6 | | | | 0.6 |
| (Increase)/Decrease in other non current assets and liabilities and others | | | | 6.2 | | | | 6.2 |
| | | | | | | | | |
| Tangible and intangible assets and investments in property | | | | | (139.4) | | | (139.4) |
| | | | | | | | | |
| Variation in the scope of consolidation | | | | | | (5.0) | | (5.0) |
| Group companies, joint ventures and associates | | | | | | 14.8 | | 14.8 |
| Tangible and intangible assets and investment property | | | | | | 88.6 | | 88.6 |
| | | | | | | | | |
| Interests paid on debts and other interests | | | | | | | (39.5) | (39.5) |
| Paid expenses due to the bond emission | | | | | | | (8.1) | (8.1) |
| Dividens paid out | | | | | | | (1.1) | (1.1) |
| Finance Income | | | | | | | 2.0 | 2.0 |

All the above information has been obtained from the cash flow statement included on the interim condensed consolidated financial statements shown below:

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**CONSOLIDATED CASH FLOW STATEMENTS PRODUCED IN THE PERIODS 2016 AND 2015**

(Thousands of euros)

| | 31.12.2016 | 31.12.2015 |
|---|---|---|
| **1. OPERATING ACTIVITIES** | | |
| **Consolidated profit (loss) before tax:** | **44,358** | **10,320** |
| **Adjustments:** | | |
| Depreciation of tangible and amortisation of intangible assets (+) | 114,171 | 106,159 |
| Impairment losses (net) (+/-) | 2,685 | (30,859) |
| Allocations for provisions (net) (+/-) | (4,163) | (19,014) |
| Gains/Losses on the sale of tangible and intangible assets (+/-) | (41,526) | 843 |
| Gains/Losses on investments valued using the equity method (+/-) | (119) | 663 |
| Financial income (-) | (3,310) | (5,154) |
| Financial expenses and variation in fair value of financial instruments (+) | 71,869 | 69,020 |
| Net exchange differences (Income/(Expense)) | 3,561 | (2,135) |
| Profit (loss) on disposal of financial investments | (9,856) | (4,828) |
| Other non-monetary items (+/-) | 19,692 | 1,141 |
| **Adjusted profit (loss)** | **197,362** | **126,156** |
| Net variation in assets / liabilities: | | |
| (Increase)/Decrease in inventories | (290) | (801) |
| (Increase)/Decrease in trade debtors and other accounts receivable | 28,622 | (17,937) |
| (Increase)/Decrease in other current assets | 13,960 | 6,353 |
| Increase/(Decrease) in trade payables | (24,586) | 10,352 |
| Increase/(Decrease) in other current liabilities | (23,478) | (17,809) |
| Increase/(Decrease) in provisions for contingencies and expenses | (7,710) | (470) |
| (Increase)/Decrease in non-current assets | 291 | (8,169) |
| Increase/(Decrease) in non-current liabilities | 5,784 | 2,330 |
| Income tax paid | (13,381) | (9,707) |
| **Total net cash flow from operating activities (I)** | **176,574** | **90,298** |
| **2. INVESTMENT ACTIVITIES** | | |
| **Finance income** | **2,013** | **4,806** |
| Investments (-): | | |
| Group companies, joint ventures and associates | (5,597) | (273) |
| Tangible and intangible assets and investments in property | (139,392) | (176,083) |
| Non-current financial investments | - | (77,725) |
| | **(144,989)** | **(254,081)** |
| Disinvestment (+): | | |
| Group companies, joint ventures and associates | - | 19,643 |
| Tangible and intangible assets and investments in property | 88,590 | 12,804 |
| Non-current financial investments | 30,723 | - |
| | **119,313** | **32,447** |
| **Total net cash flow from investment activities (II)** | **(23,663)** | **(216,828)** |
| **3. FINANCING ACTIVITIES** | | |
| Dividends paid out (-) | (1,056) | - |
| Interest paid on debts (-) | (53,926) | (56,750) |
| Financial expenses for means of payment | (14,472) | (13,111) |
| Interest paid on debts and other interest | (39,454) | (41,242) |
| Variations in (+/-): | | |
| Equity instruments | | |
| - Treasury shares | (2,422) | 1,244 |
| Debt instruments: | | |
| - Bonds and other tradable securities (+) | 285,000 | - |
| - Loans from credit institutions (+) | 28,217 | 177,111 |
| - Loans from credit institutions (-) | (349,874) | (125,617) |
| - Finance leases | (1,133) | (275) |
| - Other financial liabilities (+/-) | 761 | (2,509) |
| **Total net cash flow from financing activities (III)** | **(94,433)** | **(6,796)** |
| **4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)** | 58,478 | (133,326) |
| **5. Effect of exchange rate variations on cash and cash equivalents (IV)** | 591 | 3,064 |
| **6. Effect of variations in the scope of consolidation (V)** | (35) | 7,858 |
| **7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)** | 59,034 | (122,404) |
| **8. Cash and cash equivalents at the start of the financial year** | **77,699** | **200,103** |
| **9. Cash and cash equivalents at the end of the financial year (7+8)** | **136,733** | **77,699** |

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The indicated APMs have been defined and used from the standpoint of analysis of the performance of the business and the sector; the measures arising from the financial statements can be interpreted and are directly comparable with those of other groups in the sector, so that therefore we do not consider that the APMs have any greater significance than the financial statements themselves. At the end of each quarter the results are published in a presentation that includes the aforementioned APMs to provide regular information to investors and analysts on the evolution and management of the business. In addition, half-yearly and annual financial statements are published complying with the filing requirements required by applicable accounting rules.

Furthermore, we would indicate that in accordance with ESMA directives, for purposes of the routine presentation of results in financial year 2017 we will review all APMs so that they are as closely aligned as possible with the financial statements, as well as with the filing and reconciliation requirements established in the ESMA directives.

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## Appendix II: Annual change in portfolio & current portfolio

### New Agreements and Openings

#### Hotels Signed from 1 January to 31 December 2016

| City / Country | Contract | # Rooms | Opening |
|---|---|---|---|
| Monterrey / Mexico | Leased | 150 | Q2 2017 |
| Venice / Italy | Management | 150 | Q1 2018 |
| Bariloche / Argentina | Management | 95 | Q2 2016 |
| Toulouse / France | Leased | 148 | Q3 2018 |
| Venice / Italy | Leased | 144 | Q3 2017 |
| Antwerp / Belgium | Leased | 180 | 2018 |
| Mexico DF / Mexico | Management | 144 | Q2 2018 |
| Puebla / Mexico | Management | 140 | Q2 2017 |
| Eindhoven/ Holland | Leased | 132 | Q2 2017 |
| Monterrey / Mexico | Leased | 120 | H1 2018 |
| Leipzig / Germany | Leased | 197 | H2 2018 |
| Santiago de Chile / Chile | Management | 80 | H1 2018 |
| Mérida / Mexico | Leased | 120 | Q2 2018 |
| Marsella / France | Management | 150 | Q2 2017 |
| Milan / Italy | Leased | 100 | H2 2018 |
| Santander / Spain | Leased | 64 | H2 2019 |
| **Total Signed** | | **2,114** | |

#### Hotels Opened from 1 January to 31 December 2016

| Hotels | City/Country | Contract | # Rooms |
|---|---|---|---|
| **NH Suecia** | Madrid, Spain | Leased | 127 |
| **NH Collection Guadalajara Centro Hist.** | Guadalajara, Mexico | Management | 142 |
| **NH Collection Palazzo Cinquecento** | Roma, Italy | Leased | 177 |
| **NH Edelweiss** | Bariloche, Argentina | Management | 95 |
| **NH Collection León Expo** | León / Mexico | Management | 141 |
| **Now Onyx Punta Cana** | Punta Cana / Dominican Rep. | Management | 502 |
| **Total New Openings** | | | **1,184** |

#### Hotels exiting the NH Group from 1st January to 31 December 2016

| Hotels | City / Country | Month | Contract | # Rooms |
|---|---|---|---|---|
| **NH Midas** | Roma / Italy | April | Lease | 344 |
| **Hesperia Sabinal** | Roquetas de Mar / Spain | May | Management | 515 |
| **NH Alberto Aguilera** | Madrid / Spain | July | Lease | 153 |
| **NH Argüelles** | Madrid / Spain | July | Lease | 75 |
| **NH Livorno G. H. Palazzo** | Livorno / Italy | October | Lease | 123 |
| **NH Heidenheim** | Hidenheim / Germany | November | Lease | 83 |
| **NH Trujillo P. de Santa Marta** | Trujillo / Spain | November | Management | 50 |
| **Total Exists** | | | | **1,343** |

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## NH GROUP HOTELS OPENED AS OF 31 DECMEBER 2016 BY COUNTRY

| BUSINESS UNIT | COUNTRY | TOTAL | | LEASED | | | OWNED | | MANAGED | | FRANCHISE | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Hotels | Rooms | Call Option | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| B.U. SPAIN | SPAIN | 135 | 16,817 | 2 | 77 | 9,183 | 11 | 1,816 | 40 | 5,227 | 7 | 591 |
| B.U. SPAIN | PORTUGAL | 3 | 278 | - | 2 | 171 | - | - | 1 | 107 | - | - |
| B.U. SPAIN | ANDORRA | 1 | 60 | - | - | - | - | - | 1 | 60 | - | - |
| B.U. ITALY | ITALY | 52 | 7,991 | 1 | 35 | 5,482 | 13 | 1,880 | 4 | 629 | - | - |
| B.U. BENELUX | HOLLAND | 35 | 6,709 | 4 | 18 | 2,951 | 16 | 3,290 | 1 | 468 | - | - |
| B.U. BENELUX | BELGIUM | 11 | 1,619 | - | 3 | 502 | 8 | 1,117 | - | - | - | - |
| B.U. BENELUX | FRANCE | 2 | 397 | - | 2 | 397 | - | - | - | - | - | - |
| B.U. BENELUX | ENGLAND | 1 | 121 | - | 1 | 121 | - | - | - | - | - | - |
| B.U. BENELUX | SOUTH AFRICA | 1 | 198 | - | 1 | 198 | - | - | - | - | - | - |
| B.U. BENELUX | LUXEMBOURG | 1 | 148 | 1 | 1 | 148 | - | - | - | - | - | - |
| B.U. CENTRAL EUROPE | GERMANY | 58 | 10,355 | 5 | 53 | 9,355 | 5 | 1,000 | - | - | - | - |
| B.U. EUROPA CENTRAL | AUSTRIA | 6 | 1,183 | 1 | 6 | 1,183 | - | - | - | - | - | - |
| B.U. EUROPA CENTRAL | SWITZERLAND | 4 | 522 | - | 3 | 400 | - | - | - | - | 1 | 122 |
| B.U. EUROPA CENTRAL | CZECH REPUBLIC | 2 | 577 | - | - | - | - | - | 2 | 577 | - | - |
| B.U. EUROPA CENTRAL | ROMANIA | 2 | 161 | - | 1 | 83 | - | - | 1 | 78 | - | - |
| B.U. EUROPA CENTRAL | HUNGARY | 1 | 160 | - | 1 | 160 | - | - | - | - | - | - |
| B.U. EUROPA CENTRAL | SLOVAQUIA | 1 | 117 | - | - | - | - | - | 1 | 117 | - | - |
| B.U. EUROPA CENTRAL | POLAND | 1 | 93 | - | - | - | - | - | - | - | 1 | 93 |
| B.U. EUROPA CENTRAL | UNITED STATES | 1 | 242 | - | - | - | 1 | 242 | - | - | - | - |
| B.U. THE AMERICAS | MEXICO | 13 | 2,153 | - | 4 | 581 | 4 | 685 | 5 | 887 | - | - |
| B.U. LAS AMERICAS | ARGENTINA | 15 | 2,144 | - | - | - | 12 | 1,524 | 3 | 620 | - | - |
| B.U. LAS AMERICAS | DOMINICAN REPUBLIC | 6 | 2,503 | - | - | - | - | - | 6 | 2,503 | - | - |
| B.U. LAS AMERICAS | VENEZUELA | 4 | 1,186 | - | - | - | - | - | 4 | 1,186 | - | - |
| B.U. LAS AMERICAS | URUGUAY | 1 | 136 | - | - | - | 1 | 136 | - | - | - | - |
| B.U. LAS AMERICAS | COLOMBIA | 15 | 1,700 | - | 15 | 1,700 | - | - | - | - | - | - |
| B.U. LAS AMERICAS | HAITI | 1 | 72 | - | - | - | - | - | 1 | 72 | - | - |
| B.U. LAS AMERICAS | CUBA | 1 | 220 | - | - | - | - | - | 1 | 220 | - | - |
| B.U. LAS AMERICAS | ECUADOR | 1 | 112 | - | 1 | 112 | - | - | - | - | - | - |
| B.U. LAS AMERICAS | CHILE | 4 | 498 | - | - | - | 4 | 498 | - | - | - | - |
| **OPEN HOTELS** | | 379 | 58,472 | 14 | **224** | **32,727** | **75** | **12,188** | **71** | **12,751** | **9** | **806** |

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## SIGNED PROJECTS OF NH HOTELES GROUP AT 31 DECEMBER 2016

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

| BUSINESS UNIT | COUNTRY | TOTAL | | LEASED | | OWNED | | MANAGED | |
|---|---|---|---|---|---|---|---|---|---|
| | | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| B.U. SPAIN | SPAIN | 2 | 158 | 2 | 158 | - | - | - | - |
| B.U. CENTRAL EUROPE | GERMANY | 3 | 600 | 3 | 600 | - | - | - | - |
| B.U. CENTRAL EUROPE | AUSTRIA | 1 | 144 | 1 | 144 | - | - | - | - |
| B.U. ITALY | ITALY | 4 | 598 | 3 | 448 | - | - | 1 | 150 |
| B.U. BENELUX | BELGIUM | 1 | 180 | 1 | 180 | - | - | - | - |
| B.U. BENELUX | FRANCE | 3 | 467 | 2 | 317 | - | - | 1 | 150 |
| B.U. BENELUX | NETHERLANDS | 2 | 782 | 2 | 782 | - | - | - | - |
| B.U. BENELUX | UK | 1 | 190 | - | - | - | - | 1 | 190 |
| B.U. AMERICAS | PERU | 1 | 164 | - | - | - | - | 1 | 164 |
| B.U. AMERICAS | PANAMA | 2 | 283 | 1 | 83 | 1 | 200 | - | - |
| B.U. AMERICAS | BRASIL | 1 | 180 | 1 | 180 | - | - | - | - |
| B.U. AMERICAS | CHILE | 3 | 361 | - | - | - | - | 3 | 361 |
| B.U. AMERICAS | ARGENTINA | 1 | 78 | - | - | - | - | 1 | 78 |
| B.U. AMERICAS | MEXICO | 6 | 774 | 3 | 390 | - | - | 3 | 384 |
| **TOTAL PROJECTS** | | **31** | **4,959** | **19** | **3,282** | **1** | **200** | **11** | **1,477** |

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

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| Expected Investment (€ millions) | 9.9 | 14.8 | 4.9 |

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