Important notice

You must read the following before continuing. The following applies to the preliminary offering memorandum attached to this e-mail, and you are therefore advised to read this carefully before reading, accessing or making any other use of the preliminary offering memorandum. In accessing the preliminary offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access.

The preliminary offering memorandum has been prepared in connection with the offer and sale of the Notes described therein. The preliminary offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE NOTES DESCRIBED IN THE ATTACHED PRELIMINARY OFFERING MEMORANDUM IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE NOTES ARE BEING OFFERED AND SOLD: (1) WITHIN THE UNITED STATES IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A") ONLY TO PERSONS THAT ARE QUALIFIED INSTITUTIONAL BUYERS (EACH, A "QIB") WITHIN THE MEANING OF RULE 144A ACTING ON THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB; AND (2) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S")) IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S. THE ATTACHED PRELIMINARY OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON UNLESS SUCH PERSON IS A QIB IN ACCORDANCE WITH RULE 144A. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PRELIMINARY OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to receive the attached preliminary offering memorandum or to make an investment decision with respect to the Notes described therein, (1) each prospective investor in respect of the Notes being offered pursuant to Rule 144A must be a QIB, and (2) each prospective investor in respect of the Notes being offered outside the United States in an offshore transaction pursuant to Regulation S must be a person other than a U.S. person. By accepting this e-mail and accessing the preliminary offering memorandum, you shall be deemed to have represented to us that (1) in respect of the Notes being offered pursuant to Rule 144A, you are (or the person you represent is) a QIB, and that the e-mail address to which, pursuant to your request, the attached preliminary offering memorandum has been delivered by electronic transmission is utilized by a QIB, or (2) in respect of the Notes being offered outside of the United States in an offshore transaction pursuant to Regulation S, you are (or the person you represent is) a person other than a U.S. person, and that the e-mail address to which, pursuant to your request, the attached preliminary offering memorandum has been delivered by electronic transmission is utilized by a person other than a U.S. person, (3) you are a person to whom the attached preliminary offering memorandum may be delivered in accordance with the restrictions set out in "*Transfer restrictions*" in the attached preliminary offering memorandum, and (4) you consent to the delivery of such preliminary offering memorandum by electronic transmission. You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the preliminary offering memorandum may be lawfully delivered and you may not, nor are you authorized to, deliver the preliminary offering memorandum to any other person or make copies of the preliminary offering memorandum.

The preliminary offering memorandum has not been approved by an authorized person in the United Kingdom. No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the Notes other than in instances in which Section 21(1) of the FSMA does not apply.

The preliminary offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither (i) the Issuer or any of its affiliates, nor (ii) the Initial Purchaser named in the preliminary offering memorandum or any person who controls any of them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any alterations to the preliminary offering memorandum distributed to you in electronic format.

This e-mail and the attached document are intended only for use by the addressee named herein and may contain legally privileged and/or confidential information. If you are not the intended recipient of this e-mail, you are hereby notified that any dissemination, distribution or copying of this e-mail and the attached document is strictly prohibited. If you have received this e-mail in error, please immediately notify the sender by reply e-mail and permanently delete all copies of this e-mail and destroy any printouts of it.

Subject to Completion, dated March 24, 2017
Preliminary Offering Memorandum

Not for general distribution in the United States
Strictly confidential

NH Hotel Group, S.A.

€115,000,000

3.750% Senior Secured Notes due 2023

NH Hotel Group, S.A., a public limited company (*sociedad anónima*) established under the laws of Spain (the "Issuer"), is offering €115,000,000 aggregate principal amount of its 3.750% Senior Secured Notes due 2023 (the "Notes"). The Notes will be issued as additional notes under the indenture dated as of September 29, 2016 (the "Indenture"), pursuant to which the Issuer issued €285,000,000 aggregate principal amount of 3.750% Senior Secured Notes due 2023 (the "Original Notes" and, together with the Notes, the "2023 Notes").

The Notes offered hereby will have substantially the same terms as those of, and will form part of the same series as, the Original Notes and will be treated as a single class for all purposes under the Indenture including, with respect to waivers, amendments, redemptions and offers to purchase, and will become fully fungible with the Original Notes following termination of certain U.S. selling restrictions.

The Issuer will pay interest on the Notes semi-annually in arrears on April 1 and October 1 of each year, commencing on October 1, 2017. The Notes will mature on October 1, 2023. At any time prior to October 1, 2019, the Issuer may redeem all or a portion of the 2023 Notes upon not less than 10 nor more than 60 days' notice by paying a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus a "make-whole" premium. In addition, at any time prior to October 1, 2019, the Issuer may redeem up to 40% of the aggregate principal amount of the 2023 Notes with the net proceeds from certain equity offerings at the redemption price set forth in this offering memorandum. At any time on or after October 1, 2019, the Issuer may redeem all or a portion of the 2023 Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices set forth in this offering memorandum. Prior to October 1, 2019, the Issuer may redeem the 2023 Notes during each twelve-month period commencing on September 29, 2016 up to 10% of the original principal amount of the 2023 Notes upon not less than 10 nor more than 60 days' notice to holders of the 2023 Notes, at a redemption price equal to 103% of the principal amount, plus accrued and unpaid interest, if any, to the applicable redemption date. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to purchase the 2023 Notes. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the 2023 Notes.

The Notes will be senior obligations of the Issuer. The Notes will rank equally in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes and will be senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes. On the Issue Date, certain subsidiaries of the Issuer (the "Guarantors") will extend their guarantee of the Original Notes to include the Notes offered hereby (the "Notes Guarantees"). As of the Issue Date, the Issuer's outstanding 6.875% Senior Secured Notes due 2019 (the "2019 Notes") and the Senior Secured RCF (as defined herein) will also be guaranteed by the Guarantors. On the Issue Date or within five business days thereafter, the security interests granted by the Issuer and the Guarantors over the collateral in respect of the Original Notes will, in each case, be amended, confirmed or extended (as applicable) to include the Notes offered hereby. Accordingly, the Notes and the Notes Guarantees will be initially secured on a first ranking basis by (i) charges over the shares of capital stock representing 100% of the share capital of (A) Hotel Exploitatiemaatschappij Diegem N.V., a wholly owned subsidiary of the Issuer organized under the laws of Belgium, (B) Immo Hotel BCC NV, Immo Hotel Belfort NV, Immo Hotel Brugge NV, Immo Hotel Diegem NV, Immo Hotel Gent NV, Immo Hotel GP NV, Immo Hotel Mechelen NV and Immo Hotel Stephanie NV, in each case, a wholly owned subsidiary of the Issuer organized under the laws of Belgium, (C) NH Italia S.p.A., a wholly owned subsidiary of the Issuer organized under the laws of Italy and (D) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort B.V., a wholly owned subsidiary of the Issuer incorporated under the laws of the Netherlands, and (ii) mortgages over certain hotels owned by the Issuer or wholly owned subsidiaries of the Issuer located in the Netherlands (collectively, the "Collateral"). The 2019 Notes and the Senior Secured RCF will be secured by the same Collateral as the 2023 Notes and will benefit from the proceeds of enforcement of the Collateral on a *pro rata* and *pari passu* basis with the Notes. The Notes Guarantees and the Collateral will be subject to legal and contractual limitations. See "*Risk factors—Risks relating to the Notes and our structure—The Notes Guarantees and the security interests in the Collateral are significantly limited by applicable laws and are subject to certain limitations on enforcement or defenses*" and "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations*". The Notes, the Notes Guarantees and the security interests over the Collateral will also be subject to restrictions on enforcement. See "*Description of certain financing arrangements—Intercreditor Agreement*".

This offering memorandum includes information on the terms of the Notes and Notes Guarantees, including redemption and repurchase prices, covenants and transfer restrictions.

Application has been or will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and admit the Notes to trading on the Euro MTF. The Euro MTF of the Luxembourg Stock Exchange is not a regulated market within the meaning of the provisions of Directive 2004/39/EC on markets in financial instruments, as amended. There is no assurance that the Notes will be listed and admitted to trading on the Euro MTF.

An investment in the Notes involves risks. See "*Risk factors*" beginning on page 35.

Price: % plus accrued interest from April 1, 2017.

The Notes will be issued in the form of global notes in registered form. See "*Book-entry, delivery and form*". We expect that the Notes will be delivered in book-entry form through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream") on or about , 2017.

The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States or any other jurisdiction. Accordingly, the Notes are being offered and sold in the United States only to "qualified institutional buyers" in accordance with Rule 144A under the U.S. Securities Act and to non-U.S. persons (as defined under the U.S. Securities Act) outside the United States in accordance with Regulation S under the U.S. Securities Act. Prospective purchasers of the Notes that are qualified institutional buyers are hereby notified that the seller may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, sellers may be relying on Regulation S under the U.S. Securities Act. For further details about eligible offerees and resale restrictions, see "*Important information for investors*" and "*Transfer restrictions*".

Sole Global Coordinator and Sole Bookrunner

Deutsche Bank

The date of this offering memorandum is , 2017

You should rely only on the information contained in this offering memorandum. We have not, and Deutsche Bank AG, London Branch (the "Initial Purchaser") has not, authorized anyone to provide you with information that is different from the information contained herein. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

We are not, and the Initial Purchaser is not, making an offer of these securities in any jurisdiction where such offer is not permitted.

The Issuer, NH Hotel Group, S.A. (formerly known as NH Hoteles, S.A.), is a public limited company (*sociedad anónima*) established under the laws of Spain and is registered in the Commercial Register of Madrid. Its registered office is at Calle Santa Engracia 120, 28003 Madrid, Spain.

Important information for investors

We accept responsibility for the information contained in this offering memorandum and, to the best of our knowledge (having taken reasonable care to ensure that such is the case), the information is true and accurate in all material respects and contains no omission likely to affect the import of such information. As used in this offering memorandum, unless the context otherwise requires, references to the “Issuer” are to NH Hotel Group, S.A. and references to “NH Hoteles”, “we”, “us”, “our” and the “Group” are to the Issuer and its consolidated subsidiaries.

This document does not constitute a prospectus for the purposes of Section 12(a)(2) of or any other provision of or rule under the U.S. Securities Act.

We are not, and the Initial Purchaser is not, making an offer of these securities in any jurisdiction where such offer is not permitted. This offering memorandum is based upon information provided by us and other sources believed by us to be reliable. The Initial Purchaser is not responsible for, and are not making any representation or warranty to you concerning, our future performance or the accuracy or completeness of this offering memorandum.

This offering memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this offering memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum and you must obtain all applicable consents and approvals; neither we nor the Initial Purchaser shall have any responsibility for any of the foregoing legal requirements. See “*Transfer restrictions*”.

In making an investment decision regarding the Notes offered hereby, you must rely on your own examination of the Issuer and the Guarantors and the terms of this Offering, including the merits and risks involved. You should rely only on the information contained in this offering memorandum. We have not, and the Initial Purchaser has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, financial condition, results of operations and the information set forth in this offering memorandum may have changed since that date.

You should not consider any information in this offering memorandum to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the Notes. We are not, and the Initial Purchaser is not, making any representation to any offeree or purchaser of the Notes regarding the legality of an investment in the Notes by such offeree or purchaser under appropriate investment or similar laws. This offering memorandum is to be used only for the purposes for which it has been published.

By accepting delivery of this offering memorandum, you agree to the foregoing restrictions, to make no photocopies of this offering memorandum or any documents referred to herein and not to use any information herein for any purpose other than considering an investment in the Notes.

We obtained the market data used in this offering memorandum from internal surveys, industry sources and currently available information. Although we believe that our sources are reliable, you should keep in mind that we have not independently verified information we have obtained from industry and governmental sources and that information from our internal surveys has not been verified by any independent sources. See "*—Market and industry data*".

The contents of our website do not form any part of this offering memorandum.

We may withdraw this Offering at any time, and we and the Initial Purchaser reserve the right to reject any offer to purchase the Notes in whole or in part and to sell to any prospective investor less than the full amount of the Notes sought by such investor. The Initial Purchaser and certain related entities may acquire a portion of the Notes for their own accounts.

Application has been or will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and admit the Notes to trading on the Euro MTF, and the Issuer will submit this offering memorandum to the Luxembourg Stock Exchange in connection with the listing application. In the course of any review by the Luxembourg Stock Exchange, the Issuer may be requested to make changes to the financial and other information included in this offering memorandum in producing listing particulars for such listing. Comments by the Luxembourg Stock Exchange may require significant modification to or reformulation of information contained in this offering memorandum or may require the inclusion of additional information. The Issuer may also be required to update the information in this offering memorandum to reflect changes in its business, financial condition or results of operations and prospects. The Euro MTF of the Luxembourg Stock Exchange is not a regulated market within the meaning of the provisions of Directive 2004/39/EC on markets in financial instruments, as amended. The Issuer cannot guarantee that its application for admission of the Notes on the Euro MTF will be approved as at the date of issuance of the Notes or any date thereafter, and settlement of the Notes is not conditioned on obtaining this listing. Any investor or potential investor should not base any investment decision relating to the Notes after publication of the listing particulars on the information contained in this offering memorandum and should refer instead to those listing particulars.

The Notes and the related Notes Guarantees have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The Notes and the related Notes Guarantees are being offered and sold outside the United States in reliance on Regulation S and within the United States to "qualified institutional buyers" ("QIBs") in reliance on Rule 144A of the U.S. Securities Act ("Rule 144A"). Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, sellers may be relying on Regulation S under the U.S. Securities Act. For a description of these and certain other restrictions on offers, sales and transfers of the Notes and the distribution of this offering memorandum, see "*Transfer restrictions*".

The Notes and the Notes Guarantees have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering of the Notes or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

The Notes and the related Notes Guarantees are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including "*Description of the Notes*" and "*Book-entry, delivery and form*", is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information.

The distribution of this offering memorandum and the offer and sale of the Notes may be restricted by law in certain jurisdictions. You must inform yourself about, and observe, any such restrictions. See "*—Notice to certain European investors*", "*—Notice to Canadian investors*", "*Plan of distribution*" and "*Transfer restrictions*" elsewhere in this offering memorandum. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Notes or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. We are not, and the Initial Purchaser is not, making an offer to sell the Notes or a solicitation of an offer to buy any of the Notes to any person in any jurisdiction except where such an offer or solicitation is permitted.

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, LONDON BRANCH (THE "STABILIZING MANAGER") (OR AFFILIATES ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR AFFILIATES ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZING ACTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

Notice to certain European investors

European Economic Area This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive (as defined below), as amended, as implemented in the European Economic Area ("EEA") by member states ("Member States"), from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA or any of its Member States of the Notes which are the subject of the Offering contemplated in this offering memorandum, should only do so in circumstances in which no obligation arises for the Issuer or the Initial Purchaser to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchaser has authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchaser, which constitute the final Offering of the Notes contemplated in this offering memorandum.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in the Relevant Member State at any time:

(i) to any legal entity which is a “qualified investor” as defined in the Prospectus Directive (which refers to the definition of professional investors set forth in Directive 2004/39/EC, the Markets in Financial Instruments Directive);

(ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); subject to obtaining the prior consent of the Initial Purchaser or Initial Purchaser nominated by the Issuer for such offer, as permitted under the Prospectus Directive; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive.

For the purposes of this restriction, the expression an “offer of the Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Each subscriber for, or purchaser of, the Notes located within a Member State will be deemed to have represented, acknowledged and agreed that it is a qualified investor. We and the Initial Purchaser and its affiliates and others will rely upon the trust and accuracy of the foregoing representation, acknowledgment and agreement.

United Kingdom The applicable provisions of the UK Financial Services and Markets Act 2000 (the “FSMA”) must be complied with in respect of anything done in relation to the Notes in, from or otherwise involving the United Kingdom. This offering memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (high net-worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to “qualified investors” as defined in the Prospectus Directive.

Spain Neither the Notes, this Offering nor this offering memorandum and its contents have been approved or registered with the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Notes may not be offered or sold or distributed to persons in Spain except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 35 of the Spanish Securities Market Law (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), as amended and restated, or pursuant to an exemption from registration in accordance with Royal Decree 1310/2005 as amended (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios* *oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), and any regulations developing it which may be in force from time to time. The Initial Purchaser has represented and agreed that it will not initially offer or sell the Notes in Spain, but the Initial Purchaser has made no representations as to subsequent resales of the Notes.

France This offering memorandum has not been prepared and is not being distributed in the context of an offer to the public of financial securities in France within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Title 1 of Book II of the *Réglement Général de l'Autorité des Marchés Financiers*, and has not been approved by, registered or filed with the *Autorité des marchés financiers* (the "AMF"). Therefore, the Notes may not be, directly or indirectly, offered or sold to the public in France and this offering memorandum has not been and will not be released, issued or distributed or caused to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sales of the Notes to the public in France. Offers, sales and distributions have only been and shall only be made in France to: (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*), (ii) qualified investors (*investisseurs qualifiés*) acting for their own account and/or (iii) a limited group of investors (*cercle restreint d'investisseurs*) acting solely for their own account, all as defined in and in accordance with Articles L.411-2, D.411-1 to D.411-4, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*. Prospective investors are informed that (a) this offering memorandum has not been and will not be submitted for clearance to the AMF, (b) in compliance with Articles L.411-2 and D.411-1 through D.411-4 of the French *Code monétaire et financier*, any investors subscribing for the Notes should be acting for their own account and (c) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Germany The Offering of the Notes is not a public offering in the Federal Republic of Germany. The Notes may be offered and sold in the Federal Republic of Germany only in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (the "German Securities Prospectus Act") and any other applicable German law. Consequently, in Germany the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws.

Italy This Offering has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, no offered Notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the offered Notes be distributed in the Republic of Italy, except: (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Italian Legislative Decree No. 58 of 24 February 1998, as amended (the "Italian Financial Services Act") and Article 34-ter, first paragraph, letter b) of Regulation No. 11971 of 14 May 1999, as amended from time to time ("Regulation No. 11971"); or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Services Act and Regulation No. 11971. Any offer, sale or delivery of the Notes, or distribution of copies of this offering memorandum or any other document relating to the offered Notes in the Republic of Italy under (i) or (ii) above must be: (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No. 16190 of 23 October 2007 and Italian Legislative Decree No. 385 of September 1, 1993 (the "Italian Banking Act") (in each case, as amended from time to time); (b) in compliance with Article 129 of the Italian Banking Act, as amended from time to time, and the implementing guidelines of the Bank of

Italy, as amended from time to time; and (c) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed by CONSOB or the Bank of Italy or any other Italian authority.

Investors should note that, in accordance with Article 100-bis of the Italian Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (i) and (ii) above, the subsequent distribution of the offered Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Italian Financial Services Act and the Regulation No. 11971. Furthermore, where no exemption from the rules on public offerings applies, the offered Notes which are initially offered and placed in Italy or abroad to professional investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Italian Financial Services Act and the Regulation No. 11971. Failure to comply with such rules may result in the sale of such offered Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the purchasers of offered Notes who are acting outside of the course of their business or profession.

Grand Duchy of Luxembourg This offering memorandum has not been approved by and will not be submitted for approval to the *Commission de Surveillance du Secteur Financier* of the Grand Duchy of Luxembourg ("Luxembourg") for the purposes of a public offering or sale, in Luxembourg, of the notes or admission to the official list of the Luxembourg Stock Exchange ("LxSE") and trading on the LxSE's regulated market of the Notes. Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, or listed or traded on the LxSE's regulated market, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the applicable Luxembourg law of July 10, 2005 on prospectuses for securities, as amended.

The Netherlands The Notes (including the rights representing an interest in the Notes in global form) which are the subject of this offering memorandum, have not been and shall not be offered, sold, transferred or delivered to the public in the Netherlands, unless in reliance on Article 3(2) of the Prospectus Directive and provided such offer is made exclusively to legal entities which are qualified investors (within the meaning of the Prospectus Directive) in the Netherlands. The expression an "offer of Notes to the public" in relation to any Notes in the Netherlands means the announcement or communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Belgium This offering memorandum relates to a private placement and does not constitute an offer or solicitation to the public in Belgium to subscribe for or acquire the Notes. The offer of the Notes has not been and will not be notified to, and neither this offering memorandum nor any other materials relating to the offer have been or will be approved by the Belgian Financial Services and Markets Authority (*Autorité des Services et Marchés Financiers/Autoriteit voor Financiële Diensten en Markten*) pursuant to the Belgian laws and regulations applicable to the public offering of securities.

Accordingly, the offer of the Notes may not be advertised, the Notes may not be offered or sold, and this offering memorandum and any other materials relating to the offer may not be distributed, directly or indirectly, (i) to any other person located or resident in Belgium other than in circumstances which do not constitute an offer to the public in Belgium pursuant to the Belgian act of June 16, 2006 on the public offering of investment instruments and the admission of investment instruments to trading on a regulated exchange or (ii) to any person qualifying as a consumer for the purpose of Book VI of the Belgian Code of economic law, unless such sale is made in compliance with this act and its implementing regulation and does not constitute a public offer as described under (i) above.

This offering memorandum has been provided to the intended recipient for its personal use only and exclusively for the purposes of the offer of the Notes. It may not be used for any other purpose or passed on to any other person in Belgium.

Notice to Canadian investors

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (**"NI 33-105"**), the Initial Purchaser is not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

Certain definitions

Unless otherwise specified or the context requires otherwise, in this offering memorandum:

- "2012 Senior Credit Facilities Agreement" refers to the financing facility agreement dated as of March 29, 2012, among, *inter alios*, NH Finance, S.A., as borrower, NH Hoteles, S.A., the lending parties named therein and Banco Bilbao Vizcaya Argentaria, S.A., as agent, which was repaid in full and terminated in November 2013;
- "2013 Revolving Credit Facility" refers to the €66.7 million senior secured revolving credit facility made available pursuant to the 2013 Senior Credit Facilities Agreement;
- "2013 Senior Credit Facilities" refers to the senior credit facilities under the 2013 Senior Credit Facilities Agreement, including the 2013 Term Loan Facility and the 2013 Revolving Credit Facility, which were repaid in full and terminated as part of the 2016 Refinancing;
- "2013 Senior Credit Facilities Agreement" refers to the senior credit facilities agreement dated October 17, 2013 (as amended and restated from time to time) by and among, *inter alios*, NH Finance, S.A., as the original borrower, various subsidiaries of the Issuer as original guarantors, the original lenders listed therein and Banco Bilbao Vizcaya Argentaria, S.A., as agent;
- "2013 Term Loan Facility" refers to the €133.3 million senior secured term loan facility made available pursuant to the 2013 Senior Credit Facilities Agreement;
- "2016 Refinancing" refers to the issuance of the Original Notes and the application of proceeds therefrom: (i) to repay certain outstanding indebtedness; (ii) to pay costs, fees and expenses in connection with the foregoing transactions; and (iii) for general corporate puroses;
- "2019 Notes" refers to the €250 million aggregate principal amount 6.875% Senior Secured Notes due 2019 issued by the Issuer on the 2019 Notes Issue Date;
- "2019 Notes Indenture" refers to the indenture governing 2019 Notes dated November 8, 2013 (as amended and supplemented from time to time); by and among, *inter alios,* the Issuer, the guarantors named therein and BNP Paribas Trust Corporation UK Limited as Trustee and Security Agent;
- "2019 Notes Issue Date" refers to November 8, 2013, the date of original issuance of the 2019 Notes;
- "2023 Notes" refers to the Original Notes and the Notes:
- "Average Daily Rate" or "ADR" refers to the quotient of total room revenues for a specified period divided by total Room Nights sold during that period;
- "Bankia Loan" refers to the loan pursuant to the subordinated facility agreement dated as of September 26, 2007, and amended on October 30, 2012, between the Issuer as borrower and Bankia, S.A. (formerly known as Caja de Ahorros y Monte de Piedad de Madrid), which was repaid in full and terminated as part of the 2016 Refinancing;
- "Belgian Guarantor(s)" refers to Diegem, the Diegem Entities and Jolly Hotels Belgio S.A.;
- "Bilateral Credit Facilities" refers to the unsecured working capital facilities that the Group has in place with several financial institutions, a portion of which was repaid as part of the 2016 Refinancing;
- "CAGR" refers to compound annual growth rate;
- "CIT" refers to corporate income tax;

• “Clearstream” refers to Clearstream Banking, *société anonyme*;

• “Club Loan” refers to the secured credit facility dated February 13, 2015 among the Issuer and a syndicate of Spanish banks led by Banco Santander S.A., as lenders, in the amount of €40.0 million, dedicated to our operations in Italy, which was repaid in full and terminated as part of the 2016 Refinancing;

• “Club Loan 2” refers to the secured credit facility dated June 26, 2015 among the Issuer and a syndicate of Spanish banks led by Banco Santander S.A., as lenders, in the amount of €36.0 million, dedicated to our operations in Germany, which was repaid in full and terminated as part of the 2016 Refinancing;

• “Collateral” refers to, collectively, the Mortgage Properties and the Share Collateral, as such security may vary or be replaced from time to time pursuant to the Indenture;

• “Deutsche Bank” refers to Deutsche Bank AG, London Branch;

• “DFG Restructuring Debt” refers to, collectively, the debt restructuring agreement dated December 17, 2014, among, *inter alios*, NH Europa S.L.U. and the lenders named therein, and the shareholders debt agreement dated January 22, 2015, pursuant to which NH Europa S.L.U. assumed €7 million of debt originally owed by Donnafugata, which was repaid in full and terminated as part of the 2016 Refinancing;

• “Diegem” refers to Hotel Exploitatiemaatschappij Diegem N.V., a wholly owned subsidiary of the Issuer organized under the laws of Belgium;

• “Diegem Entities” refers to Immo Hotel BCC N.V., Immo Hotel Belfort N.V., Immo Hotel Brugge N.V., Immo Hotel Diegem N.V., Immo Hotel Gent N.V., Immo Hotel GP N.V., Immo Hotel Mechelen N.V. and Immo Hotel Stephanie N.V., in each case, a wholly owned subsidiary of the Issuer organized under the laws of Belgium;

• “Diegem Properties” refers to the following hotels, which are located in Belgium and owned by the Diegem Entities as listed below:

Hotel	**Company that owns the hotel**	**Jurisdiction of company**
NH Brussels City Centre	Immo Hotel BCC NV	Belgium
NH Grand Palace Arenberg	Immo Hotel GP NV	Belgium
NH Stephanie	Immo Hotel Stephanie NV	Belgium
NH Brussels Airport	Immo Hotel Diegem NV	Belgium
NH Brugge	Immo Hotel Brugge NV	Belgium
NH Gent Belfort	Immo Hotel Belfort NV	Belgium
NH Gent Sint Pieters	Immo Hotel Gent NV	Belgium
NH Mechelen	Immo Hotel Mechelen NV	Belgium

• “Duff & Phelps” refers to American Appraisal España, S.A. (formerly known as American Appraisal);

• “Duff & Phelps Report” refers to the valuation report produced by Duff & Phelps regarding the valuation of the Mortgage Properties and the Share Collateral as of December 31, 2016;

• “EU” refers to the European Union;

• “EU Member State” refers to a member state of the EU;

• “Euroclear” refers to Euroclear Bank SA/NV;

- "Exchange Settlement Agreement" refers to the exchange settlement agreement entered into on March 20, 2017 between the Issuer and Deutsche Bank;
- "FSMA" refers to the UK Financial Services and Markets Act 2000;
- "Guarantors" refers to each of the Guarantors described under "*Summary—The Offering—Notes Guarantees*", which currently guarantee or will guarantee the 2019 Notes and the 2023 Notes;
- "Hesperia" refers to Grupo Inversor Hesperia, S.A.;
- "HNA Group" refers to HNA Group Co., Ltd., a conglomerate based in China with hotel management, airline and tourism businesses, and its consolidated subsidiaries;
- "IFRS" refers to International Financial Reporting Standards as adopted by the European Union;
- "IIT" refers to individual income tax;
- "Indenture" refers to the indenture governing the 2023 Notes dated as of September 29, 2016 by and among, *inter alios*, the Issuer, the Guarantors, the Trustee and the Security Agent;
- "Intercreditor Agreement" refers to the intercreditor agreement dated as of the 2019 Notes Issue Date (as amended and restated from time to time) by and among, *inter alios*, the Issuer and the Security Agent;
- "Issue Date" refers to the date on which the Notes offered hereby are issued;
- "Issuer" refers to NH Hotel Group, S.A., and "we", "us", "our", "NH Hoteles" and the "Group" refer to the Issuer and its consolidated subsidiaries, unless the context otherwise requires;
- "LHI Option" refers to NH Hotel Group's option rights relating to the acquisition of a series of real estate properties and lease agreements located in Germany, which we sold in the second quarter of 2016 to an affiliate of Foncières des Murs for a consideration of approximately €48 million;
- "M&E" refers to meetings and events;
- "Mortgage Properties" refers to the following hotels, which are located in the Netherlands and owned by the wholly owned subsidiaries of the Issuer or the Issuer as listed below and will secure, as of the Issue Date, the 2023 Notes as well as the 2019 Notes and the Senior Secured RCF on a *pari passu* basis:

Hotel	**Company that owns the hotel**	**Jurisdiction of company**
NH Eindhoven Conference Centre Koningshof	Koningshof B.V.	Netherlands
NH Noordwijk Conference Centre Leeuwenhorst	Leeuwenhorst Congres Center B.V.	Netherlands
NH Amsterdam Schiphol Airport	Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp B.V.	Netherlands
NH Zoetermeer	Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer B.V.	Netherlands
NH Veluwe Conference Centre Sparrenhorst	De Sparrenhorst B.V.	Netherlands
NH Amsterdam Barbizon Palace	Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam B.V.	Netherlands

Hotel	Company that owns the hotel	Jurisdiction of company
NH Best	Onroerend Goed Beheer Maatschappij Maas Best B.V.	Netherlands
NH Capelle	Onroerend Goed Beheer Maatschappij Capelle aan den IJssel B.V.	Netherlands
NH Geldrop	Onroerend Goed Beheer Maatschappij Bogardeind Geldrop B.V.	Netherlands
NH Heemskerk Marquette	Onroerend Goed Beheer Maatschappij Marquette Heemskerk B.V.	Netherlands
NH Naarden	Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden B.V.	Netherlands

- "NH Finance, S.A." refers to NH Finance, S.A., a Luxembourg public limited liability company (*société anonyme*), having its registered office at 1, route de Trèves, L-2633 Senningerberg and registered with the Luxembourg Register of Commerce and Companies under number B 75.694;
- "NH Italia" refers to NH Italia S.p.A.;
- "NH Italia Shares" refers to the shares of capital stock representing 100% of the share capital of NH Italia;
- "Notes" refers to the notes offered hereby;
- "Notes Guarantees" refers to the guarantees of the Notes to be issued by each of the Guarantors;
- "NRIT" refers to non-resident income tax;
- "Occupancy" refers to the quotient of the total number of Room Nights sold during a specified period divided by the total number of rooms available for each day during that period;
- "Offering" refers to the offering of the Notes hereby;
- "OECD" refers to the Organization for Economic Cooperation and Development;
- "Original Notes" refers to the €285 million aggregate principal amount 3.750% Senior Secured Notes due 2023 issued by the Issuer on the Original Notes Issue Date;
- "Original Notes Issue Date" refers to September 29, 2016, the date of original issuance of the Original Notes;
- "Paying Agent" refers to BNP Paribas Securities Services, Luxembourg Branch, as the Paying Agent under the Indenture;
- "Payment Statement" refers to a duly executed and completed statement providing certain details relating to the Notes provided to us by the Paying Agent;
- "Post-Settlement Redemption" refers to the potential redemption by the Issuer of an amount of its 2019 Notes which, when combined with the 2019 Notes purchased by Deutsche Bank prior to the Issue Date pursuant the Tender Offer and subsequently acquired by the Issuer on the Issue Date, will result in the cancellation of €150 million in principal amount of the Issuer's outstanding 2019 Notes;
- "Refinancing" refers the issuance of the Notes pursuant to the Offering and the application of the proceeds therefrom as described under "*Use of proceeds*", including (i) the delivery of

the Notes to Deutsche Bank as consideration for a portion of our 2019 Notes (which 2019 Notes will have been acquired by Deutsche Bank in the Tender Offer), (ii) if applicable, the redemption of a portion of our 2019 Notes pursuant to a Post-Settlement Redemption, and (iii) the payment of certain costs, fees and expenses in connection with the foregoing transactions;

- "Revenue per Available Room" or "RevPAR" refers to the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period;
- "Room Nights" refers to the total number of hotel rooms occupied for each night during a specified period, and one Room Night means one hotel room occupied for one night;
- "Security Agent" refers to BNP Paribas Trust Corporation UK Limited, as security agent under the Indenture, the 2019 Notes Indenture and the Intercreditor Agreement;
- "Security Documents" refers to the Security Documents as defined in "*Description of the Notes—Governing Law—Certain definitions*";
- "Senior Secured RCF" refers to the €250 million senior secured revolving credit facility made available pursuant to the Senior Secured RCF Agreement;
- "Senior Secured RCF Agreement" refers to the €250,000,000 senior secured revolving credit facility agreement dated September 22, 2016 (as amended and restated from time to time) by and among, *inter alios*, the Issuer and NH Finance S.A., as borrowers, various subsidiaries of the Issuer, as guarantors, Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank USA, Bankia, S.A., BNP Paribas Fortis S.A. N.V., Sucursal en España, Bankinter, S.A., Banco de Sabadell, S.A., Liberbank, S.A. and Novo Banco, S.A., Sucursal en España Sucursal en España, as original lenders, and Banco Bilbao Vizcaya Argentaria, S.A., as agent;
- "Senior Unsecured Convertible Bonds" refers to the €250 million 4% Senior Unsecured Convertible Bonds due 2018 issued by the Issuer on November 8, 2013;
- "Senior Unsecured Convertible Bonds Maturity Date" refers to November 8, 2018, the fifth anniversary of the issue date of the Senior Unsecured Convertible Bonds;
- "Share Collateral" refers to the shares of capital stock representing 100% of the share capital of (1) Diegem, (2) each of the Diegem Entities, (3) Zandvoort, and (4) NH Italia, which, as of the Issue Date, will secure the 2023 Notes, the 2019 Notes and the Senior Secured RCF;
- "Sotogrande" refers to Sotogrande, S.A.;
- "Tender Offer" refers to Deutsche Bank's tender offer for the purchase for cash of up to €150 million in principal amount of the Issuer's outstanding 2019 Notes at a purchase price of 107.9% plus accrued and unpaid interest from (and including) the immediately preceding interest payment date to (but excluding) the settlement date of the tender offer;
- "Trustee" refers to BNP Paribas Trust Corporation UK Limited, as the trustee under the Indenture;
- "U.S. Exchange Act" refers to the U.S. Securities Exchange Act of 1934, as amended;
- "U.S. Securities Act" refers to the U.S. Securities Act of 1933, as amended;
- "United States" and "U.S." refer to the United States of America;
- "Zandvoort" refers to Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort B.V., a wholly owned subsidiary of the Issuer incorporated under the laws of the Netherlands; and
- "Zandvoort Property" refers to the NH Zandvoort, a hotel located in the Netherlands owned by Zandvoort.

Information regarding forward-looking statements

Certain statements in this offering memorandum are not historical facts and are "forward-looking" within the meaning of Section 27A of the U.S. Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). This document contains certain forward-looking statements in various sections, including, without limitation, under the headings "*Summary*", "*Risk factors*", "*Management's discussion and analysis of financial condition and results of operations*" and "*Business*", and in other sections where this offering memorandum includes statements about our intentions, beliefs or current expectations regarding our future financial results, plans, liquidity, prospects, growth, strategy and profitability, as well as the general economic conditions of the industry and countries in which we operate. We may from time to time make written or oral forward-looking statements in other communications. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future sales or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and dispositions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries and the economic, political and legal environment in which we operate and other information that is not historical information.

Words such as "believe", "anticipate", "estimate", "expect", "intend", "predict", "project", "could", "may", "will", "plan" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under "*Risk factors*", as well as those included elsewhere in this offering memorandum. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- levels of spending in the business, travel and leisure industries, as well as consumer confidence;
- an economic downturn in Europe;
- competitive forces in the markets where we operate;
- our ability to enter into new management agreements;
- the risk that our management agreement will not generate positive financial results;
- risks resulting from significant investments in owned and leased real estate, such as the risk of increases in interest rates and the need for capital improvements and expenditures;
- risk associated with potential acquisitions and dispositions;
- our ability to exit underperforming leases and management agreements;
- risks associated with third-party valuations;
- risks associated with our relationship with some of our current significant shareholders, including the HNA Group and Hesperia;
- liabilities or capital requirements associated with acquiring interests in hotel joint ventures with third parties;
- risks related to the development, redevelopment or renovation of properties that we own or lease;

- the development of new hotels and the expansion of existing hotels;
- the ability or willingness of third-party hotel proprietors to make investments necessary to maintain or improve properties we manage;
- early termination of our management contracts;
- our relationships with third-party hotel proprietors;
- contractual or other disagreements with third-party hotel proprietors;
- our ability and the ability of third-party hotel proprietors to repay or refinance mortgages secured by hotels that we operate;
- general volatility of the capital markets and our ability to access the capital markets;
- our ability to meet certain financial ratios;
- relatively fixed costs associated with hotel operations;
- the seasonal and cyclical nature of the hospitality business;
- hostilities, including terrorist attacks, or fear of hostilities that affect travel and other catastrophic events;
- our ability to establish and maintain distribution arrangements;
- a shift in hotel bookings from traditional to online channels;
- the introduction of new brand concepts and our ability to develop new brands, generate customer demand and incorporate innovation;
- our ability to successfully implement new initiatives;
- our ability to attract, retain, train, manage and engage our employees;
- relationships with our employees and labor unions and changes in labor law;
- our dependence on key personnel;
- fluctuations in currency exchange rates and the inability to repatriate cash;
- extensive regulatory, including licensing, land use and environmental, requirements;
- risks relating to a change of control of NH Hotel Group, S.A.;
- insufficient insurance;
- changes in tax laws;
- failure to protect our trademarks and intellectual property;
- third-party claims of intellectual property infringement;
- unfavorable outcomes of legal proceedings, including those relating to our shareholders;
- interruptions or failures of our information technology systems resulting from unanticipated problems or natural disasters, such as power loss, telecommunication failures, computer viruses, hurricanes or floods;
- failure to maintain the integrity of internal or customer data, including due to cyber security breaches;
- failure to incorporate new developments in technology;

- changes in accounting standards; and
- risks relating to the Notes and our structure.

This list of important factors is not exhaustive. You should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

Presentation of financial and other information

This offering memorandum includes audited consolidated financial statements of the Group as of and for the years ended December 31, 2014, 2015 and 2016. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated statement of cash flows as of and for the years ended December 31, 2014, 2015 and 2016, except for the footnotes included below each table and except as otherwise indicated, have been derived from the audited consolidated financial statements for such periods of the Group, which were audited by Deloitte, S.L. and have been prepared in accordance with IFRS. This summary financial information is not necessarily representative of our results of operations for any future period or our financial condition at any future date.

IFRS 5 (*Non-current Assets held for Sale and Discontinued Operations*) was applied in the preparation of the audited consolidated financial statements as of and for the year ended December 31, 2014 due to the identification of all Sotogrande assets (including those that were eventually sold and those that were retained by the Group) as non-strategic assets undergoing divestment. As a result, such assets and liabilities were reclassified as "held for sale" and appear separately under the line items "Profit (loss) for the year from discontinued operations net of tax" in the consolidated statement of profit or loss and other comprehensive income and "Non-current assets classified as held for sale" and "Liabilities associated with non-current assets classified as held for sale" in the consolidated statement of financial position for the year ended December 31, 2014. We sold Sotogrande in November 2014, excluding certain international assets that were retained, which continue to be held for sale. See "*Management's discussion and analysis of financial condition and results of operations—Changes to accounting policies and new accounting standards*".

The unaudited pro forma financial information contained in this offering memorandum has been derived by applying pro forma adjustments to the Group's historical consolidated financial statements included elsewhere in this offering memorandum. The summary pro forma financial information gives effect to the Refinancing as described in "*Use of proceeds*", as though it had occurred on January 1, 2016 for pro forma financial information relating to consolidated statement of profit or loss and other comprehensive income on December 31, 2016 for pro forma financial information relating to statement of financial position. The unaudited pro forma adjustments and the unaudited pro forma financial information set forth below are based upon available information and certain assumptions and estimates that we believe are reasonable and may differ from actual amounts. The pro forma financial information is for informational purposes only and does not purport to present what our results would actually have been had these transactions occurred on the dates presented or to project our results of operations or financial position for any future period or our financial condition at any future date.

Certain numerical figures set out in this offering memorandum, including financial data presented in millions or in thousands, have been subject to rounding adjustments and, as a result, the totals of the data in the offering memorandum may vary slightly from the actual arithmetic totals of such information.

Use of non-IFRS financial measures

Certain parts of this offering memorandum contain non-IFRS measures and ratios, including Adjusted EBITDA, Adjusted EBITDA margin, EBITDA, EBITDA margin, EBITDAR, EBITDAR margin, Pro Forma Adjusted EBITDA, net indebtedness, net secured indebtedness and changes in working capital.

We define Adjusted EBITDA as EBITDA adjusted for the effect of certain non-recurring items, including gains or losses from disposals of assets, the variation in the provisions for liabilities and charges from losses and unrecovered receivables and advisory and consultancy expenses, non-recurring staff costs, non-recurring lease costs, non-recurring tax liabilities and other non-recurring items.

We define Adjusted EBITDA margin as Adjusted EBITDA divided by net turnover.

We define EBITDA as profit (loss) attributable to shareholders of the Issuer plus non controlling interests plus profit (loss) for the year from discontinued operations net of tax minus corporation tax, gain (loss) on financial investments, net exchange rate differences, financial expenses, change in fair value of financial instruments, financial income, profit (loss) from entities valued through the equity method, variation in the provision for onerous agreements, net losses from asset impairment, depreciation allowance and inventory impairments.

We define EBITDA margin as EBITDA divided by net turnover.

We define EBITDAR as EBITDA before rent expense.

We define EBITDAR margin as EBITDAR divided by net turnover.

We define Pro Forma Adjusted EBITDA as Adjusted EBITDA for the year ended December 31, 2016 further adjusted to give pro forma effect to: (i) the disposal of certain hotels (deducting the EBITDA of those hotels for the year ended December 31, 2016) and the net effect of the execution and termination of management and lease agreements during such period; (ii) the refurbishment of hotels (deducting the EBITDA of such hotels during the months when they were under refurbishment, in the year ended December 31, 2016, and adding the EBITDA for such hotels during the corresponding months of the year ended December 31, 2015); (iii) the change in the type of contract under which we operate our hotels; a change in scope relating to the purchase of 47% of the company Palacio de la Merced, S.A.; certain cost savings related to the restructuring of NH Italia's workforce and the non-recurring works over our IT infrastructure; and certain cost savings related to efficiency improvement initiatives, as if such events had been completed on January 1, 2016. See "*Summary financial and other information*".

We define net indebtedness as indebtedness minus cash and cash equivalents.

We define net secured indebtedness as secured indebtedness minus cash and cash equivalents.

We define RevPAR as the product of the Average Daily Rate for a specific period multiplied by the Occupancy for that period.

We define Occupancy as the quotient of the total number of Room Nights sold during a specific period divided by the total number of rooms available for each day during such specific period.

We define Average Daily Rate as the quotient of total room revenues for a specified period divided by total Room Nights sold during that period.

We define changes in working capital as the sum of the movements in inventories, trade and other receivables, other current assets, trade creditors and other current liabilities and charges as derived from the cash flow statements.

Adjusted EBITDA, Adjusted EBITDA margin, EBITDA, EBITDA margin, EBITDAR, EBITDAR margin, Pro Forma Adjusted EBITDA, net indebtedness, net secured indebtedness, changes in working capital, ADR, Occupancy and RevPAR are non-IFRS measures. We use these non-IFRS measures as internal measures of performance to benchmark and compare performance, both between our own operations and as against other companies. We use these non-IFRS measures, together with measures of performance under IFRS, to compare the relative performance of operations in planning, budgeting and reviewing the performance of various businesses. We believe these non-IFRS measures are useful and commonly used measures of financial performance in addition to operating profit and other profitability measures, cash flow provided by operating activities and other cash flow measures and other measures of financial position under IFRS because they facilitate operating performance, cash flow and financial position comparisons from period to period, time to time and company to company. By eliminating potential differences between periods or companies caused by factors such as depreciation and amortization methods, financing and capital structures and taxation positions or regimes, we believe these non-IFRS measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe these non-IFRS measures and similar measures are regularly used by the investment community as a means of comparing companies in our industry. Different companies and analysts may calculate Adjusted EBITDA, Adjusted EBITDA margin, EBITDA, EBITDA margin, EBITDAR, EBITDAR margin, Pro Forma Adjusted EBITDA, net indebtedness, net secured indebtedness ADR, Occupancy, RevPAR and changes in working capital differently, so making comparisons among companies on this basis should be done very carefully. Adjusted EBITDA, Adjusted EBITDA margin, EBITDA, EBITDA margin, EBITDAR, EBITDAR margin, Pro Forma Adjusted EBITDA, net indebtedness, net secured indebtedness, ADR, Occupancy, RevPAR and changes in working capital are not measures of performance under IFRS and should not be considered in isolation or construed as a substitute for net operating profit or as an indicator of our cash flow from operations, investing activities or financing activities or as an indicator of financial position in accordance with IFRS. For the calculation of Adjusted EBITDA, Adjusted EBITDA margin, EBITDA, EBITDA margin, EBITDAR, EBITDAR margin, Pro Forma Adjusted EBITDA, net indebtedness, net secured indebtedness ADR, Occupancy, RevPAR and changes in working capital, see "*Summary financial and other information*".

Other data

Duff & Phelps Report

Duff & Phelps has carried out a valuation of the Mortgage Properties and the Share Collateral as of December 31, 2016. The valuation determined by Duff & Phelps is based upon certain qualifications and assumptions, estimates and projections. We cannot assure you that the projections or assumptions used, estimates made or procedures followed in the valuation of our property portfolio are correct, accurate or complete. See "*Business—Valuation of the Collateral*".

Neither Duff & Phelps, nor any person acting on Duff & Phelps' behalf, makes any warranty, express or implied, or assumes any liability with respect to the reliance upon or use of any information or analysis disclosed in the Duff & Phelps Report. Any opinions or conclusions reached in the Duff & Phelps Report depend upon a number of assumptions and economic conditions that may or may not occur.

Duff & Phelps stated that in developing its opinion of value, it considered three approaches to value: market, cost and income. The valuation approach used by Duff & Phelps varies depending on the type of business or asset being valued. Duff & Phelps' valuation of hotels and golf courses that constitute part of the Collateral was based upon the income approach using the discounted free cash flow ("DCF") method, which according to Duff & Phelps, is the generally accepted approach for the valuation of a business or assets on a going-concern basis. Duff & Phelps based its valuation of the NH Italia Shares upon the income approach using the DCF method and weighting the market and income approaches in the estimation of terminal value. For purposes of determining the value of the NH Italia Shares, we use the mid-range value presented in Duff & Phelps' report. For a detailed discussion of the valuation methodology, see "*Business—Valuation of the Collateral—Basis of valuation and assumptions*".

All conclusions are based upon information available at the time of review. A pledge over the shares of Diegem, the Diegem Entitites, NH Italia and Zandvoort will secure as of the Issue Date the Notes, as well as the Original Notes, the 2019 Notes and the Senior Secured RCF on a *pari passu* basis. The valuation of the NH Italia Shares deducts the liabilities of NH Italia. The proceeds of any sale of the Collateral may vary significantly from the valuation of the Collateral. Duff & Phelps has not independently investigated or otherwise verified the historical data provided by us. Changes in factors upon which the review was based could affect the results. The financial forecasts used in the preparation of this report reflect management's judgment, based on present circumstances and assuming certain conditions and actions by us. Forecasts are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including the actions of government, individuals, third parties and competitors.

Data based upon the Duff & Phelps Report that is included in this offering memorandum involves risks and uncertainties and is subject to change based upon a variety of external factors. Collateral value as presented in the offering memorandum may differ from "Collateral Value" as defined in the "*Description of the Notes*." See "*Risk factors—Risks relating to our business and industry—The value of our properties reflected on our balance sheet and in this offering memorandum and the book value of our hotels and assets included in this offering memorandum is based in part upon the results of third-party valuations, and because property and asset valuation is inherently subjective and uncertain, the projections or assumptions used, estimates made or procedures followed in the third-party valuation of our properties and assets may not be correct, accurate or complete*" and "*Risk factors—Risks relating to the Notes and our structure—The projections or assumptions used, estimates made or procedures followed in the Duff & Phelps Report for the valuation of the Collateral may not be correct, accurate or complete, and investors in the Notes will have limited recourse against the third-party property valuation provider*".

Other operating measures

In addition to Adjusted EBITDA, Adjusted EBITDA margin, EBITDA, EBITDA margin, EBITDAR, EBITDAR margin, Pro Forma Adjusted EBITDA, net indebtedness, net secured indebtedness and changes in working capital, we have included other operating information in this offering memorandum, some of which we refer to as "key performance indicators", including RevPAR, Occupancy, Room Nights and Average Daily Rate. We believe that it is useful to include this operating information as we use it for internal performance analysis, and the presentation by our business divisions of these measures facilitates comparability with other companies in our industry, although our measures may not be comparable with similar measurements presented by other companies. Such operating information should not be considered in isolation or construed as a substitute for measures in accordance with IFRS. For a description of certain of our key performance indicators, see "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our financial condition and results of operations—Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)*".

We define our geographical segments for purposes of reporting our financial information and our operating data as follows: (1) Spain, which includes Spain and Andorra; (2) Italy; (3) Germany; (4) Benelux, which includes Belgium, the Netherlands and Luxembourg; (5) Rest of Europe, which includes Austria, the Czech Republic, Hungary, Poland, Romania, Slovakia, Switzerland, France, Portugal, South Africa and the United Kingdom; and (6) Latin America, which includes Mexico, the Dominican Republic, Venezuela, Argentina, Chile, Colombia, Ecuador, Uruguay and the United States.

However, the business units under which we currently operate our hotel business are aligned differently. For purposes of our operating structure, Spain, Portugal and Andorra comprise our Spain business unit; Italy is a separate business unit; Belgium, the Netherlands, Luxembourg, France, South Africa and the United Kingdom comprise our Benelux business unit, though the operations of our United States hotels, whose rooms are considered part of the Central Europe BU, are partly managed by the Benelux business unit; Germany, Austria, the Czech Republic, Hungary, Poland, Romania, Slovakia, Switzerland and the United States comprise our Central Europe business unit; and Mexico, the Dominican Republic, Venezuela, Argentina, Chile, Colombia, Ecuador, Uruguay, Haiti and Cuba comprise our Americas business unit. Although we do not currently have plans to change our operating structure, we may do so in the future. See "*Business—Principal business activities—Hotel operations—Operational structure*".

Market and industry data

In this offering memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Such market and industry data and certain industry forward-looking statements are derived from various industry and other independent sources, where available. In particular, certain information regarding the valuation of the Mortgage Properties and the Share Properties as of December 31, 2016 has been derived from the Duff & Phelps Report produced solely for our use. We have also used data obtained from IHS Inc. and other third party sources, including information regarding the valuation of our properties that are not part of the Collateral as of December 31, 2015. The aforementioned third party sources generally state that the information they contain has been obtained from sources believed to be reliable. However, these third party sources also state that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. The information in this offering memorandum that has been sourced from third parties has been accurately reproduced and, as far as we are aware and able to ascertain from the information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Notwithstanding the foregoing, such third-party information has not been independently verified, and neither we nor the Initial Purchaser make any representation or warranty as to the accuracy or completeness of such information set forth in this offering memorandum.

In addition, certain information in this offering memorandum for which no source is given, regarding our market position relative to our competitors in the hotel industry, is not based upon published statistical data or information obtained from independent third parties. Such information and statements reflect our best estimates based upon information obtained from trade and business organizations and associations and other contacts within the industries in which we compete, as well as information published by our competitors. To the extent that no source is given for information contained in this offering memorandum, or such information is identified as being our belief, that information is based upon the following: (i) in respect of market share, information obtained from trade and business organizations and associations and other contacts within the industries in which we compete and internal analysis of our sales data, and unless otherwise stated, market share is based upon number of rooms in operation; (ii) in respect of industry trends, our senior management team's general business experience, as well as their experience in our industry and the local markets in which we operate; and (iii) in respect of the performance of our operations, our internal analysis of our audited and unaudited financial and other information. As some of the foregoing information was compiled or provided by our management or advisors and is not publicly available, such information accordingly may not be considered to be as independent as that provided by other third-party sources.

Tax considerations

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price in the Offering. See "*Certain tax considerations*".

Trademarks and trade names

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this offering memorandum belongs to its holder.

Currency presentation and exchange rate information

In this offering memorandum:

- $, "dollar" or "U.S. dollar" refers to the lawful currency of the United States; and
- € or "euro" refers to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

The following tables set forth, for the periods indicated, the period end, period average, high and low Bloomberg Composite Rates expressed in U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The Bloomberg Composite Rate of the euro on March 22, 2017 was $1.0797 per €1.00.

	U.S. dollar per €1.00			
Year ended December 31,	**Period end**	**Average(1)**	**High**	**Low**
2012	1.3192	1.2909	1.3458	1.2061
2013	1.3743	1.3300	1.3804	1.2780
2014	1.2098	1.3207	1.3932	1.2098
2015	1.0856	1.1031	1.2103	1.0497
2016	1.0520	1.1035	1.1532	1.0389
2017 (through March 22)	1.0797	1.0723	1.0810	1.0406

	U.S. dollar per €1.00			
Month	**Period end**	**Average(2)**	**High**	**Low**
September 2016	1.1240	1.1214	1.1260	1.1147
October 2016	1.0981	1.1024	1.1212	1.0881
November 2016	1.0588	1.0786	1.1143	1.0554
December 2016	1.0520	1.0583	1.0764	1.0389
January 2017	1.0797	1.0632	1.0797	1.0406
February 2017	1.0576	1.0641	1.0786	1.0537
March 2017 (through March 22)	1.0797	1.0654	1.0810	1.0507

(1) The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during such year.

(2) The average rate for a month means the average of the Bloomberg Composite Rates on each business day during such month.

The above rates differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. Our inclusion of the exchange rates is not meant to suggest that the euro amounts actually represent U.S. dollar amounts or that these amounts could have been converted into U.S. dollars at any particular rate, if at all.

Summary

This summary highlights certain information about us and the Offering. This summary should be read as an introduction to this offering memorandum. It does not contain all the information that may be important to you or that you should consider before investing in the Notes, and it is qualified in its entirety by the remainder of this offering memorandum. You should read this entire offering memorandum, including the financial statements and related notes, before making an investment decision. You should also carefully consider the information set out in this offering memorandum under the heading "Risk factors" for factors that you should consider before investing in the Notes and "Forward-looking statements" for information relating to the statements contained in this offering memorandum that are not historical facts before making any decision as to whether to invest in the Notes.

Our business

We are a leading international hotel operator and we are ranked the sixth largest hotel chain in Europe by number of rooms, according to the latest available MKG Hospitality report (published in 2016 based on data for 2015). As of December 31, 2016, we operated 379 hotels consisting of 58,472 rooms in 29 countries.

Based on an independent market research firm, and measured by number of hotel rooms in operation, as of August 2016, we were the second largest hotel chain in the Netherlands, the third largest in Italy, the second largest in Spain and the sixth largest in Germany. Of the 379 hotels we operated as of December 31, 2016, we owned 76 (or 21% by number of rooms), we leased 224 (or 56% by number of rooms) and we managed 79 hotels (or 23% by number of rooms) owned or leased by third parties pursuant to management agreements. We believe that our versatile operating structure and our geographic diversity enhance our resilience to industry cycles while also providing us with flexibility to take advantage of future growth opportunities.

For the year ended December 31, 2016, our net turnover was €1,447.9 million and our Pro Forma Adjusted EBITDA was €204.5 million. Our Adjusted EBITDA increased from €119.5 million in 2014 to €195.7 million in the year ended December 31, 2016. In the year ended December 31, 2016, our Occupancy, ADR and RevPAR were 68.4%, €90.6 and €62.0, respectively. For further information on these performance measures, see "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our financial condition and results of operations—Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)*". Our ratio of net indebtedness to Adjusted EBITDA decreased from 5.9x as of December 31, 2014 to 3.8x as of December 31, 2016.

We have a centralized business model that allows us to provide a consistent level of service to customers across hotels in different regions and to achieve economies of scale. Our central corporate and regional offices provide our hotels with a wide array of key functions, including sales, reservations, marketing, administrative and IT systems.

Since 2013, we have implemented our new value proposition across our different brands, including by investing in upgraded basics such as flat screen televisions and rain showers and by refining our dining and other food and beverage options. We have worked to align our hotels with their particular brand aesthetic to create a comfortable and standardized experience for our customers. We have also implemented our pricing strategy which provides for a new price architecture organized by destination, whereby we structure relative prices among various NH hotels in each destination, and by room type, whereby we have refined our prices to reflect a premium for desirable features such as good views. We have refurbished several of our leased and owned hotels, which have generally shown improved Occupancy, RevPAR and ADR as a result, and have overhauled our IT systems, launching a new website and completing the migration of our back office systems to SAP, an enterprise software system which integrates our front and back office and computer reservation systems, in most business units ("BUs").

Since 2013, we have successfully implemented various initiatives of our strategic plan. As a result of these initiatives, Adjusted EBITDA increased by 63.7% from €119.5 million in 2014 to €195.7 million for the year ended December 31, 2016. We have strengthened our brand proposition by reorganizing our hotels into an upper-upscale segment, an upscale segment, a mid-tier segment and a vacation segment, and we have developed the following core dedicated brands, each tailored to represent a clearly defined level of service, quality and value:

- *NH Collection* is our upper-upscale urban segment brand, which consists of our best properties and is designed for clients that are willing to pay a premium for higher quality products and services;
- *NH Hotels* remains our core brand for our upscale segment hotels, which consists of urban hotels with higher standards and more detail-oriented product and service levels, and our mid-tier urban segment hotels, which focus on delivering value and comfort for our customers;
- *NHOW* is our upper-upscale design brand, for which we do not have a standard design applied across all hotels. Instead, we have combined new forms of contemporary architecture, design and luxury by prestigious architects and interior designers to create an elegant and extravagant experience for our guests; and
- *Hesperia* resorts is our vacation brand, which is comprised of upper-upscale and upscale vacation properties, mainly in seaside destinations.

Partly as a result of our re-branding initiative, RevPAR and ADR increased for all our BUs from 2014 to 2015. RevPAR and ADR increased for all of our BUs from 2015 to 2016, with the exception of Italy (due to the positive effects of the Milan Expo in 2015). In particular, for our hotels in Spain, RevPAR, ADR and Occupancy have increased by 13.7%, 9.2% and 4.1%, respectively, in 2016 compared with 2015. For our hotels in Germany, RevPAR, ADR and Occupancy increased by 9.5%, 7.9% and 1.5%, respectively, in 2016 compared with 2015. We also believe our brand initiative will continue to broaden our customer base and improve the percentage of our customers who are business customers. In keeping with our value proposition, the majority of our hotel offerings will continue to be in the mid-tier segment.

As part of our strategic plan, we actively manage our asset portfolio, including our owned hotels, which had a book value of €1.3 billion as of December 31, 2016, although we believe that the actual market value of such assets is higher, also in light of the fact that the prices at which we have been able to sell our assets in the past six years have been in most cases higher than their respective book values. Additionally, 35 of our hotels have been appraised by third parties and have been assigned a market value of approximately €1.3 billion (20 hotels as of December 2016 and 15 hotels as of December 2015), which is equal to the book value of the 76 hotels we own. We regularly evaluate the performance of individual hotels to identify underperforming properties. For the year ended December 31, 2016, we had cash inflow from asset disposals of €119 million (which included €18.4 million in cash received in connection with a loan granted to the owner of NHOW Rotterdam, one of our leased hotels). We also aim to strengthen our operations by terminating lease agreements for underperforming hotels with negative or lower than expected EBITDA and management agreements that contain undesirable performance guarantees, as well as selling certain underperforming hotels and redirecting our resources to markets and hotels where our operations have been successful. One of the ways in which we actively redirect our resources is to increase the proportion of our operations conducted under management arrangements in order to take advantage of the less capital intensive nature of management arrangements.

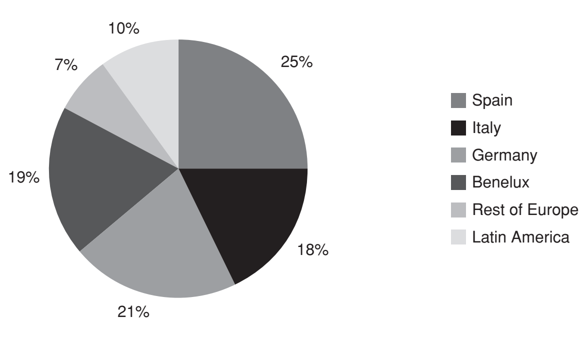
In addition, as part of our strategic plan, we intend to continue to increase Occupancy and Average Daily Rates through selective investments, including refurbishment of existing hotels and opening new hotels. As of December 31, 2016, a total of 58 hotels had been refurbished since we started making such investments in 2014. On average, the compound annual growth rate in RevPAR of all hotels with at least twelve months of operations was +12.7%, comparing 2016 (post-renovation) with 2014 or 2013, as applicable (pre-renovation). We also intend to complete the streamlining of our operating platforms to increase efficiency. To date, we have migrated most of our back office systems to SAP, and we have invested in the development of our website with increased functionality in order to increase the proportion of direct bookings. In the year ended December 31, 2016, compared to 2015, revenue generated from our website grew 18.0% from €89.6 million to €105.7 million. We also seek to reallocate our resources to grow in the markets where we believe there is increasing demand for hotel rooms and where we currently have limited presence. During 2016, we opened 6 hotels with 1,180 rooms in markets where we believed there is increasing demand for hotel rooms and we closed 7 hotels with 1,343 rooms.

As of December 31, 2016, we have entered into agreements to operate 31 new hotels with 4,959 rooms (our "committed pipeline hotels"), which are expected to commence operations between 2017 and 2019. We will operate our committed pipeline hotels under lease and management agreements with third-party hotel owners and most of our committed pipeline hotels will be operated under the core NH Hotels brand. We estimate that we will invest a total of approximately €30 million on our committed pipeline hotels between 2017 and 2019.

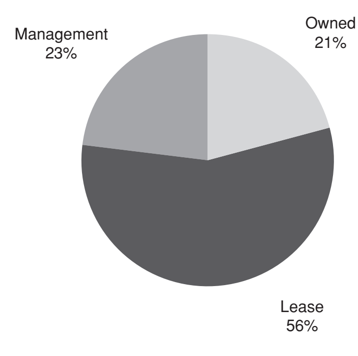
We are a public limited company (*sociedad anónima*) incorporated under the laws of Spain and listed on the Madrid, Bilbao, Valencia and Barcelona Stock Exchange (*Bolsas de Valores de Madrid, Bilbao, Valencia y Barcelona*) with an authorized share capital of €700,543,576 consisting of 350,271,788 shares as of December 31, 2016. Our market capitalization was €1.5 billion as of March 21, 2017.

The following diagram sets forth the geographic breakdown of our net turnover for the year ended December 31, 2016 and a breakdown of our rooms in our owned, leased and managed hotels as of December 31, 2016.

Net Turnover



Number of Room by Type of Operation



Our strengths

We believe we benefit from the following key strengths:

Leading European hotel operator with a large and diversified hotel portfolio with attractive market fundamentals

We are a leading international hotel operator and we are ranked the sixth largest hotel chain in Europe by number of rooms, according to the latest available MKG Hospitality report (published in 2016 based on data for 2015). As of December 31, 2016, we operated 379 hotels consisting of 58,472 rooms in 29 countries. We believe our strong presence in key urban markets throughout Europe enhances our resilience to industry and economic cycles affecting local and national markets. In 2016, our RevPAR increased 5.8%, our Occupancy increased 1.2% and our ADR increased 4.6%. Based on an independent market research firm, and measured by number of hotel rooms in operation, as of August 2016, we were the second largest hotel chain in the Netherlands, the third largest in Italy, the second largest in Spain and the sixth largest in Germany. Moreover, 94% of our hotels are located in urban markets, including Madrid, Barcelona, Amsterdam, Milan, Berlin, Frankfurt, Rome, Munich, Brussels, and Mexico City. Through our geographically diversified asset portfolio, we are positioned to take advantage of favorable economic trends in our various local markets, reducing our reliance on particular localities.

Through our geographically diversified footprint, we are well positioned to take advantage of attractive hotel market fundamentals, including: (i) 4.6% forecast annual growth per annum in global passenger traffic in the period between 2017 and 2019; (ii) improving RevPAR growth in Europe in the past 7 years (with RevPAR levels in 2016 still 6.5% below 2007 levels), (iii) a positive GDP outlook in European and Latin American markets; and (iv) limited supply growth in our core regions.

Recognized brand that is positioned to capitalize on the fragmented European hotel markets

We operate most of our hotels under our core NH Hotels brand, and we aim to deliver a consistent customer experience across all our hotels. Of the hotels included in the 2016 GFK survey we were the most recognized hotel brand in Spain, with the #1 position in the country in the "core target" category in relation to brand prompted awareness, which includes business and city travelers. In the Netherlands and Italy, we ranked third and fifth in brand spontaneous awareness, respectively, in the same "core target" category. In addition, we seek to achieve a growing presence in our other markets, and we seek to successfully expand our operations into international markets. The European hotel market remains highly fragmented, with a significant portion of hotels being independently operated, compared to an increasing shift away from independently operated hotels to branded hotels worldwide. We believe that we are positioned to benefit from increasing levels of brand penetration as a result of increasing customer preferences for international and widely recognized hotel brands. We believe customers prefer international hotel brands, especially compared to independent hotels at similar prices, and we believe we are well-positioned to benefit from the opportunities to capitalize on the fragmented European hotel markets. In addition, our widely recognized and well-marketed brand enables us to attract customers to our newly opened hotels. We believe that we have established a reputation as a leading international hotel operator and that this enables us to optimize our market share compared to local operators.

Large, diversified, well-managed and well-invested hotel portfolio in several key urban markets

As of December 31, 2016, of the 379 hotels we operated, we owned 76, leased 224 and managed 79 hotels owned or leased by third parties pursuant to management agreements. Most of our hotels are strategically located in key urban markets. Our portfolio of 76 owned and operated hotels consists of 12,298 rooms which represent approximately 21% of the hotel rooms we operate. Our owned hotels are located in Spain, Italy, Germany, the Netherlands, Belgium, Switzerland, South Africa, the United States and Latin America. The book value of our owned hotels was €1.3 billion as of December 31, 2016, although we believe that the actual market value of such assets is higher, also in light of the fact that the prices at which we have been able to sell our assets in the past six years have been in most cases higher than their respective book values. Additionally, 35 of our hotels have been appraised by third parties and have been assigned a market value of approximately €1.3 billion (20 hotels as of December 2016 and 15 hotels as of December 2015), which is equal to the book value of the 76 hotels we own. Moreover, based on the Duff & Phelps Report, the aggregate market value of the Mortgage Properties and the Share Collateral as of December 31, 2016 was €1,243.4 million. For further information on the Duff & Phelps Report see "—*Valuation of the Collateral*". As part of our strategic plan, we have improved RevPAR from €53.4 for the year ended

December 31, 2014 to €58.6 for the year ended December 31, 2015 and to €62.0 for the year ended December 31, 2016. We believe this positive result is partly attributable to the selective investments we have made in recent years, including the refurbishment of existing hotels and the opening of new hotels. As of December 31, 2016, a total of 58 hotels had been refurbished since our refurbishment and repositioning program was launched in 2014 and our refurbished hotels have generally shown improved Occupancy, RevPAR and ADR. We believe our refurbishment and repositioning program has also significantly contributed to improved TripAdvisor rankings, showing increases in the levels of quality perceived by customers. Our hotels have increased their average Tripadvisor score, obtaining an average score of 8.5 during the year ended December 31, 2016, as compared to 8.4 during the year ended December 31, 2015 and 8.2 for the year ended December 31, 2014. As of December 31, 2016, 34% of our hotels were in the relevant top 10 TripAdvisor ratings (almost doubled from 19% in 2013) and 53% of our hotels were in the relevant top 30 TripAdvisor ratings. As a significant owner of hotel assets, we are also benefitting from the recovery of demand, which we expect will continue to result in increased contributions from our owned properties. Moreover, we expect to extract additional value from our owned hotels in the short term either through increased earnings as a result of the refurbishment of our owned assets that we believe are most likely to yield higher Occupancy and ADR.

Operational efficiency gained through the implementation of a strategic plan

As a large and scalable hotel operator, we are able to benefit from operational efficiencies generated by our centralized cost structure. Our Group headquarters in Madrid provides several services and functions for all our hotels, including financing, sales and marketing, purchasing, information systems and technical assistance for our network, building and engineering services and central reservations. We believe the scalability of our centrally provided services gives us a competitive advantage over the smaller and independent hotel operators prevalent in our primary European markets. In addition, our centralized approach to reservations and marketing provides a familiar and consistent experience for customers across our global brand.

Since 2013 we have been implementing a number of administrative and operational cost saving initiatives in connection with our strategic plan. Such initiatives have been focused on supporting our margins, reducing operating costs and increasing operational efficiencies. In addition, we have sought to streamline our operations and central functions in order to enhance our operational efficiency and profitability and to position us to achieve our strategies in the future. In particular, we have restructured our personnel, centralized certain functions on a regional basis, rather than hotel by hotel, implemented new revenue management software, outsourced certain services where it is more efficient to do so and sold assets in order to effectively manage our operations. These efficiency initiatives have reduced our operational costs through the introduction of a more flexible cost structure that allows us to increase or decrease our services in accordance with changes in Occupancy levels. As of December 31, 2016, Spain, Benelux, Central Europe, Italy and Latin America have completed the migration of our back office and front office systems to SAP, an enterprise software system which integrates our front and back office and computer reservation systems (with the exception of Hoteles Royal, in relation to which the migration to SAP is expected to occur in 2017), and a new commercial website was launched in 2015. In the year ended December 31, 2016, compared to 2015, revenue generated from our website grew 18.0% from €89.6 million to €105.7 million. The migration to SAP provides us with more efficient access to data across our business, enabling us to enhance the customer experience we can offer, implement economies of scale and, we believe, improve our competitiveness. During 2014 and 2015, we also completed the centralization of our administrative staff in most of the countries in which we operate through the implementation of a shared service center with Accenture. We have also partly outsourced certain functions and services, including janitorial services in most of our hotels, reservations and technical support, to third-party vendors, and we may outsource other functions in the future.

Moreover, we have also introduced measures to enhance our offerings and increase demand through strategic pricing, developing our customer relationship management and our NH Hotel Group Rewards loyalty program, which has increased sales from several of our key accounts; tailoring our commercial strategies to our locations and destinations; and repositioning our brand and portfolio.

Experienced management team with a record of delivering operational and financial improvements

Our experienced and proven management team has an average of approximately 17 years' experience in the hotel industry. This has been instrumental to our growth and has successfully transformed our business into an international hotel operator with footholds in more European markets and exposure to markets in Latin America.

We have recently appointed Mr. Ramón Aragonés Marín as our Chief Executive Officer (CEO), who we believe has in-depth knowledge of the Group and the industry in which we operate, strategic vision as well as strong leadership and team management capabilities. Mr. Ramón Aragonés Marin has approximately 40 years of experience in the hotel industry and has worked in the NH group for the last 9 years.

Our management team continues to be fully committed to the implementation of our business plan and will continue to seek opportunities to increase profitability going forward. As a result of the successful implementation of initiatives as part of our strategic plan by our management team, Adjusted EBITDA increased from €119.5 million in 2014 to €195.7 million in the year ended December 31, 2016.

Partly as a result of our re-branding initiative, RevPAR and ADR increased for all our BUs from 2014 to 2015. RevPAR and ADR increased for all of our BUs from 2015 to 2016, with the exception of Italy (due to the positive effects of the Milan Expo in 2015). In particular, for our hotels in Spain, RevPAR, ADR and Occupancy have increased by 13.7%, 9.2% and 4.1%, respectively, in 2016 compared with 2015. For our hotels in Germany, RevPAR, ADR and Occupancy increased by 9.5%, 7.9% and 1.5%, respectively, in 2016 compared with 2015. In March 2014, we launched a new loyalty program, NH Hotel Group Rewards, which reached approximately 6.9 million members as of December, 2016, 21% of whom joined in the previous 12 months.

Our strategy

Our key strategies are the following.

Benefit from the selective refurbishment of owned and leased hotels to increase Occupancy and ADR and to enhance asset value

In the year ended December 31, 2016, we invested approximately €82.0 million as part of our repositioning initiative started in 2014 and we expect to invest approximately an additional €9.7 million during 2017 to complete approximately €200 million of investments since the plan was launched in 2014. As of December 31, 2016, a total of 58 hotels have been refurbished and, upon completion of this initiative, 65 hotels will have been refurbished, representing approximately 17% of our hotel portfolio. These hotels have been selected as we believe they are the most likely to yield higher Occupancy and ADR and to enhance the value of our owned and long term leased assets.

Our refurbishment program involves modernizing rooms and common areas by refreshing paint and floor coverings and replacing furnishings and finishings. In certain hotels, we have completed or intend to complete a total refurbishment of the building, including all mechanical, electrical and plumbing systems. The hotels we have refurbished have generally experienced increased RevPAR. On average, the compound annual growth rate in RevPAR of all hotels with at least twelve months of operations was +12.7%, comparing 2016 (post-renovation) with 2014 or 2013, as applicable (pre-renovation). Moreover, the value of our hotels has typically increased as a result of refurbishment. Although we have undertaken a capital-intensive refurbishment program, we have staggered the costs over several years, and we therefore have the flexibility to substantially control or reduce such costs by restructuring our refurbishment program as required.

Increase our profitability and implement further measures to achieve operational efficiencies

The ongoing implementation of our strategic plan since 2013 has been a key driver underlying the increase in our EBITDA. Once the repositioning initiative, IT investment phase and revenue management strategy have been implemented, we intend to improve efficiency of the Group by introducing a new operating model aimed at continuing to implement a further series of cost savings initiatives to reduce our fixed costs, with the goal of increasing EBITDA going forward.

During 2017, we expect savings to come from: (i) further efficiency improvements in our administrative functions as a result of our shared service centers with Accenture; (ii) better invoicing capabilities due to the migration of our back office and front office systems to SAP and the use of other relevant IT tools; (iii) the integration of Commercial and Revenue Management (CRM), enabling faster check-in and check-out; (iv) optimization of CRM functions through Duetto, a revenue management software that automatizes pricing and related capabilities and provides insights on pricing and demand; and (v) rationalization of the Projects and Construction teams after the completion of the investment phase. Additionally, we will continue focusing on reducing sales commissions payable to third parties by implementing a global approach to accounts and customers and developing an optimized channel mix which includes direct sales channels through our website and our booking offices. Our channel mix will also include sales through online travel agencies (OTAs). OTAs provide us a higher net ADR and allow us to gain access to long distance markets.

We invested approximately €40 million in 2014, 2015 and 2016 to overhaul our IT management systems across our entire business, including centralizing our data collection, increasing automation of certain processes and developing a new website, which we expect will further reduce our costs and positively affect our net turnover. The migration to SAP will provide us with more efficient access to data across our business, enabling us to enhance the customer experience we can offer and implement economies of scale which, we believe, will improve our competitiveness. We are also in the process of implementing new M&E management tools in all our BUs, including: (i) the Virtual Planner, which allows our teams and customers to virtually design meetings in 3D and enables them to anticipate the appearance of the selected meeting room; (ii) the Voice Management tool, implemented in the Group Sales Offices to manage calls more efficiently; and (iii) the M&E online store, which allows our customers to book M&E services online, freeing up time for our hotel reservation agents. With our M&E management tools, we aim to improve our operational efficiency and productivity, which we believe will lead to improved customer satisfaction and competitiveness.

Moreover, the new operating model that we intend to implement in late 2017 involves a geographic reorganization of certain corporate functions and Business Units, which we expect will result in additional synergies.

Continue to optimize our hotel portfolio through selective acquisitions and disposals and the renegotiation or termination of certain lease agreements

We have a proven track record of realizing gains from sales of assets, the proceeds of which we invest in improving our existing asset base or purchasing new assets. In total, we have sold hotels for an aggregate amount of approximately €1.1 billion since January 2010. The following table summarizes our asset sales since 2010 up to December 31, 2016.

Hotel	Date	Location	Number of rooms	Sale price	Sale price/ book value	Ratio of sale price to EBITDA[1]	Net capital gain (after tax)
				(in millions)			(in millions)
Hilton portfolio[2]	2010	Mexico	720	$ 57	108%	9.6x	€ 3.0
NH Jolly St. Ermin's	2010	United Kingdom	275	£ 65	100%	17.1x	€(12.0)
NH Ischia	2010	Italy	194	€ 36	114%	23.7x	€ 4.3
NH Luzern	2010	Switzerland	110	€ 15	142%	13.7x	Fr. 4.4
Other non-hotel assets[3]	2011	The Netherlands	N/A	€ 9	101%	N/A	€ 0.1
NH Ligure	2011	Italy	169	€ 22	103%	18.1x	€ 0.6
Artos transaction	2011	Germany and Austria	1,149	€168[4]	124%	9.5x	€ 32.3
Jolly Lotti Hotel	2011	France	159	€106	112%	21.6x	€ 11.5
NH Molenvijver Genk Hotel	2011	Belgium	82	€ 4	129%	13.1x	€ 0.9
NH Grand Hotel Krasnapolsky	2013	The Netherlands	468	€157	137%	10.8x	€ 42.2
NH Amsterdam Centre	2014	The Netherlands	232	€ 52	108%	15.8x	€ 4.0
Sotogrande	2014	Spain	N/A	€225	125%	N/A	€ 45.1
Harrington Hall[5]	2014	United Kingdom	200	€ 13	N/A	N/A	€ 13.3
NH Bogotá 93	2015	Colombia	137	€ 23	120%	15.9x	€ 3.9
Plettenberg	2015	South Africa	44	€ 1	179%	28.9x	€ 0.4
Eurobuilding Apartments	2015	Spain	12	€ 4	798%	N/A	€ 3.4
5 Flies	2015	The Netherlands	N/A	€ 6	214%	N/A	€ 3.4
NH Tenerife	2016	Spain	64	€ 4	100%	9.0x	€ 0.0
NH Belagua	2016	Spain	72	€ 8	100%	35.6x	€ (0.3)
Varallo and minority interests[6]	2016	Dominican Republic	N/A	€ 7	N/A	N/A	€ 3.0
LHI Option	2016	Spain	N/A	€ 48	N/A	N/A	€ 34.7
Eurobuilding Apartments	2016	Spain	N/A	€ 0.7	N/A	N/A	€ 0.6
NH Ambasciatori	2016	Italy	199	€ 20	116%	11.6x	€ 2.7
NH Fribourg	2016	Switzerland	122	Fr.12	110%	11.8x	€ 1.0
Minority interests[7]	2016	Germany	N/A	€ 2.6	N/A	N/A	€ 2.6
Minority interests[8]	2016	Italy	N/A	€ 3.0	N/A	N/A	€ 0.5

(1) The ratio of sale price to EBITDA in each case does not take into account corporate costs and is calculated on the basis of EBITDA for the full fiscal year preceding the disposal, except in the case of the NH Grand Hotel Krasnapolsky, which is calculated based upon EBITDA for the twelve months ended June 30, 2013.

(2) The Hilton portfolio consisted of three subsidiaries that each owned a hotel in Mexico, all of which were operated under the Hilton brand. Additionally, the cancellation of three management agreements was included in this transaction, which is taken into account in the calculations presented in this table.

(3) Other non-hotel assets consisted of the shops in the NH Grand Hotel Krasnapolsky.

(4) Represents the sale price with respect to the sale and leaseback of five hotels. In connection with this sale, we exercised our option to purchase ten hotels we previously leased.

(5) Reflects the disposal of the Group's 25% interest in a joint venture that owns the Harrington Hotel.

(6) Minority interests consisted of a minority investment in a resort hotel in the Dominican Republic.

(7) Minority interests consisted of a minority investment in three hotels in Germany.

(8) Minority interests consisted of a minority investment in a managed hotel in Italy.

Sales of certain of our hotels facilitate the repositioning of our business and also allow us to invest in our other owned and leased properties. For example, we continue to review strategic alternatives for our NH Jolly Madison Towers in New York. We regularly evaluate opportunities to expand, refurbish and upgrade our existing hotels to enhance our revenue base and profitability and increase the value of our owned assets. On average, we spend approximately 4 to 5% of our annual revenue from leased and owned hotels on the maintenance of our existing long-term leased hotels and owned hotels, which amounts are capitalized and depreciated over the life of the asset. In addition to capitalized maintenance expenditure, each hotel has its own ongoing maintenance budget. Moreover, as part of our repositioning initiative, we intend to more intensively invest in certain of our owned assets to increase their value, and in certain of the hotels we operate under long-term leases, which we believe will result in higher Occupancy and ADR.

Support our branded hotels by leveraging our marketing activities

We believe there are opportunities to leverage our global marketing strategy that will further diversify our customer base and deliver increased profits. We are enhancing our brand proposition in terms of value and quality we offer by redefining and segmenting our brands.

We have also rolled certain standardized products and services under our "NH Experience" offering in order to provide a consistent guest experience across our hotels. We have reorganized our hotels into four core brands (NH Collection, NH Hotels, NHOW and Hesperia) to ensure that our marketing and service levels are consistent across each brand. Each core brand has been tailored to represent a clearly defined level of service, quality and value for our upper-upscale, upscale, mid-tier and vacation hotels. We intend to expand our reach in certain of our existing markets where we believe there is opportunity for further growth by leveraging our brand and promotional activities through a mixture of our new digital strategy, marketing strategy and sales and pricing strategy. We are continuing to develop our website and e-commerce platform to encourage customers to book reservations directly through our website and to maximize our repeat business customer ratios. We are introducing centralized corporate pricing policies on a local level to ensure consistent pricing among our hotels in local markets and to introduce standardized policies for dynamic pricing that address macro-economic conditions and seasonality. In March 2014 we launched a new loyalty program, NH Hotel Group Rewards, which reached approximately 6.9 million members as of December 31, 2016. Of such number, 21% were new members that joined in the preceding twelve months. In addition, we have experienced a significant increase in the number of members at the top status level of our NH Hotel Group Rewards program indicating increased customer loyalty to our brand.

In terms of brand awareness, in a survey conducted in 2016 by GFK, we were the most recognized hotel brand in Spain, with the #1 position in the country in the "core target" category in relation to brand prompted awareness, which includes business and city travelers. In the Netherlands and Italy, we ranked third and fifth in brand spontaneous awareness, respectively, in the same "core target" category. We monitor customer satisfaction through our "Quality Focus On Line" tool, which analyzes results for both individual hotels and for our Group in the aggregate. Loyalty programs are also an important tool in increasing our guest loyalty. In 2016, our NH Hotel Group Rewards loyalty program accounted for approximately 5.5 million Room Nights, with respect to our owned, leased and managed hotels.

Pursue selective transactions to further develop our asset-light model

We have gradually been increasing the proportion of our asset-light operations compared to our owned and leased hotels. We have achieved this through an increase in the number of our management contracts, which do not require the levels of investment and maintenance expenditures typically associated with owned and leased hotels. This move towards a more asset-light model allows us to focus our attention and investments on streamlining our operations and enhancing the profitability of our hotels and will give us the flexibility to allocate our resources in accordance with our assessment of which hotels have the greatest potential to deliver strong performance and returns. In order to advance our transition towards an asset-light model, we may explore various investment opportunities and structures. We intend to pursue selective transactions and relationships that will provide us access to markets where we have identified significant potential and allow us to increase the proportion of our hotels that are operated under management contracts. These may include the purchase of hotel operators, the increase of the weight of variable leases with more flexible terms that we believe will increase resilience to industry cycles and the entry into joint ventures and minority investments in order to secure management contracts. We will also pursue selective, strategic acquisitions, ranging from single hotels to transformative transactions, that will progress our shift towards an asset-light model. For example, in 2013, we entered into a preliminary joint venture agreement with the HNA Group, through which we intend to operate hotels in the Chinese market, including under the NH Hotels brand. The joint venture with the HNA Group was formalized in the first semester of 2016 and has established the operative model to manage the first four hotels in China. Four management agreements have been signed for the operation under the joint venture of three five star hotels under the Tangla brand (Tangla Beijing (380 rooms), Tangla Tianjin (116 rooms) and Tangla Dongguan (268 rooms) all of which are already in operation) and one four star hotel, NH Shijiazhuang (78 rooms), located in the city of Shijiazhuang, which is expected to open at the end of March 2017.

We intend to attract more customers from China to our European and Latin American hotels. The joint venture agreement provides for the eventual transfer of six of the HNA Group's existing management contracts to the joint venture, and, beyond our initial investment in the joint venture of $9.8 million, half of which has been invested in the first semester of 2016 and the second half is expected to be invested in 2017, we are not required to make any capital investments under such agreement. These arrangements afford us operational flexibility to determine the amount of time, resources and capital to be invested in this project based on projected returns and performance.

In addition, in March 2015, we expanded our operations in Latin America through our acquisition of Hoteles Royal. Under this arrangement, we have been granted rights to manage 22 hotels in Colombia, Chile and Ecuador.

Recent developments

Disposals

As part of our ongoing strategic plan, on February 8, 2017, we entered into agreements with Hispania Activos Inmobiliarios Socimi. S.A. ("Hispania", a listed real estate ownership company) for a total consideration of €41 million in connection with (i) our disposal of the current NH Málaga Hotel pursuant to a sale and lease back arrangement for 20 years for cash proceeds in 2017 of €23 million, generating a capital gain of €9.2 million before taxes and (ii) the future acquisition by Hispania for €16 million of the extension of the NH Málaga Hotel that we plan to develop on an adjacent plot, the construction of which is expected to be completed by 2019.

Agreement with Hesperia

On December 4, 2016, we entered into a non-binding memorandum of understanding with Hesperia (the "Hesperia MoU") in connection with (i) the settlement of certain controversies with Hesperia regarding our management of certain Hesperia hotels and the economic consequences deriving from the potential termination of the relevant Hesperia management agreements (the "Hesperia Controversy"), (ii) the renewal of our Hesperia management agreements with respect to 28 of Hesperia's hotels in Spain (the "Spanish Hesperia Hotels") for nine years starting from January 1, 2017 and (iii) our provision of certain advisory services to three of Hesperia's hotels in Venezuela (the "Venezuelan Hesperia Hotels"), which we will cease to manage. On March 7, 2017, we entered into a binding agreement with Hesperia and certain entities of its group (the "Hesperia Framework Agreement") in respect of the matters contemplated by the Hesperia MoU.

The effectiveness of the Hesperia Framework Agreement is subject to the satisfaction of certain conditions precedent by April 20, 2017 (unless the long stop date under the agreement is extended), including (i) the execution of an agreement related to the transfer of Hesperia Entreprises de Venezuela, S.A. by the Group to Inverhesperia, S.L., an entity that is indirectly majority owned by our Co-Chairman Mr. Jose Antonio Castro Sousa, and certain trademarks associated with the Venezuelan Hesperia Hotels, the termination of the management agreements for the Venezuelan Hesperia Hotels and the execution of advisory agreements pursuant to which we will render advisory services to Hesperia Entreprises de Venezuela and (ii) the perfection of certain security granted by Hesperia in our favor to secure certain payment obligations assumed by Hesperia under the Hesperia Framework Agreement in the event of early termination of the management agreements by Hesperia. None of those conditions precedent have been satisfied as of the date hereof and, as a result, the Hesperia Controversy has yet to be definitively settled and the new terms and conditions of our management of the Spanish Hesperia Hotels have yet to come into force. The total consideration under the Hesperia Framework Agreement is €32.6 million, to be paid by us to Hesperia in three instalments.

The Refinancing

On March 20, 2017, Deutsche Bank launched a tender offer for the purchase for cash of up to €150 million in principal amount of the Issuer's outstanding 2019 Notes at a purchase price of 107.9% plus accrued and unpaid interest from the immediately preceding interest payment date to the settlement date of the tender offer (the "Tender Offer"). The Tender Offer is expected to expire on March 24, 2017. An indicative, non-binding announcement as to the aggregate principal amount of 2019 Notes tendered by holders of 2019 Notes in the Tender Offer is expected to be made on or about March 27, 2017. Settlement of the Tender Offer is conditional on the execution and continued effectiveness of the purchase agreement relating to the Notes, and is expected to take place on April 3, 2017. The Tender Offer is being made pursuant to a separate tender offer memorandum and not pursuant to this offering memorandum. The Tender Offer is subject to Deutsche Bank's right to re-open, amend, or terminate it. The Tender Offer was not open to any person located or resident in the United States and such persons were not eligible to participate in the Tender Offer.

On the Issue Date, the Notes are expected to be issued and delivered by the Issuer, together with cash on hand (if applicable), to Deutsche Bank as consideration for the acquisition of the 2019 Notes purchased by Deutsche Bank in the Tender Offer.

If less than €150 million in aggregate principal amount of the 2019 Notes are acquired by Deutsche Bank in the Tender Offer and subsequently acquired by us on the Issue Date, then the Issuer intends to redeem, pursuant to a Post-Settlement Redemption, and subsequently cancel, an aggregate principal amount of its 2019 Notes which, when combined with the 2019 Notes purchased by Deutsche Bank in the Tender Offer and subsequently acquired by the Issuer on the Issue Date, will result in the cancellation of €150 million in aggregate principal amount of the 2019 Notes. Any Post-Settlement Redemption is expected to be made at a redemption price equal to 100% of the principal amount of the 2019 Notes to be redeemed, plus accrued and unpaid interest, if any, plus a "make-whole" premium. If the aggregate purchase price for the 2019 Notes acquired from Deutsche Bank is lower than the aggregate purchase price received by us for the Notes, and otherwise at our discretion, we intend to use a portion of the proceeds that we receive in the Offering, together with cash on hand (if applicable), to fund the redemption of a portion of our 2019 Notes pursuant to the Post-Settlement Redemption.

See *"Plan of Distribution"* for a description of Deutsche Bank's role in the Tender Offer and "*Use of proceeds*", "*Capitalization*" and "*Description of certain financing arrangements*" for a more detailed description of the Refinancing.

Valuation of the Collateral

Duff & Phelps carried out a market valuation as of December 31, 2016 of the Mortgage Properties and the Share Collateral, including the total equity value of NH Italia. Duff & Phelps' valuation of the NH Italia Shares deducts total financial liabilities of NH Italia, which were €60.1 million as of December 31, 2016. Based on the Duff & Phelps Report, the aggregate market value of the Mortgage Properties and the Share Collateral as of December 31, 2016 was €1,243.4 million. The market value attributable to the Collateral as of December 31, 2016 is as follows.

Asset	Market value attributable to the Collateral
	(€ in millions)
Mortgage Properties	
NH Amsterdam Barbizon Palace	134.7
NH Noordwijk Conference Centre Leeuwenhorst	101.3
NH Eindhoven Conference Centre Koningshof	69.5
NH Amsterdam Schiphol Airport	48.2
NH Veluwe Conference Centre Sparrenhorst	10.1
NH Zoetermeer	5.0
NH Naarden	7.5
NH Capelle	8.2
NH Geldrop	4.6
NH Best	4.6
NH Heemskerk Marquette	2.4
	396.1
Diegem Properties	
NH Brussels Airport	31.2
NH Brussels City Centre	32.0
NH Gent Belfort	35.9
NH Brussels Grand Place Arenberg	27.7
NH Brugge	15.5
NH Brussels Stéphanie	8.7
NH Gent Sint Pieters	4.2
NH Mechelen	3.5
	158.8
Zandvoort Property	
NH Zandvoort	27.5
NH Italia(1)	
NH Italia Shares	661.1
Total	1,243.4

(1) For purposes of determining the value of the NH Italia Shares, we have used the mid-range value presented in the Duff & Phelps' Report.

The Collateral will secure the 2023 Notes as well as the 2019 Notes and the Senior Secured RCF (expected to be undrawn on such date) on a *pari passu* basis. After giving pro forma effect to the Refinancing, as of December 31, 2016, and assuming the Senior Secured RCF will be undrawn as of the Issue Date, an aggregate amount of €500.0 million of our outstanding indebtedness would have been secured by the Collateral, of which €115.0 million would have consisted of indebtedness under the Notes, €285.0 million would have consisted of indebtedness under the Original Notes and €100.0 million would have consisted of indebtedness under the 2019 Notes that are not cancelled pursuant to the Refinancing.

Basis of valuation and assumptions

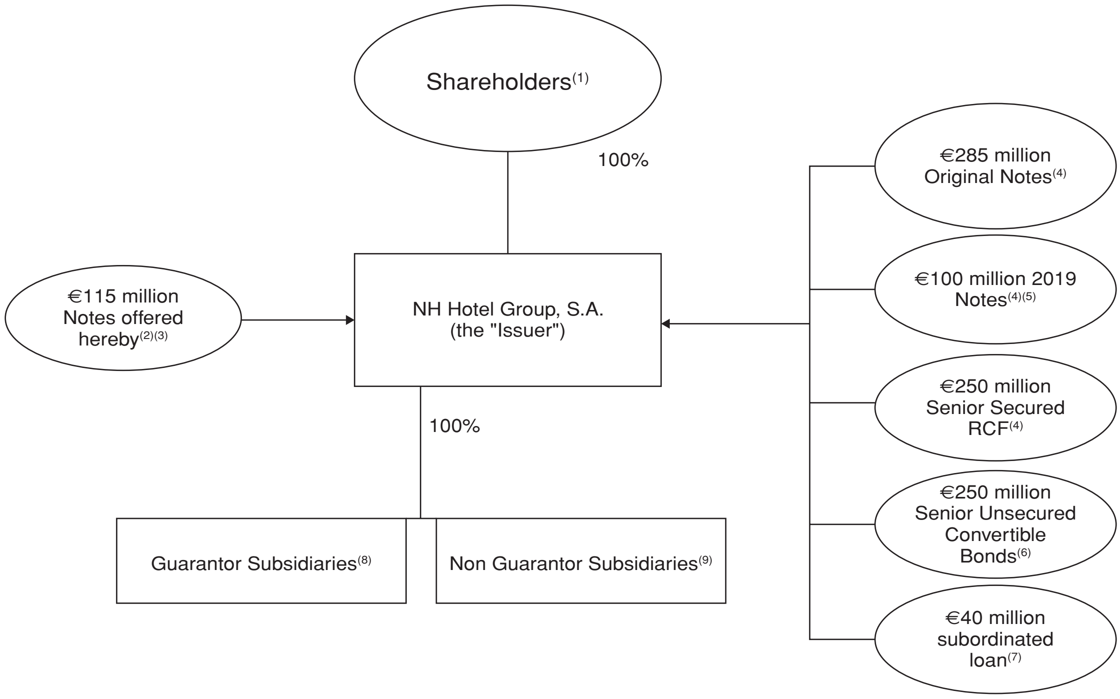
The valuation by Duff & Phelps was prepared on the basis of certain qualifications, assumptions, estimates and projections. The proceeds of any sale of the Collateral may vary significantly from the valuation set forth in the Duff & Phelps Report. For further information, see "*Business—Valuation of the Collateral*" and "*Annex A—Duff & Phelps Report*". See also "*Risk factors—Risks relating to our business and industry—The value of our properties reflected on our balance sheet and in this offering memorandum and the book value of our hotels and assets included in this offering memorandum is based in part upon the results of third-party valuations, and because property and asset valuation is inherently subjective and uncertain, the projections or assumptions used, estimates made or procedures followed in the third-party valuation of our properties and assets may not be correct, accurate or complete*" and "*Risk factors—Risks relating to the Notes and our structure—The projections or assumptions used, estimates made or procedures followed in the Duff & Phelps Report for the valuation of the Collateral may not be correct, accurate or complete, and investors in the Notes will have limited recourse against the third-party property valuation provider"*.

The Issuer

The Issuer is a public limited company (*sociedad anónima*) incorporated under the laws of Spain and listed on the Madrid, Bilbao, Valencia and Barcelona Stock Exchanges (*Bolsas de Valores de Madrid, Bilbao, Valencia y Barcelona*) with an authorized share capital of €700,543,576, consisting of 350,271,788 shares as of December 31, 2016. All shares have been issued and are fully paid up. Our market capitalization was €1.5 billion as of March 21, 2017. The Issuer is registered in the Commercial Registry of Madrid at volume 576 general 176 of section 3 of the companies' registry, page 61, sheet M-61 443. The registered office of the Issuer is located at Calle Santa Engracia 120, 28003 Madrid, Spain and its telephone number at that address is (+34) 91 451 97 18.

Summary corporate and financing structure

The following diagram summarizes our corporate structure, as well as the principal financing arrangements of the Group, after giving effect to the Refinancing. For a summary of the debt obligations referenced in this diagram, see "Description of certain financing arrangements" and "Description of the Notes".



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(1) The Issuer is listed on the Madrid, Bilbao, Valencia and Barcelona Stock Exchanges (*Bolsas de Valores de Madrid, Bilbao, Valencia y Barcelona*) with an authorized share capital of €700,543,576, consisting of 350,271,788 shares as of December 31, 2016. See "*Shareholders*" for information about our shareholders.

(2) The Notes will be issued as additional notes under the Indenture, pursuant to which the Original Notes were issued.

(3) On or before the Issue Date or within five business days thereafter, the security interests over the Collateral granted by the Issuer and the Guarantors in respect of the Original Notes will, in each case, be amended, confirmed or extended (as applicable) to include the Notes offered hereby. Accordingly, the Notes will be secured by the same Collateral as the Original Notes, 2019 Notes and the Senior Secured RCF, and will benefit from the proceeds of enforcement of such Collateral on a *pro rata* and *pari passu* basis with the Original Notes, the 2019 Notes and the Senior Secured RCF. After giving pro forma effect to the Refinancing, as of December 31, 2016, assuming the Senior Secured RCF will be undrawn as of the Issue Date, an aggregate amount of €500.0 million of our indebtedness outstanding would have been secured by the Collateral, of which €115.0 million would have comprised indebtedness under the Notes, €285.0 million would have comprised indebtedness under the Original Notes, and €100.0 million would have comprised indebtedness under the 2019 Notes that are not cancelled pursuant to the Refinancing.

(4) The Original Notes, the 2019 Notes and the Senior Secured RCF will be secured by the same Collateral as will secure the Notes and will benefit from the proceeds of enforcement of such Collateral on a *pro rata* and *pari passu* basis with the Notes. See "*Description of certain financing arrangements—2019 Notes*" and "*Description of certain financing arrangements—Senior Secured RCF Agreement*".

(5) The Issuer had €250 million aggregate principal amount of 2019 Notes outstanding as of December 31, 2016. On the Issue Date, we will acquire a portion of our 2019 Notes from Deutsche Bank, such portion having been acquired by Deutsche Bank in the Tender Offer. On the Issue Date, the Notes issued in the Offering are expected to be delivered to Deutsche Bank, together with cash on hand, as consideration for the acquisition of the 2019 Notes from Deutsche Bank. The 2019 Notes acquired from Deutsche Bank are expected to be cancelled on the Issue Date. If less than €150 million in aggregate principal amount of the 2019 Notes are acquired by Deutsche Bank in the Tender Offer and subsequently acquired by us, then we intend to redeem, pursuant to a Post-Settlement Redemption, and subsequently cancel, an aggregate principal amount of the 2019 Notes which, when combined with the 2019 Notes purchased by Deutsche Bank in the Tender Offer and subsequently acquired by us on the Issue Date, will result in the cancellation of €150 million in aggregate principal amount of the 2019 Notes. See "*Summary—The Refinancing*", "*Use of proceeds*" and "*Capitalization*".

(6) Comprises €238.7 million of debt instruments and other marketable securities and €11.3 million of equity as of December 31, 2016. See "*Description of certain financing arrangements—Senior Unsecured Convertible Bonds*".

(7) Represents a €40 million subordinated facility provided by Taberna Europe CDO I PLC, which was fully drawn as of December 31, 2016. See *"Description of certain financing arrangements—Subordinated loan—Merrill Lynch loan"*.

(8) On the Issue Date, certain of the Issuer's subsidiaries will extend their unconditional guarantee of the Original Notes to include the Notes offered hereby. For a list of these subsidiaries, see "*—The Offering—Notes Guarantees*". The Guarantors

also guarantee the 2019 Notes and the Senior Secured RCF. The Guarantors comprised 63.7% of our total assets as of December 31, 2016 and represented 81.5% and 60.6% of our net turnover and EBITDA, respectively, for the year ended December 31, 2016, and the Issuer and the Guarantors together comprised 81.8% of our total assets as of December 31, 2016 and represented 82.9% and 84.6% of our net turnover and EBITDA, respectively, for the year ended December 31, 2016. As of December 31, 2016, as adjusted to give effect to the Refinancing, the Issuer and the Guarantors would have had €803.8 million and €4.4 million of indebtedness outstanding, respectively.

(9) As of December 31, 2016, as adjusted to give effect to the Refinancing, our subsidiaries that are not Guarantors would have had indebtedness outstanding in an aggregate amount of €40.4 million.

The Offering

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this offering memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer	NH Hotel Group, S.A.
Notes offered	€115,000,000 aggregate principal amount of 3.750% Senior Secured Notes due 2023.
	The Notes will be issued as additional notes under the indenture dated as of September 29, 2016 (the "Indenture") pursuant to which the Issuer issued its €285,000,000 aggregate principal amount of 3.750% Senior Secured Notes due 2023 (the "Original Notes" and, together with the Notes, the "2023 Notes").
	The Notes offered hereby will have substantially the same terms as those of, and will form part of the same series as, the Original Notes and will be treated as a single class for all purposes under the Indenture including, with respect to waivers, amendments, redemptions and offers to purchase, and will become fully fungible with the Original Notes following termination of certain U.S. selling restrictions.
	The Notes will initially be issued bearing temporary international securities identification numbers ("ISINs") and temporary common codes that differ from the ISINs and common codes assigned to the Original Notes, and will also bear an applicable restrictive U.S. Securities Act legend referred to under the heading "Transfer restrictions" in this offering memorandum. On and from the applicable consolidation date, the Notes will be consolidated and fully fungible with the Original Notes. The consolidation date for Notes sold outside the United States to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act will be the earlier of 40 days after the later of the Issue Date and the earliest date or dates permitted under U.S. federal securities laws. The consolidation date for Notes sold within the United States in reliance on Rule 144A under the U.S. Securities Act will be the earlier of one year after the later of the Issue Date and the earliest date or dates permitted under U.S. federal securities laws. Following the replacement of the applicable temporary ISINs and temporary common codes as set forth under "*Listing and General Information*", the Notes will become fully fungible with the Original Notes for trading purposes.
Issue date	, 2017
Issue price	plus accrued interest, if any, from April 1, 2017.
Maturity date	October 1, 2023.
Interest payment dates	Semi-annually in arrears on April 1 and October 1 of each year, commencing on October 1, 2017.

Denomination	The Notes will have a minimum denomination of €100,000 and integral multiples of €1,000 in excess thereof. Notes in denominations of less than €100,000 will not be available.
Ranking of the Notes	The Notes will: • be a general senior obligation of the Issuer; • be secured on a first-priority basis along with obligations under the Original Notes, the 2019 Notes and the Senior Secured RCF as described under "—*Security*"; • rank *pari passu* in right of payment with existing and future obligations of the Issuer that are not subordinated to the Notes, including obligations under the Original Notes, the Senior Unsecured Convertible Bonds, the 2019 Notes and the Senior Secured RCF; • rank senior in right of payment to existing and future obligations of the Issuer that are subordinated to the Notes; • be structurally subordinated to existing and future obligations of the Issuer's subsidiaries that are not Guarantors; • be effectively subordinated to existing and future obligations of the Issuer that are secured by assets that do not secure the Notes, to the extent of the value of the assets securing such obligations; and • be fully and unconditionally guaranteed by the Guarantors, as described under "—*Notes Guarantees*", subject to certain guarantee limitations.
Notes Guarantees	As of the Issue Date, the Issuer's obligations under the Notes will be guaranteed jointly and severally on a senior basis by the following subsidiaries of the Issuer ("the Guarantors"), which will extend their unconditional guarantee of the Original Notes to include the Notes offered hereby (the "Notes Guarantees"):

Guarantor	Jurisdiction
Latina de Gestión Hotelera, S.A.	Argentina
Edificio Metro, S.A.	Argentina
Polis Corporation, S.A.	Argentina
NH Hoteles Austria, GmbH	Austria
Hotel Exploitatiemaatschappij Diegem N.V.	Belgium
Jolly Hotels Belgio, S.A.	Belgium
Immo Hotel BCC NV	Belgium
Immo Hotel Belfort NV	Belgium
Immo Hotel Brugge NV	Belgium
Immo Hotel Diegem NV	Belgium
Immo Hotel Gent NV	Belgium
Immo Hotel GP NV	Belgium
Immo Hotel Mechelen NV	Belgium
Immo Hotel Stephanie NV	Belgium
Hotelera Chile, S.A.	Chile

Guarantor	Jurisdiction
NH Hoteles Czechia, s.r.o.	Czech Republic
NH Aguamarina Dominicana S.R.L.	Dominican Republic
NH Hoteles France, S.A.S.U.	France
NH Hoteles Deutschland GmbH	Germany
NH Hotelbetriebs- und Dienstleistungs GmbH	Germany
NH Hotelbetriebs- und Entwicklungs GmbH	Germany
NH Central Europe GmbH & Co. KG	Germany
JOLLY HOTELS DEUTSCHLAND GmbH	Germany
NH Italia S.p.A.	Italy
NH Finance, S.A.	Luxembourg
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.	Mexico
Servicios Corporativos Hoteleros, S.A. de C.V.	Mexico
Hotelera de la Parra, S.A. de C.V.	Mexico
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	Mexico
Grupo Hotelero Monterrey, S.A. de C.V.	Mexico
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Mexico
NH Hoteles Polska sp. z o.o.	Poland
NH Hotel Rallye Portugal, Unipessoal Lda.	Portugal
NH Management Black Sea S.R.L.	Romania
NH Atardecer Caribeño, S.A.U.	Spain
NH Central Reservation Office, S.A.U.	Spain
NH Hoteles España, S.A.U.	Spain
Nuevos Espacios Hoteleros, S.A.U.	Spain
NH Hoteles Switzerland GmbH	Switzerland
Hotel Houdstermaatschappij Jolly B.V.	The Netherlands
Hotel Exploitatiemaatschappij Vijzelstraat Amsterdam B.V.	The Netherlands
NH Private Equity B.V.	The Netherlands
Palatium Amstelodamum N.V.	The Netherlands
Hotelexploitatiemaatschappij Onderlangs Arnhem B.V.	The Netherlands
Hotelexploitatiemaatschappij Stadhouderskade Amsterdam B.V.	The Netherlands
Hotelexploitatiemaatschappij Forum Maastricht B.V.	The Netherlands
Hotelexploitatiemaatschappij Capelle aan den IJssel B.V.	The Netherlands
Hotelexploitatiemaatschappij Van Alphenstraat Zandvoort B.V.	The Netherlands
Hotelexploitatiemaatschappij Atlanta Rotterdam B.V.	The Netherlands

Guarantor	Jurisdiction
Hotelexploitatiemaatschappij Leijenberghlaan Amsterdam B.V.	The Netherlands
Exploitatiemaatschappij Doelen Hotel B.V.	The Netherlands
Exploitatiemaatschappij Schiller Hotel B.V.	The Netherlands
Hotelexploitatiemaatschappij Jaarbeursplein Utrecht B.V.	The Netherlands
Hotelexploitatiemaatschappij Amsterdam Noord B.V.	The Netherlands
Koningshof B.V.	The Netherlands
Leeuwenhorst Congres Center B.V.	The Netherlands
Hotelexploitatiemaatschappij Spuistraat Amsterdam B.V.	The Netherlands
Hotelexploitatiemaatschappij Janskerkhof Utrecht B.V.	The Netherlands
Hotel De Ville B.V.	The Netherlands
De Sparrenhorst B.V.	The Netherlands
Olofskapel Monumenten B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Maas Best B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Capelle aan den IJssel B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Bogardeind Geldrop B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Marquette Heemskerk B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort B.V.	The Netherlands
Hotelexploitatiemaatschappij Stationsstraat Amersfoort B.V.	The Netherlands
Jolly Hotels Holland N.V.	The Netherlands
Jolly Hotels USA, Inc.	United States
Columbia Palace Hotel, S.A.	Uruguay

	The Guarantors comprised 63.7% of our total assets as of December 31, 2016 and represented 81.5% and 60.6% of our net turnover and EBITDA, respectively, for the year ended December 31, 2016, and the Issuer and the Guarantors together comprised 81.8% of our total assets as of December 31, 2016 and represented 82.9% and 84.6% of our net turnover and EBITDA, respectively, for the year ended December 31, 2016. As of December 31, 2016, on a pro forma basis after giving effect to the Refinancing, the Issuer's subsidiaries that do not guarantee the Notes would have had €40.4 million of debt outstanding. The Notes Guarantees will be subject to legal and contractual limitations. For instance, due to Italian laws on corporate benefit, the guarantee provided by NH Italia will be limited to €80.0 million. See "*Risk factors—Risks relating to the Notes and our structure—The Notes Guarantees are significantly limited by applicable laws and are subject to certain limitations or defenses*" and "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations*". The Notes Guarantees may be released in certain circumstances. See "*Description of the Notes—Release of the notes guarantees*" and "*Risk factors—Risks relating to the Notes and our structure—The Notes Guarantees and the security interests in the Collateral are significantly limited by applicable laws and are subject to certain limitations on enforcement or defenses*". Hesperia Enterprises de Venezuela, S.A., has been designated as an Unrestricted Subsidiary and its Notes Guarantee under the Indenture has been or will be released on or prior to the Issue Date.
Ranking of the Notes Guarantees .	Each Notes Guarantee will: • be a general senior obligation of the applicable Guarantor; • be secured on a first-priority basis along with obligations under the Original Notes, the 2019 Notes and the Senior Secured RCF as described under "*—Security*"; • rank *pari passu* in right of payment with existing and future obligations of the applicable Guarantor that are not subordinated to that Guarantor's Notes Guarantee, including its guarantee of obligations under the Original Notes, the 2019 Notes and the Senior Secured RCF; • rank senior in right of payment to existing and future obligations of the applicable Guarantor that are subordinated to that Guarantor's Notes Guarantee; • be structurally subordinated to existing and future obligations of the Issuer's subsidiaries that do not guarantee the Notes; and

	• be effectively subordinated to existing and future obligations of the applicable Guarantor that are secured by assets that do not secure the Notes Guarantee, to the extent of the value of the property or assets securing such obligations.
Security	The Notes and the Notes Guarantees will be secured by the Collateral securing the Original Notes, which comprises: • a first priority lien over the shares of capital stock representing 100% of the share capital of (1) Diegem, (2) each of the Diegem Entities, (3) Zandvoort and (4) NH Italia; and • first-ranking mortgages over the Mortgage Properties, which are located in the Netherlands and are owned by the Issuer or wholly owned subsidiaries of the Issuer. For a more detailed description of the security, see "*Description of the Notes—Security*". The Indenture provides that the Collateral will secure the 2023 Notes and the 2023 Notes Guarantees. Security over the Collateral may be released under certain circumstances, including if a certain loan to value ratio is satisfied and in connection with certain permitted sales of the Collateral. See "*Description of the Notes—Security—Release of security interests*". The Collateral also secures on a first-ranking basis the 2019 Notes and the Senior Secured RCF and may also secure certain future indebtedness. Pursuant to the terms of the Intercreditor Agreement, the holders of the Notes will receive proceeds from enforcement of security over the Collateral on a *pro rata* and *pari passu* basis with the holders of the 2019 Notes and the lenders under the Senior Secured RCF.
Tender Offer	On March 20, 2017, Deutsche Bank launched the Tender Offer for the purchase for cash of up to €150 million in principal amount of the Issuer's outstanding 2019 Notes at a purchase price of 107.9% plus accrued and unpaid interest from the immediately preceding interest payment date to the settlement date of the Tender Offer. The Tender Offer is expected to expire on March 24, 2017. An indicative, non-binding announcement, as to the aggregate principal amount of 2019 Notes tendered by holders of 2019 Notes in the Tender Offer is expected to be made on or about March 27, 2017. Settlement of the Tender Offer is conditional on the execution and continued effectiveness of the purchase agreement relating to the Notes, and is expected to take place on April 3, 2017. The Tender Offer is being made pursuant to a separate tender offer memorandum and not pursuant to this offering memorandum. See "*—The Refinancing*", "*Use of proceeds*" *and* "*Plan of Distribution*".

Post-Settlement Redemption	If less than €150 million in aggregate principal amount of the 2019 Notes are acquired by Deutsche Bank in the Tender Offer and subsequently acquired by us on the Issue Date, then the Issuer intends to redeem, pursuant to a Post-Settlement Redemption, and subsequently cancel an aggregate principal amount of its 2019 Notes which, when combined with the 2019 Notes purchased by Deutsche Bank in the Tender Offer and subsequently acquired by the Issuer on the Issue Date, will result in the cancellation of €150 million in aggregate principal amount of the Issuer's 2019 Notes. Any Post-Settlement Redemption is expected to be made at a redemption price equal to 100% of the principal amount of the 2019 Notes to be redeemed, plus accrued and unpaid interest, if any, plus a "make-whole" premium. See "*—The Refinancing*".
Use of proceeds	On the Issue Date, the Notes issued in the Offering are expected to be delivered to Deutsche Bank, together with cash on hand (if applicable), as consideration for the acquisition of the 2019 Notes from Deutsche Bank. If the aggregate purchase price for the 2019 Notes acquired from Deutsche Bank is lower than the aggregate purchase price received by us for the Notes, and otherwise at our discretion, we will use a portion of the proceeds that we receive in the Offering, together with cash on hand (if applicable), to (i) fund the redemption of a portion of our 2019 Notes pursuant to the Post-Settlement Redemption, and (ii) to pay the costs, fees and expenses of the Refinancing. See "*Use of Proceeds*."
Optional redemption	Prior to October 1, 2019, the Issuer may redeem at its option all or part of the 2023 Notes at any time at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest, if any, to the redemption date and a "make-whole" premium, as further described in this offering memorandum under the caption "*Description of the Notes—Optional redemption*". In addition, at any time prior to October 1, 2019, the Issuer may redeem at its option up to 40% of the aggregate principal amount of the 2023 Notes with the net proceeds from certain equity offerings at a redemption price equal to 103.750% of the principal amount outstanding of the 2023 Notes, plus accrued and unpaid interest to the redemption date, so long as at least 60% of the aggregate principal amount of the 2023 Notes remains outstanding immediately after each such redemption and each such redemption occurs within 90 days after the closing date of the relevant equity offering.

Prior to October 1, 2019, the Issuer may redeem during each twelve-month period commencing on September 29, 2016 up to 10% of the original principal amount of the 2023 Notes at its option, upon not less than 10 nor more than 60 days' notice to Holders of the 2023 Notes, at a redemption price equal to 103% of the principal amount, plus accrued and unpaid interest, if any, to the applicable redemption date.

At any time on or after October 1, 2019, the Issuer may redeem the 2023 Notes in whole or in part at the redemption prices described in this offering memorandum under the caption "*Description of the Notes—Optional redemption*", plus accrued and unpaid interest, if any, to the redemption date.

Additional amounts; tax redemption . . . . All payments in respect of the Notes and the Notes Guarantees will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, the Issuer or Guarantors, as applicable, will pay additional amounts so that the net amount a holder of such Notes receives is no less than that which such holder would have received in the absence of such withholding or deduction. See "*Description of the Notes—Additional Amounts*". The Issuer may redeem the Notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on such Notes and, as a result, the Issuer or any Guarantor is required to pay additional amounts with respect to such withholding taxes. If the Issuer decides to exercise such redemption right, it must pay holders of such Notes a redemption price equal to the principal amount of the Notes being redeemed, together with accrued and unpaid interest and additional amounts, if any, to the redemption date. See "*Description of the Notes—Optional tax redemption*".

Change of control . . . . Upon the occurrence of certain events constituting a change of control, the Issuer is required to offer to repurchase all outstanding 2023 Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of repurchase plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. See "*Description of the Notes—Change of Control*".

Certain covenants . . . . The Indenture governing the 2023 Notes limits, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends or make other distributions;

	• make certain other restricted payments and investments; • create or incur liens; • create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Issuer or its restricted subsidiaries; • transfer or sell assets; • impair the security interest in the Collateral; • merge or consolidate with other entities; and • enter into certain transactions with affiliates. Each of the covenants is subject to a number of significant exceptions and qualifications. For a more detailed description of these covenants, see "*Description of the Notes—Certain covenants*".
Transfer restrictions	The Notes and the Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See "*Transfer restrictions*" and *"Plan of distribution*".
Absence of a public market for the Notes	Although the Initial Purchaser has informed us that it intends to make a market in the Notes, it is not obligated to do so and may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing	Application has been or will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and admit the Notes to trading on the Euro MTF. There is no assurance that the Notes will be listed and admitted to trading on the Euro MTF.
Trustee	BNP Paribas Trust Corporation UK Limited.
Security Agent	BNP Paribas Trust Corporation UK Limited.
Paying Agent, Registrar, Transfer Agent and Luxembourg Listing Agent	BNP Paribas Securities Services, Luxembourg Branch.
Governing law for the Notes, Notes Guarantees and the Indenture	The Notes and the Notes Guarantees will be, and the Indenture is governed by the laws of the State of New York.

Governing law for the Intercreditor Agreement	The Intercreditor Agreement is governed by the laws of England and Wales.
Governing law for the Security Documents	The Security Documents will be governed by the laws of Belgium, Italy and the Netherlands.
ISINs	Reg S: (temporary) and XS1497527736 (permanent); Rule 144A: (temporary) and XS1497532652 (permanent).
Common Codes	Reg S: (temporary) and 149752773 (permanent); Rule 144A: (temporary) and 149753265 (permanent).

Risk factors

Investing in the Notes involves substantial risks. Investors should carefully consider all the information in this offering memorandum. In particular, investors should consider the factors set forth under "*Risk factors*" before making a decision to invest in the Notes.

Summary financial and other information

The following summary consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated statement of cash flows as of and for the years ended December 31, 2014, 2015 and 2016, except for the footnotes included below each table and except as otherwise indicated, have been derived from the audited consolidated financial statements for such periods of the Group, which were audited by Deloitte, S.L. and have been prepared in accordance with IFRS. This summary financial information is not necessarily representative of our results of operations for any future period or our financial condition at any future date.

IFRS 5 (*Non-current Assets held for Sale and Discontinued Operations*) was applied in the preparation of the audited consolidated financial statements as of and for the year ended December 31, 2014 due to the identification of all Sotogrande assets (including those that were eventually sold and those that were retained by the Group) as non-strategic assets undergoing divestment. As a result, such assets and liabilities were reclassified as "held for sale" and appear separately under the line items "Profit (loss) for the year from discontinued operations net of tax" in the consolidated statement of profit or loss and other comprehensive income and "Non-current assets classified as held for sale" and "Liabilities associated with non-current assets classified as held for sale" in the consolidated statement of financial position for the year ended December 31, 2014. We sold Sotogrande in November 2014, excluding certain international assets that were retained, which continue to be held for sale. See "*Management's discussion and analysis of financial condition and results of operations—Changes to accounting policies and new accounting standards*".

The following summary unaudited pro forma financial information has been derived by applying pro forma adjustments to the Group's historical consolidated financial statements included elsewhere in this offering memorandum. The summary pro forma financial information gives effect to the Refinancing as described in "*Use of proceeds*", as though it had occurred on January 1, 2016 for pro forma financial information relating to statement of comprehensive income and on December 31, 2016 for pro forma financial information relating to statement of financial position. The unaudited pro forma adjustments and the unaudited pro forma financial information set forth below are based upon available information and certain assumptions and estimates that we believe are reasonable and may differ from actual amounts. The summary pro forma financial information is for informational purposes only and does not purport to present what our results would actually have been had these transactions occurred on the dates presented or to project our results of operations or financial position for any future period or our financial condition at any future date.

This "*Summary financial and other information*" contains certain non-IFRS financial measures including Adjusted EBITDA, Adjusted EBITDA margin, EBITDA, EBITDA margin, EBITDAR, EBITDAR margin, Pro Forma Adjusted EBITDA, net indebtedness, net secured indebtedness and changes in working capital. These non-IFRS financial measures are not measurements of performance or liquidity under IFRS. Investors should not place any undue reliance on these non-IFRS measures and should not consider these measures as: (a) an alternative to operating income or net income as determined in accordance with generally accepted accounting principles, or as measures of operating performance; (b) an alternative to cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles, or as a measure of our ability to meet cash needs; or (c) an alternative to any other measures of performance under generally accepted accounting principles. These measures are not indicative of our historical operating results, nor are they meant to be predictive of future results. These measures are used by our management to monitor the underlying performance of the business and the operations. Since all companies do not calculate these measures in an identical manner, our presentation may not be consistent with similar measures used by other companies. Therefore, investors should not place undue reliance on this data.

This "*Summary financial and other information*" should be read in conjunction with, and is qualified in its entirety by reference to, our financial statements and the accompanying notes included elsewhere in this offering memorandum, and should also be read together with the information set forth in "*Summary*", "*Important information for investors—Presentation of financial and other information*", "*Important information for Investors—Use of non-IFRS financial measures*", "*Important information for investors—Other data*", "*Business*", "*Use of proceeds*", "*Capitalization*", "*Selected historical consolidated financial information*" and "*Management's discussion and analysis of financial condition and results of operations*".

The results of operations for prior years are not necessarily indicative of the results to be expected for any future period. For more information on the basis of preparation of this financial information, see "*—Presentation of financial and other information*" and the notes to the financial statements included elsewhere in this offering memorandum.

Summary consolidated statement of profit or loss and other comprehensive income

	For the year ended December 31,		
	2014	**2015**	**2016**
	(€ in millions)		
Net turnover	1,247.0	1,376.6	1,447.9
Other operating income	3.3	1.2	7.7
Net gain (loss) on disposal of non-current assets	(1.0)	(0.8)	41.5
Procurements	(67.3)	(67.6)	(66.9)
Personnel expenses	(373.8)	(398.1)	(415.9)
Depreciation allowance	(98.5)	(106.2)	(114.2)
Net losses from asset impairment	12.8	30.9	(2.7)
Variation in the provision for onerous agreements	14.7	19.0	4.2
Other operating expenses	(720.0)	(787.1)	(795.2)
Profit (loss) from entities valued through the equity method	(1.3)	(0.7)	0.1
Financial income	7.4	5.2	3.3
Change in fair value of financial instruments	2.0	4.7	0.4
Financial expenses	(68.7)	(73.6)	(72.3)
Net exchange rate differences	—	2.1	(3.6)
Gain (loss) of financial investments	17.3	4.8	9.9
Pre-tax profit (loss) from continuing operations	**(26.3)**	**10.3**	**44.4**
Corporate tax	(15.6)	(13.1)	(7.9)
Profit (loss) from continuing operations	**(41.9)**	**(2.8)**	**36.4**
Profit (loss) for the year from discontinued operations net of tax	31.5	6.1	(2.3)
Profit (loss) for the financial year	**(10.4)**	**3.3**	**34.1**
Non-controlling interests	(0.9)	2.4	3.4
Profit (loss) attributable to shareholders of the Issuer	**(9.6)**	**0.9**	**30.8**

Summary consolidated statement of financial position

	As of December 31,		
	2014	2015	2016
	(€ in millions)		
Assets			
Tangible fixed assets	1,606.4	1,724.2	1,701.4
Intangible assets	172.8	238.1	244.2
Non-current investments	183.4	177.4	101.7
Other non-current assets	168.9	182.1	171.3
Total non-current assets	**2,131.5**	**2,321.8**	**2,218.6**
Non-current assets classified as held for sale	95.2	45.0	46.7
Inventories	8.2	9.5	9.9
Receivables	205.8	242.4	200.7
Cash and cash equivalents	200.1	77.7	136.7
Other current assets	20.2	14.5	14.6
Total current assets	**529.5**	**389.1**	**408.6**
Total assets	**2,661.0**	**2,710.9**	**2,627.2**
Shareholders' equity and liabilities			
Shareholders' equity	**1,136.7**	**1,126.1**	**1,155.9**
Debentures and other marketable securities	464.0	471.9	763.6
Debts with credit institutions	268.9	336.2	72.7
Non-current provisions	56.9	48.7	52.9
Deferred tax liabilities	179.7	196.7	175.0
Other non-current liabilities	91.3	101.5	35.5
Total non-current liabilities	**1,060.8**	**1,155.0**	**1,099.7**
Liabilities associated with non-current assets classified as held for sale	56.1	—	2.7
Debentures and other marketable securities	3.5	3.6	2.2
Debts with credit institutions	70.9	75.3	23.2
Trade creditors and other accounts payable	231.5	251.1	229.8
Current provisions	14.8	5.3	11.5
Other current liabilities	86.7	94.5	102.2
Total current liabilities	**463.5**	**429.8**	**371.6**
Total shareholders' equity and liabilities	**2,661.0**	**2,710.9**	**2,627.2**

Summary consolidated statement of cash flows

	For the year ended December 31,		
	2014	2015	2016
	(€ in millions)		
Total net cash flow from operating activities	32.1	90.3	176.6
Total net cash flow from (used in) investment activities	(38.3)	(216.9)	(23.7)
Financial income	7.3	4.8	2.0
Investments	(114.5)	(254.1)	(145.0)
Group companies, joint ventures and associated companies	—	(0.3)	(5.6)
Tangible and intangible assets and real-estate investments	(109.9)	(176.1)	(139.4)
Non-current assets classified as held for sale	(4.3)	—	—
Non-current financial investments	(0.4)	(77.7)	—
Disposals	69.0	32.4	119.3
Total net cash flow used in financing activities	(103.8)	(6.8)	(94.4)
Gross increase/reduction of cash or equivalent assets	(109.9)	(133.4)	58.5
Effect of change in exchange rates on cash and equivalent assets	(0.3)	3.1	0.6
Effect of changes in scope of consolidation	176.4	7.9	(0.0)
Net increase/reduction of cash or equivalent assets	**66.2**	**(122.4)**	**59.0**
Cash or equivalent assets at beginning of the year	133.9	200.1	77.7
Cash or equivalent assets at the end of the year	**200.1**	**77.7**	**136.7**

Other financial and pro forma data (unaudited)

	For the year ended December 31,		
	2014	2015	2016
	(€ in millions unless otherwise indicated)		
EBITDA[(1)]	88.1	124.3	219.2
EBITDAR[(2)]	360.3	406.9	507.2
Adjusted EBITDA[(3)]	119.5	138.3	195.7
EBITDA margin[(4)]	7.1%	9.0%	15.1%
EBITDAR margin[(5)]	28.9%	29.6%	35.0%
Adjusted EBITDA margin[(6)]	9.6%	10.0%	13.5%
Pro Forma Adjusted EBITDA[(7)]			204.5
Pro forma net indebtedness secured by the Collateral[(8)]			416.5
Pro forma net indebtedness[(9)]			765.1
Pro forma interest expense[(10)]			35.2
Ratio of pro forma net indebtedness secured by the Collateral to Pro forma Adjusted EBITDA			2.0x
Ratio of pro forma net indebtedness to Pro Forma Adjusted EBITDA			3.7x
Ratio of Pro Forma Adjusted EBITDA to pro forma interest expense			5.8x
Ratio of pro forma indebtedness secured by the Collateral to Collateral Value[(11)]			40%

(1) We define EBITDA as profit (loss) attributable to shareholders of the Issuer plus non-controlling interests plus profit (loss) for the year from discontinued operations net of tax minus corporation tax, gain (loss) on financial investments, net exchange rate differences, financial expenses, change in fair value of financial instruments, financial income, profit (loss) from entities

valued through the equity method, variation in the provision for onerous agreements, net losses from asset impairment, depreciation allowance and inventory impairments. EBITDA is a non-IFRS measure. The following is a calculation of EBITDA.

	For the year ended December 31,		
	2014	2015	2016
	(€ in millions)		
Profit (loss) attributable to shareholders of the Issuer	(9.6)	0.9	30.8
Non-controlling interests	(0.9)	2.4	3.4
Profit (loss) for the financial year	**(10.4)**	**3.3**	**34.1**
Profit (loss) for the year from discontinued operations net of tax	31.5	6.1	(2.3)
Profit (loss) from continuing operations	**(41.9)**	**(2.8)**	**36.4**
Corporation tax	(15.6)	(13.1)	(7.9)
EBT	**(26.3)**	**10.3**	**44.4**
Profit (loss) from entities valued through the equity method	(1.3)	(0.7)	0.1
Financial income	7.4	5.2	3.3
Change in fair value of financial instruments	2.0	4.7	0.4
Net exchange rate differences	—	2.1	(3.6)
Financial expenses	(68.8)	(73.7)	(72.3)
Gain (loss) of financial investments	17.3	4.8	9.9
EBIT	**17.1**	**68.0**	**106.5**
Variation in the provision for onerous agreements	14.7	19.0	4.2
Net losses from asset impairment	12.8	30.9	(2.7)
Depreciation allowance	(98.5)	(106.2)	(114.2)
Inventory impairments[(a)]	—	—	—
EBITDA	**88.1**	**124.3**	**219.2**

(a) Procurements consist of purchases and inventory impairments. Inventory impairments represent a variation on the valuation of our real estate inventories based upon expert appraisal opinions.

(2) We define EBITDAR as EBITDA before rent expense. Rent expense is a component of Other operating expenses.

	For the year ended December 31,		
	2014	2015	2016
	(€ in millions)		
EBITDA	**88.1**	**124.3**	**219.2**
Rent Expense	272.2	282.6	288.0
EBITDAR	**360.3**	**406.9**	**507.2**

(3) We define Adjusted EBITDA as EBITDA adjusted for the effect of certain non-recurring items, including gains or losses from disposals of assets, the variation in the provisions for liabilities and charges from losses and unrecovered receivables and advisory and consultancy expenses, non-recurring staff costs, non-recurring lease costs, non-recurring tax liabilities and other non-recurring items. Adjusted EBITDA is a non-IFRS measure. The following is a calculation of Adjusted EBITDA.

	For the year ended December 31,		
	2014	2015	2016
	(€ in millions)		
EBITDA	**88.1**	**124.3**	**219.2**
Net (gains) / losses from disposals of assets[(a)]	0.1	0.6	(41.5)
Provisions for liabilities and charges[(b)]	8.2	6.6	4.3
Staff costs[(c)]	15.3	2.0	12.5
Non-recurring lease costs[(d)]	3.4	—	0.7
Tax liabilities[(e)]	—	2.8	—
Other non-recurring events[(f)]	4.4	1.9	0.5
Adjusted EBITDA	**119.5**	**138.3**	**195.7**[(g)]

(a) For the year ended December 31, 2014, net losses from disposals of assets consists of gains from the payment received in 2014 pursuant to an earnout provision under the agreement relating to the sale of Artos, a portfolio of German hotels, which took place in 2011 and gains from the sale of ancillary buildings on the grounds of our hotel Jan Tabak, more than offset by losses from the sale of NH Schiphol and the write-off of tangible assets due to the refurbishment of certain hotels. For the year ended December 31, 2015, net losses from disposals of assets consists of gains from the sale of certain NH Eurobuilding apartments, the sale of D'Vijff Vlieghen (5 Flies) restaurant in Amsterdam, the sale of NH Pletenberg and the payment received pursuant to an earnout provision under the agreement relating to the sale of Artos in 2011, more than offset by losses from the write-off of tangible assets due to the refurbishment of certain hotels. For the year ended December 31, 2016, net gains from disposals of assets consists of gains from the sale of the LHI Option, the sale of NH Ambasciatori, the sale of NH Fribourg, the sale of certain NH Eurobuilding apartments and the sale of other non-hotel assets, partially offset by losses from the sale of NH Belagua and the write-off of tangible assets due to the refurbishment of certain hotels.

(b) Provisions for liabilities and charges (i) for the year ended December 31, 2014 include the variation in the provision for losses and unrecovered receivables in exceptional cases, such as the insolvency of certain tour operators, consultancy expenses related to non-recurring transactions, such as the sale of Sotogrande in 2014, and one-off expenses related to our strategic plan; (ii) for the year ended December 31, 2015, include the variation in the provision for losses and unrecovered receivables in exceptional cases, such as the insolvency of certain tour operators, provisions for advisory and consultancy expenses related to non recurring transactions (including the aborted bond issuance), extraordinary indemnities in connection with our termination of the sponsorship of a sport tournament and certain claims related to, inter alia, the sale of Sotogrande; (iii) for the year ended December 31, 2016, include provisions for advisory and consultancy expenses related to non recurring transactions and certain claims related to, inter alia, the sale of Sotogrande.

(c) Represents non-recurring staff costs, including expenses related to severance payments and provisions therefor.

(d) Non-recurring lease costs include adjustments related to the provision made for potential costs associated with the early termination of leases at our option and adjustments for the difference between rent expense recognized on a straight-line basis with respect to our leases and the amount of rent we paid with respect to our leases.

(e) Tax liabilities, for the year ended December 31, 2015 include provisions in connection with certain tax audits in Spain and the Netherlands, one off tax penalties we were required to pay and the advisory costs associated with the defense of such tax audits.

(f) Other non-recurring events (i) for the year ended December 31, 2014, reflect the overlap of costs relating to personnel, the engagement of consultants or duplicated costs for the stabilization of certain services during the transition period over which we were implementing the centralization of our internal administrative functions through our shared service centers; and (ii) for the year ended December 31, 2015, reflect extraordinary costs associated with the centralization of our internal administrative functions through our shared service centers; and (iii) for the year ended December 31, 2016, include certain indemnities we provided under the agreement relating to the sale of NH Krasnapolsky.

(g) Credit card fees are included as financial expenses (and therefore in EBITDA) and amounted to €14.5 million in 2016.

(4) We define EBITDA margin as EBITDA divided by net turnover.

(5) We define EBITDAR margin as EBITDAR divided by net turnover.

(6) We define Adjusted EBITDA margin as Adjusted EBITDA divided by net turnover.

(7) We define Pro Forma Adjusted EBITDA as Adjusted EBITDA for the year ended December 31, 2016 further adjusted to give pro forma effect to the disposal of hotels and the execution and termination of management and lease agreements, the refurbishment of hotels, the change in the type of contract under which we operate our hotels, a change in scope relating to the purchase of 47% of the company Palacio de la Merced, S.A., certain cost savings related to the restructuring of NH Italia's workforce and the non-recurring works over our IT infrastructure and certain cost savings related to efficiency improvement initiative, as if such events had been completed on January 1, 2016.

	For the year ended December 31, 2016
	(€ in millions)
Adjusted EBITDA	**195.7**
Net effect of disposal of hotels and new and terminated management and lease agreements(a)	(3.7)
Refurbishment of certain hotels(b)	6.5
Net effect of changes in type of contract(c)	(0.7)
Change of scope(d)	1.1
Restructuring of NH Italia(e)	1.2
IT savings(f)	2.0
Cost savings related to efficiency improvement initiatives(g)	2.4
Pro Forma Adjusted EBITDA	**204.5**

(a) Adjusted for (i) EBITDA for the year ended December 31, 2016 in respect of NH Belagua, which was sold in February 2016 and NH Fribourg, which was sold in August 2016 ; (ii) the net effect of additional management fees we would have received in respect of new management agreements entered into during the course of the year ended December 31, 2016 had such management agreements been entered into on January 1, 2016, less management fees received in the year ended December 31, 2016 pursuant to a management agreement that was terminated during such period, and (ii) the EBITDA that was contributed to the Group for the year ended December 31, 2016 by hotels the leases of which we terminated in such period.

(b) This adjustment seeks to illustrate EBITDA for a full twelve month period with respect to NH Sanvy, NH Calderón, NH Frankfurt City, NH Berlin Friedrichstrasse, NH Mexico City, NH Hotel Du Grand Sablon, NH Barbizon Palace, NH Schiphol Airport, NH Doelen, NH Conference Centre Leeuwenhorst, NH City Centre Amsterdam, NH Podium, NH Dusseldorf City Nord, Nh Weinheim, NH Nurnberg City, NH Koeln Mediapark, NH Liberdade, NH Erlangen, NH Conference Centre Koningshof, NH Dortmund, NH Hamburg Mitte, NH Barajas, NH Ciudad de Zaragoza which were fully or partially closed for refurbishment for a period of at least one month in the year ended December 31, 2016. Reflects the deduction of actual EBITDA for such hotels during the months (in the year ended December 31, 2016) when they were under refurbishment, plus actual EBITDA for such hotels during the corresponding months of the year ended December 31, 2015. This adjustment does not purport to represent what our EBITDA would have actually been had such hotels remained fully operational during the relevant periods, nor does it purport to project our EBITDA for any future period.

(c) This adjustment seeks to illustrate EBITDA for the full year ended December 31, 2016 with respect to changes to the type of agreements relating to the operation of certain hotels and assets occurred over such period. Reflects (i) in connection with the hotels in relation to which we changed the relevant contractual arrangements from management agreement to lease agreement in the year ended December 31, 2016, the EBITDA that would have been contributed by these hotels in such period had the relevant lease agreements been entered into on January 1, 2016, less the EBITDA that would have been contributed by these hotels in such period if we had not changed the relevant contractual arrangements; (ii) in connection with the owned hotels and assets that we sold and leased back in the year ended December 31, 2016, the EBITDA that would have been contributed by these hotels and assets in such period had the relevant sale and lease back agreements been entered into on January 1, 2016, less the EBITDA that would have been contributed by these hotels and assets in such period if we had not sold them and leased back.

(d) The addition to the consolidation scope comes from the purchase of 47% of the company Palacio de la Merced, S.A. on December 27, 2016, considering the EBITDA that would have been contributed by this hotel in such period had the relevant lease agreements been entered into on January 1, 2016 less the intercompany management fees that would have been contributed by this hotel if we had not acquired the 47% of the company. Debt and cash adjustments are already reflected in the actual results for the year ended December 31, 2016 as the transaction was completed in 2016.

(e) Reflects cost savings that we would have realized in the year ended December 31, 2016 if the human resources operational improvement at NH Italia had been completed on January 1, 2016.

(f) Reflects cost savings that we would have realized in the year ended December 31, 2016 if the renewal and extraordinary maintenance works that we carried out over our IT infrastructures over such period, including the insourcing of certain IT services which were previously outsourced, had been completed on January 1, 2016.

(g) Reflects cost savings that we would have realized in the year ended December 31, 2016 if the following actions (which were completed as of March 1, 2017) had been completed on January 1, 2016: reorganization of commercial teams, such as branding, rationalization of the Projects and Construction teams upon completion of the repositioning initiative and implementation of programs to improve internal quality control resulting in less expenses related to external quality control with respect to our branding and services.

(8) Pro forma net secured indebtedness represents the portion of indebtedness that is secured by the Collateral *less* cash and cash equivalents of the Group on a consolidated basis, on an as adjusted basis after giving effect to the Refinancing. Reflects the Notes (€115.0 million), the Original Notes (€285.0 million) and the 2019 Notes (€100.0 million), net of €83.5 million of cash and cash equivalents, as adjusted for the Refinancing. The actual amount of cash and cash equivalents may be subject to adjustment depending on the final issue price of the Notes and other factors. See "*Use of Proceeds*" and "*Capitalization.*"

(9) Pro forma net indebtedness represents indebtedness of the Group on a consolidated basis *less* cash and cash equivalents of the Group on a consolidated basis, on an as adjusted basis after giving effect to the Refinancing. Reflects the Notes (€115.0 million), the Original Notes (€285.0 million), the 2019 Notes (€100.0 million), the Senior Unsecured Convertible Bonds (€250.0 million), subordinated indebtedness (€40.0 million), secured loans (€37.4 million) and unsecured loans (€21.2 million), net of €83.5 million of cash and cash equivalents, as adjusted for the Refinancing. The actual amount of cash and cash equivalents may be subject to adjustment depending on the final issue price of the Notes and other factors. See "*Use of Proceeds*" and "*Capitalization.*"

(10) Pro forma interest expense represents interest payable as adjusted for the interest expense in respect of the Notes offered hereby less the interest expense in respect of the 2019 Notes to be cancelled pursuant to the Refinancing. Pro forma interest expense excludes non-cash items, fees and expenses payable under the Senior Secured RCF and other credit facilities, fees, costs and any repurchase premium paid in connection with the Tender Offer and, if applicable, any redemption premium paid in connection with any Post-Settlement Redemption.

The repurchase premium, fees and costs incurred in the exchange of the 2019 Notes that have been tendered in the Tender Offer are expected to be treated as an adjustment to the carrying amount of the 2019 Notes and are expected to be amortized over the remaining term of the Notes in accordance with International Accounting Standard 39 (Financial Instruments: Recognition and Measurement). The redemption premium, fees and expenses in connection with the redemption of the other 2019 Notes that the Issuer intends to cancel are expected to be expensed in 2017.

(11) Pro forma indebtedness secured by the Collateral refers to the Notes, the 2019 Notes and the Senior Secured RCF (expected to be undrawn on the Issue Date). Collateral value means the market value of the Collateral, as of December 31, 2016 as set forth in the Duff & Phelps Report. Collateral value as presented in the offering memorandum may differ from "Collateral Value" as defined in the "*Description of the Notes*." For further information, see "*Business—Valuation of the Collateral*" and "*Annex A—Duff & Phelps Report*". See also "*Risk factors—Risks relating to our business and industry—The value of our properties reflected on our balance sheet and in this offering memorandum and the book value of our hotels and assets included in this offering memorandum is based in part upon the results of third-party valuations, and because property and asset valuation is inherently subjective and uncertain, the projections or assumptions used, estimates made or procedures followed in the third-party valuation of our properties and assets may not be correct, accurate or complete*" and "*—Risks relating to the Notes and our structure—The projections or assumptions used, estimates made or procedures followed in the Duff & Phelps Report for the valuation of the Collateral may not be correct, accurate or complete, and investors in the Notes will have limited recourse against the third-party property valuation provider".*

Segment information

The following tables set forth certain financial and operating information of our geographical segments (which excludes revenues between segments) for the periods indicated. For the purposes of the geographical breakdown of our financial performance, which is based upon our consolidated financial statements, and the geographical breakdown of our key operating performance indicators, including RevPAR, Occupancy and ADR below, we define our geographical segments as follows: (1) Spain, which includes Spain and Andorra; (2) Italy; (3) Germany; (4) Benelux, which includes Belgium, the Netherlands and Luxembourg; (5) Rest of Europe, which includes Austria, the Czech Republic, Hungary, Poland, Romania, Slovakia, Switzerland, France, Portugal, South Africa and the United Kingdom; and (6) Latin America, which includes Mexico, the Dominican Republic, Venezuela, Argentina, Chile, Colombia, Ecuador, Uruguay and the United States. See "*Important information for investors—Other data—Other operating measures*".

Operating information (unaudited)

We have included other operating information in this offering memorandum, some of which we refer to as "key performance indicators", including RevPAR, Occupancy, Room Nights and ADR. We believe that it is useful to include this operating information as we use it for internal performance analysis, and the presentation by our business divisions of these measures facilitates comparability with other companies in our industry, although our measures may not be comparable with similar measurements presented by other companies. Such operating information should not be considered in isolation or construed as a substitute for measures in accordance with IFRS. For a description of certain of our key performance indicators, see "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our financial condition and results of operations—Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)*".

Revenue per Available Room (RevPAR)

RevPAR is the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period.

The following table sets forth a geographic breakdown of RevPAR for the periods indicated.

	For the year ended December 31,				
	2014		2015		2016
	(€)	% change(1)	(€)	% change(1)	(€)
Spain	44.2	17.4%	51.9	13.7%	59.0
Italy	62.2	20.1%	74.7	(2.0)%	73.2
Germany	53.9	1.1%	54.5	9.5%	59.7
Benelux	57.9	7.4%	62.2	3.9%	64.6
Rest of Europe	62.1	6.1%	65.9	6.8%	70.4
Latin America	48.1	1.0%	48.6	0.8%	49.0
Group	53.4	9.7%	58.6	5.8%	62.0

(1) Represents the percentage change in RevPAR between 2014 and 2015, and between 2015 and 2016, as applicable.

Occupancy

Occupancy is the quotient of the total number of Room Nights sold during a specified period divided by the total number of rooms available for each day during that period. Occupancy measures the utilization of our hotels' available room capacity. Management uses Occupancy to gauge demand at a specific hotel or group of hotels in a given period, which is mainly driven by conferences, trade fairs and other events in the hotel's proximity. Occupancy is also affected by the supply of hotel rooms in the area surrounding each of our hotels, and increases in hotel room supply, which can increase competition and make it more difficult to achieve high Occupancy. Occupancy also helps us determine achievable ADR levels, based upon hotel category and hotel facilities, as demand for our hotel rooms increases or decreases. The following table sets forth the Occupancy for our hotels in our geographic segments.

	For the year ended December 31,				
	2014		2015		2016
	(%)	% change(1)	(%)	% change(1)	(%)
Spain	63.6	6.0%	67.5	4.1%	70.2
Italy	65.2	2.6%	66.9	1.1%	67.6
Germany	71.6	(3.6)%	69.0	1.5%	70.0
Benelux	67.4	1.3%	68.2	(3.3)%	66.0
Rest of Europe	74.7	(4.5)%	71.3	6.3%	75.8
Latin America	70.3	(9.6)%	63.5	(1.5)%	62.6
Group	67.7	(0.1)%	67.6	1.2%	68.4

(1) Represents the percentage change in Occupancy between 2014 and 2015, or between 2015 and 2016, as applicable.

Average Daily Rate (ADR)

Average Daily Rate is the quotient of total room revenues for a specified period divided by total Room Nights sold during that period. The following table sets forth a geographic breakdown of ADR for the periods indicated.

	For the year ended December 31,				
	2014		2015		2016
	(€)	% change(1)	(€)	% change(1)	(€)
Spain	69.5	10.7%	76.9	9.2%	84.1
Italy	95.4	17.0%	111.7	(3.1)%	108.2
Germany	75.3	5.0%	79.1	7.9%	85.3
Benelux	86.0	6.1%	91.2	7.4%	98.0
Rest of Europe	83.2	11.1%	92.4	0.5%	92.9
Latin America	68.5	11.8%	76.5	2.4%	78.4
Group	78.9	9.7%	86.6	4.6%	90.6

(1) Represents the percentage change in ADR between 2014 and 2015, or between 2015 and 2016, as applicable.

Geographical Information

The following table sets forth a geographic breakdown of our net turnover for the periods indicated.

	For the year ended December 31,		
	2014	2015	2016
	(€ in millions)		
Net turnover			
Spain	295.3	325.5	361.4
Italy	227.1	267.0	266.4
Germany	288.3	288.3	307.7
Benelux	256.6	263.7	276.1
Rest of Europe	92.6	93.5	99.1
Latin America	87.1	138.6	137.3
Total	**1,247.0**	**1,376.6**	**1,447.9**

Risk factors

An investment in the Notes involves risk. You should carefully consider the following risks, together with other information provided to you in this offering memorandum, in deciding whether to invest in the Notes. The occurrence of any of the events discussed below could be detrimental to our financial performance. If these events occur, the trading price of the Notes could decline, we may not be able to pay all or part of the interest or principal on the Notes, and you may lose all or part of your investment. Additional risks not currently known to us or that are presently deemed immaterial may also harm us and affect your investment.

Risks relating to our business and industry

The hotel industry may be materially affected by general economic conditions and other factors outside our control, and declines or disruptions in the hotel industry could adversely affect our business, results of operations, financial condition or prospects.

Consumer demand for our products and services is closely linked to the performance of the general economy and is sensitive to business and personal discretionary spending levels. Declines in consumer demand due to adverse general economic conditions, changes in travel patterns, lower consumer confidence or adverse political conditions can lower the revenues and profitability of our owned and leased properties and the amount of management fee revenues we are able to generate from our managed properties. Declines in hotel profitability during an economic downturn directly affect the incentive portion of our management fee revenues, which is based upon hotel profit measures. In addition, to the extent that we have provided a guarantee under a management agreement to meet certain profitability measures and those measures are not met, during a specified period, typically two or three consecutive years, we have the option to compensate the hotel proprietor for the shortfall or, if we elect not to pay the hotel proprietor, the hotel proprietor may terminate the agreement, in which case we have no further obligations to the hotel proprietor.

The economic downturn in some of our key markets such as Spain and Italy in the period from 2009 to 2013 led to a decline in demand for hospitality products and services, lower occupancy levels and reduced room rates, all of which had a negative impact on our net turnover and negatively affected our profitability. We cannot predict whether we will be able to increase ADR and Occupancy and therefore RevPAR at the same rate at which they declined during the downturn. An extended period of economic weakness would likely have a further adverse effect on our results of operations, financial condition and prospects.

Furthermore, global economic conditions, particularly in Europe, have significantly affected consumer confidence and behavior and, as a result, historical performance information may be less effective as a means of predicting future demand and operating results.

A majority of our revenue is generated from operations in Europe, and an economic downturn in Europe could intensify the risks faced by the hotel industry, which could negatively affect our business, results of operations, financial condition or prospects.

Our operations are principally located in Europe, and in particular in Spain, Italy, Germany and Benelux, which for the year ended December 31, 2016 collectively accounted for approximately 83.7% of our net turnover. Accordingly, our financial performance is particularly affected by economic and financial conditions in Europe, and our results of operations may be further adversely affected if the macroeconomic circumstances in Spain, Italy, Belgium, the Netherlands and Luxembourg or other European countries in which we operate cause a sustained or significant fall in the demand for hotels. In these circumstances, many of the risks faced by the hotel industry and our business could intensify, which could negatively affect our business and net turnover and our access to, and cost of, capital.

We operate in a highly competitive industry, and our business, results of operations, financial condition, prospects and market share could be adversely affected if we are unable to compete effectively.

The hotel industry is highly competitive. We face a variety of competitive challenges in attracting new guests and maintaining customer loyalty among our existing customer base, including:

- anticipating and responding to the needs of our customers;
- differentiating the quality of our hotel services and products with respect to our competitors;
- developing and maintaining a strong brand image and a reputation for consistent quality and service across our hotels;
- competitively and consistently pricing our rooms and achieving customer perception of value;
- undertaking effective and appropriate promotional activities and effectively responding to promotional activities of our competitors;
- maintaining and developing effective website designs, mobile applications and online presence; and
- attracting and retaining talented employees and management teams.

We compete with hotel operators of varying sizes, including major international chains with well-established and recognized brands offering a broad range of products, as well as specialist or independent hotel operators. Some of our competitors have greater market presence and name recognition and stronger brands than we do. Certain competitors have greater financial resources, greater purchasing economies of scale and lower cost bases than we have. Consequently they may be able to spend more on marketing and advertising campaigns, thereby increasing market share. Our competitors may be able to react more swiftly to changes in market conditions or trends or to offer lower prices or incur higher costs for longer than we can. The adoption by competitors of aggressive pricing, intensive promotional activities and discount strategies or other actions that attract customers away from us, as well as our actions to maintain our competitiveness and reputation, could have an adverse effect on our market share and position, in turn affecting our net turnover and EBITDA.

Additionally, the use and popularity of sharing economy providers, such as Airbnb, has grown rapidly in recent years. Sharing economy providers compete against traditional accommodation providers such as hotels and hostels and may disrupt or reduce customer demand for traditional accommodation or require traditional accommodation providers to alter their business model or pricing structures in order to compete effectively.

Our ability to grow our business depends, in part, upon our ability to enter into new management agreements, and there is no guarantee that we will be able to enter into management agreements on terms that are favorable to us, or at all.

We also compete with other hotel operators for management agreements, based primarily on the value and quality of our management services, our brand name recognition and reputation, our experience and track record of success in certain regions, our ability and willingness to invest our capital in third-party properties or hospitality venture projects, the level of our management fee revenue, the terms of our management agreements and the economic advantages to the hotel proprietor of retaining our management services and using our brand name. Other competitive factors for management agreements include relationships with third-party hotel proprietors and investors and our previous performance with such hotel proprietors or investors, including institutional owners of multiple properties, marketing support and reservation and e-commerce system capacity and efficiency. We believe that our ability to compete for management agreements primarily depends upon the success of the properties that we currently manage. The terms of any new management agreements that we obtain also depend upon the terms that our competitors offer for those agreements. In addition, if the availability of suitable locations for new properties decreases, planning or other local regulations change or the availability or affordability of financing is limited, the supply of suitable properties for our management could be diminished. We may also be required to agree to limitations on the expansion of our brand in certain geographic areas to obtain a management agreement for a property under development, which could prohibit us from managing or owning other properties in areas where further opportunities exist. If the properties that we manage perform less successfully than those of our competitors, if we are unable to offer terms as favorable as those offered by our competitors or if the availability of suitable properties is limited, our ability to compete effectively for new management agreements could be reduced.

Our current hotel management agreements have generated, and may continue to generate, and any future hotel management agreements may generate, limited net turnover and negligible EBITDA.

Our management agreements contributed 1.4%, 1.2%, 1.4% of our net turnover for the years ended December 31, 2016, 2015 and 2014, respectively. Our management agreements may continue to contribute limited net turnover and negligible or negative EBITDA. In addition, we seek to increase the proportion of our hotels operated under management agreements and we cannot assure you any new management agreements will generate positive financial results or contribute to our EBITDA in the future.

We are exposed to risks resulting from significant investments in owned and leased real estate, which could increase our costs, reduce our profits, limit our ability to respond to market conditions or restrict our growth strategy.

As of December 31, 2016, we owned and leased approximately 21% and 56%, respectively, of our hotels. Real estate ownership and, to a lesser extent, leasing are subject to risks not applicable to managed properties, including:

- governmental regulations relating to real estate ownership;
- real estate, insurance, zoning, tax, environmental and eminent domain laws;
- the ongoing need for capital improvements and expenditures to maintain or upgrade properties and other expenses related to owning or leasing a property, such as insurance;
- risks associated with mortgage debt, including the possibility of default, fluctuating interest rate levels and the availability of replacement financing;
- risks associated with long-term contracts with fixed terms, including continuing obligations in the face of volatile or changing market conditions;
- fluctuations in real estate values or potential impairments in the value of our assets; and
- the relative illiquidity and high transaction costs associated with real estate compared to other assets.

A decline in net turnover negatively affects profitability and cash flow generation to a greater extent with respect to our owned or leased properties due to their high fixed-cost structure. Moreover, we need to maintain, renovate or refurbish our owned or leased properties, which can be challenging during periods in which our cash generated from operations has declined. See "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our financial condition and results of operations—Repositioning our brand and hotel portfolio and our refurbishment plan*". In addition, the fixed-cost nature of operating owned and leased hotels may render any cost-cutting efforts less effective compared to our managed hotels. As a result, we may not be able to offset further net turnover reductions through cost cutting, which could further reduce our margins.

We are also susceptible to volatility in property prices during periods of economic downturn, which results in a decline in our asset value and limits our flexibility to sell properties at a profit during such periods. In an unfavorable market, we may not be able to sell properties on commercially attractive terms, or at all, in the short term. Accordingly, we may not be able to adjust our portfolio promptly in response to economic or other conditions. In addition, because our repositioning strategy depends in part upon our ability to sell properties and to use proceeds from such sales to fund operations under our leases or management agreements or to make capital expenditures, any inability to do so could impair our strategy.

We may seek to expand through acquisitions of and investments in businesses and properties or through alliances and partnerships with third parties, and we may also seek to divest some of our properties and other assets, any of which may be unsuccessful or divert our management's attention.

Our growth has been, in part, attributable to acquisitions of other businesses and operations in regions in which we already operate, such as Spain, Italy, the Netherlands and Latin America. From time to time, we consider and engage in negotiations with respect to acquisitions. In many cases, we will be competing for opportunities with third parties that may have substantially greater financial resources than we do or we may enter into partnership or joint venture agreements in which we hold a minority stake and are therefore able to exercise less influence over operational decisions. Acquisitions or investments in businesses, properties or assets and entry into alliances or partnerships are subject to risks that could affect our business and the success of our acquisition strategy depends upon our ability to identify suitable acquisition targets, to assess the value, strengths, weaknesses, liabilities and potential profitability of such acquisition targets and to negotiate acceptable purchase terms.

We may not be able to identify opportunities or complete transactions on commercially reasonable terms, or at all, and our failure to do so may limit our ability to grow our business. If we are unable to continue to make suitable acquisitions, our ability to increase our revenues may be adversely affected. We may pursue acquisitions and other strategic opportunities that are different from those we have sought in the past, including those in new international markets where we have identified significant potential.

If we make acquisitions, we may not be able to generate expected margins or cash flows, or to realize the anticipated benefits of such acquisitions, including growth or expected synergies. Similarly, we may not be able to obtain financing for acquisitions or investments on attractive terms or at all, and our ability to obtain financing may be restricted by the terms of the 2019 Notes Indenture, the Indenture, the Senior Secured RCF, the terms and conditions governing the Senior Unsecured Convertible Bonds or other indebtedness we may incur. Additionally, the pursuit of any acquisition, investment, disposition or strategic relationship may demand significant attention from our management that would otherwise be available for our regular business operations, which may have an adverse effect on our business.

From time to time, we consider and engage in negotiations with respect to disposals of assets. For example, in November 2014, we sold our 97% stake in Sotogrande, retaining ownership of certain international assets. Divestment of some of our properties or assets may yield returns below our investment criteria. In some circumstances, sales of our properties may result in investment losses. Our asset disposals may be made at prices that are below market or book values, resulting in capital losses coupled with tax payment obligations. Further, we typically enter into sale agreements that contain representations, warranties and indemnification provisions and we have received certain claims for indemnification pursuant to these provisions and may receive such claims in the future. For example, our agreement relating to the sale of NH Málaga contains an indemnity provision for warranties given by the Group. To the extent that our counterparties make claims under such agreements, we may face disputes or may be required to make payments under such provisions.

Acquisitions may disrupt our ongoing business, increase our expenses and may adversely affect our operating results if we cannot effectively integrate these new operations. In addition, certain acquisitions may be structured such that we do not have sole control or ownership over the acquired assets.

The success of our acquisitions and investments will depend, in part, on our ability to integrate the acquisition or investment with our existing operations and to effect any required changes in operations or personnel. Such integration may require more investment than we expect, and we could incur or assume unknown or unanticipated liabilities or contingencies with respect to customers, employees, suppliers, government authorities or other parties, which may impact our operating results. Furthermore, there can be no assurance that our assessments of and assumptions regarding acquisition targets will prove correct, and actual developments may differ significantly from our expectations, which may hamper our integration efforts.

The process of integrating businesses may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our results of operations as a result of difficulties or risks, including:

- unforeseen legal, regulatory, contractual and other issues;
- difficulty in standardizing information and other systems;
- difficulty in realizing operating synergies;
- diversion of management's attention from our day-to-day business;
- and failure to maintain the quality of services that we have historically provided.

Any failure to properly integrate an acquired business could have a material adverse effect on our business, results of operations, financial condition or prospects. Additionally, we may face difficulty integrating acquisitions that operate under business models distinct from our own. For example, as a result of our acquisition of the share capital of Hoteles Royal in February 2015, we operate hotels which we also own together with several co-proprietors, under lease and management agreements. These lease and management agreements include various branding and operating requirements which could prevent us from successfully implementing our rebranding and operating strategies in respect of these hotels. See "*—We own, and may acquire, interests in hotels under co-ownership, partnership agreements, joint ventures or similar arrangements with third parties that may expose us to additional liabilities or capital requirements*."

If our management agreements terminate at the option of the hotel proprietor due to our failure to satisfy certain performance metrics or upon the occurrence of other specified events, our net turnover could decrease and our costs could increase.

Certain of our management agreements allow the hotel proprietor to terminate the agreement early if we fail to pay any deficit in gross operating profit, determined by comparison with a minimum threshold established in the management agreement.

In addition, our management agreements with our shareholder Hesperia and its subsidiaries provide certain early termination rights to Hesperia. See "*—A significant number of our hotels are owned or leased by Hesperia, a shareholder of NH Hotel Group S.A. and we operate them under management contracts that grant non-standard termination rights to Hesperia. The termination of our management contracts with Hesperia could have an impact on the number of hotels we manage and eventually have an adverse effect on our financial condition and results of operation".* In certain jurisdictions, if a hotel proprietor files for bankruptcy, our management agreement with the hotel proprietor may be terminated under applicable law.

If a management agreement is terminated at the option of the hotel proprietor, we would no longer receive the net turnover derived under the agreement, and we could incur costs related to terminating the agreement with the third party and exiting the related property. In addition, upon termination of the management agreement, we would lose a NH branded hotel in the area where the hotel was located, and we may not be able to replace the hotel with another hotel in the same location, which could result in a loss of customers and net turnover.

We may not be successful in executing our strategy of exiting underperforming leases and management agreements and of disposing of selected assets, which could hinder our ability to expand our presence in markets that would enhance and expand our brand preference.

We regularly review our business to identify underperforming hotels and assets. Upon identifying a market or type of property that is underperforming, we evaluate the terms of the agreements governing the underperforming hotels, the market conditions and the location of the hotel to determine if we can renegotiate the terms on a more favorable basis or if we should terminate the arrangements or otherwise dispose of the assets to ensure that our assets are aligned with our strategy. From time to time, we may decide to exit unprofitable leases or management agreements or to selectively dispose of hotel properties to generate proceeds that can be used to repay debt and fund our growth in markets that will enhance and expand our brand presence. However, our lease agreements generally do not provide for early termination at our option without cause, and we may not be able to agree terms for the early termination of our leases with the owners of those properties on favorable terms, or at all. Hotel owners may bring claims against us for breach of contract or loss of income, and we may suffer reputational harm. We may experience difficulty in terminating certain unprofitable leases and management agreements during periods of economic downturn due to the difficulty of finding replacement tenants and service providers that are willing to enter into new agreements on terms acceptable to the hotel owners. In addition, we may not be able to consummate sales of our hotels on commercially reasonable terms at the time we choose or at all, and we may not actually realize anticipated profits from such sales. In addition, our real estate assets are subject to market volatility in each region, which may decrease the market value of those assets. During periods of challenging economic conditions, potential real estate buyers may experience difficulty obtaining the financing required to purchase a real estate asset from us. Our inability to exit underperforming hotels, to sell assets or to sell assets at attractive prices could have an adverse effect on our ability to realize proceeds for reinvestment.

We may incur significant costs in connection with exiting or renegotiating the terms of underperforming leases, or we may incur further losses if we are unable to exit or renegotiate such underperforming leases.

From time to time, we may decide to exit or renegotiate the terms of unprofitable leases. In such circumstances we will enter into private negotiations with the relevant landlord in order to agree terms for early termination or new terms, including rent or duration of the lease. We may incur significant costs in connection with the termination or renegotiation of such leases, and we cannot guarantee that the new lease terms will reflect current market conditions. In some cases, we may not be able to terminate the lease on favorable terms, or at all.

Typically, our lease agreements include a minimum rent payment obligation that is independent of the revenue generated by the hotel. In the event that we are unable to exit or renegotiate the terms of an unprofitable lease, we may incur ongoing losses for the remaining term of the lease. In addition, under a few of our lease agreements, we are required to invest an agreed percentage of the relevant hotel revenue or a predetermined fixed sum in the maintenance of the hotel with respect to furniture, fixtures and equipment and interior of the hotel, excluding the façade and external structure. If the investment requirements are based on a fixed sum, we will be required to make the investments regardless of whether the leased hotel generates profits or losses. As a result, the required investments and capital expenditures may exceed the amount of revenue generated from operating the hotel or may increase the amount of the loss incurred. See "*Business—Principal business activities—Hotel operations*".

The value of our properties reflected on our balance sheet and in this offering memorandum and the book value of our hotels and assets included in this offering memorandum is based in part upon the results of third-party valuations, and because property and asset valuation is inherently subjective and uncertain, the projections or assumptions used, estimates made or procedures followed in the third-party valuation of our properties and assets may not be correct, accurate or complete.

To report the value of our properties and assets, we rely in part upon third-party valuations. These third-party valuations are reflected in, and form a large part of, the value of our properties recorded on our balance sheet and the book value of our hotels and assets included in this offering memorandum. Certain of our properties and assets were valued by Duff & Phelps as of December 31, 2016. The basis of the valuation carried out by Duff & Phelps varies according to the type of asset being valued and, therefore, the aggregate value of the Collateral as of December 31, 2016 of €1,243.3 million may not reflect the total market value of such properties and assets or the amount that could be realized upon the sale of such properties and assets.

Each valuation in the Duff & Phelps Report was prepared by Duff & Phelps on the basis of market value in accordance with the International Valuation Standards Committee. "Market value" is defined as the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Duff & Phelps' valuation of the Collateral was based upon the income approach using the DCF method, which according to Duff & Phelps, is the generally accepted approach for the valuation of a business or assets on a going-concern basis. Duff & Phelps based its valuation of the NH Italia Shares upon the income approach using the DCF method and weighting the market and income approaches in the estimation of terminal value. We have used the mid-range value of the NH Italia Shares as reported in the Duff & Phelps Report in valuing the NH Italia Shares pledged as part of the Collateral. A copy of the Duff & Phelps Report is included as Annex A to this offering memorandum. For a detailed discussion of the valuation methodology, see "*Business—Valuation of the Collateral—Basis of valuation and assumptions*".

In preparing its valuations, Duff & Phelps made certain assumptions, estimates and projections and relied on information provided by us. For the Mortgage Properties and the Share Collateral, Duff & Phelps based its valuation of the appraised hotel properties on the profit and loss accounts for the year ended December 31, 2016 for each appraised hotel, historical financial information of the appraised hotel properties from 2006 through 2016, prospective financial information for the appraised hotel properties for 2017 through 2021, which reflect our estimates of the future performance of the assets included in the valuation, and industry reports published by third parties. Duff & Phelps based its valuation of other real estate assets on third-party analysis of prevailing market conditions and construction costs. Duff & Phelps analyzed published information concerning the economy and the industry in which the assets operate to assess the ability of the assets to generate future investment returns. For the NH Italia Shares valued, Duff & Phelps based its valuation on the annual financial statements of NH Italia for the year ended December 31, 2015 and December 31, 2016, the balance sheet of NH Italia as of December 31, 2016, prospective financial information for NH Italia for 2017 through 2021, which reflects our estimates of the future performance of the business of NH Italia, and industry reports published by third parties. Duff & Phelps analyzed published information concerning the economy and the industry in which the assets operate to assess the ability of the assets to generate future investment returns.

The assumptions or projections used, estimates made or procedures followed in preparing the valuations of our properties and assets may not be correct, accurate or complete. Other appraisers may reach different valuations of our properties and assets. In addition, each valuation speaks only as of the valuation date and actual results may differ materially from the assumptions and projections used and estimates made in the valuations. For example, our results could differ from the projections made in the valuations as a result of a new economic downturn, renewed financial turmoil or market volatility, our inability to implement our strategic plan, our inability to attract and retain qualified personnel or greater than expected environmental liabilities or planning requirements, among other factors. This is particularly relevant in periods of volatility or when there is limited real estate transactional data against which such a property or asset valuation can be benchmarked. If valuations of our properties and assets prove to be unfounded, our balance sheet results could be significantly adversely affected.

Furthermore, there can be no assurance that any valuation will be reflected in any actual transaction prices. The amount obtained from the actual sale of our property portfolio and assets may be significantly lower than any valuation thereof, even where any such transaction occurs shortly after the relevant valuation date, and the estimated cash flows projected in the valuation may not be attainable, especially in a distressed or liquidation scenario. Failure to achieve successful sales of properties and assets in the future at commercially reasonable prices could have an adverse effect on our business, results of operations, financial condition or prospects.

The realizable value of our property portfolio and assets at any given time will depend upon various factors, including:

- market, economic and hotel industry conditions, including demand and capacity for hotels;
- whether any additional property sales are anticipated;
- the effect any sale may have on the remaining portfolio;
- the availability of buyers;
- the availability of financing;
- the time period in which the properties or assets are to be sold;
- the supply of similar properties;
- the condition of the properties;
- regulatory and political risks, including obtaining any necessary consents or acquiring permits required to operate the properties as hotels; and
- other operational cost risks.

The appraised value of our properties and assets has changed in the past and we anticipate that it will continue to change over time, possibly materially. Accordingly, any valuation should not be considered as a guarantee of present or future value. After the issuance of the Notes, we will not provide holders of Notes with revised valuations of our properties, except as shown in our consolidated financial statements and we expressly disclaim any duty to update any valuation under any other circumstances.

We own, and may acquire, interests in hotels under co-ownership, partnership agreements, joint ventures or similar arrangements with third parties that may expose us to additional liabilities or capital requirements.

In some markets, we operate through co-ownership, partnerships, joint ventures or similar structures with third parties. For example, we have signed a joint venture with the HNA Group, one of our shareholders, in connection with our proposed expansion into the Chinese market. Although we seek to minimize risks associated with such structures before investing with other partners, the actions of our partners could cause additional risks, such as project delays, increased costs or operational difficulties after project completion. In addition, our partners could have financial difficulties and conflicts with us, which may affect the activities of our joint undertakings.

We are unable to unilaterally control material decisions with respect to operations conducted pursuant to these co-ownership, partnership or joint venture agreements, and we may have little influence over such decisions if we hold a minority stake. For example, as a result of our acquisition of Hoteles Royal in March 2015, we operate hotels, which we own together with several co-proprietors, under lease and management agreements that provide us with exclusive management rights. Because we do not own a majority stake in these hotels, in the case of underperformance, our co-proprietors may try to terminate our exclusive lease and management agreements. We cannot provide assurance that there will not be disagreements with our co-proprietors or that several of our co-proprietors holding a sufficient aggregate stake in such acquired hotels will not terminate the lease and management agreements. See "*—Acquisitions may disrupt our ongoing business, increase our expenses and may adversely affect our operating results if we cannot effectively integrate these new operations. In addition, certain acquisitions may be structured such that we do not have sole control or ownership over the acquired assets.*"

Some of our joint venture agreements provide that significant decisions regarding joint venture strategy will be made by super majorities, which can hinder and delay the adoption of measures and the securing of agreements and even cause deadlocks. Some of our agreements also provide exit clauses for the minority shareholders, whereby preset formulae are used to calculate the value of the relevant interest and the terms of payment. However, the formulae may require valuations or other assessments by valuation experts or advisors before amounts payable or receivable by us are determined, which may result in uncertainty. In the past, minority shareholders of one of our subsidiaries exercised a put option in respect of their shares pursuant to certain contractual arrangements with us. We contested the exercise price in respect of the put option, as determined by a third-party valuation expert, which led to a litigation proceeding ended in 2015. There is no assurance that similar occurrences will not happen in the future.

We may invest in other co-ownership schemes, partnerships, joint ventures or similar arrangements in the future that own hotels and have recourse or non-recourse debt financing. If a joint undertaking defaults under a secured loan, the lender may accelerate the loan and demand payment in full before taking action to foreclose on the hotel. A joint undertaking may not have sufficient assets or insurance to discharge its liability, and as a partner or member in the venture, we may be exposed to liability for claims asserted against it, which could have a material adverse effect on us.

If we fail to identify and enter into attractive markets, to find suitable business partners with whom we can operate the business effectively and on reasonable terms, to identify and lease hotels in popular locations on acceptable terms or to raise the required funds, our expansion plans may be jeopardized. In addition, our hotels that are operated pursuant to such arrangements may perform at levels below expectations, resulting in potential insolvency unless our partners provide additional funds. In some cases, our partners may elect not to make additional capital contributions, in which case we would be required to invest additional capital with no guarantee of a return on our investment or risk losing our investment.

A significant number of our hotels are owned or leased by Hesperia, a shareholder of NH Hotel Group S.A. and we operate them under management contracts that grant non-standard termination rights to Hesperia. The termination of our management contracts with Hesperia could have an impact on the number of hotels we manage and eventually have an adverse effect on our financial condition and results of operation.

As of March 9, 2017, Hesperia owned approximately 9% of our outstanding share capital. In 2009, we purchased from Hesperia a 99% interest in its hotel management subsidiary, Hoteles Hesperia, S.A. ("HH"). In connection with our acquisition of HH, HH entered into management agreements to operate hotels owned or leased by Hesperia. Unlike our standard management agreements, our management agreements with Hesperia provide Hesperia with certain early termination rights, including the right to terminate for any reason upon three months' notice, subject to the payment of a termination fee.

On December 4, 2016, we entered into a non-binding memorandum of understanding with Hesperia (the "Hesperia MoU") in connection with (i) the settlement of certain controversies with Hesperia regarding our management of certain Hesperia hotels and the economic consequences deriving from the potential termination of the relevant Hesperia management agreements (the "Hesperia Controversy"), (ii) the renewal of our Hesperia management agreements with respect to 28 of Hesperia's hotels in Spain (the "Spanish Hesperia Hotels") for nine years starting from January 1, 2017 and (iii) our provision of certain advisory services to three of Hesperia's hotels in Venezuela (the "Venezuelan Hesperia Hotels"), which we will cease to manage. On March 7, 2017, we entered into a binding agreement with Hesperia and certain entities of its group (the "Hesperia Framework Agreement") in respect of the matters contemplated by the Hesperia MoU.

The effectiveness of the Hesperia Framework Agreement is subject to the satisfaction of certain conditions precedent by April 20, 2017 (unless the long stop date under the agreement is extended), including (i) the execution of an agreement related to the transfer of Hesperia Entreprises de Venezuela, S.A. by the Group to Inverhesperia, S.L., an entity that is indirectly majority owned by our Co-Chairman Mr. Jose Antonio Castro Sousa, and certain trademarks associated with the Venezuelan Hesperia Hotels, the termination of the management agreements for the Venezuelan Hesperia Hotels and the execution of advisory agreements pursuant to which we will render advisory services to Hesperia Entreprises de Venezuela and (ii) the perfection of certain security granted by Hesperia in our favor to secure certain payment obligations assumed by Hesperia under the Hesperia Framework Agreement in the event of early termination of the management agreements by Hesperia. None of those conditions precedent have been satisfied as of the date hereof and, as a result, the Hesperia Controversy has yet to be definitively settled and the new terms and conditions of our management of the Spanish Hesperia Hotels have yet to come into force. The total consideration under the Hesperia Framework Agreement is € 32.6 million, to be paid by us to Hesperia in three instalments.

Hesperia may attempt to exercise its right to and eventually terminate some or all of the management agreements which are the subject of the Hesperia Framework Agreement. If the conditions precedent under the Hesperia Framework Agreement are not satisfied, the Hesperia Controversy will not be definitively settled and Hesperia may attempt to terminate some or all of the management agreements for the Hesperia hotels, subject to the payment of a termination fee to us. Furthermore, even if the relevant conditions precedent are satisfied and the Hesperia Framework Agreement becomes effective, Hesperia will be entitled in any event to terminate some or all of the management agreement at its discretion, subject to the payment of a termination fee to us based on the consideration ascribed to each management agreement, plus additional penalties in certain cases, as set forth in the Hesperia Framework Agreement.

In 2014, 2015 and 2016, Hesperia terminated four, two and one management contracts, respectively. For the year ended December 31, 2016, we received in aggregate approximately €7.5 million in management fees under our existing Hesperia management contracts. The termination by Hesperia of some or all of the management agreements for the Hesperia Hotels could thus have an impact on the number of hotels we manage and eventually have an adverse effect on our financial condition and results of operations.

Timing, budgeting and other risks could delay our efforts to develop, redevelop or renovate our owned and leased properties, or make these activities more expensive, which could reduce our profits or impair our ability to compete effectively.

We must maintain and renovate our owned and leased properties to remain competitive, maintain our value and brand proposition as presented by our new architecture and design concepts, and comply with applicable laws and regulations and certain contractual obligations under our leases. These efforts are subject to a number of risks, including:

- construction delays or cost overruns, including labor and materials, that may increase project costs;
- obtaining zoning, occupancy and other required permits or authorizations;
- governmental restrictions on the size or kind of development;
- force majeure events, including earthquakes, hurricanes, floods or tsunamis; and
- design defects that could increase costs.

Developing new properties typically involves lengthy development periods during which significant amounts of capital must be funded before the properties can begin to operate. If the cost of funding the developments or renovations exceeds budgeted amounts, profits could be reduced. Moreover, we may not be able to satisfy our capital commitments under certain of our agreements, and we may be subject to monetary penalties or other losses as a result.

Similarly, the timing of capital improvements can affect property performance, including Occupancy and Average Daily Rate, particularly if we need to close a significant number of rooms or other facilities, such as ballrooms, meeting spaces or restaurants. Moreover, the investments that we make, either directly or indirectly through arrangements with a project management company, may fail to improve the performance of the properties in the manner that we expect.

If we are not able to begin operating properties as scheduled, or if investments adversely affect or fail to improve performance, our ability to compete effectively could be diminished and our net turnover could be reduced.

We may not be able to generate sufficient cash to fund capital expenditures required to maintain or improve our properties or to complete the refurbishment of all the properties contemplated under our refurbishment program within the expected timeframe or at all.

In the year ended December 31, 2016, we invested approximately €82.0 million as part of our repositioning initiative started in 2014 and we expect to invest approximately an additional €9.7 million during 2017 to complete approximately €200 million of investments since the plan was launched in 2014. As of December 31, 2016, a total of 58 hotels have been refurbished and, upon completion of this initiative, 65 hotels will have been refurbished, representing approximately 17% of our hotel portfolio. Out of the 20 hotels that are Mortgage Properties or properties that are owned or leased by entities whose shares form part of the Share Collateral (excluding NH Italia), we have refurbished five hotels. Regarding the assets which are owned or leased by NH Italia, nine refurbishments have been completed, one more is in progress and we intend to refurbish four hotels that are owned or leased by NH Italia. Our refurbishment program involves modernizing rooms and common areas by refreshing paint and floor coverings and replacing furnishings and finishings. In certain hotels, we intend to complete a total refurbishment of the building, including all mechanical, electrical and plumbing systems. Our ability to execute this capital intensive refurbishment program will depend on our ability to generate cash, and we cannot guarantee that we will be able to refurbish all 65 hotels or that we will generate sufficient cash in order to complete the refurbishment program. In addition, certain of our hotel assets are currently underinvested and require more prompt attention and higher levels of expenditure than others. Our inability to generate sufficient cash to carry out work necessary to maintain such properties could have a material adverse effect on our operations in these hotels and ultimately the value of these assets. Our failure to complete our refurbishment program to the extent or in the timeframe contemplated could adversely affect our business, results of operations, financial condition or prospects.

If we are not able to develop and implement new initiatives successfully, our business and profitability could be harmed.

As part of our planned repositioning of our hotels, we intend to launch new initiatives, including new marketing programs as part of our plan to redefine, develop and promote our brands, which can be a time-consuming and expensive process. We also plan to invest capital and resources in refurbishing certain of our owned and leased properties as part of our repositioning initiative. See "*Business—Our strategy*". If our initiatives are not well received by our employees, guests and hotel proprietors, they may not have the intended effect of yielding higher Occupancy and ADR in the future. We may not be able to recover the costs incurred in developing our brands or other development projects and initiatives or to realize their intended or projected benefits, which could adversely affect our margins and cash flow.

The development of new hotels and the expansion of existing hotels are subject to a number of risks beyond our control, including insufficient growth in demand for hotel rooms.

In order to remain competitive, we incur significant capital investment to increase our hotel room portfolio. It typically takes several months or years from the commencement of a project to completion of a new hotel, and demand for hotel rooms in particular locations may change significantly between the time we make the decision to enter a particular market or region and the time at which a hotel commences operations. If future demand for our hotels does not match the growth in our hotel room portfolio, we may experience lower Occupancy than expected or be required to lower our room rates in a particular hotel to attract customers, which could have an adverse effect on the profitability of our investments and our results of operations.

If third-party proprietors of the properties we manage fail to make investments necessary to maintain or improve their properties, preference for our brand and our reputation could suffer or our management agreements with those parties could terminate.

As of December 31, 2016, approximately 23% of our hotels (based on number of rooms) were owned or leased by third parties and managed by us under the terms of management agreements. Substantially all our management agreements require third-party hotel proprietors to comply with standards that are essential to maintaining our brand integrity and reputation. We depend upon third-party hotel proprietors to comply with the requirements by maintaining and improving properties through investments, including investments in furniture, fixtures, amenities and personnel.

Third-party hotel proprietors may be unable to access capital or unwilling to spend available capital when necessary, particularly during periods of economic downturn, even if required by the terms of our management agreements. Moreover, although the standards with which hotel proprietors must comply are generally consistent across our management agreements and aligned with industry standards, hotel proprietors may interpret and apply these standards differently, and as a result, there may be significant differences in quality and appearance among the hotels we manage. If third-party hotel proprietors fail to make investments necessary to maintain or improve the properties we manage, or to make improvements in accordance with the standard of quality we expect, our brand preference and reputation could suffer. In addition, if third-party hotel proprietors breach the terms of our agreements with them, we may be required to take remedial action, including electing to exercise our termination rights, which would eliminate our net turnover from these properties and cause us to incur expenses related to terminating these agreements.

If we are unable to maintain relationships with third-party hotel proprietors, our net turnover could decrease and we may be unable to expand our presence.

We earn fees for managing hotels and other properties. Our management agreements typically provide a two-tiered fee structure that compensates us both for the volume of business we generate for the property as well as for the profitability of hotel operations. Our base compensation is a base fee that is usually an agreed upon percentage of gross net turnover from hotel operations. We also earn an incentive fee that is typically calculated as a percentage of a hotel profitability measure, such as gross operating profit, adjusted profit or the amount by which gross operating profit or adjusted profit exceeds a fixed threshold.

The viability of our management business depends upon our ability to establish and maintain relationships with third-party hotel proprietors. Third- party hotel proprietors are focused on maximizing the value of their investment and working with a management company that can help them be successful. The effectiveness of our management, the value of our brands and the rapport that we maintain with third-party hotel proprietors affect renewals and the success of our tenders for new management agreements and are all important factors for new third-party hotel proprietors considering doing business with us. Continued relationships with these third parties are likely to generate additional property development opportunities that support our growth. If we are unable to maintain good working relationships with third-party hotel proprietors or if we do not meet or exceed their expectations, the hotel proprietors may be unwilling to renew existing agreements or expand our relationships with them and our opportunities for developing new relationships with additional third parties may be adversely affected.

Contractual and other disagreements with third-party hotel proprietors could make us liable to them or result in litigation costs or other expenses, which could lower our profits.

Our management agreements require us and third-party hotel proprietors to comply with operational and performance conditions that are subject to interpretation and could result in disagreements. Additionally, some courts have applied principles of agency law and related fiduciary standards to managers of third- party hotel properties such as us, which means, among other things, that hotel proprietors may assert the right to terminate management agreements even where the agreements do not expressly provide for termination. In the event of any such termination, we may need to negotiate or enforce our right to a termination payment and even if we are successful, a termination payment is unlikely to equal the expected net turnover we would have achieved over the term of the agreement. Such disagreements are more likely to occur during periods of challenging economic conditions. Moreover, third-party hotel proprietors may claim that we do not satisfy our obligations under our management agreements and may not pay us fees in the full amounts due under the terms of the management agreements.

We generally seek to resolve any disagreements directly with third-party hotel proprietors. However, to the extent that we cannot resolve matters directly with the hotel proprietor, we may pursue remedies through arbitration, if provided under the applicable management agreement, or through litigation, which can be costly and time consuming. We cannot predict the outcome of any such arbitration or litigation, the effect of any adverse judgment of a court or arbitrator against us or the amount of any settlement that we may be forced to enter into with any third party.

If we or third-party hotel proprietors are unable to repay or refinance mortgages secured by the hotel properties, our net turnover could be reduced and our business could be harmed.

Many of our properties owned by third-party hotel proprietors and certain properties that we own are pledged as collateral for secured loans entered into when these properties were purchased or refinanced. If we or third-party hotel proprietors are unable to repay or refinance maturing indebtedness, lenders could declare a default, accelerate the related debt and repossess the related property. During the recent economic downturn, a substantial number of hotel proprietors are experiencing financial difficulties and the properties they own are increasingly vulnerable to financial stress. Debt defaults could lead third-party hotel proprietors to sell the property on unfavorable terms or, in the case of secured debt, to convey the mortgaged property to the lender. Any sales or repossessions could, in certain cases, result in the termination of our management agreements or eliminate any anticipated income and cash flows from, and, if applicable, our invested capital in, such property, which could significantly harm our business.

If we or third-party hotel proprietors are unable to access the capital necessary to fund current operations or implement our growth plans, our profits could be reduced and our ability to compete effectively could be diminished.

The hotel industry is a capital-intensive business that requires significant capital expenditures to develop, operate, maintain and renovate properties. Access to the capital that we or third-party hotel proprietors need to finance the construction of new properties or to maintain and renovate existing properties is critical to the continued growth of our business and our net turnover.

Recently, the credit markets and the financial services industry have experienced a period of significant disruption, increased volatility in securities prices and diminished liquidity and credit availability. As a result of these market conditions, the cost and availability of capital has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. The availability of capital or the conditions under which we or third-party hotel proprietors can obtain capital can have a significant effect on the overall level and pace of future development and, therefore, the ability to grow our net turnover. The recent disruption in the capital markets has diminished the ability and desire of existing and potential development partners to access capital necessary to develop properties actively. These disruptions could also result in reductions of our credit ratings, which would increase our cost of borrowing.

If we are forced to spend more cash from operating activities than anticipated to operate, maintain or renovate existing properties, then our ability to use cash for other purposes, including acquisition or development of properties, could be limited and our profits could be reduced. If we cannot access the capital we need to fund our operations or implement our growth strategy, we may need to postpone or cancel planned renovations or developments, which could impair our ability to compete effectively and harm our business.

We did not meet certain financial ratios and levels imposed on us by the 2012 Senior Credit Facilities Agreement, and our audited consolidated financial statements as of and for the year ended December 31, 2012 included an emphasis of matter paragraph.

For the year ended December 31, 2012 and for the six months ended June 30, 2013, we exceeded certain financial ratios imposed on us under the 2012 Senior Credit Facilities Agreement. On April 30, 2013 and on August 30, 2013, the required proportion of lenders under the 2012 Senior Credit Facilities Agreement agreed to exempt us from compliance with these ratios for the year ended December 31, 2012 and for the six months ended June 30, 2013, respectively. In addition, our audited consolidated financial statements as of and for the year ended December 31, 2012 included an emphasis of matter paragraph indicating that although the Group incurred losses in 2012 and had a working capital deficiency as of December 31, 2012, the Group had increased share capital by €234.3 million by April 30, 2013 when such audit report was issued and had obtained a waiver in relation to the achievement of the financial ratios as of December 31, 2012 relating to the 2012 Senior Credit Facilities Agreement in an aggregate amount of €716 million. Since June 30, 2013, we have met all the required financial ratios imposed on us by the 2013 Senior Credit Facilities. However, it is possible that we may not meet the financial ratios set forth in any agreement governing indebtedness that we may incur in the future.

In any particular period in which we experience a decrease in our net turnover, our operating expenses may not decrease at the same rate, which could have an adverse effect on our net cash flows, margins and profits.

Many of the expenses associated with operating hotels are relatively fixed. These expenses include personnel expenses, interest, rent, property taxes, insurance and utilities. If we are unable to decrease our costs significantly or rapidly when demand for our hotels and other properties decreases, the decline in our net turnover can have a particularly adverse effect on our net cash flows and profits. This effect can be especially pronounced during periods of economic contraction or slow economic growth, such as the recent economic downturn. Economic downturns generally affect the results derived from owned or leased properties more significantly than those derived from managed properties given the greater exposure that owners or lessees have to the properties' performance. If future cost-cutting efforts are insufficient to offset any future declines in net turnover, we could experience a material decline in margins and potentially negative cash flows.

Demand for our hotel rooms and our other products and services is subject to seasonal fluctuations in customer demand.

Our net turnover and cash flows depend upon numerous factors, such as bookings and RevPAR. In the hotel industry these factors are affected by seasonality depending upon the location and category of hotels. For example, the number of tourist arrivals in Europe changes significantly depending upon the season, and the majority of hotel stays in the region is concentrated in the second and third quarters of the calendar year. As a result, the level of demand for our hotel rooms and our other products and services fluctuates over the course of the calendar year and, while there are variations among our geographical segments, our Occupancy and net turnover is generally highest from April through June and from September through October. However, a significant proportion of our expenses is incurred more evenly throughout the year. Therefore, our profitability fluctuates during the year and we record greater losses during the first quarter and tend to generate profits for the remainder of the year. Accordingly, our liquidity is typically at its highest during our peak seasons from April through June and from September through October, and at its lowest during the first quarter.

Our operations are exposed to the risk of events that adversely affect domestic or international travel.

Our results have been and will continue to be significantly affected by events outside our control that affect the level of global travel and business activity, including unforeseen public health crises, such as pandemics and epidemics; political crises, such as terrorist attacks, war, and other political instability; and other catastrophic events, whether occurring in Europe or internationally. Some governments in the countries in which we operate have a significant influence on their respective economies. Disruptions to our business operations during peak periods, for example, as a result of political or economic instability or other adverse conditions in our core markets, could negatively affect our profitability. Recently, for example, the downturn in the economy in key travel markets such as Brazil and Russia, the political and economic instability in several Latin American countries such as Argentina and Venezuela, the military actions in the Middle East, Ukraine and elsewhere have had an influence on global travel. The recent terrorist attacks in Paris and Brussels have had a negative impact on the hotel industry in these areas. The occurrence and consequences of such events are unpredictable, and further attacks, political or economic instability, disease outbreaks or military action could have an adverse effect on the travel, hospitality and leisure industries in general, affecting the locations in which we operate and our business and results of operations.

Our results are also affected by periods of abnormal, severe or unseasonal weather conditions, including natural disasters, such as hurricanes, floods, earthquakes and other adverse weather and climate conditions. We generally are insured against most losses resulting from these events, but the limits on our claims and the deductibles may vary depending upon the location of the hotel.

If we are unable to establish and maintain key distribution arrangements for our properties, the demand for our rooms and our net turnover could decrease.

A portion of the rooms at our hotels are booked through third-party internet travel intermediaries and online travel service providers. We also engage third-party intermediaries who collect fees by charging our hotels a commission on room revenues, including travel agencies and meeting and event management companies. A failure by our distributors to attract or retain their customer bases would lower demand for our hotel rooms and, in turn, reduce our net turnover.

If bookings by third-party intermediaries increase, the intermediaries may be able to obtain higher commissions or other significant contract concessions from us, increasing the overall cost of the third-party distribution channels. Some of our distribution agreements are not exclusive, have a short term, are terminable at will, or are subject to early termination provisions. The loss of distributors, increased distribution costs or the renewal of distribution agreements on significantly less favorable terms could adversely affect our results of operations.

If the amount of sales made through third-party internet travel intermediaries increases significantly, we may experience difficulty in maintaining consumer loyalty to our brand.

We have seen a shift in hotel bookings from traditional to online channels. Accordingly, we derive a significant portion of our business from internet travel intermediaries, most of which devote equal space and attention to all the hotel operators listed on their websites. In addition, various websites publish user reviews based upon personal testimonies, including photos, that have not been vetted or verified. Although we actively monitor online reviews of our hotels through our "Quality Focus On Line" tool, we have little control over the way in which our hotels and our offering of services and products are portrayed through these third-party sites. Our hotels may be categorized according to the search criteria deemed appropriate by the travel intermediaries and may be grouped together with other hotels that are made to look more desirable, for example due to proximity to tourist sites or based upon user reviews. Some internet travel intermediaries may emphasize factors such as price or general indicators of quality (for example, "four-star downtown hotel") at the expense of brand identification. Such measures are aimed at developing customer loyalty with respect to the reservation system used rather than to our brands. If sales made through internet travel intermediaries increase significantly and consumers develop stronger loyalties to these intermediaries rather than to our brands, we may experience a decline in customer loyalty and repeat business and consequently, our business and net turnover could be harmed.

We rely on the value of our brand, and any failure to maintain or enhance customer awareness of our brand could adversely affect our business, results of operations, financial condition or prospects.

As a chain hotel operator, our brand, image and reputation constitute a significant part of our value proposition and serve to enhance our recognition among customers. We depend on our ability to develop our brand and our image as a leading hotel operator across Europe, and we leverage this reputation in other markets where we have a growing presence. Travelers expect that we will provide a consistent level of quality and value, and this reputation has strengthened our image and brand across our hotels worldwide. Any event, such as the poor quality of products and services, whether as a result of the actions of our employees or financial limitations, that leads to customer complaints or negative publicity or reviews by customers could damage our image, reputation or brand, which could negatively affect our business. Our reputation could also be damaged if customer complaints or negative reviews of us or our activities were to be published on travel sites or public social network websites.

In addition we have reorganized our hotels into four new segmented core brands. We believe that developing and expanding new brands are important aspects of our efforts to attract and expand our customer base, but our efforts may not be successful or our results of operations may not improve to the extent anticipated. Our expenditures to develop and promote our new brands will increase due to a variety of factors, including increased spending from our competitors, the increased costs of supporting multiple brands and inflation in media pricing. We intend to spend considerable financial and human resources on developing and promoting our brands, and we will continue to invest in, and devote resources to, advertising and marketing, as well as other brand-building efforts to preserve and enhance consumer awareness of our brands, which will require attention from management.

There is no assurance that we will be able to successfully maintain or enhance consumer awareness of our brands or that our initiative to reposition our brands will be successful or cost-effective. If we are unable to maintain or enhance consumer awareness of our brands and generate demand in a cost-effective manner, it would negatively affect our ability to compete in the hotel industry and would negatively affect our business. As new media, such as social media and smart phones, continue to develop, we will need to spend more to develop new means to promote our brand awareness through such media outlets. If we are unable to adapt to new media forms, we may lose market share, which would negatively affect our business.

Labor shortages could restrict our ability to operate our properties or grow our business or result in increased labor costs that could reduce our margins and cash flow.

Our success depends in large part upon our ability to attract, retain, train, manage and engage our employees. If we are unable to attract, retain, train and engage skilled employees, our ability to manage and staff our properties adequately could be impaired, which could reduce customer satisfaction. Staffing shortages could also hinder our ability to grow and expand our business. Because personnel expenses are a major component of the operating expenses at our properties, a shortage of skilled labor could also require higher wages, which would increase our personnel expenses, and could reduce our profits and the profits of third-party hotel proprietors. Wage inflation also adversely affects our margins, and we are experiencing higher than usual increases in wages in some countries in which we operate.

Our business depends on our relationships with our third-party suppliers and outsourcing partners, and adverse changes in these relationships, our inability to enter into new relationships or performance failure by such third-party suppliers and outsourcing partners, could have a material adverse effect on our business, results or operations, financial condition or prospects.

We depend on the provision of services by third-party suppliers, such as janitorial service providers, technical and IT service providers, and payment service providers. If any third-party service provider on which we rely in conducting our business does not satisfactorily perform the services, we in turn may not be able to provide adequate hotel facilities and services to our customers. Negative publicity or reviews by customers resulting from the actions of outsourcing partners and third-party suppliers could also have an adverse effect on our reputation and brands.

In addition, adverse changes in any of our relationships with outsourcing partners and third-party suppliers or the inability to enter into new relationships with these parties, on commercially favorable terms, or at all, could adversely affect our operations or otherwise cause disruption. Our arrangements with outsourcing partners and third-party suppliers may not remain in effect on current or similar terms, and the net impact of future pricing options may adversely affect our financial position and results of operations. In particular, we depend on a limited number of third-party maintenance service, IT service and payment service providers. On January 13, 2014, we entered into a framework outsourcing agreement with Accenture Outsourcing Services, S.A.U., under which we have outsourced our accounts payable and accounts receivable management and general accounting ledger functions that were previously performed internally by our employees to Accenture's shared service centers located in the Philippines. The loss or expiration of any of our contracts with these service providers and the inability to negotiate replacement contracts with alternative service providers at comparable rates or to enter into such contracts in any of our markets could have a material adverse effect on our business, results or operations, financial condition or prospects.

Negotiations of collective bargaining agreements, regular or statutory consultation processes with employee representatives such as works councils or changes in labor legislation could disrupt our operations, increase our personnel expenses or interfere with the ability of our management to focus on executing our business strategies.

Certain of our hotels or the hotels we manage are subject to collective bargaining agreements and similar agreements or regulations enforced by governmental authorities. We are also required to consult with our employee representatives, such as works councils, with respect to certain matters. If relationships with our employees or employees employed by the hotel proprietor of a hotel we manage, other field personnel or the unions that represent them become adverse, we could experience labor disruptions, such as strikes, lockouts and public demonstrations in our hotels. Labor disruptions, which are generally more likely when collective bargaining agreements are being renegotiated, could harm our relationship with our employees or cause us to lose guests if we are unable to provide adequate services. Additionally, labor regulation could lead to higher wage and benefit costs, changes in work rules that raise operating expenses, legal costs and limitations on our ability or the ability of third- party hotel proprietors to take cost saving measures during economic downturns. We do not have the ability to control the negotiations of collective bargaining agreements covering unionized labor employed by third-party hotel proprietors.

We depend upon our senior executives and key field personnel to manage our business, and the departure of such personnel or the failure to recruit and retain additional personnel could adversely affect our business.

Our ability to maintain our competitive position depends to a large degree on the efforts and skills of our senior executives who have extensive experience and knowledge of the hotel industry. We have entered into employment agreements with certain of our senior executives. However, we cannot guarantee that our senior executives will remain with us. Finding suitable replacements for our senior executives could be difficult. Losing the services of one or more of these senior executives could adversely affect our strategic relationships, including relationships with third-party hotel proprietors and vendors, and limit our ability to execute our business strategies. We do not have non-compete agreements with any of our senior executives, but we maintain "key man" life insurance for our senior executives. See "*Management*".

We also rely on the general managers at each of our owned, leased and managed properties to run daily operations and oversee our employees. Our general managers are trained professionals in the hospitality industry and have extensive experience in many markets worldwide. Competition for personnel is intense, and we may not be able to attract and retain a sufficient number of qualified personnel in the future. The failure to retain, train or successfully manage the general managers for our properties could negatively affect our operations.

Currency exchange rate fluctuations could result in significant foreign currency gains and losses and we may be unable to repatriate cash.

We are subject to foreign exchange risk because our net turnover in each region is generated in the local currencies of the region. Conducting business in currencies other than the euro subjects us to fluctuations in currency exchange rates that could have a negative effect on our financial results. We translate the value of foreign currency denominated amounts into euro and we report our consolidated financial results of operations in euro. Our net turnover and expenses in other currencies could significantly increase or decrease as the value of the euro fluctuates relative to other currencies. Our exposure to foreign currency exchange rate fluctuations will continue to grow if the relative contribution of our operations outside the Eurozone increases. In particular, the results of our Latin America BU in 2016 were negatively affected by the depreciation of the Argentine Peso, the Colombian Peso and the Mexican Peso against the euro. Should we continue to incur foreign currency losses and decide to exit from certain countries in Latin America, we may face difficulties in repatriating cash as a result of restrictions on dividends or repatriation of earnings under applicable local law, monetary transfer restrictions or foreign currency exchange regulations.

The extensive regulatory requirements to which we are subject could increase our costs and liabilities, reduce our margins and cash flow and impact our ability to run our business.

We are subject to numerous laws and regulations in the jurisdictions in which we operate, including licensing requirements such as those relating to liquor and alcohol licenses, construction permits and authorizations, land use and zoning permits, food and beverage regulations, tax, competition and employment laws and regulations. In addition, we may be required to maintain or renew existing licenses or permits, or acquire new licenses or permits, for our business or operations. Compliance with applicable rules and regulations and related dialogue with regulatory authorities involve significant costs and resources. For more information, see "*Business—Regulation*".

Our operations and the properties we own, lease, manage and develop are also subject to extensive environmental laws and regulations of various governments, including requirements addressing:

- health and safety, such as fire protection;
- the use, management and disposal of hazardous substances and wastes, such as cleaning products, batteries and refrigerants;
- the discharge of solid waste materials, such as refuse or sewage, into the environment; and
- air emissions.

Complying with environmental or other laws and regulations, or addressing violations arising under them, could increase our environmental costs and liabilities, increase our capital expenditures, reduce our profits or limit our ability to run our business. Existing environmental laws and regulations may be revised or new laws and regulations related to global climate change, air quality or other environmental and health concerns may be adopted or become applicable to us. We could also be subject to liability for the cost of investigating or remediating hazardous substances or waste on, under or in real property we currently or formerly manage, own, lease or develop, or third-party sites where we sent hazardous substances or waste for disposal, regardless of whether we knew of, or were at fault in connection with, the presence or release of any hazardous or toxic substances or waste. The presence or release of hazardous or toxic substances or waste, or the failure to properly clean up such materials, could cause us to incur significant costs, or jeopardize our ability to develop, use, sell or rent real property we own or operate or to borrow using such property as collateral.

In addition, we may be required to manage, abate or remove materials containing hazardous substances such as mold, lead or asbestos during demolitions, renovations or remodeling at properties that we manage, own, lease or develop. The costs related to such management, abatement, removal or related permitting could be substantial.

A change of control of NH Hotel Group S.A. could result in disruption of certain of our contractual arrangements.

On November 2014, the HNA Group communicated to the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores) the increase of its stake in NH Hotel Group, S.A. to 29.5%. Pursuant to Spanish stock exchange regulations, the attainment of ownership of 30% of the voting rights in NH Hotel Group S.A. or the appointment of a majority of the members of the Issuer's board of directors would trigger an obligation to make a binding offer to acquire 100% of NH Hotel Group S.A. An increase in HNA Group's stake in NH Hotel Group S.A. or in the number of its proprietary directors (*consejeros dominicales*) could result in a change of control of NH Hotel Group S.A. Certain contracts entered into by NH Hotel Group S.A., including operation of hotels and financing agreements, contain change-of-control, anti-assignment and other provisions that may be triggered by such an event, and a change of control of NH Hotel Group S.A. may trigger the payment of penalties, early amortization, termination rights, indemnity obligations under these contracts and potential tax losses in certain regions. In addition, upon the occurrence of certain change of control events as described in the Indenture and the 2019 Notes Indenture, we will be required to offer to repurchase all the 2023 Notes and the 2019 Notes then outstanding, respectively, at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, to the date of repurchase. Likewise, upon such change of control events, we would be required to repay certain of our other indebtedness, including the Senior Secured RCF, and a put right of the holders of the Senior Unsecured Convertible Bonds would be triggered. The Hesperia Framework Agreement entered into on March 7, 2017 (the effectiveness of which is subject to the satisfaction of certain conditions precedent) is also subject to termination on a change of control. See "*—Risks relating to the Notes and our structure—We may not be able to raise the funds necessary to finance and offer to repurchase the 2023 Notes upon the occurrence of certain events constituting a change of control as required by the Indenture, and the change of control provisions contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events*" and "*—A significant number of our hotels are owned or leased by Hesperia, a shareholder of NH Hotel Group S.A. and we operate them under management contracts that grant non standard termination rights to Hesperia. The termination of our management contracts with Hesperia could have an impact on the number of hotels we manage and eventually have an adverse effect on our financial condition and results of operation*".

We are subject to changes in tax laws and tax rates in the markets in which we operate, and we may be subject to significant claims related to future tax disputes and audits. In addition, any change in the business performance could have a potential impact on the recoverability of tax assets.

Our hotels that are profit making are subject to profit and income tax and other applicable taxes, such as property tax. There is no guarantee that tax laws or tax rates may not be changed in the future. Any change in tax laws or tax rates may increase our tax expenses and liabilities and could have a material adverse effect on our business, results of operations, financial condition or prospects.

We have registered in our financial statements tax assets of approximately €108 million in connection with certain tax losses and credits pending to be refunded or applied. Such value has been determined in compliance with the applicable accounting rules. The registration is supported by, as of December 31, 2016 among other things, our estimates of future taxable income. Should our future results materially deviate from such estimates, accounting rules will require us to register an impairment of such tax assets, which could have a material adverse effect on our financial condition, business and results of operations.

In addition, as consequence of Spain not having met the deficit ratios imposed by EU laws, on December 3, 2016 the Official State Gazette (BOE) published Royal Decree-Law 3/2016, of December 2, 2016 adopting measures in the tax field aimed at the consolidation of public finances and other urgent social security measures ("the Royal Decree-Law").

The tax measures provided for in the Royal Decree-Law are aimed at increasing the state's tax revenues and reducing the public deficit. In that regard, important changes have been introduced in the area of corporate income tax. These tax measures are, among others, restrictions on the utilization of carried forward tax losses and double tax credits and recapture (over a five-year period) of portfolio impairments which were taken for tax purposes in the past.

Any increase in the tax prepayments due by corporate entities, as well as any other measures aimed at increasing taxes or bringing forward our tax payment deadlines, would result in a higher corporate income tax expense on our profit and loss accounts and could have a material adverse effect on our cash flow, financial condition, business and results of operations.

We are subject to various tax proceedings and audits with tax authorities in respect of our operations in Spain, Italy, the Netherlands, Luxembourg, Colombia and Brazil. See "*Business—Legal Proceedings—Tax Proceedings*".

We estimate the total potential tax liability related to these proceedings, including penalties and interest, to be approximately €15 million (including potential tax liabilities of approximately €2.7 million in Spain, €2.3 million in Italy, €9.4 million in The Netherlands, €0.3 million in Luxembourg, €0.3 million in Colombia and €0.3 million in Brazil). We are also subject to a tax investigation in Germany and we estimate that any potential tax liability which might arise in connection therewith would not be significant. In connection with these proceedings, we have made provisions in our financial statements of approximately €2.4 million. Furthermore, we may be subject to additional tax related claims in the future. Tax proceedings pose a significant amount of unpredictability and, as a result, we cannot forecast the outcome of any of these proceedings, when they may be resolved or the final amounts that may be payable in connection therewith. As of December 31, 2016, other than the provisions specified above, we have not recorded any additional reserves in relation to such disputes. If all or a significant portion of the current actions are decided against us or in the future a significant number of similar actions were decided against us, it could have a material adverse effect on our business, results of operations, financial condition or prospects.

If the insurance that we carry does not sufficiently cover damage or other potential losses involving our hotels, our margins and cash flow could be reduced.

We currently carry insurance that we believe is adequate for foreseeable losses and with terms and conditions that are reasonable and customary. Nevertheless, market forces beyond our control could limit the scope of the insurance coverage that we can obtain in the future or restrict our ability to continue to buy insurance coverage at reasonable rates. Insurance costs may increase substantially in the future and may be affected by natural catastrophes, fear of terrorism, intervention by the government or a decrease in the number of insurance carriers. In addition, the recent disruption in the financial markets makes it more difficult to evaluate the stability of insurance companies or their ability to meet their payment obligations. In the event of a substantial loss, the insurance coverage that we carry may not be sufficient to pay the full value of our financial obligations or the replacement cost of any lost investment.

Certain types of losses that are significantly uncertain can be uninsurable or too expensive to insure. If an uninsured loss were to occur, we could experience significant disruption to our operations, suffer significant losses and be required to make significant payments for which we would not be compensated, any of which in turn could have a material adverse effect on our business, results of operations, financial condition or prospects. Alternatively, we could lose some or all the capital we have invested in a property, as well as the anticipated future net turnover from the property. We could also remain obligated for performance guarantees in favor of third-party hotel proprietors. We may not have sufficient insurance to cover awards of damages resulting from our liabilities. If the insurance that we carry does not sufficiently cover damages or other losses, our profits could be adversely affected. In addition, in the event of any significant claims by us, our insurance premiums may increase significantly.

Any failure to protect our trademarks and intellectual property could reduce the value of our brand and harm our business.

The reputation and perception of our brand is critical to our success in the hotel industry. If our trademarks, intellectual property or know-how are copied or used without authorization, the value of our brand, our reputation, our competitive advantage and our goodwill could be harmed. We regularly apply to register our trademarks in the countries in which we operate. However, those trademark registrations may not be granted or that the steps we take to protect our trademarks, intellectual property or know-how in these countries will be adequate to prevent others, including third parties or former employees, from copying or using our trademarks, intellectual property or know-how without authorization. Our intellectual property and know-how are also vulnerable to unauthorized use in some countries where local law may not adequately protect it.

Monitoring the unauthorized use of our intellectual property and know-how is difficult. As we have in the past, we may need to resort to litigation to enforce our intellectual property rights. Litigation of this type could be costly, force us to divert our resources, lead to counterclaims or other claims against us or otherwise harm our business. Any failure to maintain and protect our trademarks and other intellectual property and know-how could reduce the value of our brand and harm our business.

Adverse litigation judgments or settlements resulting from legal proceedings in which we may be involved in the normal course of our business could reduce our cash flow, harm our financial position and limit our ability to operate our business.

In the normal course of our business, we are often involved in various legal proceedings. The outcome of these proceedings cannot be predicted. If any of these proceedings were to be determined adversely to us or a settlement involving a payment of a material sum of money were to occur, there could be a material adverse effect on our financial condition and results of operations. Additionally, we could become the subject of future claims by third parties, including current or former third-party hotel proprietors, guests who use our properties, employees, investors or regulators. In particular, third-party hotel proprietors may bring claims against us in connection with the implementation of our exit from underperforming leases and undesirable management agreements, which could harm our reputation and impede our ability to enter into lease and management agreements in the future. Any significant adverse litigation judgments or settlements would reduce our cash flow and harm our financial position and could limit our ability to operate our business. See "*Business—Legal proceedings.*"

Information technology system failures, delays in the operation of our information technology systems or system enhancement failures could reduce our net turnover and profits and harm the reputation of our brand and our business.

Our success depends on the efficient and uninterrupted operation of our information technology systems. For example, we depend on the technology that we and a third-party service provider developed for our central reservation system, which facilitates bookings by hotels directly, via telephone through our call centers, by travel agents, online through our website, and through our online reservations partners. In addition, we depend on information technology to run our day-to-day operations, including hotel services and amenities such as guest check-in and check-out, housekeeping and room service and to track and report financial results of our hotels and the Group. As we migrate our systems to SAP and other IT tools, we could experience delays and processing errors, as well as other operational difficulties that are inherent in such a transition. This transformation involved a large portion of our staff and impacted all our collections activities. In particular, we experienced a delay of the collection process by our shared service centers, which occurred after we ceased operation of our old collection system. This delay impacted our working capital by decreasing collection revenue. The magnitude of these deficiencies negatively affected our working capital. For example, our working capital is still higher than usual. Although we are in the process of completing the migration of our systems to SAP, we may experience difficulty during the stabilization period, which could have a material adverse effect on our business, financial condition and results of operation.

Our information technology systems are vulnerable to damage or interruption from fire, floods, hurricanes, power loss, telecommunications failures, computer viruses, break-ins and similar events. The occurrence of any of these natural disasters or unanticipated problems at any of our information technology facilities or any of our call centers could cause interruptions or delays in our business or loss of data, or render us unable to process reservations.

In addition, if our information technology systems are unable to provide the information communications capacity that we need, or if our information technology systems suffer problems caused by installing system enhancements, we could experience similar failures or interruptions. If our information technology systems fail and our redundant systems or disaster recovery plans are not adequate to address such failures, the reputation of our brand and our business could be harmed. If our property and business interruption insurance does not sufficiently compensate us for any losses that we may incur, our net turnover and cash flow could be reduced.

Failure to maintain the integrity of internal or customer data, including due to cyber security breaches, could result in faulty business decisions, harm to our reputation and subject us to costs, fines and lawsuits.

We collect and retain large volumes of internal and customer data, including credit card numbers and other personally identifiable information during the normal course of business. Using our various information technology systems, we enter, process, summarize and report such data. We also collect and retain information about our customers who participate in our NH Hotel Group Rewards loyalty program, including their names, telephone numbers, e-mail addresses, nationality and country of residence. We also maintain personally identifiable information about our employees. The integrity and protection of our customer, employee and company data is critical to our business. Our customers and employees expect that we will adequately protect their personal information, and the regulations applicable to security and privacy is increasingly demanding in certain jurisdictions where we operate.

Theft, loss, fraudulent or unlawful use of customer, employee or company data could harm our reputation and result in remedial and other costs, fines and lawsuits, which may be material. In particular, cyber security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings and regulatory penalties, could disrupt our operations and could damage our reputation, which could adversely affect our business, operating margins, revenues and competitive position.

As an organization that handles credit cards and debit cards from major card schemes such as Visa, MasterCard and American Express, we are required by these card schemes to comply with the Payment Card Industry Data Security Standard ("PCI DSS"), a security standard aimed at increasing controls around cardholder data to reduce credit card fraud. If we are found not to be compliant with PCI DSS in the event of a security breach, we may be subject to penalties such as fines or restrictions or bans from using such card schemes for our operations.

Additionally, we rely on a variety of direct marketing techniques, including email marketing, online advertising and postal mailings. Restrictions regarding marketing and solicitation or international data protection laws that govern these activities could adversely affect the continuing effectiveness of our marketing strategy.

An adverse outcome of certain investigations by competition authorities regarding "parity clauses" could affect our business.

We are subject to laws and regulations regarding competition in the markets where we operate. In particular, in the past few years, competition authorities of some EU Member States, including mainly Germany, the UK, Italy, Sweden and France, have been analyzing pricing practices in the hotel industry, with a particular focus on clauses in contractual arrangements between hotel operators and OTAs providing for "parity". Pursuant to such parity clauses, which are normally included in our contractual arrangements with OTAs, hotel operators are generally required, with some flexibility which may vary on a case-by-case basis, to offer OTAs the best available rate. Some of the mentioned authorities have maintained that parity clauses may have a negative impact on competition and may hinder new booking platforms from entering the market, and have requested that they be removed from contractual arrangements between certain hotel operators and OTAs. Recently, the EU Commission and a number of national competition authorities within the EU are monitoring the potential impact on competition of parity rates provisions in the online booking sector. The outcome of this monitoring process is still unclear. An unfavorable outcome of current investigations or future ones could have a material adverse effect on our business and financial condition.

If we fail to stay current with developments in technology necessary for our business, our operations could be harmed and our ability to compete effectively could be diminished.

Sophisticated information technology and other systems, including systems used for our central reservations, revenue management, property management and our NH Hotel Group Rewards loyalty program, as well as technology systems that we make available to our guests, are integral to our business. Our information technology and other systems must be refined, updated or replaced with more advanced systems on a regular basis. Developing and maintaining our systems may require significant capital. If we are unable to replace or introduce information technology and other systems as quickly as our competitors or within budgeted costs or schedules when these systems become outdated or need replacing, or if we are unable to achieve the intended benefits of any new information technology or other systems, our operations could be harmed and our ability to compete effectively could be diminished.

Third-party claims that we infringe third-party intellectual property rights could subject us to damages and other costs and expenses.

Third parties may make claims against us for infringing their intellectual property rights. Any such claims, even those without merit, could:

- be expensive and time consuming to defend;
- force us to stop providing products or services that use the intellectual property that is being challenged;
- divert our management's attention and resources;
- force us to enter into royalty or licensing agreements to obtain the right to use a third party's intellectual property; or
- force us to pay significant damages.

In addition, we may be required to indemnify third-party proprietors of the hotels we manage and intellectual property societies for any losses they incur as a result of any such infringement claims. Any necessary royalty or licensing agreements may not be available to us on acceptable terms. Any costs, lost net turnover, changes to our business or diversion of management attention related to intellectual property claims against us, whether successful or not, could adversely affect our business and financial results.

Controversies between some of our current significant shareholders may result in increasing litigation in which we may be involved and could harm our financial position, affect the composition and decision making process of our governing bodies, including the deadlock of commercial decisions, and limit our ability to operate our business and implement our strategy.

On April 28, 2016, HNA Tourism Group Co., Ltd ("HNA Tourism Group"), an affiliate of our shareholder, the HNA Group, publicly announced that they had entered into an agreement (the "Carlson Agreement") for the acquisition of Carlson Hotels, Inc. ("Carlson Hotels"), which owns the Quourvus Collection, Radisson Blu, Radisson, Radisson RED, Park Plaza, Park inn by Radisson, Country Inns Suites By Carlson SM brands and the Club Carlson SM global hotel reward programs (the "Carlson Transaction"). According to public sources, under the terms of the Carlson Agreement, HNA Tourism Group will acquire all of Carlson Hotels, including its approximately 51.3% majority stake in Rezidor Hotel Group AB (publ) ("Rezidor") and Carlson Hotel's master license based in Brussels, with hotels in Europe, the Middle East and Africa.

The Carlson Transaction closed on December 7, 2016. As the ownership in Rezidor indirectly held by HNA Tourism Group was not sold down below 30%, the closing of the Carlson Transaction resulted in an indirect change of control in Rezidor and consequently, under Swedish takeover rules, HNA Tourism Group was obliged to launch a mandatory tender offer for the remaining of approximately 48.7% of Rezidor within the four weeks after the closing of the Carlson Transaction. On December 22, 2016, HNA Sweden Hospitality Management AB ("HNA Sweden") announced a mandatory tender offer to the shareholders of Rezidor to acquire all outstanding shares in Rezidor for SEK 34.86 in cash per share in Rezidor (the "Rezidor Offer"). On February 20, 2017, the board of directors of Rezidor unanimously recommended the shareholders of Rezidor not to accept the Rezidor Offer. On March 10, 2017, HNA Sweden extended the initial acceptance period of the Rezidor Offer to March 17, 2017 and the extended acceptance period to March 24, 2017. HNA Sweden announced the final outcome of the initial acceptance period on March 20, 2017, which was that the Rezidor Offer had been accepted by shareholders holding an aggregate of approximately 5.6% of the outstanding shares and votes in Rezidor. HNA Sweden has reported that it expected to announce the final outcome of the extended acceptance period on or about March 29, 2017, respectively. According to HNA, settlement for shares tendered in the Rezidor Offer during the initial acceptance period and the extended acceptance period is expected to commence on April 7, 2017 and April 21, 2017, respectively, subject to HNA Sweden having obtained the necessary regulatory clearances to transfer funds out from China to be used for settlement in the Rezidor Offer.

Since the announcement of the Carlson Transaction there has been a public controversy between some of our shareholders regarding the potential conflict of interest of the HNA Group regarding its right to be represented by proprietary directors at our board of directors given that the HNA Group holds an interest (or has committed to hold an interest pursuant to the Carlson Agreement) in an international hotel business which may compete with our business. As a result of this controversy, at our ordinary general shareholders meeting held on June 21, 2016, following a specific proposal made by our shareholder Oceanwoods Opportunities Masterfund, a majority vote of our shareholders resolved to remove the four proprietary directors of our board proposed by HNA (the "HNA Directors Removal") and approved the appointment of four new directors presented by Oceanwoods Opportunities Masterfund (the "New Directors Appointment"). On that same date, following such general shareholders meeting, our board of directors decided not to renew the appointment of our former chief executive officer, Mr. Federico Jorge González Tejera as executive officer of the Company, and hence he resigned as director.

The HNA Group has filed a claim against NH under the ordinary proceeding 527/2016 followed before the Commercial Court of Madrid no. 3 (the "Claim"), pursuant to which the HNA Group seeks the annulment of some of the resolutions passed by the ordinary general shareholders meeting held on June 21, 2016 including, among others, the HNA Directors Removal and the New Directors Appointment. The Claim also requests the adoption of interim measures by the Court (the "Interim Measures") consisting of the suspension of the corporate resolutions being challenged. If the Interim Measures were finally granted, the suspension and/or annulment of the challenged resolutions would not affect the position of seven directors out of eleven of the existing board of directors but may result in changes in our current management team and executive officers. Also, if the Claim were to be determined adversely to us, there could be a material adverse effect on our cash flow, financial condition and results of operations. The initial hearing in respect of the Interim Measures took place on September 19, 2016. On September 28, 2016, the Commercial Court of Madrid nº3 denied to grant the Interim Measures but, on October 18, 2016, HNA Group filed an appeal seeking the revocation of the ruling and the adoption of the Interim Measures. On December 22, 2016, NH filed an opposition to HNA Group's appeal with respect to the Interim Measures. On January 26, 2017, the initial hearing in respect of the Claim took place and the Commercial Court scheduled further hearings for the Claim for June 6 and 8, 2017. Final resolution of both the Interim Measures and the Claim is pending. See "*Business—Legal proceedings—HNA proceeding*".

Additionally, the HNA Group has publicly stated that two of our significant shareholders, Hesperia and Oceanwoods Opportunities Masterfund, have adopted a concerted action towards gaining control of our board of directors, which would require such shareholders to launch a tender offer under Spanish take over regulations. If this allegation were to prevail and our shareholders Hesperia and Oceanwoods Opportunities Masterfund are required to launch a tender offer addressed to all our shareholders, a potential change of control may occur, pursuant to which we will be required under the Indenture and the 2019 Notes Indenture to offer to repurchase all the 2023 Notes and the 2019 Notes, respectively, at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, to the date of repurchase. Likewise, upon such a change of control, we would be required to repay certain of our other indebtedness, including the Senior Secured RCF, and a put right of the holders of the Senior Unsecured Convertible Bonds would be triggered. The Hesperia Framework Agreement entered into on March 7, 2017 (the effectiveness of which is subject to the satisfaction of certain conditions precedent) is also subject to termination on a change of control. See "*—Risks relating to the Notes and our structure—We may not be able to raise the funds necessary to finance and offer to repurchase the 2023 Notes upon the occurrence of certain events constituting a change of control as required by the Indenture, and the change of control provisions contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events*" and "*—A significant number of our hotels are owned or leased by Hesperia, a shareholder of NH Hotel Group S.A. and we operate them under management contracts that grant non standard termination rights to Hesperia. The termination of our management contracts with Hesperia could have an impact on the number of hotels we manage and eventually have an adverse effect on our financial condition and results of operation*". We cannot assure you that we would have sufficient funds necessary to finance such repurchase and repayments and any failure by us to make such repurchases and repayments would constitute a default under the Indenture and our other indebtedness. See "*—Risks relating to the Notes and our structure—We may not be able to raise the funds necessary to finance and offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture, and the change of control provisions contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events*".

HNA Group has also publicly stated that the terms of the Hesperia MoU and the arrangements established under the Hesperia Framework Agreement favor Hesperia and do not provide other shareholders with adequate protection of their interests.

Potential future changes in accounting standards may impact reporting of our performance and our financial position.

Future changes in accounting standards or practices, and related legal and regulatory interpretations of those changes, may adversely impact our business and industry. Our consolidated financial statements are prepared in accordance with IFRS, as adopted by the European Union. The IASB and the Financial Accounting Standards Board issued in January 2016 the IFRS 16 "Leases" to replace the IFRS 17 standard, which imposes significant changes to current lease accounting practice. IFRS 16 states that, from January 1, 2019, companies must register operating leases in their consolidated statement of financial position. The implementation of this new standard will lead to an increase of the consolidated statement of financial position (Assets and Liabilities) due to the recognition of the right to use the leased asset and any future payment commitments related thereto affecting the gross indebtedness and, therefore, the calculation of all the financial ratios linked to indebtedness. However, it will not have any effect on cash flows. Given that we have a significant number of operating leases, these proposed changes in lease accounting could have a material impact on our financial results, including our rental expense, depreciation, interest expense and balance sheet.

Risks relating to the Notes and our structure

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Notes Guarantees.

We are, and after this Offering will continue to be, highly leveraged. As of December 31, 2016, as adjusted to give pro forma effect to the Refinancing, we would have had €500.0 million of indebtedness, of which €115.0 million would have been represented by the Notes, €285.0 million would have been represented by the Original Notes and €100.0 would have been represented by the 2019 Notes that are not cancelled pursuant to the Refinancing. See "*Capitalization*". We anticipate that our substantial indebtedness will continue for the foreseeable future. Our substantial indebtedness may have important negative consequences for you, including:

- making it more difficult for us and our subsidiaries to satisfy our obligations with respect to our debt, including the Notes, the Notes Guarantees and other liabilities;
- requiring that a substantial portion of the cash flow from operations of our operating subsidiaries be dedicated to debt service obligations, reducing the availability of cash flow to fund working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to, and reducing our flexibility to respond to, economic downturns affecting our industry;
- exposing us to interest rate increases;
- placing us at a competitive disadvantage compared to our competitors, to the extent that they are not as highly leveraged;
- limiting our flexibility in planning for or reacting to changes in our business, the competitive environment and our industry;
- restricting us from pursuing strategic acquisitions, joint ventures, expansion projects or exploiting certain business opportunities; and
- limiting, among other things, our and our subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes. In the worst case, an actual or impending inability by us or our subsidiaries to pay debts as they become due and payable could result in our insolvency.

The terms of the 2019 Notes Indenture, the Indenture and the terms and conditions governing the Senior Secured RCF and the Senior Unsecured Convertible Bonds place restrictions on us and certain of our subsidiaries, reducing our operational flexibility.

The terms of the 2019 Notes Indenture, the Indenture and the terms and conditions governing the Senior Secured RCF and the Senior Unsecured Convertible Bonds contain covenants that place restrictions on us and certain of our subsidiaries. The covenants under the Indenture restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- make certain other restricted payments and investments;
- pay dividends or make other distributions;
- create or incur liens;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Issuer or its restricted subsidiaries;
- transfer or sell assets;
- impair the security interest in the Collateral;
- merge or consolidate with other entities; and
- enter into certain transactions with affiliates.

All these limitations will be subject to significant exceptions and qualifications. The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. For a detailed description of the covenants and restrictions imposed by the documents governing our indebtedness, see "*Description of certain financing arrangements*" and "*Description of the Notes*".

In addition, we are subject to the affirmative and negative covenants contained in the Indenture, 2019 Notes Indenture and the Senior Secured RCF. A breach of any of the covenants, ratios, tests or restrictions in the Indenture, 2019 Notes Indenture or the Senior Secured RCF could result in an event of default thereunder. Any default under the Indenture, the 2019 Notes Indenture, the Senior Secured RCF or the terms and conditions governing the Senior Unsecured Convertible Bonds could lead to an event of default under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture, the 2019 Notes Indenture, the Senior Secured RCF or the terms and conditions governing the Senior Unsecured Convertible Bonds. If our creditors, including the creditors under the 2019 Notes Indenture, the Senior Secured RCF and the Senior Unsecured Convertible Bonds, accelerate the payment of those amounts, our assets and the assets of our subsidiaries may not be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Notes, in full or in part. If we are unable to repay those amounts, our creditors could enforce any collateral granted to them to secure repayment of those amounts, including the Collateral.

We require a significant amount of cash to service our debt and for other general corporate purposes, and our ability to generate sufficient cash depends upon many factors beyond our control.

Our ability to make principal or interest payments when due on our debt, including the Notes, the Original Notes, 2019 Notes, the Senior Secured RCF, and the Senior Unsecured Convertible Bonds, and to fund working capital and capital expenditures, will depend on our future operating performance and our ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, legislative, legal, regulatory and other factors, as well as the other factors discussed in these *"Risk factors"* and elsewhere in this offering memorandum, many of which are beyond our control.

Our business may not generate sufficient cash flows from operations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs. For a discussion of our cash flows and liquidity, see *"Management's discussion and analysis of financial condition and results of operations—Liquidity"*.

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

The type, timing and terms of any future financing will depend upon our cash needs and the prevailing conditions in the financial markets. We may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our debt, including the Notes, the Original Notes, the 2019 Notes and the terms and conditions governing the Senior Secured RCF and the Senior Unsecured Convertible Bonds, and any future debt that we may incur, may limit our ability to pursue any of these alternatives.

Despite our current substantial indebtedness, we may be able to incur substantially more debt in the future, including on a secured basis over the Collateral or otherwise, which could further exacerbate the risks of our indebtedness.

We may incur substantially more debt in the future. Although the 2019 Notes Indenture, the Indenture and the terms and conditions governing the Senior Secured RCF and the Senior Unsecured Convertible Bonds contain restrictions on the incurrence of additional indebtedness and on the granting of security in respect thereof, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition, the 2019 Notes Indenture, the Indenture and the terms and conditions governing the Senior Secured RCF and the Senior Unsecured Convertible Bonds do not prevent us from incurring obligations that do not constitute indebtedness under those agreements. We may incur additional debt in the future, secured by the Collateral or otherwise, which could mature prior to the Notes, and such debt could be secured on an equal, ratable and *pari passu* basis with the Notes and the Notes Guarantees. Any additional debt incurred by a non-Guarantor subsidiary would be structurally senior to the Notes. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase.

The Senior Secured RCF will bear interest at floating rates. A rise in interest rates would increase interest costs on the amounts drawn under the Senior Secured RCF and any other variable rate debt that we may incur in the future, which could adversely affect our cash flow and our ability to refinance existing debt and acquire assets.

Borrowings under the Senior Secured RCF will bear interest at floating rates equal to EURIBOR plus an additional margin. These interest rates could rise significantly in the future as a result of a significant rise of EURIBOR. Moreover, a floor of 0% applies to EURIBOR, which means that, should EURIBOR decrease below 0%, we would not benefit from such decrease. Any increase in the interest rate applicable to borrowings under the Senior Secured RCF will reduce our cash flows available for other corporate purposes including investments in our hotel portfolio. Further, rising interest rates could limit our ability to refinance existing debt when it matures and increase interest costs on any refinancing indebtedness. Although we may from time to time enter into agreements such as interest rate swaps or other interest rate hedging agreements designed to fix all or part of any such floating interest expense payment, such agreements may not continue to be available on commercially reasonable terms. While these agreements may reduce the effect of rising floating interest benchmark rates, they also expose us to the risk that other parties to the agreements will not perform or that the agreements will be unenforceable. If one or more of our counterparties falls into bankruptcy, claims we may have under such interest rate hedging agreements may become worthless. In addition, in the event that we refinance our debt or terminate hedging agreements, we may be required to make termination payments, which would result in a cash outflow. An increase in floating interest rates could also decrease the amount third parties are willing to pay for our assets, thereby limiting our ability to dispose of assets as part of our business strategy. For a detailed description of the interest margin and fees imposed by the documents governing our indebtedness, see "*Description of certain financing arrangements*".

The Issuer is dependent upon payments from its subsidiaries to make payments on the Notes, and the Issuer's subsidiaries may not be permitted or otherwise able to make payments to the Issuer.

The Issuer is a publicly listed parent company that depends upon receipt of sufficient funds from its subsidiaries to meet its obligations. Even if the Issuer's subsidiaries generate sufficient cash from their operations, their ability to provide funds to the Issuer are subject to, among other things, local tax restrictions and local corporate law restrictions related to earnings, the level of legal or statutory reserves, losses from previous years, capitalization requirements for the Issuer's subsidiaries and contractual restrictions. As a result, although the Group may have sufficient resources, on a consolidated basis, to make the necessary payments to the Issuer in order for the Issuer to meet its obligations, the Issuer's subsidiaries may not be able to make the necessary transfers to it to permit the Issuer to satisfy its obligations under the Notes or otherwise. In particular, the Issuer's subsidiaries may be restricted from providing funds to it under some circumstances. These circumstances include:

- restrictions under the corporate law of the jurisdictions in which the Issuer's subsidiaries are based, which could require, among other things, that its subsidiaries retain a certain percentage of annual net income in a legal reserve, that its subsidiaries maintain the share capital of a limited liability company and that, after payment of any dividend, the relevant subsidiary's shareholders' equity exceed its share capital. For example, Spanish law sets out certain capital requirements which limits our subsidiaries' ability to provide funds to the Issuer due to restrictions that require, among other things, each of our Spanish subsidiaries (i) to allocate an amount at least equal to 10% of its annual net income to the legal reserve until such reserve represents at least 20% of such company's share capital and (ii) to maintain its equity in an amount not lower than its share capital once the profit distribution is deducted and the corresponding goodwill reserves are allocated. Moreover, the by-laws of each of our Spanish subsidiaries may provide for additional reserves that must be retained prior to providing funds to us;

- restrictions under foreign exchange laws and regulations that could limit or tax the remittance of dividends or transfer payments abroad; and

- existing and future contractual restrictions, including restrictions in joint venture agreements, credit facilities, cash pooling arrangements and other indebtedness that affect the ability of the Issuer's subsidiaries to pay dividends or make other payments to it in the future.

Not all our subsidiaries will guarantee the Notes, and each of the Notes and the Notes Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries.

Not all our existing and future subsidiaries will guarantee the Notes. As of December 31, 2016, we had total assets of €2,627.2 million, and after giving *pro forma* effect to the Refinancing we would have had an aggregate amount of €848.6 million of total outstanding debt. The Guarantors comprised 63.7% of our total assets as of December 31, 2016 and represented 81.5% and 60.6% of our net turnover and EBITDA, respectively, for the year ended December 31, 2016, and the Issuer and the Guarantors together comprised 81.8% of our total assets as of December 31, 2016 and represented 82.9% and 84.6% of our net turnover and EBITDA, respectively, for the year ended December 31, 2016. In addition, after giving pro forma effect to the Refinancing, the non-Guarantor subsidiaries of the Issuer would have had €40.4 million of debt outstanding as of December 31, 2016 on a consolidated basis. See *"Description of certain financing arrangements"*.

Our non-Guarantor subsidiaries have no obligation to make payments with respect to the Notes or to make funds available for that purpose. Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors, and claims of preference shareholders, if any, of our subsidiaries, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of the Issuer, including claims under any intercompany loans and by holders of the Notes under the Notes Guarantees. In the event that any of our non-Guarantor subsidiaries becomes insolvent, liquidates, reorganizes, dissolves, enters examinership or otherwise winds up other than as part of a solvent transaction:

- the creditors of the Issuer, including the holders of the Notes, and the Guarantors will have no right to proceed against the assets of the non- Guarantor subsidiary; and
- creditors of the non-Guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of the non-Guarantor subsidiary before any Guarantor or the Issuer, as a direct or indirect shareholder, will be entitled to receive any distributions from the non-Guarantor subsidiary.

Consequently, any claim by us or our creditors against a non-Guarantor subsidiary will be structurally subordinated to all the claims of the creditors of the non-Guarantor subsidiary.

The Notes and the Notes Guarantees are secured only to the extent of the value of the Collateral, which may not be sufficient to satisfy the obligations under the Notes and the Notes Guarantees.

The Notes and the Notes Guarantees will be secured by the Collateral, which will also secure, on a first ranking basis, the 2019 Notes and the Senior Secured RCF. Subject to certain limits, the Senior Secured RCF, the 2019 Notes Indenture and the Indenture permit additional debt to be secured by the Collateral, and such additional secured debt may be substantial. The rights of a holder of Notes to the Collateral may be diluted by any increase in the debt secured by the Collateral or a reduction of the Collateral securing the Notes.

If there is an Event of Default, as defined in the Indenture, on the Notes, there is no guarantee that the proceeds of any sale of the Collateral will be sufficient to satisfy, and may be substantially less than, amounts due under the Original Notes, the Notes as well as other debt benefiting from a *pari passu* security interest in the Collateral, including indebtedness under the 2019 Notes and the Senior Secured RCF. If the proceeds of any sale of Collateral are not sufficient to repay all amounts due on the Notes and the Notes Guarantees, investors, to the extent not repaid from the proceeds of the sale of the Collateral, would have only an unsecured claim against the Issuer's and the Guarantors' remaining assets. Each of these factors or any challenge to the validity of the Collateral or the Intercreditor Agreement could reduce the proceeds realized upon enforcement of the Collateral. The amount of proceeds realized upon the enforcement of the security interests over the Collateral or in the event of liquidation will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, economic conditions where operations are located and the availability of buyers. Furthermore, there may not be any buyer willing and able to purchase our business or pledged subsidiaries, either individually or collectively. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. Moreover, all or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. There may not be a market for the sale of the Collateral, or, if such a market exists, there may be a substantial delay in its liquidation. The Share Collateral may be of no value if our subsidiary whose shares have been pledged is subject to an insolvency or bankruptcy proceeding.

The companies for which Share Collateral has been granted may have outstanding indebtedness or may have granted security over their assets to secure other debt. For example, as of December 31, 2016, NH Italia had €2.1 million of outstanding indebtedness which was secured by various collateral including mortgages over NH Villa San Mauro.

The companies for which Share Collateral has been granted may have outstanding indebtedness or may have granted security over their assets to secure other debt. For example, as of December 31, 2016, NH Italia had €2.1 million of outstanding indebtedness which was secured by a collateral over NH Villa San Mauro.

In addition, our business requires a variety of permits and licenses. The continued operation of properties that comprise part of the Collateral and that depend upon the maintenance of the permits and licenses may be prohibited or restricted. In the event of foreclosure, the grant of permits and licenses may be revoked, the transfer of the permits and licenses may be prohibited or may require us to incur significant cost and expense. Further, the applicable governmental authorities may not consent to the transfer of all permits and licenses. If the regulatory approvals required for the transfers are not obtained, are delayed or are economically prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the Collateral may be significantly decreased.

In the future, the obligations to provide additional guarantees and grant additional security over assets, or a particular type or class of assets, whether as a result of the acquisition or creation of future assets or subsidiaries, the designation of a previously unrestricted subsidiary as a restricted subsidiary or otherwise, is subject to certain agreed security principles and the Intercreditor Agreement. The agreed security principles set out a number of limitations on the rights of the holders of the Notes to require granting of, or payment or enforcement under, a guarantee or security in certain circumstances. The operation of the agreed security principles may result in, among other things, the amount recoverable under any guarantee or security provided by any subsidiary being limited or security not being granted over a particular type or class of assets. Accordingly, the agreed security principles may affect the value of the Notes Guarantees and Collateral provided by us and our subsidiaries. The validity and enforceability of the Notes Guarantees and Collateral may also be affected by local law limitations. See *"—The Notes Guarantees and security interests in the Collateral are significantly limited by applicable laws and are subject to certain limitations on enforcement or defenses".*

The Mortgage Properties are located in the Netherlands, and the Share Collateral includes a pledge of shares in subsidiaries incorporated in Belgium, Italy and the Netherlands. The multi-jurisdictional nature of any foreclosure on the Collateral may limit the realizable value of the Collateral. For example, the bankruptcy, insolvency, administrative, examinership and other laws of the various jurisdictions may be materially different from, or conflict with, each other, including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest and duration of the proceedings.

Our compliance with certain of the covenants under the Indenture may be tested a substantial period of time after the last valuation of the Collateral and thus our compliance with the covenants under the Indenture may be based on a valuation that does not reflect the current actual value of the Collateral.

We will furnish to the Trustee, within 180 days after the end of each fiscal year, a valuation report prepared by an independent appraisal firm setting forth the market value of the Collateral as of the end of the applicable fiscal year. We may also provide the Trustee with additional valuation reports from time to time throughout the year. The valuations, together with certain other financial information of the Company, will be used to determine if we can release the Collateral from time to time. Our compliance with this provision may be tested long after the most recent valuation was conducted, and accordingly, the value reflected in the last valuation of the Collateral might be subtantially different than the actual value of the Collateral when verifying the compliance with certain covenants. Liens on the Collateral may be released if, among other things, the loan to value ratio of the Issuer (calculated as the ratio of the aggregate principal amount of debt secured by the Collateral to the value of the Collateral as determined in accordance with the terms of the Indenture) as of the date of release is no more than 55%. Under the Indenture, upon redemption of the 2019 Notes, this percentage might increase up to 100% under certain circumstances. The value for purposes of determining this ratio is the valuation reflected in the most recent available valuation report, which might be materially different than the actual value of the Collateral as of the date of release. See "*Description of the Notes—Certain covenants—Reports*" and "*Description of the Notes—Security—Release of Security Interests*".

It may be difficult to realize the value of the Collateral securing the Notes.

The Collateral securing the Notes is subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the 2019 Notes Indenture, the Senior Secured RCF, the Indenture and the Intercreditor Agreement. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Notes, as well as the ability of the Security Agent to realize or foreclose on the Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens, certain statutory preferences or recharacterization under the laws of certain jurisdictions.

To the extent that liens, security interests and other rights granted to other parties encumber assets owned by the Guarantors whose shares form part of the Collateral, those parties have or may exercise rights and remedies with respect to the property subject to their liens, security interests or other rights that could adversely affect the value of that Collateral and the ability of the Security Agent, acting on behalf of the Trustee or investors as holders of the Notes, to realize or enforce that Collateral. In particular, the Share Collateral includes a pledge over the shares of the capital stock of NH Italia. Certain properties owned by NH Italia have been granted as security in favor of the relevant lenders under the outstanding debt of NH Italia.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests in the Collateral and there can be no assurance that the Collateral will be saleable. For example, the enforcement of the Share Collateral, whether by means of a sale, public auction, or judicial or private appropriation, may be subject to certain specific requirements and the Security Agent may need to obtain the consent of a third party to enforce a security interest or to appoint an independent expert to assess the value of the Collateral. The Security Agent may not be able to obtain the consent of a third party, and the consents of any third parties may not be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

Holders of the Notes will not control certain decisions regarding the Collateral.

The Notes will be secured by the same Collateral securing the obligations under the Original Notes, the 2019 Notes and the Senior Secured RCF. In addition, under the terms of the Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral.

The Intercreditor Agreement provides that a common security agent serves as the Security Agent for the secured parties under the 2019 Notes, the 2023 Notes and the Senior Secured RCF with respect to the shared Collateral. Subject to certain limited exceptions, the Security Agent will act with respect to such Collateral only at the direction of an "Instructing Group", which means those creditors whose senior secured credit participations at that time aggregate to more than 66⅔% of the total senior secured credit participations. The senior secured credit participations include among others, the aggregate liabilities owed to the lenders under the Senior Secured RCF and the aggregate outstanding principal amounts held by the holders of the 2023 Notes and the 2019 Notes, with each lender, holder or other creditor holder exercising its own vote.

The security interests in the Collateral are not directly granted to the holders of the Notes.

The security interests in the Collateral that secure, among other obligations, the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Notes Guarantees are not granted directly to the holders of the Notes but are granted only in favor of the Security Agent on behalf of the Trustee and the holders of the Notes in accordance with the Indenture, the Intercreditor Agreement and the Security Documents related to the Collateral. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will, subject to the provisions of the Indenture and the Intercreditor Agreement, provide instructions to the Security Agent in respect of the Collateral.

In addition, the holders of the Notes will not be able to instruct the Security Agent, force a sale of Collateral or otherwise independently pursue the remedies of a secured creditor under the relevant Security Documents, unless the holders of the Notes comprise an Instructing Group. Disputes may occur among the holders of the 2023 Notes, the holders of the 2019 Notes and creditors under the Senior Secured RCF regarding enforcement remedies and strategies with respect to the Collateral. In such an event, the holders of the 2023 Notes will be bound by any decisions of the Instructing Group, which may result in enforcement action in respect of the Collateral, whether or not such action is approved by the holders of the 2023 Notes or may be adverse to the holders of the 2023 Notes. The holders of the 2019 Notes and the creditors under the Senior Secured RCF may have interests that are different from the interests of holders of the 2023Notes, and they may elect to pursue their remedies under the Security Documents at a time when it would otherwise be disadvantageous for the holders of the 2023 Notes to do so.

In addition, if the Security Agent sells any of the Collateral as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the 2023 Notes and the Notes Guarantees and the liens over any other assets securing the 2023 Notes and the Notes Guarantees may be released. See "*Description of certain financing arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Security Interests*".

The Issuer and the Guarantors have control over the Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents will allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income, dividends and other distributions from the Collateral. So long as no default or event of default under the Indenture would result therefrom, the Issuer and the Guarantors may, among other things and subject to the terms of the Indenture, without any release or consent by the

Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of the Collateral. Additionally, as part of our day-to-day operations, we actively manage our hotel portfolio with the aim of exiting from or selling underperforming hotels. As a result, subject to certain limitations set forth in the Indenture including the requirement that we do not exceed a specified ratio of *pari passu* debt secured by the Collateral to the aggregate value of the Collateral determined in accordance with the terms of the Indenture, certain properties or shares constituting part of the Collateral may be sold or otherwise disposed of and the liens with respect to such assets would be released such that the Collateral in place as of the Issue Date may be diluted over time. Your ability to recover on the Notes could be materially impaired in such circumstances.

There are circumstances other than repayment or discharge of the Notes under which the security interest in the Collateral securing the Notes and the Notes Guarantees will be released automatically, without the consent of the holders of the Notes or the consent of the Trustee.

The security interest in the Collateral securing the Notes and the Notes Guarantees may be released in certain circumstances, including in the event the Collateral is sold pursuant to an enforcement sale in accordance with the Intercreditor Agreement. Upon any such enforcement sale in accordance with the Intercreditor Agreement, the Guarantor's Notes Guarantee may also be released. In addition, we may release the security over that Collateral if, among other things, we sell or dispose of the Collateral from time to time or subject to the requirement that, among other things, the loan to value ratio of the Issuer (calculated as the ratio of the aggregate principal amount of debt secured by the Collateral to the value of the Collateral as determined in accordance with the terms of the Indenture) as of the date of release is no more than 55%. Under the Indenture, upon redemption of the 2019 Notes, this percentage might increase up to 100% under certain circumstances. Moreover, under certain circumstances, the security interests over the Mortgage Properties may be replaced by security interests over the share capital of the relevant wholly owned subsidiaries of the Issuer that own the Mortgage Property being released. Any such replacement might negatively affect the value of the Collateral. See *"Description of the Notes—Release of notes guarantees"* and *"Description of the Notes—Security—Release of security interests"*.

The Notes and the Notes Guarantees may not be secured by the Collateral on the Issue Date.

The amendments, confirmations or extensions (as applicable) to the Security Documents will be entered into on or prior to the Issue Date (although the perfection formalities for some of them may be completed within five business days thereafter, and the Notes and the Notes Guarantees may not be secured by all of the Collateral on the Issue Date). The Issuer has agreed to take all necessary actions to perfect and make effective the amendment, extension or confirmation of the security interest granted in favor of the Security Agent (for the benefit of the holders of the Notes, among others) in the Collateral pursuant to the amendments, confirmations or extensions (as applicable) to the Security Documents executed on the Issue Date subject, in each case, to the terms of the Intercreditor Agreement and such Security Documents, as soon as practicable. In addition, the Collateral may be subject to certain perfection requirements in order to be enforced. Accordingly, although we will endeavor to complete all steps necessary to perfect the security over the Collateral as soon as practicable, we cannot provide any assurances as to when the amendment, extension or confirmation of the security granted over the Collateral to secure the Notes and the Notes Guarantees will be perfected, if at all. See "*—Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral"* and *"Description of the Notes—Security—The collateral"*.

Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

The security interests to be granted in respect of the Collateral will not be perfected on the Issue Date. Under applicable law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the grantor of the security. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we fail or are unable to take the actions required to perfect any of the liens.

Absent perfection, the holders of the Notes may have difficulty enforcing their rights in the Collateral with respect to third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the Collateral. In addition, a debtor may discharge its obligation by paying the security provider until, but not after, the debtor receives a notification of the existence of the security interest granted by the security provider in favor of the secured party over the claims the secured party, as creditor, has against the debtor. Finally, since the ranking of pledges is generally determined by the date on which they became enforceable against third parties, a security interest created on a later date over the same asset constituting the Collateral, but which come into force for third parties earlier, by way of registration in the appropriate register or by notification, may have priority. Neither the Trustee nor the Security Agent has any obligation to monitor the acquisition of additional assets that constitute the Collateral or the perfection of, or to take steps to perfect, any security interest in the Notes against third parties.

Under Dutch law, perfection of mortgages over real estate provided by the Dutch Guarantors requires registration in the relevant public registers. Perfection of pledges over shares in a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid)* requires that the relevant company is a party to the deed creating the pledge or that certain other requirements are satisfied. In addition, the pledges over shares must be registered in the company's shareholders register.

The enforcement of the Notes Guarantees may be restricted by Spanish law.

The Spanish Insolvency Law imposes a moratorium on the enforcement of creditors' rights in the event of insolvency of the debtor, to the extent the collateral can be deemed by the insolvency court as an asset necessary for the continuity of the business.

In addition, Article 5bis of the Spanish Insolvency Law also provides that if a debtor notifies the court that, being in actual or imminent insolvency, it has started negotiations with its creditors to seek support for either (i) a collective refinancing agreement in the terms of article 71.bis.1 of the Spanish Insolvency Law, (ii) a Spanish "scheme of arrangements" provided under the 4th Additional Provision of the Spanish Insolvency Law, (iii) an early composition agreement (*convenio anticipado*), or (iv) an out-of-court repayment agreement under Articles 231 et seq. of the Spanish Insolvency Law, it will have a three-month additional grace period in which the obligation to file for insolvency is suspended, and one more month to file for insolvency, provided that it files the notice before the court within two months of becoming insolvent. From the moment this pre-insolvency notice is submitted and during the pre-insolvency period, enforcement proceedings may not be initiated for the enforcement of assets necessary for the continuation of the debtor's professional or business activity, and proceedings already initiated will be stayed. Furthermore, individual enforcements sought by holders of financial liabilities cannot be initiated (or, if they have already been initiated, will be stayed) when it is justified that a percentage no lower than 51% of creditors holding financial liabilities have supported the start of negotiations of a refinancing agreement, undertaking not to initiate enforcements in the meantime, irrespective of whether the asset is necessary for the continuation of the business.

Enforcements of *in rem* securities can be commenced after the aforementioned pre-insolvency notice is submitted, but such enforcement becomes suspended for the time explained above.

On the contrary, enforcement of claims subject to Public Law are not affected by the submission of this pre-insolvency notice.

Enforcement is also suspended in case a refinancing agreement submitted for homologation is admitted by the Court, until the time the Court decides to homologate it or not.

The Spanish Insolvency Law expressly establishes that the shares or quotas of companies exclusively destined to hold assets and the liabilities necessary for their financing will not be consider necessary for the continuation of the debtor's business, provided that the enforcement of the security over the shares or quotas does not constitute a cause of termination or modification of those contractual relationships of the company that allow the debtor to continue exploiting such assets.

Applicable law requires that a security interest in certain assets can only be properly perfected, registered or its equivalent in other jurisdictions and its priority retained through certain actions undertaken by the secured party. See "*—Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral*". The liens on the Collateral securing the Notes from time to time may not be perfected, or registered or other equivalent in other jurisdictions, which may result in the loss of the priority, or a defect in the perfection, registration or other equivalent in other jurisdictions of the security interest for the benefit of the Trustee and holders of the Notes to which they would have been otherwise entitled. Neither the Security Agent nor the Trustee will be obligated to create or perfect any of the security interests in the Collateral.

Holders of the Notes will not have any independent power to enforce the Notes Guarantees and the Collateral securing the Notes, except through the Security Agent following the instructions of the Instructing Group. Since Spanish law does not contemplate the concept of "security agent", there is some uncertainty as to whether a Spanish court would recognize the authority of the Security Agent and whether this would cause delays in the enforcement and the consequences of not being able to enforce the Notes Guarantees. Although this by itself does not prohibit appointing the Security Agent, the absence of regulation creates uncertainty as to how a Spanish court would recognize the Security Agent's actions in an enforcement situation. Some legal scholars argue that a security agent would only be entitled to enforce its portion of the guaranteed obligation but not that of the other guaranteed parties. Therefore, the validity and enforceability of guarantees or security interests granted in favor of the holders of the Notes through the Security Agent may be subject to certain limitations. For more information, see "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations*".

The enforcement of the Collateral may be restricted by Spanish law.

Spanish insolvency law imposes a moratorium on the enforcement of secured creditors' rights (*in rem* security) in the event of insolvency of the debtor, to the extent the collateral can be deemed by the Insolvency Court as an asset necessary for the continuity of the business. The moratorium would take effect following the declaration of insolvency until the earlier to occur of: (a) approval of a creditors' composition agreement, unless the composition agreement has been approved by the secured creditors, in which case the composition agreement will govern or (b) one year has elapsed since the declaration of insolvency without liquidation proceedings being initiated. Enforcement will be stayed even if at the time of declaration of insolvency the notices announcing the public auction have been published. In determining which assets of the debtor are necessary for its professional or business activities, courts have generally adopted a broad interpretation and will likely include most of the debtor's assets. Finally, enforcement of the Collateral will be subject to the provisions of Spanish procedural law and Spanish insolvency law, where applicable, and this may entail delays in the enforcement.

Even when the moratorium elapses, in case the creditors did not commence the enforcement before the insolvency declaration, it could lose its right to enforce separately within the insolvency proceeding, and thus its right to control the sale of the asset by the insolvency administrator. During the moratorium, the insolvency administrator is also entitled to repay the claim as a claim against the insolvency estate, up to the value of the collateral as determined under the Spanish Insolvency Act rules, as to avoid the enforcement.

In addition, there are certain rules applying to the assets securing claims in case they are sold in liquidation as part of the debtor's business. Depending on the manner in which the asset is sold (i.e. with or without the security), such rules could result in a sale that does not require the creditor's consent if, among others, the asset is sold at a price which is higher than the value of the collateral, or even lower than the value of the collateral if the secured creditor loses its right to enforce separately within the insolvency proceeding or if 75% of the special privileged creditors belonging to the same class with right to enforce consent so.

Moreover, the enforcement of a security interest could be delayed or even denied if the relevant court or, in the case of a notarial enforcement, the relevant notary, deems the secured obligation contains abusive provisions.

In the case of real estate mortgages, it may be required for purposes of enforcement that at least three installments remain unpaid or that the debtor has been in breach of its payment obligations for a period of at least three months. No significant relevant case law applying or interpreting these provisions currently exists.

Applicable law requires that a security interest in certain assets can only be properly perfected, registered or its equivalent in other jurisdictions and its priority retained through certain actions undertaken by the secured party. See "*—Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral*". The liens on the Collateral securing the Notes from time to time may not be perfected, or registered or other equivalent in other jurisdictions, which may result in the loss of the priority, or a defect in the perfection, registration or other equivalent in other jurisdictions of the security interest for the benefit of the Trustee and holders of the Notes to which they would have been otherwise entitled. Neither the Security Agent nor the Trustee will be obligated to create or perfect any of the security interests in the Collateral.

Holders of the Notes will not have any independent power to enforce the Collateral securing the Notes, except through the Security Agent following the instructions of the Instructing Group. Since Spanish law does not contemplate the concept of "security agent", there is some uncertainty as to whether a Spanish court would recognize the authority of the Security Agent and whether this would cause delays in the enforcement and the consequences of not being able to enforce the Collateral as provided in the Security Documents. Although this by itself does not prohibit appointing the Security Agent, the absence of regulation creates uncertainty as to how a Spanish court would recognize the Security Agent's actions in an enforcement situation. Some legal scholars argue that a security agent would only be entitled to enforce its portion of the secured obligation but not that of the other secured parties. Therefore, the validity and enforceability of guarantees or security interests granted in favor of the holders of the Notes through the Security Agent may be subject to certain limitations. For more information, see "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations*".

The enforcement of the Collateral may be restricted by Dutch law.

In the case of a bankruptcy (*faillissement*) or suspension of payments (*surseance van betaling*) declared in the Netherlands in respect of a person holding title to assets that constitute Collateral, the Security Agent will be entitled to exercise the rights afforded to a person having a Dutch law security right (being a pledge (*pandrecht*) or a mortgage (*hypotheek*)) over those assets as if there were no bankruptcy or suspension of payment. However, such a bankruptcy or suspension of payments would affect the position of the Security Agent as a secured party in some respects, the most important of which are: (i) the competent court may as a general rule set a period of up to four months during which the Security Agent may not, without the court's consent, (a) claim the asset constituting Collateral if it is under the control of (*in de macht van*) the person holding title to the asset or, in the case of a bankruptcy, the trustee in bankruptcy (*curator*) or (b) seek recourse against the asset, and (ii) a trustee in bankruptcy may (x) give the Security Agent a reasonable period to exercise his rights and (y) if the Security Agent fails to sell the asset within that period, claim the asset and sell it, without prejudice to the Security Agent's entitlement to the proceeds after deduction of a contribution to the bankruptcy costs and taking into account the Security Agent's rank.

Enforcement of a Dutch law security right (including allocation of the proceeds) is subject to Dutch law. Under Dutch law, in principle, a security right is enforced through a public auction of the asset subject to the security right in accordance with Dutch law. Shares in a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) may be transferred only upon enforcement in accordance with Dutch law and the articles of association of the company that has issued the shares, as they read at the time of enforcement.

The Security Agent or, in case the security right is a mortgage (*hypotheek*), the relevant security interest provider may request the competent court to approve a private sale of the asset subject to the security right. In case of pledged assets (but not mortgaged assets), the Security Agent and the security interest provider may agree to an alternative method of sale of the asset once the pledge has become enforceable. The Security Agent may also request the competent court to determine that a pledged asset shall accrue to it for a price determined by the court. For more information, see "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations*".

The enforcement of the Collateral may be restricted by Belgian law.

Holders of the Notes will not have any independent power to enforce the Collateral securing the Notes, except through the Security Agent following the instructions of the Instructing Group. The Belgian Financial Collateral Act of December 15, 2004, expressly recognizes the validity and enforceability with respect to third parties of pledges on financial instruments entered into by a security agent acting for one or more beneficiaries when the identity of the beneficiaries can be ascertained in the security agreement.

The enforcement of the Collateral may be restricted by Italian law.

Under Italian law, in the event that an entity becomes subject to bankruptcy proceedings *(fallimento)*, security interests given by it during a certain legally specified period (the "suspect period") could be subject to potential challenges by the appointed bankruptcy receiver under the rules of ineffectiveness or avoidance or clawback of Royal Decree No. 267 of March 16, 1942, as reformed and currently in force (the "Italian Bankruptcy Law"). In particular, the grant of the Notes Guarantees or the Collateral to secure the Notes may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may be otherwise set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant.

If challenged successfully, the guarantee and/or security interest may become unenforceable and any amounts received must be refunded to the receiver. To the extent that the grant of any guarantee and/or security interest is voided, holders of the Notes could lose the benefit of the guarantee and/or security interest and may not be able to recover any amounts under the related security documents.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a security, agreement and any other act by which it disposes of any of its assets, in order to revoke or declare ineffective pursuant to Article 2901 of the Italian

Civil Code (*azione revocatoria ordinaria*) the said security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit.

An Italian court could revoke the said security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; and
- that, in the case of non gratuitous act, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

If a court decided that a security interest was unenforceable, the beneficiary of the security interest may cease to have any claim with respect to the relevant grantor of security.

The Notes Guarantees and security interests in the Collateral are significantly limited by applicable laws and are subject to certain limitations on enforcement or defenses.

The Guarantors will guarantee the payment of the Notes as described in "*Description of the Notes—The notes guarantees*" and the Collateral will secure the Notes and the Notes Guarantees as described in "*Description of the Notes—Security*". The Notes Guarantees provide the holders of the Notes with a direct claim against the relevant Guarantor. However, the obligations of each Guarantor under its Notes Guarantee and the amount secured by, or enforcement of, the Collateral will be limited under the Indenture to an amount that has been determined so as to ensure that amounts payable will not result in violations of laws relating to corporate benefit, fraudulent conveyance or transfer, voidable preference, capitalization, capital preservation (under which, among other requirements, the risks associated with a guarantee or grant of security on account of a parent company's or an affiliate company's debt must be reasonable and economically and operationally justified from the Guarantor's or grantor's perspective or must be covered by its available net assets on the balance sheet), thin capitalization, corporate purpose, financial assistance or transactions under value, or otherwise cause the Guarantor or grantor of Collateral to be deemed insolvent under applicable law or such Notes Guarantee or Collateral to be deemed void, unenforceable or ultra vires, or cause the directors of such Guarantor to be held in breach of applicable corporate or commercial law for providing such Notes Guarantee or Collateral. If these limitations are not observed, the Notes Guarantees and the grant of security interests by the Guarantors could be subject to legal challenge. The Indenture and the security agreements may include language limiting the amount or the enforcement of the Notes Guarantees and the Collateral to account for such legal constraints.

Enforcement of any of the Notes Guarantees and Collateral against any Guarantor will be subject to certain defenses available to Guarantors in the relevant jurisdiction. Although laws differ among jurisdictions, in general, under bankruptcy, insolvency, fraudulent conveyance and other laws, a court could subordinate, void or invalidate all or a portion of a Guarantor's obligation under the Notes Guarantees or the security interest granted under the Security Documents and, if payment had already been made under a Notes Guarantee or enforcement proceeds applied under a Security Document, require that the recipient return the payment to the relevant Guarantor or security provider, or take other action that is detrimental to you, typically if the court found, *inter alia*, that:

- the amount paid or payable under the relevant Notes Guarantee or the enforcement proceeds under the relevant Security Document was in excess of the maximum amount permitted under applicable law;

- the relevant Notes Guarantee or security interest under a Security Document was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the Guarantor or security provider or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor or security provider was insolvent when it granted the relevant Notes Guarantee or security interest;
- the Guarantor or security provider did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Notes Guarantee or security interest and the Guarantor or security provider was: (i) insolvent or rendered insolvent because of the relevant Notes Guarantee or security interest; (ii) undercapitalized or became undercapitalized because of the relevant Notes Guarantee or Security Document; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity; or
- the relevant Notes Guarantees or Security Documents were held to exceed the corporate objects or corporate purposes of the Guarantor or security provider or not to be in the best interests or for the corporate benefit of or to promote the success of the Guarantor or security provider.

Furthermore, the enforcement of any claims arising under the Notes Guarantees and/or the Security Documents may become barred under the provisions of law applicable in the relevant jurisdiction concerning prescriptions and limitations by the lapse of time or may be or become subject to a defence of set-off or counterclaim, fraud or negligence. In addition, the enforcement of legal obligations may be prevented or invalidated in the case of fraudulent enforcement.

As a result, a Guarantor's liability under its Notes Guarantees could be materially reduced or eliminated depending upon the amounts of its other obligations and upon applicable laws. In particular, in certain jurisdictions, a guarantee issued by a company that is not in that company's corporate interests or the burden of which exceeds the benefit to the company may not be valid and enforceable. It is possible that a Guarantor, a creditor of a Guarantor or the insolvency administrator, in the case of an insolvency of a Guarantor, may contest the validity and enforceability of the respective Notes Guarantee and that the applicable court may determine that the Notes Guarantee should be limited or voided. In the event that any Notes Guarantee is deemed invalid or unenforceable, in whole or in part, or to the extent that agreed limitations on the Notes Guarantee apply, the Notes would not be guaranteed by such Notes Guarantee. For more information on the specific limitations under applicable law of the respective jurisdictions of incorporation of the Guarantors and certain contractual limitations to be confirmed in the Indenture, see "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations*".

Spanish law

The laws of Spain may limit the ability of the Guarantors to guarantee the Notes or grant security on the Collateral. Any guarantee, pledge or mortgage generally must guarantee or secure a primary obligation to which it is ancillary. This implies that the primary obligation must be clearly identified in the guarantee or security agreement and the nullity or termination of the primary obligation entails the nullity or termination of the ancillary guarantee or security. Consequently, if the primary obligation is deemed null and void, the ancillary guarantee or security interest will also be deemed null and void.

In addition, the obligations and liabilities of any Guarantor entity granting a security interest in favor of the holders of the Notes cannot extend to any obligation which, if incurred, would constitute a breach of Spanish financial assistance rules. Pursuant to these rules, a Spanish company may not generally advance funds, grant loans, guarantees or security interests or provide any other type of financial assistance in connection with the acquisition of its own shares or those of its parent company, in the case of public limited liability companies, or other companies within the same group, in the case of private limited liability companies. Any guarantee or security granted in breach of these provisions may be deemed null and void. There are no whitewash procedures available in Spain.

Under Spanish law, claims may become time-barred (a general term of five years is set forth in the Spanish Civil Code for personal obligations) or may be or become subject to the defense of set-off or counterclaim.

The terms "enforceable", "enforceability", "valid", "legal", "binding" and "effective" or any combination thereof mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. Enforcement before courts will in any event be subject to:

- the nature of the remedies available in the courts; and
- the availability of defenses such as, without limitation, set-off (unless validly waived), circumvention of law (*fraude de ley*), abuse in the exercise of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseen circumstances, undue influence, duress, abatement and counterclaim.

In addition, there are certain Guarantors which are assignees of an administrative concession. The enforcement of such administrative concessions as a result of the enforcement of any of the Notes Guarantees against any of the referred Guarantors shall require the prior consent of the relevant authorities. If such consent is not obtained, the creditor will not be able to enforce its credit against such administrative concession and the Guarantor will continue being the owner of the administrative concession and having to comply with the obligations arising from such administrative concession.

Dutch law

Dutch law may limit the ability of a Dutch Guarantor to guarantee the Notes or grant security on the Collateral. The validity and enforceability of a Notes Guarantee of, or a security interest granted by or in, the Dutch Guarantors may be successfully contested by the relevant Dutch Guarantor, or its trustee in bankruptcy if it is subject to bankruptcy proceedings, on the basis of an ultra vires claim, which will be successful if both (i) the granting of the security right or guarantee does not fall within the scope of the objects of the company (*doeloverschrijding*) and (ii) the company's counterparty under the relevant security right or guarantee knew or ought to have known, without inquiry, of this fact. In determining whether the granting of a security right or guarantee falls within the scope of the objects and purposes of a Dutch company, a court will consider all relevant circumstances, in particular (i) the text of the objects clause in the company's articles of association, (ii) whether the granting of such security right or guarantee is in the company's corporate interests (*vennootschappelijk belang*) and to its benefit and (iii) whether the company's subsistence is jeopardized by the granting of such security right or guarantee. The mere fact that a certain legal act (*rechtshandeling*) is explicitly reflected in a Dutch company's objects clause may not be sufficient to conclude that such legal act is not ultra vires.

The validity and enforceability of such a Notes Guarantee or security interest may also be successfully contested by any creditor of the relevant Dutch Guarantor, or by trustee in bankruptcy if it is subject to bankruptcy proceedings, if the Notes Guarantee or security interest is prejudicial to the interests of that creditor or, in the case of bankruptcy proceedings, any other creditor and the other requirements for fraudulent transfers under the Dutch Civil Code and Dutch Bankruptcy Act are satisfied.

Under Dutch law, it is uncertain whether a Dutch law security interest (in the form of a pledge (*pandrecht*) or a mortgage (*hypotheek*)) can be granted to a party other than the creditor of the claim to be secured by the security interest. For that reason, the security documents pursuant to which Dutch law security interests will be granted over the assets of the Dutch Guarantors use a parallel debt structure. However, such a parallel debt structure has never been tested before a Dutch court, and it may not mitigate or eliminate the risk of unenforceability posed by Dutch law.

Under Dutch law, receipt of any payment made by any Dutch Guarantor under a Notes Guarantee or security interest may be adversely affected by specific or general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such Notes Guarantee or security interest.

Belgian law

The laws of Belgium may limit the ability of a Belgian company (i.e. a Belgian Guarantor or a Belgian Collateral provider) to guarantee the Notes or grant security on the Collateral. These limitations arise from the interpretation of various provisions and from certain general principles of corporate law which include rules governing corporate interest (*intérêt social/vennootschapsbelang*) under which, among others, the risk associated with a guarantee or grant of security on account of a parent or sister company's debt must be reasonable and economically and operationally justified from the guarantor's or grantor's perspective. In addition, the granting of a guarantee or collateral by a Belgian company must be within grantor's corporate purpose. If the granting of a guarantee or the creation of a security interest does not fall within the grantor's corporate purpose, it could, upon certain conditions, be held null and void. Under Belgian law, any guarantee, pledge or mortgage generally must guarantee or secure a primary obligation to which it is ancillary. The primary obligation must be clearly identified in the guarantee or security agreement, and the nullification or termination of the primary obligation entails the nullification or termination of the ancillary guarantee or security. Consequently, if the primary obligation is deemed null and void, the ancillary guarantee or security interest will also be deemed null and void. In the case of a share pledge, the ranking of a given pledge will depend on the date of registration of such pledge in the shareholders' register.

Under Belgian law, claims may become time-barred (a general term of 10 years is set forth in the Belgian Civil Code for personal obligations) or may be or become subject to the defense of set-off or counterclaim.

The terms "enforceable", "enforceability", "valid", "legal", "binding" and "effective" or any combination thereof mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Belgian courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. Enforcement before courts will in any event be subject to:

- the nature of the remedies available in the courts; and
- the availability of defenses such as, without limitation, set-off (unless validly waived), circumvention of law (*fraude à la loi/wetsontduiking*), abuse in the exercise of rights (*abus de droit/rechtsmisbruik*), force majeure, error (*erreur/dwaling*), misrepresentation (*dol/bedrog*), duress (*violence/geweld*) and counterclaim.

In the past three years, Jolly Hotels Belgio, SA has registered losses for an aggregate amount of approximately €4.4 million due to, among other things, the substantial lease of NH Grand Sablon which was above market conditions and the low performance of the business in the previous periods. The hotel has been closed for four months in 2016 and has been completely refurbished to a NH Collection hotel. In addition, the lease has been recently renegotiated to a lower market lease. The Issuer is in the process of reorganizing the business of Jolly Hotels Belgio, SA to avoid future losses and believes that the gains which will derive from the reorganization will restore the company's balance sheet. However, pending completion of such reorganization, given that Jolly Hotel Belgio, SA's net assets have decreased to −€2.5 million, below the minimum threshold set forth by Belgian law (*i.e.* €61,500), any interested party with a legitimate interest may demand that the court orders the dissolution of Jolly Hotel Belgio, SA. In such case, the court may grant Jolly Hotel Belgio SA a certain delay to improve its position.

Italian law

Under Italian Law the provision of a guarantee and the granting of a security interest by an Italian company is subject to, *inter alia*, compliance with the rules on corporate benefit and corporate authorization. If the guarantee or security interest is being provided in the context of an acquisition, group reorganization or restructuring, financial assistance issues may also be triggered.

An Italian company providing a guarantee or granting a security interest must receive a real and adequate benefit in exchange for the guarantee or security interest. The concept of real and adequate benefit is not defined in the applicable legislation and is determined on a case-by-case basis. In particular, in case of upstream and cross-stream guarantees for the financial obligations of group companies, examples include financial consideration in the form of a guarantee fee or access to cash flows in the form of intercompany loans from other members of the group.

The general rule is that the risk assumed by the Italian company must not be disproportionate to the direct or indirect economic benefit to the company. To this extent, customary "limitation language" is usually inserted in indentures, credit agreements, security agreements and guarantees for the purpose of limiting the amount guaranteed by the company or secured by the collateral to an amount that is proportionate for the direct or indirect economic benefit to the company derived from the transaction.

Absence of a real and adequate benefit could render the guarantee or collateral *ultra vires* and potentially affected by conflict of interest. Thus, civil liabilities may be imposed on the directors of the company if it is assessed that they did not act in the best interest of the company and that the acts they carried out do not fall within the corporate purpose of the company. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over the company or having knowingly received an advantage or profit from such improper control. Moreover, the guarantee or security interest could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interests of the company.

The rules on corporate benefit apply equally to guarantees or collateral provided by subsidiaries in relation to the financial obligations of their parent or sister companies.

As to corporate authorizations and financial assistance, the provision of a guarantee and the granting of a security interest by an Italian company must be permitted by the articles of association (*statuto*) of the Italian company and cannot include any liability that would result in unlawful financial assistance within the meaning of Article 2358 of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give, either directly or indirectly, financial assistance (whether by means of loans, security, guarantees or otherwise) for the acquisition of its own shares by a third party.

Under Article 2352 of the Italian Civil Code, in the case of a pledge on shares, the voting rights, unless agreed otherwise, belong to the holder of the pledge and in the case of capital increase pursuant to Article 2442 of the Italian Civil Code, the pledge is extended to the newly issued shares.

German law

German law may limit the ability of a German Guarantor to guarantee the Notes. The granting of guarantees by a German limited liability company (GmbH) or a partnership with a limited liability company as liable partner (e.g. a GmbH & Co. KG) is subject to certain capital maintenance rules under German law. Payment under guarantees may be regarded as disbursements to a parent company if guaranteeing or securing debt of a parent company or an affiliate of the parent company. Such disbursements are only allowed as long as the stated share capital of the guarantor is not affected, i.e. may only be made out of the freely available net assets on the balance sheet. The Indenture contains language limiting the Notes Guarantees accordingly. Furthermore, the German Limited Liability Companies Act restricts payments if and to the extent such payments under any Notes Guarantees would deprive the German Guarantor of the liquidity necessary to fulfill its financial liabilities to its creditors. This limitation could, to the extent applicable, restrict the enforcement of the relevant Notes Guarantees.

German insolvency proceedings may limit the enforcement of guarantees. The insolvency court may prohibit or suspend any measures taken to enforce individual claims against an insolvent company's assets during preliminary proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code. Any judicial enforcement action brought against the insolvent company by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened (and, if so ordered by a court, with respect to assets other than real estate also between the time when an insolvency petition is filed and the time when insolvency proceedings commence).

Furthermore, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so called destructive interference (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of the Notes Guarantees. In such case, the amount of proceeds to be realized may be reduced, even to zero.

In addition, under German law, a creditor who is the beneficiary of a transaction effecting the repayment of the stated share capital of a debtor in the form of a GmbH or a GmbH & Co. KG or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor's impending insolvency or of circumstances indicating such debtor's impending insolvency at the time such funding was provided or extended and/or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that such liability may arise if, for example, the creditor acted with the intent to detrimentally influence the position of the other creditors of the debtor in violation of the legal principle of bonos mores (*Sittenwidrigkeit*). Such intention could be presumed if the beneficiary of the transaction was aware of any circumstances indicating that the debtor was close to insolvency (*Zusammenbruch*) or had reason to enquire further with respect thereto.

Under German law, in the event that an entity becomes subject to insolvency proceedings, guarantees given by it during a certain legally specified period (the "hardening period") could be subject to potential challenges by an appointed insolvency administrator, preliminary insolvency administrator or, in certain cases, other creditors under the German Insolvency Act. In the absence of insolvency proceedings, creditors may challenge guarantees under the Act of Avoidance. If challenged successfully, the guarantee may become unenforceable. To the extent that the grant of any Notes Guarantees is voided, holders of the Notes would lose the benefit of the Notes Guarantees and may not be able to recover any amounts under the related Notes Guarantees. The holders of the Notes may also be required to repay any amounts received with respect to such Notes Guarantees.

Under German law, claims may become time barred (a general term of three years is set forth in the German Civil Code which may be altered by special provisions) or may be or become subject to the defense of set off or counterclaim.

The terms “enforceable”, “enforceability”, “valid”, “legal”, “binding” and “effective” or any combination thereof mean that all of the obligations assumed by the relevant party under the relevant documents are of a type which can be enforced in accordance with the rules of civil procedure as applied by German courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. Enforcement will in any event be subject to:

- the obligations being of a type and kind for which an enforcement procedure does exist under German law; and
- the availability of defenses such as, without limitation, set off (unless validly waived), violation of the principle of loyalty and good faith (*Treu und Glauben*), violation of the principle of bonos mores (*Verstoß gegen die guten Sitten*), circumvention of law, violation of a legal prohibition (*Verstoß gegen ein gesetzliches Verbot*), abuse in the exercise of rights (*Rechtsmissbrauch/Schikaneverbot*), force majeure, unforeseen circumstances, undue influence, and duress.

Fraudulent conveyance laws may limit your rights as a holder of Notes.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance laws, a court could subordinate or void a Notes Guarantee if it found that:

- the Notes Guarantee was incurred with an actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor;
- the Notes Guarantee was granted within a specified timeframe prior to the insolvency declaration of the Guarantor and it is detrimental for the Guarantor’s state;
- the Guarantor did not receive fair consideration or reasonably equivalent value for the Notes Guarantee and the Guarantor (1) was insolvent, became insolvent within a specified timeframe or was rendered insolvent because of the Notes Guarantee; (2) was undercapitalized or became undercapitalized because of the Notes Guarantee; or (3) intended to incur, or believed that it would incur, debts beyond its ability to pay at maturity.

The measure of insolvency for purposes of fraudulent conveyance laws varies depending upon the law applied. Generally, however, a Guarantor would be considered insolvent if it could not pay its debts as they become due. If a court decided that any Notes Guarantee was a fraudulent conveyance and voided the Notes Guarantee, or held it unenforceable for any other reason, you would cease to have any claim in respect of the Guarantor of the Notes Guarantee and would be a creditor solely of the Issuer and the remaining Guarantors. See *“Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations”*.

In an insolvency proceeding, it is possible that creditors of the Guarantors or the appointed insolvency administrator may challenge the Notes Guarantees, and intercompany obligations generally, as fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, (i) to avoid or invalidate all or a portion of a Guarantor’s obligations under its Notes Guarantee; (ii) to direct that holders of the Notes return any amounts paid under a Notes Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor’s creditors; and (iii) to take other action that is detrimental to you.

Spanish law

In accordance with Spanish Insolvency Law, any action carried out or agreement entered into by the debtor in the two years preceding its declaration of insolvency can be clawed back (rescinded) by the court if the action or agreement is considered detrimental to the insolvency estate. This may arise even in the absence of fraudulent intent. As a general rule, the insolvency administrator or the creditors who exercise the claw back action have to prove that the act was detrimental. This notwithstanding, the following acts are presumed detrimental without there being any possibility to provide evidence to the contrary: (a) acts where no consideration is received for a disposed asset and (b) acts that result in the early repayment or settlement of obligations which would have become due after the declaration of insolvency (unless such obligations were secured by means of an *in rem* security). In the following cases, the presumption is rebuttable: (a) disposals made in favor of "specially related parties" to the debtor (including, *inter alia*, shareholders that meet certain requirements, group companies and legal or *de facto* directors), (b) the creation of a security interest securing a pre-existing obligation or a new obligation that replaces an existing one and (c) those payments or other acts extinguishing obligations that would have become due after the declaration of insolvency and which are secured by means of an *in rem* security. Claims arising in favor of a creditor as a result of a claw back action will be subordinated (*i.e.*, paid last) if the court has determined that the creditor acted in bad faith.

In respect to such claw back claims, recent Spanish case law indicates, and certain scholars understand that, risk associated with a guarantee or the value of a security interest provided by a Spanish Guarantor to secure the indebtedness held by other companies within its corporate group must be reasonable and economically and operationally justified from the guarantor's or grantor's own specific perspective and justified under the corporate interest of such guarantor or grantor.

Other claims may also be subordinated including, *inter alia*, (a) claims by legal or natural persons who are "specially related parties" to the debtor (including, *de facto* directors) and (b) claims arising from reciprocal obligations if the court rules, based on the insolvency administrator's report, that the creditor repeatedly obstructed compliance with the agreement against the interest of the insolvency estate. Security interests granted by the debtor to secure claims held by a "specially related party" will be cancelled by the court.

Furthermore, under Spanish law, any creditor (as well as the insolvency administrator (*administrador concursal*) may bring an action to rescind a contract or agreement (*acción pauliana*) against its debtor and the third party which is a party to such contract or agreement, provided they were executed in the four years preceding the insolvency declaration, are performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. Although case law is not entirely consistent, it is broadly accepted that the following requirements must be met in order for a creditor to bring such action:

- the debtor owes the creditor an amount under a valid contract and the fraudulent action took place after such debt was created;
- the debtor has carried out an act that is detrimental to the creditor and beneficial to the third party;
- that such act was fraudulent;
- there is no other legal remedy available to the creditor to obtain compensation for the damages suffered; and
- debtor's insolvency, construed as the situation where there has been a relevant decrease in the debtor's estate making it impossible or more difficult to collect the claim.

The existence of fraud (which must be evidenced by the creditor) is one of the essential requirements under Spanish law for the action to rescind to succeed. Pursuant to article 1,297 of the Spanish Civil Code: (i) agreements by virtue of which the debtor transfers assets for no consideration, and (ii) transfers for consideration carried out by parties who have been held liable by a court (*sentencia condenatoria*) or whose assets have been subject to a writ of attachment (*mandamiento de embargo*) will be considered fraudulent. The presumption referred to in (i) above is a *iuris et de iure* presumption (cannot be rebutted by evidence), unlike the presumption indicated in (ii) above, which is a *iuris tantum* presumption (a rebuttable presumption).

According to scholars, if the rescission action were to be upheld the third party would be liable to return the consideration received under the contract in order to satisfy the debt owed to the creditor. Following that, the creditor would need to carry out the actions necessary to obtain the amount owed by the debtor. If the consideration received by the third party under the contract cannot be returned to the debtor, the third party must indemnify the creditor for such damages.

Dutch law

Dutch law contains specific provisions dealing with fraudulent transfer both in and outside of bankruptcy. Under these provisions, a legal act performed by a person (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside bankruptcy of the relevant person and may be nullified by the trustee in bankruptcy (*curator*) in a bankruptcy of the relevant person or by any of the creditors of the relevant person outside bankruptcy, if (i) the person performed such acts without an obligation to do so (*onverplicht*), (ii) the creditor concerned or, in the case of the person's bankruptcy, any creditor, was prejudiced as a consequence of the act, and (iii) at the time the act was or the acts were performed both the person and the counterparty to the transaction knew or should have known that its creditors (existing or future) would be prejudiced. In addition, in the case of a bankruptcy, the trustee in bankruptcy may nullify the debtor's performance of any due and payable obligation (including (without limitation) an obligation to provide security for any of its or a third party's obligations) if (i) the payee knew that a request for bankruptcy had been filed at the moment of payment, or (ii) the performance of the obligation was the result of a consultation between the debtor and the payee with a view to give preference to the latter over the debtor's other creditors.

If a Dutch court found that the granting of the Notes Guarantees or the Collateral or any other transaction entered into by the Dutch Guarantors at any time in connection with the Notes, including the transactions contemplated by the Intercreditor Agreement, involved a fraudulent transfer as set out above, then the granting of the Notes Guarantees or the Collateral or any other transaction entered into by the Dutch Guarantors in connection with the Notes could be nullified. In the case of a successful challenge, holders of the Notes would not enjoy the benefit of the Notes Guarantees, the Collateral or other transactions. The value of any consideration that holders of the Notes received with respect to the Notes whether upon enforcement of the Collateral or otherwise, could also be subject to recovery from such holders of the Notes, and possibly from subsequent transferees, by prejudiced creditors of the Dutch Guarantors as a result of any fraudulent transfer. In addition, holders of the Notes might be held liable for any damages incurred by such prejudiced creditors.

Belgian law

Regardless of any declaration by the commercial court of a suspect period (see further under "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations—Applicable insolvency laws—Belgian insolvency law*"), transactions of which it can be demonstrated that they have been entered into with the fraudulent intention to cause a prejudice to a third creditor, may be declared ineffective against third parties.

Italian law

Under fraudulent conveyance and other provisions of Italian law, a court could void or invalidate all or a portion of a guarantee or of a security interest under the relevant deed of guarantee or security agreement and, if enforcement and sale of the Collateral had already been completed, require the recipients of that sale to return the proceeds to the relevant grantor, if the court found that, *inter alia*:

(i) the relevant grantor gave such security interest/guarantee with actual intent to hinder, delay or defraud its current or future creditors or with a desire to prefer some creditors over others, or when the beneficiary of the security interest/guarantee was aware that the relevant grantor was insolvent when it gave the relevant security interest/guarantee;

(ii) the relevant grantor did not receive fair consideration or reasonably equivalent value for its security interest/guarantee or the relevant grantor was insolvent at the time the security interest/guarantee was given;

(iii) the relevant grantor was held to exceed the corporate objects of the relevant grantor or not to be in the best interest or for the corporate benefit of the relevant grantor; or

(iv) the grantor giving such security interest/guarantee was aware, or should have been aware, that the transaction was to the detriment of the creditors.

If a court decided that a security interest or a guarantee was a fraudulent conveyance and voided such security interest or guarantee, the beneficiary of the security interest or of the guarantee may cease to have any claim with respect to the relevant grantor of a security interest/guarantee.

In any case, it should be noted that: (i) under article 64 of the Italian Bankruptcy Law, all transactions for no consideration, depending on certain circumstances, are ineffective *vis-à-vis* creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration; and (ii) under article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors (and could therefore be clawed back), if performed by the bankrupt entity in the two-year period prior to the declaration of insolvency.

Payments or grants of securities and/or other transactions are exempted from claw back or avoidance provisions when made in accordance with (a) out-of-court restructuring plans pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law, (b) agreements to restructure indebtedness ("*accordi di ristrutturazione dei debiti*") under Article 182-*bis* of the Italian Bankruptcy Law or (c) court supervised pre-bankruptcy composition with creditors ("*concordato preventivo*"), including concordato con continuità aziendale and *concordato con riserva* under Article 160 and following of the Italian Bankruptcy Law.

In addition, it should be noted that the Council Regulation (EC) No. 1346/2000 of May 29, 2000, as amended, contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the EU.

German law

Under German law, in the event that an entity becomes subject to insolvency proceedings, guarantees given by it during a certain legally specified period (the "hardening period") could be subject to potential challenges by an appointed insolvency administrator, preliminary insolvency administrator or, in certain cases, other creditors under the German Insolvency Act. In the absence of insolvency proceedings, creditors may challenge guarantees under the Act of Avoidance. See "*—Limitations on validity and enforceability of Notes Guarantees granted by any German subsidiaries—Hardening periods and fraudulent transfer*".

If challenged successfully, the guarantee may become unenforceable. To the extent that the grant of any Notes Guarantees is voided, holders of the Notes would lose the benefit of the

Notes Guarantees and may not be able to recover any amounts under the related Notes Guarantees. The holders of the Notes may also be required to repay any amounts received with respect to such Notes Guarantees.

Local insolvency laws may not be as favorable to you as the U.S. bankruptcy laws and insolvency laws of another jurisdiction with which you may be more familiar.

The Issuer is incorporated in Spain and the Guarantors are organized under the laws of multiple jurisdictions, including Belgium, Spain, Italy, the Netherlands, Venezuela, Portugal, Romania, the Czech Republic, Poland, Mexico, France, the Dominican Republic, Argentina, the United States, Chile, Uruguay, Austria, Luxembourg, Germany and Switzerland. See *"Summary—The Offering—Notes Guarantees"*. The insolvency laws of these jurisdictions may not be as favorable to holders of the Notes as the laws of some other jurisdictions with which you may be more familiar. Certain provisions of the insolvency laws in these jurisdictions could affect, *inter alia*, the ranking of the Notes and the Notes Guarantees or claims relating to the Notes and the Notes Guarantees on an insolvency of the Issuer or the Guarantors, as the case may be. In particular, the insolvency law of such jurisdictions may be less favourable in terms of, *inter alia*, priority of creditors, the ability to obtain post-petition interest and the ability to influence proceedings and the duration thereof, and this may limit ability of the holders of the Notes to receive payments due on the Notes. See *"Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations"*.

Spanish law

Under Spanish Insolvency Law, the enforcement of *in rem* security interests could be restricted upon the filing by the debtor of a pre-insolvency notice in accordance with Article 5.bis of the Spanish Insolvency Law. Moreover, once a debtor is declared insolvent, the enforcement of *in rem* security interests over assets owned by the debtor will be stayed until the first of the following circumstances occur: (a) approval of a creditors' composition agreement, unless the composition agreement has been approved by the secured creditors, in which case the composition agreement will govern, or (b) one year has elapsed since the declaration of insolvency without liquidation proceedings being initiated. The stay may be lifted if the insolvency court considers that the relevant asset is not necessary for the continuation of the debtor's professional or business activities. The secured creditor could also lose its right to enforce separately within the insolvency proceedings if it did not commence the enforcement prior to the insolvency declaration. See "*—The enforcement of the Collateral may be restricted by Spanish law*".

Furthermore, in accordance with Spanish Insolvency Law, any action carried out or agreement entered into by the debtor in the two years preceding its declaration of insolvency can be clawed back (rescinded) by the court if the action or agreement is considered detrimental to the insolvency estate. This may arise even in the absence of fraudulent intent. As a general rule, the insolvency administrator or the creditors who exercise the claw back action have to prove that the act was detrimental. This notwithstanding, the following acts are presumed detrimental without there being any possibility to provide evidence to the contrary: (a) acts where no consideration is received for a disposed asset and (b) acts that result in the early repayment or settlement of obligations which would have become due after the declaration of insolvency (unless such obligations were secured by means of an *in rem* security). In the following cases, the presumption is rebuttable: (a) disposals made in favor of "specially related parties" to the debtor (including, *inter alia*, shareholders that meet certain requirements, group companies and legal or *de facto* directors), (b) the creation of a security interest securing a pre-existing obligation or a new obligation that replaces an existing one and (c) those payments or other acts extinguishing obligations that would have become due after the declaration of insolvency and which are secured by means of an *in rem* security. Claims arising in favor of a creditor as a result of a claw back action will be subordinated (*i.e.*, paid last) if the court has determined that the creditor acted in bad faith. Other claims may also be subordinated including, *inter alia*, (a) claims by legal or natural persons who are "specially related parties" to the debtor (including, *de facto* directors) and (b) claims arising from reciprocal obligations if the court rules, based on the insolvency administrator's report, that the creditor repeatedly obstructed compliance with the agreement against the interest of the insolvency estate. Security interests granted by the debtor to secure claims held by a "specially related party" will be cancelled by the court. See "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations—Applicable insolvency laws—Spanish insolvency law*".

Dutch law

To the extent that Dutch law applies, a legal act performed by a person, can be challenged in or outside bankruptcy of the relevant person and may be nullified by the trustee in bankruptcy (*curator*) in a bankruptcy of the relevant person or by any of the creditors of the relevant person outside bankruptcy, if (i) the person performed such acts without an obligation to do so (*onverplicht*), (ii) the creditor concerned or, in the case of the person's bankruptcy, any creditor, was prejudiced as a consequence of the act, and (iii) at the time the act was or the acts were performed both the person and the counterparty to the transaction knew or should have known that its creditors (existing or future) would be prejudiced. In addition, in the case of a bankruptcy, the trustee in bankruptcy may nullify the debtor's performance of any due and payable obligation (including (without limitation) an obligation to provide security for any of its or a third party's obligations) if (i) the payee knew that a request for bankruptcy had been filed at the moment of payment, or (ii) the performance of the obligation was the result of a consultation between the debtor and the payee with a view to give preference to the latter over the debtor's other creditors.

In the case of a bankruptcy (*faillissement*) or suspension of payments (*surseance van betaling*) declared in the Netherlands in respect of a person holding title to assets that constitute Collateral, the Security Agent will be entitled to exercise the rights afforded to a person having a Dutch law security right (being a pledge (*pandrecht*) or a mortgage (*hypotheek*)) over those assets as if there were no bankruptcy or suspension of payment. However, such a bankruptcy or suspension of payments would affect the position of the Security Agent as a secured party in some respects, the most important of which are: (i) the competent court may as a general rule set a period of up to four months during which the Security Agent may not, without the court's consent, (a) claim the asset constituting Collateral if it is under the control of (*in de macht van*) the person holding title to the asset or, in the case of a bankruptcy, the trustee in bankruptcy (*curator*) or (b) seek recourse against the asset, and (ii) a trustee in bankruptcy may (x) give the Security Agent a reasonable period to exercise his rights and (y) if the Security Agent fails to sell the asset within that period, claim the asset and sell it, without prejudice to the Security Agent's entitlement to the proceeds after deduction of a contribution to the bankruptcy costs and taking into account the Security Agent's rank.

See "*—The enforcement of the Collateral may be restricted by Dutch law*" and "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations—Dutch insolvency law*".

Belgian law

In the case of a judicial reorganization of a Belgian collateral provider, the Security Agent will, with a few exceptions, not be entitled, during the suspension period, to enforce its rights as a secured party. The judicial reorganization by way of transfer under court supervision could also be detrimental to the Security Agent because the court can approve; provided the price offered is reasonable, a sale of the Belgian collateral provider's activities, including the pledged assets, without the Security Agent's authorization.

In the case of a bankruptcy of a Belgian collateral provider, the Security Agent may not enforce its rights in respect of the secured asset during a period during which creditors' claims are verified. The verification process takes place within a period between 5 and 30 days from the deadline for the declaration of claims, as determined by the court.

As an exception to the above rules, the Belgian Financial Collateral Act of December 15, 2004 ("*Loi relative aux sûretés financières*"/"*Wet Financiële Zekerheden*"), implementing the Financial Collateral Directive (2002/47/EC), provides that the enforcement rights of the creditors benefiting from certain types of financial collateral (including a pledge over the financial instrument, e.g., a share pledge), such as the Security Agent, are not suspended if the agreement creating the financial collateral was signed before the opening of the judicial reorganization or bankruptcy or, if after, only to the extent that the creditor could not legitimately know that the company has filed for bankruptcy. However, a court has decided to suspend the rights of a pledgee during judicial reorganization, arguing that the enforcement of a pledge during the moratorium would be abusive.

Moreover, to the extent that the Belgian bankrupcy law applies, a legal act, as listed below, performed by the collateral provider during the "suspect period", which can span up to six months before a bankruptcy judgment and in specific cases more than six months (see further under "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations—Applicable insolvency laws—Belgian insolvency law*"), can be challenged and declared void after a bankruptcy declaration:

- any transfer of movable or immovable property without consideration and any transaction where the consideration paid by the bankrupt company significantly exceeds what it received in return;
- security interests granted if they were intended to secure a debt which existed prior to the date on which the security interested was granted;
- any payments, in whatever form, (*i.e.*, cash, in-kind or by way of set-off) of any debt not yet due and any payments other than in cash or in monetary instruments (e.g., checks, promissory notes, etc.); and
- any payment of matured debts or a transaction entered into by the bankrupt company when the counterparty was aware of the cessation of payments of the company and the transaction proves detrimental to the company's estate.

Whenever the Collateral provider enters into a transaction or makes a payment that proves fraudulent towards its creditors, such transaction or payment will be declared void, even if the transaction or payment took place before the suspect period (see further "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations*").

Luxembourg law

NH Finance, S.A. is incorporated under the laws of Luxembourg, and as such any insolvency proceedings applicable to such a company are in principle governed by Luxembourg law. The insolvency laws of Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar. See *"Limitations on validity and enforceability of the Notes Guarantees and the security interest and certain insolvency law considerations*".

Italian law

NH Italia S.p.A. is incorporated in the Republic of Italy and, in case of an insolvency event affecting this entity, insolvency or restructuring proceedings may be initiated in Italy to the extent that the centre of main interests ("COMI") of the companies provided for under EU Regulation 1346/2000 is not located elsewhere. In Italy, the courts play an important role in the insolvency process and in-court procedures may be materially more complex and time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy. In the event that NH Italia S.p.A. experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency, and/or restructuring proceedings would be commenced (depending on the actual location of the COMI), or the outcome of such proceedings. Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts.

The two primary aims of the Italian Bankruptcy Law are to liquidate the debtor's assets and restructure its business protecting, where possible, the goodwill of the going concern (if any) for the satisfaction of creditors' claims. In case of the extraordinary administration procedure (governed by Legislative Decree No. 270 of July 8, 1999, or, upon certain eligibility criteria of the debtor, Legislative Decree No. 347 of December 23, 2003, converted, with modifications, into Law No. 39 of February 18, 2004), an additional primary aim is to maintain employment. These aims have often been balanced by selling businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, and a focus on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they become due. This must be a permanent, and not a temporary, status of insolvency in order for a court to hold that a company is insolvent.

In cases where a company is in distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

The restructuring and bankruptcy alternatives set forth are available under Italian Bankruptcy Law to companies which are (i) facing financial difficulties, (ii) in a state of temporary crisis or (iii) insolvent. See "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations*" for further information.

German law

NH Central Europe GmbH & Co. KG, NH Hotelbetriebs- und Dienstleistungs GmbH, NH Hotelbetriebs- und Entwicklungs GmbH, NH Hoteles Deutschland GmbH and JOLLY HOTELS DEUTSCHLAND GmbH are incorporated in the Federal Republic of Germany and, in case of an insolvency event affecting any of these entities, insolvency or restructuring proceedings may be initiated in Germany to the extent that the centre of main interests ("COMI") of the companies provided for under EU Regulation 1346/2000 is located in Germany.

German insolvency proceedings may limit the enforcement of guarantees. The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the insolvent companies assets during preliminary proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code. Any judicial enforcement action brought against the insolvent company by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened (and, if so ordered by a court, with respect to assets other than real estate also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). See "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations—Applicable insolvency laws—German insolvency law*".

Under German law, in the event that an entity becomes subject to insolvency proceedings, guarantees given by it during a certain legally specified period (the "hardening period") that can span from one month to ten years could be subject to potential challenges by an appointed insolvency administrator, preliminary insolvency administrator or, in certain cases, other creditors under the German Insolvency Act. In the absence of insolvency proceedings, creditors may challenge guarantees under the Act of Avoidance. If challenged successfully, the guarantee may become unenforceable. To the extent that the grant of any Notes Guarantees is voided, holders of the Notes would lose the benefit of the Notes Guarantees and may not be able to recover any amounts under the related Notes Guarantees. The holders of the Notes may also be required to repay any amounts received with respect to such Notes Guarantees. See "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations—Limitations on validity and enforceability of Notes Guarantees granted by any German subsidiaries—Hardening periods and fraudulent transfer*".

We may not be able to raise the funds necessary to finance and offer to repurchase the 2023 Notes upon the occurrence of certain events constituting a change of control as required by the Indenture, and the change of control provisions contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.

Upon the occurrence of certain change of control events as described in the Indenture, we will be required to offer to repurchase all the 2023 Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, to the date of repurchase. The requirement that we offer to repurchase the 2023 Notes upon a change of control is limited only to the transactions specified in the definition of *"Change of Control"* within the Indenture. See *"Description of the Notes—Repurchase at the option of holders—Change of control"*. If a change of control were to occur requiring such offer, we cannot assure you that we would have sufficient funds at the time of any such event, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding 2023 Notes or that the restrictions in the 2019 Notes Indenture, the Senior Secured RCF Agreement, the Intercreditor Agreement or our other then existing contractual obligations would allow us to make the required repurchases. Sufficient funds may not be available when necessary to make any required repurchases. Additionally, certain change of control events would entitle any lender under the Senior Secured RCF Agreement to cancel its commitment thereunder and to declare any amounts owed to it due and payable, or would trigger a put right of the holders of the Senior Unsecured Convertible Bonds or might require us to offer to repurchase all the 2019 Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, to the date of repurchase. Following a change of control, any lender under the Senior Secured RCF Agreement may declare the amounts owed to it due and payable, which could in turn trigger an event of default under the Indenture, the 2019 Notes Indenture and the Senior Unsecured Convertible Bonds. See "*Description of certain financing arrangements—Senior Secured RCF Agreement*". The repurchase of the 2023 Notes pursuant to a change of control offer could cause a default under our outstanding indebtedness, even if the change of control itself does not. If an event constituting a change of control occurs at a time when we are prohibited from repurchasing the 2023 Notes, we may seek the consent of the lenders under or holders of such indebtedness to the purchase of the2023 Notes or may attempt to refinance the borrowings that contain such prohibition. If such consent to repay such borrowings is not obtained, or if we are unable to refinance such borrowings, we will remain prohibited from repurchasing any 2023 Notes.

The source of funds for any repurchase required as a result of any such event may be available cash or cash generated from operating activities or other sources, including borrowings, third-party financing, sales of assets and sales of equity or funds provided by subsidiaries. Sufficient funds may not be available at the time of any such events to make any required repurchases of the 2023 Notes tendered, and we cannot assure you that we would be able to obtain third-party financing.

Any failure by us to offer to purchase the 2023 Notes would constitute a default under the Indenture, which would, in turn, constitute an event of default under the Senior Secured RCF, and may constitute a default under the 2019 Notes Indenture, the terms and conditions governing the Senior Unsecured Convertible Bonds and certain other indebtedness. See *"Description of the Notes—Change of control"*.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indenture. Except as described under *"Description of the Notes—Change of Control"*, the Indenture does not contain provisions that would require the Issuer to offer to repurchase or redeem the 2023 Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "Change of Control" in the Indenture includes a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the Issuer's assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the 2023 Notes.

You may be unable to enforce judgments against us, the Guarantors or our respective directors and officers.

The Issuer is not, and the Guarantors (other than Jolly Hotels USA, Inc.) are not, incorporated in the United States. In addition, most of our assets are outside the United States and all the Group's directors and officers live outside the United States, primarily in Spain. The Issuer's and the Guarantors' auditors are also organized outside the United States. Although we and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on these directors and executive officers or the auditors. Furthermore, because all or substantially all the assets of these persons are located outside the United States, it may not be possible to enforce judgments obtained in courts in the United States predicated upon civil liability provisions of the federal securities laws of the United States against these persons. Additionally, there is doubt as to the enforceability in many foreign jurisdictions, including Spain and Luxembourg, of civil liabilities based upon the civil liability provisions of the federal or state securities laws of the United States against the Issuer, the Guarantors, the directors and management and any experts named in this offering memorandum who are not residents of the United States. See *"Service of process and enforcement of judgments"*.

The projections or assumptions used, estimates made or procedures followed in the Duff & Phelps Report for the valuation of the Collateral may not be correct, accurate or complete, and investors in the Notes will have limited recourse against the third-party property valuation provider.

This offering memorandum refers to the Duff & Phelps Report, a valuation report provided by a third party with respect to the Collateral. Property and asset valuations, including those used in the Duff & Phelps Report, are prepared on the basis of various assumptions, estimates and projections. In particular, the Duff & Phelps Report is based upon, in part, information provided by management and certain assumptions, including but not limited to the assumptions that

(i) the information provided by us is a fair representation of the appraised properties and assets as of December 31, 2015 for the Mortgage Properties and the Share Collateral, (ii) we, or the entity of which we are a shareholder, have valid title to the appraised properties and assets, (iii) the property rights in the appraised properties and assets is good and marketable, (iv) there are no encumbrances on the appraised properties and assets that cannot be cleared through normal processes and (v) the relevant appraised property and asset is a going concern. The valuations are also based upon our financial forecasts which reflect our judgment, based upon present circumstances and assuming certain conditions and actions by us. The assumptions or projections used, estimates made or procedures followed in the Duff & Phelps Report may not be correct, accurate or complete. Actual results may differ materially from the assumptions and projections used and estimates made in the Duff & Phelps Report, including changes in the demand for our hotel rooms, changes to our commercial plan and changes in the global economy.

Other appraisers may reach different valuations of our property portfolio and assets. Moreover, the value determined in the Duff & Phelps Report could be significantly higher than the amount that would be obtained from the actual sale of the Collateral, especially in a distressed or liquidation scenario or if the properties are sold on an individual basis. For more information, see "*—Risks relating to our business and industry—The value of our properties reflected on our balance sheet and in this offering memorandum and the book value of our hotels and assets included in this offering memorandum is based in part upon the results of third-party valuations, and because property and asset valuation is inherently subjective and uncertain, the projections or assumptions used, estimates made or procedures followed in the third-party valuation of our properties and assets may not be correct, accurate or complete*".

Furthermore, Duff & Phelps based its valuation of the NH Italia Shares upon the income approach using the DCF method and weighting the market and income approaches in the estimation of terminal value. The range of valuation of the NH Italia Shares contained in the Duff and Phelps Report may not be complete or accurate, and such valuation should not be relied on as a measure of realizable value for the NH Italia Shares.

In delivering the Duff & Phelps Report to us, Duff & Phelps has stated that it does not accept or assume any liability to any investors in the Notes with respect to either the contents of such report or any statements or conclusions derived from such report. Duff & Phelps has limited assets and limited professional indemnity insurance. Furthermore, no parent or affiliated entity of Duff & Phelps, nor any director, officer, employee or consultant of Duff & Phelps, assumes responsibility for the conclusions or contents of the Duff & Phelps Report. If a U.S. court, or any other court, were to give effect to these limitations on liability, then the investors in the Notes may have limited recourse against Duff & Phelps or any other person in the event that the valuations included in the Duff and Phelps Report are incorrect, inaccurate, incomplete or misleading.

Market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the euro entirely, could adversely affect the value of the Notes.

Concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Member States. Since 2015, the stability of the Eurozone has been further undermined by the refugee crisis, as EU member states and adjacent countries have struggled to cope with the significant flows of migrants trying to access the Eurozone. In addition, the United Kingdom held an in-or-out referendum on June 23, 2016 regarding its membership within the European Union, in which a majority of the voters voted in favor of the British government taking the necessary actions for the United Kingdom to leave the European Union. A process of negotiation will determine the future terms of the United Kingdom's relationship with the

European Union. Details around the negotiation process, including the length of time this process will take and the likely outcome, remain unclear. The implications of the United Kingdom withdrawing from the European Union and the impact this will have on our business are similarly unclear because they will depend, among other things, on the outcome of the negotiation process. It is also possible that other members of the European Union could hold a similar referendum regarding their membership within the European Union in the future. The uncertainty that has been created by the British referendum (which could continue during the period of negotiation) and the exit of the United Kingdom from the European Union could adversely affect European and worldwide economic and market conditions and could contribute to further instability in global financial markets. Such volatility and negative economic impact could, in turn, have a material adverse effect on our business, financial condition and results of operations and could adversely affect the value and trading of the Notes. These and other concerns could lead to the re-introduction of individual currencies in one or more Member States, including Spain or, in more extreme circumstances, the possible dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Notes.

There may not be an active trading market for the Notes and the ability to transfer them is limited, which may adversely affect the value of the Notes.

There can be no assurance that an active trading market for the Notes will develop. We cannot predict the extent to which investor interest in us will lead to the development of an active trading market or how liquid that trading market might become. Although the Initial Purchaser has advised us that it intends to make a market in the Notes, it is not obligated to do so and may stop at any time. The market price of our Notes may be influenced by many factors, some of which are beyond our control, including:

- prevailing interest rates;
- the market for similar securities;
- changes in demand, the supply or pricing of our hotel rooms and other services and products;
- general economic conditions;
- the activities of competitors;
- our quarterly or annual earnings or those of our competitors;
- investors' perceptions of us and the hotel industry;
- the failure of securities analysts to cover our Notes after this Offering or changes in financial estimates by analysts;
- the public's reaction to our press releases or our other public announcements;
- future sales of Notes; and
- other factors described under these *"Risk factors"*.

As a result of these factors, you may not be able to resell your Notes at or above the initial offering price. In addition, securities trading markets experience extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of a particular company. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the price of securities similar to the Notes. These broad market fluctuations and industry factors may materially reduce the market price of our Notes, regardless of our operating performance. If an active trading market does not develop, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application has been or will be made for the Notes to be listed on the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF, we cannot assure you that the Notes will become or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF, failure to be approved for listing or the delisting of the Notes from the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market.

In addition, the Indenture will allow us to issue additional notes in the future which could adversely affect the liquidity of the Notes.

The Notes will be initially issued with temporary ISINs and common codes. In the event that we are unable to transfer the Notes to the permanent ISINs and common codes, the Notes will continue to trade under a separate ISIN and common code to the Original Notes, which may adversely affect the liquidity of the Notes and cause the Notes to trade at different prices than the Original Notes.

The consolidation date for Regulation S Notes will be the earlier of 40 days after the later of the Issue Date of the Notes and the earliest date or dates permitted under U.S. federal securities laws. The consolidation date for Notes sold within the United States in reliance on Rule 144A under the U.S. Securities Act will be the earlier of one year after the later of the Issue Date and the earliest date or dates permitted under U.S. federal securities laws. Once the Notes have become freely tradeable upon the expiration of the applicable restricted period, we expect that the Notes will have the same ISINs and common codes as the Original Notes, and that the Notes and the Original Notes will thereafter be fungible. However, in the event that we are unable to transfer the Notes to the permanent ISINs and common codes, the Notes will continue to trade under separate ISINs and common codes to the Original Notes, which may adversely affect the liquidity of the Notes and cause the Notes to trade at different prices than the Original Notes.

There are risks related to withholding tax in Spain, including in connection with the delivery of certain documentation by the Paying Agent.

Under Spanish tax regulations established by Royal Decree 1065/2007, of July 27, 2007, as amended by Royal Decree 1145/2011, of July 29, 2011, the Issuer will not be required to levy any withholding tax in Spain on income paid by Issuer in respect of the Notes only if certain requirements are met, including that the Paying Agent provides the Issuer, in a timely manner, with a duly executed and completed statement providing certain details relating to the Notes (the "Payment Statement"). It is expected that the Paying Agent will follow certain procedures to facilitate the timely provision to the Issuer of a duly executed and completed Payment Statement in connection with each payment under the Notes. If such procedures are not followed, however, income paid by the Issuer in respect of the Notes will be subject to withholding tax in Spain, at the current rate of 19%, and the payments the Issuer makes in respect of the Notes will be net of such withholding tax. See "*Certain tax considerations—Spanish tax considerations*" for a more detailed explanation.

However, if the payment of income is not exempt from Spanish withholding tax due to any failure by the Paying Agent to deliver a duly executed and completed Payment Statement to the Issuer, affected beneficial owners of the Notes will receive a refund of the amount withheld, with no need for action on their part, if the Paying Agent submits a duly executed and completed Payment Statement to the Issuer no later than the 10th calendar day of the month immediately following the relevant payment date.

Accordingly, while the Notes are represented by one or more global notes, are admitted to trading on the Euro MTF and deposited with a common depositary for Euroclear and/or Clearstream, holders of the Notes must rely on such procedures in order to receive payments under the Notes free of any Spanish withholding tax, to the extent applicable. Prospective investors should note that neither the Issuer nor the Initial Purchaser accepts any responsibility relating to compliance by the Paying Agent with the procedures established for the timely provision by the Paying Agent of a duly executed and completed Payment Statement in connection with each payment of income under the Notes. Accordingly, neither the Issuer nor the Initial Purchaser is liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax because of the Paying Agent's failure to comply with these procedures or because of these procedures prove ineffective. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding. Therefore, to the extent a payment of income in respect of the Notes is not exempt from Spanish withholding tax, including due to any failure by the Paying Agent to deliver a duly executed and completed Payment Statement, beneficial owners may have to apply directly to the Spanish tax authorities for any refund to which they may be entitled (with no responsibility for the Issuer or the Initial Purchaser).

Accordingly, to the extent a payment of income in respect of the Notes is not exempt from Spanish withholding tax, holders and beneficial owners of the Notes may have to apply directly to the Spanish tax authorities for any refund to which they may be entitled. Noteholders must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes.

Potential impact by the German interest barrier rules.

A significant amount of the annual refinancing expenses (interest payments and further expenses which may qualify as interest expenses within the meaning of the interest barrier rules) may not be (immediately) deductible for German tax purposes under the German interest barrier rules (*Zinsschranke*). The interest barrier rules generally provide for a limitation on the deduction of a business' net interest expenses in a financial year to an amount equal to 30% of its tax adjusted EBITDA in the respective financial year. This may have an adverse effect on our financial situation and thus on our ability to fulfill our obligations under the Notes and could cause the market price of the Notes to decline.

Investors may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in euros. If investors measure their investment returns by reference to a currency other than euros, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on such Notes is translated into the currency by reference to which the investors measure the return on their investments. Investments in the Notes by U.S. Holders (as defined in *"Certain tax considerations—Material U.S. federal income tax considerations"*) may also have important tax consequences as a result of foreign exchange gains or losses, if any. See *"Certain tax considerations—Material U.S. federal income tax considerations"*.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes and the Notes Guarantees have not been registered under, and we are not obliged to register the Notes or the Notes Guarantees under, the U.S. Securities Act or the securities laws of any other jurisdiction. See *"Important information for investors"*. We have not agreed to or otherwise undertaken to register any of the Notes or the Notes Guarantees, and do not have any intention to do so. You may not offer the Notes for sale in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The Notes and the Indenture will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions under the U.S. Securities Act. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Important information for investors*". In addition, by its acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an amount less than €100,000 and integral multiples of €1,000 thereafter.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing system to exercise any rights and remedies.

Unless and until Notes are issued in definitive registered form, or definitive registered notes are issued in exchange for book-entry interests, which may occur only in very limited circumstances, owners of book-entry interests will not be considered owners or holders of Notes. The common depositary of Euroclear or Clearstream, or its nominee, is the sole registered holder of the global notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to the Paying Agent for further credit to Euroclear or Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book- entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary of Euroclear or Clearstream, or its nominee, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest in the relevant Notes, you must rely on the procedures of Euroclear or Clearstream, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until the relevant definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted from acting through Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

The proposed financial transactions tax may have a negative effect on holders of the Notes.

On February 14, 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common system of financial transactions taxes (the "FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "Participating Member States", and each of them, a "Participating Member State").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes should, however, be exempt. Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State. Under the Commission's Proposal, the FTT should be payable to the tax administration by each financial institution and, where the FTT had not been duly paid, each party to the transaction, including persons other than financial institutions, should be jointly and severally liable for the payment of the FTT. Therefore, the FTT might increase the costs of the transactions for holders and beneficial owners of the Notes.

The FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain as of the date of the Offering Memorandum. It may therefore be altered prior to any implementation. Additional Member States of the European Union may decide to participate.

The timing of the enactment of the Commission's Proposal, if at all, and the number of Member States who may elect to participate, is uncertain. Accordingly, prospective purchasers of the notes are advised to consult their professional advisors with respect to the effect that the FTT may have on their purchase, holding and/or sale of the notes.

Use of proceeds

On March 20, 2017, Deutsche Bank launched the Tender Offer for the purchase for cash of up to €150.0 million in principal amount of the Issuer's outstanding 2019 Notes at a purchase price of 107.9% plus accrued and unpaid interest from (and including) the immediately preceding interest payment date to (but excluding) the settlement date of the Tender Offer. The Tender Offer is expected to expire on March 24, 2017. An indicative, non-binding announcement as to the aggregate principal amount of 2019 Notes tendered by holders of 2019 Notes in the Tender Offer is expected to be made on or about March 27, 2017. Settlement of the Tender Offer is conditional on the execution and continued effectiveness of the purchase agreement relating to the Notes, and is expected to take place on April 3, 2017. The Tender Offer is being made pursuant to a separate tender offer memorandum and not pursuant to this offering memorandum. The Tender Offer is subject to Deutsche Bank's right to re-open, amend, or terminate it. The Tender Offer was not open to any person located or resident in the United States and such persons were not eligible to participate in the Tender Offer.

On the Issue Date, the Notes issued in the Offering are expected to be delivered to Deutsche Bank, together with cash on hand (if applicable), as consideration for the acquisition of the 2019 Notes from Deutsche Bank. If the aggregate purchase price for the 2019 Notes acquired from Deutsche Bank is lower than the aggregate purchase price received by us for the Notes, and otherwise at our discretion, we will use a portion of the proceeds that we receive in the Offering, together with cash on hand (if applicable), (i) to fund the redemption of a portion of our 2019 Notes pursuant to the Post-Settlement Redemption, and (ii) to pay the costs, fees and expenses of the Refinancing.

The following table sets forth our expected estimated sources and uses of funds in connection with the Refinancing, assuming that (i) €115.0 aggregate principal amount of Notes will be issued at par pursuant to the Offering, (ii) €150.0 million in aggregate principal amount of the 2019 Notes are validly tendered and accepted pursuant to the Tender Offer and (iii) pursuant to the Exchange Settlement Agreement, we have elected to deliver all of the Notes to Deutsche Bank as consideration for the acquisition of the 2019 Notes (since the Exchange Settlement Agreement allows us to determine, in our discretion, the principal amount of Notes that we deliver to Deutsche Bank as consideration for the acquisition of the 2019 Notes). Actual amounts will vary from estimated amounts depending on several factors, including the Issue Date, the results of the Tender Offer, as well as differences between estimated and actual fees and expenses.

Sources	Amount	Uses	Amount
	(€ in millions)		
Notes offered hereby[(1)]	115.0	Acquisition of a portion of the 2019 Notes in connection with Tender Offer[(1)]	161.9
Cash on hand[(2)]	53.2	Accrued interest[(3)]	4.0
		Estimated fees and expenses[(4)]	2.4
Total	168.2	**Total**	168.2

(1) On the Issue Date, we will acquire a portion of our 2019 Notes from Deutsche Bank, such portion having been acquired by Deutsche Bank prior to the Issue Date in the Tender Offer. On the Issue Date, the Notes issued in the Offering are expected to be delivered to Deutsche Bank, together with cash on hand, as consideration for the acquisition of the 2019 Notes from Deutsche Bank. The 2019 Notes acquired from Deutsche Bank are expected to be cancelled on the Issue Date. If less than €150.0 million in aggregate principal amount of the 2019 Notes are acquired by Deutsche Bank in the Tender Offer and subsequently acquired by us, then we intend to redeem, pursuant to a Post-Settlement Redemption, and subsequently cancel, an aggregate principal amount of the 2019 Notes which, when combined with the 2019 Notes purchased by Deutsche Bank pursuant to the Tender Offer and subsequently acquired by us on the Issue Date, will result in the cancellation of €150.0 million in aggregate principal amount of the 2019 Notes. Any Post-Settlement Redemption is expected to be made at a redemption price equal to 100% of the principal amount of the 2019 Notes to be redeemed, plus accrued and unpaid interest, if any, plus a "make-whole" premium.

(2) As of December 31, 2016, cash and cash equivalents amounted to €136.7 million. See "*Capitalization*".

(3) Assumes settlement of the Tender Offer on April 3, 2017 and settlement of the Offering on April 4, 2017.

(4) Represents, for illustration purposes only, our estimate for fees and expenses associated with the Refinancing. The estimated fees and expenses include Initial Purchaser's fees, professional fees and expenses and other transaction costs in relation to this Offering. Also includes Deutsche Bank's fees and expenses in its role as dealer manager in the Tender Offer.

Capitalization

The following table sets forth the cash and cash equivalents and the consolidated capitalization of the Issuer as of December 31, 2016 on (i) an actual basis and (ii) an as adjusted basis to give effect to the Refinancing, including the Offering, and the application of the proceeds therefrom, as described in "*Use of proceeds*", as if these transactions had occurred on December 31, 2016.

The adjusted information below is illustrative only and does not purport to be indicative of our capitalization following the completion of the Refinancing.

This table should be read in conjunction with "*Summary financial and other information*", "*Use of proceeds*", "*Management's discussion and analysis of financial condition and results of operations*", "*Description of certain financing arrangements*", "*Description of the Notes*" and our consolidated financial statements and related notes included elsewhere in this offering memorandum.

	As of December 31, 2016 Actual	As adjusted for the Refinancing
Cash and cash equivalents(1)	136.7	83.5
2019 Notes	250.0	100.0
Senior Secured RCF(2)	—	—
Original Notes	285.0	285.0
Notes offered hereby	—	115.0
Total debt secured by the Collateral	535.0	500.0
Secured loans(3)	37.4	37.4
Total secured debt	572.4	537.4
Senior Unsecured Convertible Bonds(4)	250.0	250.0
Unsecured loans(5)	21.2	21.2
Subordinated loans(6)	40.0	40.0
Total unsecured debt	311.2	311.2
Total debt	883.6	848.6
Equity(7)	1,167.2	1,167.2
Total capitalization	2,050.7	2,015.7

(1) Cash and cash equivalents in the As adjusted for the Refinancing column reflects the deduction of (i) cash on hand to be used in connection with the acquisition of a portion of the 2019 Notes from Deutsche Bank (which, for the purpose of the foregoing table, we have assumed to amount to €50.8 million) and (ii) estimated fees and expenses of €2.4 million associated with the Refinancing, and assumes that (x) €115.0 million in aggregate principal amount of Notes are issued at par pursuant to the Offering (y) €150.0 million in aggregate principal amount of 2019 Notes are acquired by Deutsche Bank prior to the Issue Date in the Tender Offer and subsequently acquired by us on the Issue Date and (z) pursuant to the Exchange Settlement Agreement, we have elected to deliver all of the Notes to Deutsche Bank as consideration for the acquisition of the 2019 Notes. The actual amount of cash and cash equivalents may be subject to adjustment depending on the final issue price of the Notes and other factors.

(2) Represents the Senior Secured RCF of €250.0 million, which was undrawn as of December 31, 2016 and is expected to be undrawn and fully available on the Issue Date.

(3) Represents multiple secured loans as described under "*Description of certain financing arrangements—Secured loans*".

(4) Comprises €238.7 million of debt instruments and €11.3 million of equity.

(5) The outstanding amount of indebtedness under the unsecured loans as of December 31, 2016 was €21.2 million (€9.9 million outstanding under our working capital facilities (out of an aggregate committed amount of €58.9 million) and €11.2 million outstanding under other unsecured loans). See "*Description of certain financing arrangements—Unsecured loans*".

(6) Represents the following unsecured and subordinated obligations of the Issuer: €40.0 million outstanding under the loan agreement between the Issuer and Merrill Lynch International dated November 22, 2006, subsequently transferred to Taberna I and Taberna II. See "*Description of certain financing arrangements—Subordinated loan*".

(7) Represents the sum of (i) the book value of the equity in the Issuer as of December 31, 2016 amounting to €1,155.9 million and (ii) €27.2 million corresponding to the equity portion of the Senior Unsecured Convertible Bonds accounted for in "*Other equity instruments*", deducting €10.5 million accounted for in "*Reserves of the Parent*" and deducting €5.5 million accounted for in "*consolidated profit/(loss) for the financial year*", the net effect of which is €11.3 million. Equity in the As adjusted for the Refinancing column assumes no deduction of any write-off of capitalized debt issuance costs that could arise in relation to any redemption of 2019 Notes.

Selected historical consolidated financial information

The following summary consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated statement of cash flows as of and for the years ended December 31, 2014, 2015 and 2016, except for the footnotes included below each table and except as otherwise indicated, have been derived from the audited consolidated financial statements for such periods of the Group, which were audited by Deloitte, S.L. and have been prepared in accordance with IFRS. This summary financial information is not necessarily representative of our results of operations for any future period or our financial condition at any future date.

IFRS 5 (*Non-current Assets held for Sale and Discontinued Operations*) was applied in the preparation of the audited consolidated financial statements as of and for the year ended December 31, 2014 due to the identification of all Sotogrande assets (including those that were eventually sold and those that were retained by the Group) as non-strategic assets undergoing divestment. As a result, such assets and liabilities were reclassified as "held for sale" and appear separately under the line items "Profit (loss) for the year from discontinued operations net of tax" in the consolidated statement of profit or loss and other comprehensive income and "Non-current assets classified as held for sale" and "Liabilities associated with non-current assets classified as held for sale" in the consolidated statement of financial position for the year ended December 31, 2014. We sold Sotogrande in November 2014, excluding certain international assets that were retained, which continue to be held for sale. See "*Management's discussion and analysis of financial condition and results of operations—Changes to accounting policies and new accounting standards*".

This "*Selected historical consolidated financial information*" contains certain non-IFRS financial measures including Adjusted EBITDA, Adjusted EBITDA margin, EBITDA, EBITDA margin, EBITDAR, EBITDAR margin, Pro Forma Adjusted EBITDA, net indebtedness, net secured indebtedness and changes in working capital. These non-IFRS financial measures are not measurements of performance or liquidity under IFRS. Investors should not place any undue reliance on these non-IFRS measures and should not consider these measures as: (a) an alternative to operating income or net income as determined in accordance with generally accepted accounting principles, or as measures of operating performance; (b) an alternative to cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles, or as a measure of our ability to meet cash needs; or (c) an alternative to any other measures of performance under generally accepted accounting principles. These measures are not indicative of our historical operating results, nor are they meant to be predictive of future results. These measures are used by our management to monitor the underlying performance of the business and the operations. Since all companies do not calculate these measures in an identical manner, our presentation may not be consistent with similar measures used by other companies. Therefore, investors should not place undue reliance on this data.

This "*Selected historical consolidated financial information*" should be read in conjunction with, and is qualified in its entirety by reference to, our financial statements and the accompanying notes included elsewhere in this offering memorandum, and should also be read together with the information set forth in "*Summary*", "*Important information for investors—Presentation of financial and other information*", "*Important information for Investors—Use of non-IFRS financial measures*", "*Important information for investors—Other data*", "*Business*", "*Use of proceeds*", "*Capitalization*" and "*Management's discussion and analysis of financial condition and results of operations*".

The results of operations for prior years are not necessarily indicative of the results to be expected for the full year or any future period. For more information on the basis of preparation of this financial information, see "*Important information for investors—*

Presentation of financial and other information" and the notes to the financial statements included elsewhere in this offering memorandum.

Consolidated statement of profit or loss and other comprehensive income

	For the year ended December 31,		
	2014	**2015**	**2016**
Net turnover	1,247.0	1,376.6	1.447.9
Other operating income	3.3	1.2	7.7
Net gain (loss) on disposal of non-current assets	(1.0)	(0.8)	41.5
Procurements	(67.3)	(67.6)	(66.9)
Personnel expenses	(373.8)	(398.1)	(415.9)
Depreciation allowance	(98.5)	(106.2)	(114.2)
Net losses from asset impairment	12.8	30.9	(2.7)
Variation in the provision for onerous agreements	14.7	19.0	4.2
Other operating expenses	(720.0)	(787.1)	(795.2)
Profit (loss) from entities valued through the equity method	(1.3)	(0.7)	0.1
Financial income	7.4	5.2	3.3
Change in fair value of financial instruments	2.0	4.7	0.4
Financial expenses	(68.7)	(73.6)	(72.3)
Net exchange rate differences	—	2.1	(3.6)
Gain (loss) of financial investments	17.3	4.8	9.9
Pre-tax profit (loss) from continuing operations	**(26.3)**	**10.3**	**44.4**
Corporate tax	(15.6)	(13.1)	(7.9)
Profit (loss) from continuing operations	**(41.9)**	**(2.8)**	**36.4**
Profit (loss) for the year from discontinued operations net of tax	31.5	6.1	(2.3)
Profit (loss) for the financial year	**(10.4)**	**3.3**	**34.1**
Non-controlling interests	(0.9)	2.4	3.4
Profit (loss) attributable to shareholders of the Issuer	**(9.6)**	**0.9**	**30.8**

Consolidated statement of financial position

	As of December 31,		
	2014	**2015**	**2016**
	(€ in millions)		
Assets			
Tangible fixed assets	1,606.4	1,724.2	1,701.4
Intangible assets	172.8	238.1	244.2
Non-current investments	183.4	177.4	101.7
Other non-current assets	168.9	182.1	171.3
Total non-current assets	**2,131.5**	**2,321.8**	**2,218.6**
Non-current assets classified as held for sale	95.2	45.0	46.7
Inventories	8.2	9.5	9.9
Receivables	205.8	242.4	200.7
Cash and cash equivalents	200.1	77.7	136.7
Other current assets	20.2	14.5	14.6
Total current assets	**529.5**	**389.1**	**408.6**
Total assets	**2,661.0**	**2,710.9**	**2,627.2**
Shareholders' equity and liabilities			
Shareholders' equity	**1,136.7**	**1,126.1**	**1,155.9**
Debentures and other marketable securities	464.0	471.9	763.6
Debts with credit institutions	268.9	336.2	72.7
Non-current provisions	56.9	48.7	52.9
Deferred tax liabilities	179.7	196.7	175.0
Other non-current liabilities	91.3	101.5	35.5
Total non-current liabilities	**1,060.8**	**1,155.0**	**1,099.7**
Liabilities associated with non-current assets classified as held for sale	56.1	—	2.7
Debentures and other marketable securities	3.5	3.6	2.2
Debts with credit institutions	70.9	75.3	23.2
Trade creditors and other accounts payable	231.5	251.1	229.8
Current provisions	14.8	5.3	11.5
Other current liabilities	86.7	94.5	102.2
Total current liabilities	**463.5**	**429.8**	**371.6**
Total shareholders' equity and liabilities	**2,661.0**	**2,710.9**	**2,627.2**

Consolidated statement of cash flows

	For the year ended December 31,		
	2014	2015	2016
	(€ in millions)		
Total net cash flow from operating activities	32.1	90.3	176.6
Total net cash flow from investment activities	(38.3)	(216.9)	(23.7)
Financial income	7.3	4.8	2.0
Investments	(114.5)	(254.1)	(145.0)
Group companies, joint ventures and associated companies	—	(0.3)	(5.6)
Tangible and intangible assets and real-estate investments	(109.9)	(176.1)	(139.4)
Non-current assets classified as held for sale	(4.3)	—	—
Non-current financial investments	(0.4)	(77.7)	—
Disposals	69.0	32.4	119.3
Total net cash flow from financing activities	(103.8)	(6.8)	(94.4)
Gross increase/reduction of cash or equivalent assets	(109.9)	(133.4)	58.5
Effect of change in exchange rates on cash and equivalent assets	(0.3)	3.1	0.6
Effect of changes in scope of consolidation	176.4	7.9	(0.0)
Net increase/reduction of cash or equivalent assets	**66.2**	**(122.4)**	**59.0**
Cash or equivalent assets at beginning of the year	133.9	200.1	77.7
Cash or equivalent assets at the end of the year	**200.1**	**77.7**	**136.7**

Management's discussion and analysis of financial condition and results of operations

The following is a discussion and analysis of our results of operations and financial condition as of and for the years ended December 31, 2014, 2015 and 2016 as derived from the audited consolidated financial statements of the Group for the same periods, except as otherwise indicated, in each case prepared in accordance with IFRS as adopted by the European Union.

IFRS 5 (Non-current Assets held for Sale and Discontinued Operations) was applied in the preparation of the audited consolidated financial statements as of and for the year ended December 31, 2014 due to the identification of all Sotogrande assets (including those that were eventually sold and those that were retained by the Group) as non-strategic assets undergoing divestment. As a result, such assets and liabilities were reclassified as "held for sale" and appear separately under the line items "Profit (loss) for the year from discontinued operations net of tax" in the consolidated statement of profit or loss and other comprehensive income and "Non-current assets classified as held for sale" and "Liabilities associated with non-current assets classified as held for sale" in the consolidated statement of financial position for the year ended December 31, 2014. We sold Sotogrande in November 2014, excluding certain international assets that were retained, which continue to be held for sale. See "*—Changes to accounting policies and new accounting standards*".

The following discussion includes a geographical breakdown of our financial performance, which is based upon our consolidated financial statements, and a geographical breakdown of our key operating performance indicators, including RevPAR, Occupancy and ADR. We define our geographical segments as follows: (1) Spain, which includes Spain and Andorra; (2) Italy; (3) Germany; (4) Benelux, which includes Belgium, the Netherlands and Luxembourg; (5) Rest of Europe, which includes Austria, the Czech Republic, Hungary, Poland, Romania, Slovakia, Switzerland, France, Portugal, South Africa and the United Kingdom; and (6) Latin America, which includes Mexico, the Dominican Republic, Venezuela, Argentina, Chile, Colombia, Ecuador, Uruguay and the United States. See "*Important information for investors—Other data—Other operating measures*".

You should read this discussion in conjunction with the sections entitled "*Important information for investors—Presentation of financial and other information*", "*Summary—Summary financial and other information*", "*Selected historical consolidated financial information*" and "*Capitalization*", which are included elsewhere in this offering memorandum.

This discussion includes forward-looking statements, which although based upon assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. See "*Important information for investors—Information regarding forward-looking statements*" and, for a discussion of the risks and uncertainties which we face, see "*Risk factors*".

Overview

We are a leading international hotel operator and we are ranked the sixth largest hotel chain in Europe by number of rooms, according to the latest available MKG Hospitality report (published in 2016 based on data for 2015). As of December 31, 2016, we operated 379 hotels consisting of 58,472 rooms in 29 countries.

Based on an independent market research firm, and measured by number of hotel rooms in operation, as of August 2016, we were the second largest hotel chain in the Netherlands, the third largest in Italy, the second largest in Spain and the sixth largest in Germany. Of the 379 hotels we operated as of December 31, 2016, we owned 76 (or 21% by number of rooms), we leased 224 (or 56% by number of rooms) and we managed 79 hotels (or 23% by number of rooms) owned or leased by third parties pursuant to management agreements. We believe that our versatile operating structure and our geographic diversity enhance our resilience to industry cycles while also providing us with flexibility to take advantage of future growth opportunities.

For the year ended December 31, 2016, our net turnover was €1,447.9 million and our Pro Forma Adjusted EBITDA was €204.5 million. Our Adjusted EBITDA increased from €119.5 million in 2014 to €195.7 million in the year ended December 31, 2016. In the year ended December 31, 2016, our Occupancy, ADR and RevPAR were 68.4%, €90.6 and €62.0, respectively. For further information on these performance measures, see "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our financial condition and results of operations—Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)*". Our ratio of net indebtedness to Adjusted EBITDA decreased from 5.9x as of December 31, 2014 to 3.8x as of December 31, 2016.

We have a centralized business model that allows us to provide a consistent level of service to customers across hotels in different regions and to achieve economies of scale. Our central corporate and regional offices provide our hotels with a wide array of key functions, including sales, reservations, marketing, administrative and IT systems.

Since 2013, we have implemented our new value proposition across our different brands, including by investing in upgraded basics such as flat screen televisions and rain showers and by refining our dining and other food and beverage options. We have worked to align our hotels with their particular brand aesthetic to create a comfortable and standardized experience for our customers. We have also implemented our pricing strategy which provides for a new price architecture organized by destination, whereby we structure relative prices among various NH hotels in each destination, and by room type, whereby we have refined our prices to reflect a premium for desirable features such as good views. We have refurbished several of our leased and owned hotels, which have generally shown improved Occupancy, RevPAR and ADR as a result, and have overhauled our IT systems, launching a new website and completing the migration of our back office systems to SAP, an enterprise software system which integrates our front and back office and computer reservation systems, in most business units ("BUs").

Since 2013, we have successfully implemented various initiatives of our strategic plan. As a result of these initiatives, Adjusted EBITDA increased by 63.7% from €119.5 million in 2014 to €195.7 million for the year ended December 31, 2016. We have strengthened our brand proposition by reorganizing our hotels into an upper-upscale segment, an upscale segment, a mid-tier segment and a vacation segment, and we have developed the following core dedicated brands, each tailored to represent a clearly defined level of service, quality and value:

- *NH Collection* is our upper-upscale urban segment brand, which consists of our best properties and is designed for clients that are willing to pay a premium for higher quality products and services;
- *NH Hotels* remains our core brand for our upscale segment hotels, which consists of urban hotels with higher standards and more detail-oriented product and service levels, and our mid-tier urban segment hotels, which focus on delivering value and comfort for our customers;
- *NHOW* is our upper-upscale design brand, for which we do not have a standard design applied across all hotels. Instead, we have combined new forms of contemporary architecture, design and luxury by prestigious architects and interior designers to create an elegant and extravagant experience for our guests; and

• *Hesperia* resorts is our vacation brand, which is comprised of upper-upscale and upscale vacation properties, mainly in seaside destinations.

Partly as a result of our re-branding initiative, RevPAR and ADR increased for all our BUs from 2014 to 2015. RevPAR and ADR increased for all of our BUs from 2015 to 2016, with the exception of Italy (due to the positive effects of the Milan Expo in 2015) and Occupancy have increased by 13.7%, 9.2% and 4.1%, respectively, in 2016 compared with 2015. For our hotels in Germany, RevPAR, ADR and Occupancy increased by 9.5%, 7.9% and 1.5%, respectively, in 2016 compared with 2015. We also believe our brand initiative will continue to broaden our customer base and improve the percentage of our customers who are business customers. In keeping with our value proposition, the majority of our hotel offerings will continue to be in the mid-tier segment.

As part of our strategic plan, we actively manage our asset portfolio, including our owned hotels, which had a book value of €1.3 billion as of December 31, 2016, although we believe that the actual market value of such assets is higher, also in light of the fact that the prices at which we have been able to sell our assets in the past six years have been in most cases higher than their respective book values. Additionally, 35 of our hotels have been appraised by third parties and have been assigned a market value of approximately €1.3 billion (20 hotels as of December 2016 and 15 hotels as of December 2015), which is equal to the book value of the 76 hotels we own. We regularly evaluate the performance of individual hotels to identify underperforming properties. For the year ended December 31, 2016, we had cash inflow from asset disposals of €119 million (which included €18.4 million in cash received in connection with a loan granted to the owner of NHOW Rotterdam, one of our leased hotels). We also aim to strengthen our operations by terminating lease agreements for underperforming hotels with negative or lower than expected EBITDA and management agreements that contain undesirable performance guarantees, as well as selling certain underperforming hotels and redirecting our resources to markets and hotels where our operations have been successful. One of the ways in which we actively redirect our resources is to increase the proportion of our operations conducted under management arrangements in order to take advantage of the less capital intensive nature of management arrangements.

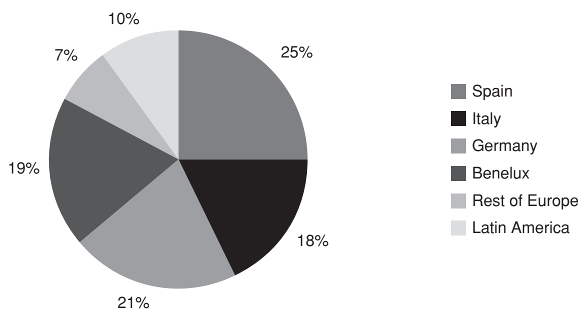
In addition, as part of our strategic plan, we intend to continue to increase Occupancy and Average Daily Rates through selective investments, including refurbishment of existing hotels and opening new hotels. As of December 31, 2016, a total of 58 hotels had been refurbished since we started making such investments in 2014. On average, the compound annual growth rate in RevPAR of all hotels with at least twelve months of operations was +12.7%, comparing 2016 (post-renovation) with 2014 or 2013, as applicable (pre-renovation). We also intend to complete the streamlining of our operating platforms to increase efficiency. To date, we have migrated most of our back office systems to SAP, and we have invested in the development of our website with increased functionality in order to increase the proportion of direct bookings. In the year ended December 31, 2016, compared to 2015, revenue generated from our website grew 18.0% from €89.6 million to €105.7 million. We also seek to reallocate our resources to grow in the markets where we believe there is increasing demand for hotel rooms and where we currently have limited presence. During 2016, we opened 6 hotels with 1,180 rooms in markets where we believed there is increasing demand for hotel rooms and we closed 7 hotels with 1,343 rooms.

As of December 31, 2016, we have entered into agreements to operate 31 new hotels with 4,959 rooms (our "committed pipeline hotels"), which are expected to commence operations between 2017 and 2019. We will operate our committed pipeline hotels under lease and management agreements with third-party hotel owners and most of our committed pipeline hotels will be operated under the core NH Hotels brand. We estimate that we will invest a total of approximately €30 million on our committed pipeline hotels between 2017 and 2019.

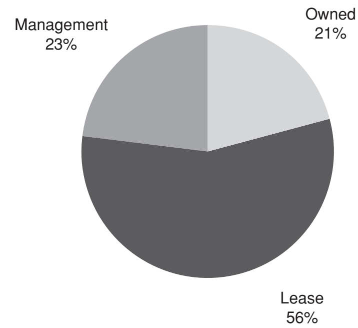
We are a public limited company (*sociedad anónima*) incorporated under the laws of Spain and listed on the Madrid, Bilbao, Valencia and Barcelona Stock Exchange (*Bolsas de Valores de Madrid, Bilbao, Valencia y Barcelona*) with an authorized share capital of €700,543,576 consisting of 350,271,788 shares as of December 31, 2016. Our market capitalization was €1.5 billion as of March 21, 2017.

The following diagram sets forth the geographic breakdown of our net turnover for the year ended December 31, 2016 and a breakdown of our rooms in our owned, leased and managed hotels as of December 31, 2016.

Net Turnover



Number of Room by Type of Operation



Key factors affecting our financial condition and results of operations

We consider the following factors, which are discussed further below, as the key business drivers affecting our results of operations:

- portfolio and asset management;
- Occupancy, Average Daily Rate ("ADR") and Revenue per Available Room ("RevPar");
- repositioning our brand and hotel portfolio and our refurbishment plan;
- expenses;
- cost savings initiative;
- food and beverage sales;
- seasonality and weather;
- currency translation; and
- repeat visitors and guest loyalty.

Portfolio and asset management

Our business incorporates three hotel operating models: we own hotels, we lease hotels from the owners and we manage hotels owned or leased by third parties (including our franchise hotels). Our revenue mix and our risks and results of operations are affected by the types of hotel contracts into which we enter. We seek to optimize the structure of our hotel portfolio by monitoring the performance of our existing hotels and the expiry of our agreements relating to the hotels that we lease or manage. As our portfolio matures, we seek to extract more value from our existing hotels by renewing profitable agreements on more favourable terms, and we seek to exit hotel properties that fail to meet financial targets or other criteria we have set. In the past, we have achieved significant long term rent savings by renegotiating or terminating unprofitable leases, primarily in Spain and Italy. We also seek to increase the proportion of our hotels operated under "asset-light" management agreements, increase the weight of variable leases and improve the terms of our management agreements and lease agreements and enhance resilience to industry cycles. For example, we seek to resist the inclusion of provisions requiring us to provide guarantees in our new or renewed management agreements and in this line, out of the six management contracts signed in 2016, none of the contracts have a minimum guaranteed clause. Management agreements without guarantees provide a more stable contribution to EBITDA and present less risk to our results of operations during periods of economic downturn compared to management agreements with guarantees.

We also have sold certain of our hotels from time to time, and we may continue to sell hotels as part of our strategic repositioning. We have a proven track record of realizing gains from sales of assets, the proceeds of which we invest in improving our existing asset base or purchasing new assets. In total, we have sold hotels for an aggregate amount of approximately €1.1 billion since January 2010. The following table summarizes our asset sales since 2010 up to December 31, 2016.

Hotel	Date	Location	Number of rooms	Sale price	Sale price/ book value	Ratio of sale price to EBITDA[(1)]	Net capital gain (after tax)
			(in millions)				(in millions)
Hilton portfolio[(2)]	2010	Mexico	720	$57	108%	9.6x	€3.0
NH Jolly St. Ermin's	2010	United Kingdom	275	£65	100%	17.1x	€(12.0)
NH Ischia	2010	Italy	194	€36	114%	23.7x	€4.3
NH Luzern	2010	Switzerland	110	€15	142%	13.7x	Fr. 4.4
Other non-hotel assets[(3)]	2011	The Netherlands	N/A	€9	101%	N/A	€0.1
NH Ligure	2011	Italy	169	€22	103%	18.1x	€0.6
Artos transaction	2011	Germany and Austria	1,149	€168[(4)]	124%	9.5x	€32.3
Jolly Lotti Hotel	2011	France	159	€106	112%	21.6x	€11.5
NH Molenvijver Genk Hotel	2011	Belgium	82	€4	129%	13.1x	€0.9
NH Grand Hotel Krasnapolsky	2013	The Netherlands	468	€157	137%	10.8x	€42.2
NH Amsterdam Centre	2014	The Netherlands	232	€52	108%	15.8x	€4.0
Sotogrande	2014	Spain	N/A	€225	125%	N/A	€45.1
Harrington Hall[(5)]	2014	United Kingdom	200	€13	N/A	N/A	€13.3
NH Bogotá 93	2015	Colombia	137	€23	120%	15.9x	€3.9
Plettenberg	2015	South Africa	44	€1	179%	28.9x	€0.4
Eurobuilding Apartments	2015	Spain	12	€4	798%	N/A	€3.4
5 Flies	2015	The Netherlands	N/A	€6	214%	N/A	€3.4
NH Tenerife	2016	Spain	64	€4	100%	9.0x	€0.0
NH Belagua	2016	Spain	72	€8	100%	35.6x	€(0.3)
Varallo and minority interests[(6)]	2016	Dominican Republic	N/A	€7	N/A	N/A	€3.0
LHI Option	2016	Spain	N/A	€48	N/A	N/A	€34.7
Eurobuilding Apartments	2016	Spain	N/A	€0.7	N/A	N/A	€0.6
NH Ambasciatori	2016	Italy	199	€20	116%	11.6x	€2.7
NH Fribourg	2016	Switzerland	122	Fr. 12	110%	11.8x	€1.0
Minority interests[(7)]	2016	Germany	N/A	€2.6	N/A	N/A	€2.6
Minority interests[(8)]	2016	Italy	N/A	€3.0	N/A	N/A	€0.5

(1) The ratio of sale price to EBITDA in each case does not take into account corporate costs and is calculated on the basis of EBITDA for the full fiscal year preceding the disposal, except in the case of the NH Grand Hotel Krasnapolsky, which is calculated based upon EBITDA for the twelve months ended June 30, 2013.

(2) The Hilton portfolio consisted of three subsidiaries that each owned a hotel in Mexico, all of which were operated under the Hilton brand. Additionally, the cancellation of three management agreements was included in this transaction, which is taken into account in the calculations presented in this table.

(3) Other non-hotel assets consisted of the shops in the NH Grand Hotel Krasnapolsky.

(4) Represents the sale price with respect to the sale and leaseback of five hotels. In connection with this sale, we exercised our option to purchase ten hotels we previously leased.

(5) Reflects the disposal of the Group's 25% interest in a joint venture that owns the Harrington Hotel.

(6) Minority interests consisted of a minority investment in a resort hotel in the Dominican Republic.

(7) Minority interests consisted of a minority investment in three hotels in Germany.

(8) Minority interests consisted of a minority investment in a managed hotel in Italy.

Sales of certain of our hotels facilitate the repositioning of our business and also allow us to invest in our other owned and leased properties. For example, we continue to review strategic alternatives for our NH Jolly Madison Towers in New York. We regularly evaluate opportunities to expand, refurbish and upgrade our existing hotels to enhance our revenue base and profitability and increase the value of our owned assets. On average, we spend approximately 4 to 5% of our annual revenue from leased and owned hotels on the maintenance of our existing long-term leased hotels and owned hotels, which amounts are capitalized and depreciated over the life of the asset. In addition to capitalized maintenance expenditure, each hotel has its own ongoing maintenance budget. Moreover, as part of our repositioning initiative, we intend to more intensively invest in certain of our owned assets to increase their value, and in certain of the hotels we operate under long-term leases, which we believe will result in higher Occupancy and ADR.

Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)

Revenue from our existing hotels is primarily affected by Occupancy and ADR. Both Occupancy and ADR are strongly correlated to general economic conditions, the strength of the travel industry and the supply and demand of hotel accommodation in a specific market. We believe that our brand positioning across a variety of hotel segments, the geographic distribution of our hotel portfolio and the different arrangements under which we operate our hotels allow us to diversify risks related to specific hotels in our portfolio.

In order to react appropriately to developments in our local markets, we regularly monitor ADR, Occupancy and RevPAR of our hotels. We believe that generally maintaining consistent pricing across hotel rooms in each category but also taking into account regional economic conditions in our room rates has allowed us to gain market share and has stabilized our RevPAR in the periods presented.

RevPAR

RevPAR is the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. RevPAR does not include non-room revenues, which consist of ancillary revenues generated by a hotel property, such as food and beverage, renting out conference rooms for meetings, conventions and other events as well as telephone, parking and other guest services. Our management uses RevPAR to identify trend information with respect to room revenues of comparable properties and to evaluate hotel performance on a regional and segment basis. RevPAR is a commonly used performance measure in the hotel industry.

We believe that a change in RevPAR is a reliable indicator of a change in revenue from our hotels because RevPAR takes into account both ADR and Occupancy. However, RevPAR changes that are driven predominately by changes in Occupancy have different implications for overall revenue levels and incremental profitability than do changes that are driven predominately by changes in ADR. For example, assuming the same room rates and variable operating costs, including housekeeping services, utilities and room amenity costs, increases in Occupancy at a hotel would lead to increases in room revenues compared to lower levels of Occupancy and such increased Occupancy may also result in increased ancillary revenues, including food and beverage. In contrast, changes in ADR typically have a greater effect on margins and profitability, because rates increase while variable operating costs remain relatively stable.

The following table sets forth the RevPAR for our hotels in our geographical segments.

	For the year ended December 31,				
	2014 (€)	% change(1)	2015 (€)	% change(1)	2016 (€)
Spain	44.2	17.4%	51.9	13.7%	59.0
Italy	62.2	20.1%	74.7	(2.0)%	73.2
Germany	53.9	1.1%	54.5	9.5%	59.7
Benelux	57.9	7.4%	62.2	3.9%	64.6
Rest of Europe	62.1	6.1%	65.9	6.8%	70.4
Latin America	48.1	1.0%	48.6	0.8%	49.0
Group	53.4	9.7%	58.6	5.8%	62.0

(1) Represents the percentage change in RevPAR between 2014 and 2015, and between 2015 and 2016, as applicable.

Occupancy

Occupancy is the quotient of the total number of Room Nights sold during a specified period divided by the total number of rooms available for each day during that period. Occupancy measures the utilization of our hotels' available room capacity. Management uses Occupancy to gauge demand at a specific hotel or group of hotels in a given period, which is mainly driven by conferences, trade fairs and other events in the hotel's proximity. Occupancy is also affected by the supply of hotel rooms in the area surrounding each of our hotels, and increases in hotel room supply, which can increase competition and make it more difficult to achieve high Occupancy. Occupancy also helps us determine achievable ADR levels, based upon hotel category and hotel facilities, as demand for our hotel rooms increases or decreases.

The following table sets forth the Occupancy for our hotels in our geographical segments.

	For the year ended December 31,				
	2014 (%)	% change(1)	2015 (%)	% change(1)	2016 (%)
Spain	63.6	6.0%	67.5	4.1%	70.2
Italy	65.2	2.6%	66.9	1.1%	67.6
Germany	71.6	(3.6)%	69.0	1.5%	70.0
Benelux	67.4	1.3%	68.2	(3.3)%	66.0
Rest of Europe	74.7	(4.5)%	71.3	7.1%	75.8
Latin America	70.3	(9.6)%	63.5	(1.5)%	62.6
Group	67.7	(0.1)%	67.6	1.2%	68.4

(1) Represents the percentage change in Occupancy between 2014 and 2015, or between 2015 and 2016, as applicable.

Average Daily Rate (ADR)

Average Daily Rate is the quotient of total room revenues for a specified period divided by total Room Nights sold during that period. ADR trends indicate how much customers are willing to pay for accommodation in a particular region and a specific hotel. It also provides insights regarding the nature of the customer base of a hotel or group of hotels. ADR is a commonly used performance measure in the industry. We use ADR to assess the pricing levels that we are able to generate by customer group, as changes in rates have a different effect on overall revenues and incremental profitability than changes in Occupancy, as described above.

The following table sets forth ADR for our hotels by geographical segment.

	For the year ended December 31,				
	2014 (€)	% change(1)	2015 (€)	% change(1)	2016 (€)
Spain	69.5	10.7%	76.9	9.2%	84.1
Italy	95.4	17.0%	111.7	(3.1)%	108.2
Germany	75.3	5.0%	79.1	7.9%	85.3
Benelux	86.0	6.1%	91.2	7.4%	98.0
Rest of Europe	83.2	11.1%	92.4	0.5%	92.9
Latin America	68.5	11.8%	76.5	2.4%	78.4
Group	78.9	9.7%	86.6	4.6%	90.6

(1) Represents the percentage change in ADR between 2014 and 2015, and between 2015 and 2016,

Repositioning our brand and hotel portfolio and our refurbishment plan

We are in the process of completing the repositioning of our brand and our hotel portfolio on a global basis. This initiative primarily involves the following: (i) reorganizing our hotels under four core brands, NH Collection, NH Hotels, NHOW and Hesperia, which we have already completed, (ii) refurbishing certain of our hotels between 2013 and 2016, (iii) exiting underperforming properties by terminating leases or selling properties and (iv) expanding our operations in strategic markets.

We have reorganized our hotels into four core brands to ensure that our marketing and service levels are consistent across each brand. Each core brand has been tailored to represent a clearly defined level of service, quality and value for our upper-upscale, upscale, mid-tier and vacation hotels. To aid the distinction among our brands and to maintain the position of each of these brands, all aspects of all our brands, including design, technical services, graphics, promotions and training have been carefully planned. In addition, we plan to carry out quality assurance inspections, including through in-person reviews, on all our hotels to monitor quality and performance according to our predefined services and standards criteria.

In the year ended December 31, 2016, we invested approximately €82.0 million as part of our repositioning initiative started in 2014 and we expect to invest approximately an additional €9.7 million during 2017 to complete approximately €200 million of investments since the plan was launched in 2014. As of December 31, 2016, a total of 58 hotels have been refurbished and, upon completion of this initiative, 65 hotels will have been refurbished, representing approximately 17% of our hotel portfolio. These hotels have been selected as we believe they are the most likely to yield higher Occupancy and ADR and to enhance the value of our owned and long-term leased assets. Out of the 20 hotels that are Mortgage Properties or properties that are owned or leased by entities whose shares form part of the Share Collateral (excluding NH Italia), we have refurbished five hotels. Regarding the assets which are owned or leased by NH Italia, nine refurbishments have been completed and one more is in progress and we intend to refurbish additional four hotels that are owned or leased by NH Italia.

In Italy, we have entered into agreements to operate four new hotels with 598 rooms, three of which will be operated under lease agreements and one of which will be operated under a management agreement.

Our refurbishment program involves modernizing rooms and common areas by refreshing paint and floor coverings and replacing furnishings and finishings. In certain hotels, we have completed or intend to complete a total refurbishment of the building, including all mechanical, electrical and plumbing systems. The hotels we have refurbished have generally experienced increased RevPAR. On average, the compound annual growth rate in RevPAR of all hotels with at least twelve months of operations was +12.7%, comparing 2016 (post-renovation) with 2014 or 2013, as applicable (pre-renovation). These hotels are: NH Collection Eurobuilding, NH Collection Abascal, NH Alonso Martínez, NH Collection Aránzazu, NH Pamplona Iruña, NH Collection Gran Hotel Zaragoza, NH Firenze, NH Madrid Atocha, NH Madrid Nacional, NH Madrid Ventas, NH Collection Hamburgo City, NH Collection Bruselas Centre, NH Utrecht, NH Milano Congress Centre and NH Génova Centro. Moreover, the value of our hotels has typically increased as a result of refurbishment. Although we have undertaken a capital-intensive refurbishment program, we have staggered the costs over several years, and we therefore have the flexibility to substantially control or reduce such costs by restructuring our refurbishment program as required. As of December 31, 2016, we had spent approximately €188 million on our refurbishment efforts since 2014.

In addition, we will continue to actively manage our asset portfolio. We have terminated lease agreements for underperforming hotels with negative or lower than expected EBITDA with respect to 5 hotels in 2014, 5 hotels in 2015 and 4 hotels in 2016. We have also sold certain underperforming hotels and redirected our resources to markets and hotels where our current operations have been successful. For example, we sold our interest in the joint venture that owns Harrington Hall in 2015, and exited the related management agreement that contained an undesirable performance guarantee and we have redirected the proceeds of such sale to the refurbishment of hotels where we believe there is greater potential to increase our margins, and in 2016 we sold certain non-strategic hotels such as NH Tenerife, NH Belagua, NH Ambasciatori and NH Fribourg. We intend to continue implementing this strategy in the future.

We are strengthening our presence in strategic markets in Europe and Latin America by entering into new management, franchise and variable lease agreements. To this end, in March 2015, we completed the acquisition of Hoteles Royal, with operations in Colombia, Ecuador and Chile, in order to reinforce our presence in Latin America. As of December 31, 2016, we have entered into agreements to operate 31 new hotels with 4,959 rooms (our "committed pipeline hotels"), which are expected to commence operations between 2017 and 2019. We will operate our committed pipeline hotels under lease and management agreements with third-party hotel owners and most of our committed pipeline hotels will be operated under the core NH Hotels brand. We estimate that we will invest a total of approximately €30 million on our committed pipeline hotels between 2017 and 2019.

Expenses

One of the largest components of our operating expenses is personnel expenses. Our personnel expenses represented approximately one-third of our net turnover in each of 2014, 2015 and 2016. Our personnel expenses include salaries, training, development and other benefits. We seek to control our personnel expenses by forecasting our temporary personnel needs based upon anticipated business volume, including Occupancy, and food and beverage sales from restaurants, bars, conference facilities and in-room dining. We also seek to reduce personnel expenses by outsourcing certain functions, such as housekeeping and janitorial services, to third party vendors, which are recorded as other operating expenses.

A significant portion of our other operating expenses is rent expense, which is primarily determined by our ability to negotiate favourable terms under our lease agreements and the general economic conditions in the region in which the hotel is located. In addition, the variable portion of our rent expense is affected by the revenue level at our leased hotels. In recent years, we have renegotiated directly with the lessor lease payments and other terms and conditions in leases for certain of our hotels, primarily for hotels with negative EBITDA, which has reduced our long-term costs. Since we cannot generally terminate or cancel our leases before their expiry, we enter into private negotiations with the third-party owner on a case by case basis. We typically incur certain costs in connection with the early termination or cancellation of our leases, which vary in each jurisdiction.

Other operating expenses include fees paid for professional and other services; commissions payable to third parties; energy costs; repair and maintenance costs; laundry expenses; sales and distribution costs; advertising costs; expenses related to information technology and telecommunication; allowances for contingency provisions; operational taxes, including real estate and property taxes; and property insurance payments and are described further under "*—Description of key line items—Other operating expenses*".

Acquisitions and disposals

We have acquired and disposed of assets as part of the implementation of our strategic plan. Proceeds from the sale of certain of our non-core assets have facilitated the repositioning of our business and also allowed us to make strategic investments, refurbish and upgrade our existing hotels to enhance our revenue base and profitability and to increase the value of our owned assets. We intend to continue replacing certain of the hotels we close by opportunistically opening hotels, including through leases and management agreements, where we determine the financial return and strategic rationale are sound. We intend to strengthen our presence in strategic markets in Europe and Latin America by entering into management, franchise and variable lease agreements over the next three years, primarily in 2017 and 2018, by which time we expect our four new core brands, NH Collection, NH Hotels, NHOW and Hesperia, to be fully developed and our hotel portfolio to be stronger.

Cost savings initiative

Since 2013, we have been implementing a cost savings initiative to reduce our fixed costs. To date, we have already consolidated our janitorial and maintenance services on a regional basis, rather than hotel by hotel and have outsourced our janitorial services where it is more efficient to do so. This restructuring of our janitorial personnel makes our cost structure more flexible by allowing us to increase or decrease our services in accordance with changes in Occupancy levels. During 2014 and 2015, we also completed the centralization of our administrative staff in most of the countries where we operate through the implementation of a shared service center with Accenture.

The ongoing implementation of our strategic plan since 2013 has been a key driver underlying the increase in our EBITDA. Once the repositioning initiative, IT investment phase and revenue management strategy have been implemented, we intend to improve efficiency of the Group by introducing a new operating model aimed at continuing to implement a further series of cost savings initiatives to reduce our fixed costs, with the goal of increasing EBITDA going forward.

During 2017, we expect savings to come from: (i) further efficiency improvements in our administrative functions as a result of our shared service centers with Accenture; (ii) better invoicing capabilities due to the migration of our back office and front office systems to SAP and the use of other relevant IT tools; (iii) the integration of Commercial and Revenue Management (CRM), enabling faster check-in and check-out; (iv) optimization of CRM functions through Duetto, a revenue management software that automatizes pricing and related capabilities and provides insights on pricing and demand; and (v) rationalization of the Projects and Construction teams after the completion of the investment phase. Additionally, we will continue focusing on reducing sales commissions payable to third parties by implementing a global approach to accounts and customers and developing an optimized channel mix which includes direct sales channels through our website and our booking offices. Our channel mix will also include sales through online travel agencies (OTAs). OTAs provide us a higher net ADR and allow us to gain access to long distance markets.

We invested approximately €40 million in 2014, 2015 and 2016 to overhaul our IT management systems across our entire business, including centralizing our data collection, increasing automation of certain processes and developing a new website, which we expect will further reduce our costs and positively affect our net turnover. The migration to SAP will provide us with more efficient access to data across our business, enabling us to enhance the customer experience we can offer and implement economies of scale which, we believe, will improve our competitiveness. We are also in the process of implementing new M&E management tools in all our BUs, including: (i) the Virtual Planner, which allows our teams and customers to virtually design meetings in 3D and enables them to anticipate the appearance of the selected meeting room; (ii) the Voice Management tool, implemented in the Group Sales Offices to manage calls more efficiently; and (iii) the M&E online store, which allows our customers to book M&E services online, freeing up time for our hotel reservation agents. With our M&E management tools, we aim to improve our operational efficiency and productivity, which we believe will lead to improved customer satisfaction and competitiveness.

Moreover, the new operating model that we intend to implement in late 2017 involves a geographic reorganization of certain corporate functions and Business Units, which we expect will result in additional synergies.

Other operating expenses excluding rent

We are focusing on increasing the net ADR through an optimized channel mix. On the one hand, we are working on reducing our brokering costs by trying to increase our direct sales channels and boosting the customer loyalty through increased investments in marketing and IT. On the other hand, increased cooperation with online travel agencies (OTAs), at the expense of other cheaper channels, provides a higher net ADR and allows us to gain access to long distance markets. We have been working with primary global OTAs as we believe they may bring added value to our chain as they invest in brand recognition, reduce the search cost for clients and give us access to markets where the NH brand is not recognised by consumers. OTAs have become an important distribution channel also in connection with our more mature markets, especially as younger generations' reliance on the internet tends to increase, enhancing NH brand visibility. We are also cooperating with smaller OTAs specialized in niche markets or businesses (e.g. OTAs focused on high-end clients) which we believe allows us to diversify our product with a lower cost. OTAs represent a flexible channel that, in periods of need, we are able to promptly revise, for instance by offering promotions aligned with the strategy followed in our direct channel. We have also been investing to overhaul our IT management systems across our entire business, including centralizing our data collection, increasing integration and automation of certain critical processes, increasing our efficiency and developing new budget and planning systems, which we expect will further reduce our costs in the long term. As of December 31, 2016, Spain, Benelux, Central Europe, Italy and Latin America have completed the migration of our back office and front office systems to SAP, an enterprise software system which integrates our front and back office and computer reservation systems (with the exception of Hoteles Royal, in relation to which the migration to SAP is expected to occur in 2017), and a new commercial website was launched in 2015. In the year ended December 31, 2016, compared to 2015, revenue generated from our website grew 18.0% from €89.6 million to €105.7 million. The migration to SAP provides us with more efficient access to data across our business, enabling us to enhance the customer experience we can offer, implement economies of scale and, we believe, improve our competitiveness. We are in the process of implementing new M&E management tools in all our BUs and we will continue to improve business functionality during 2017.

Food and beverage sales

Food and beverage sales through restaurants, bars, conference facilities and in-room dining in the hotels we operate contribute significantly to our revenue. In 2014, 2015 and 2016, food and beverage revenue was €297.2 million, or 23.8% of our total net turnover, €310.4 million, or 22.5% of our total net turnover, and €312.6 million, or 21.6% of our total net turnover, respectively. Historically, movements in our food and beverage sales have correlated with movements in our room revenues, but our food and beverage sales have increased at a lower rate than our room revenues and decreased at a higher rate than our room revenues.

During 2014, we refined our adapted food and beverage offering in selected hotels to align menus and service with our new brand architecture and experience and to further increase the profitability of our food and beverage offering and the associated restaurants and other food service areas in our hotels. To this end, we sought to introduce a consistent food and beverage experience for our meetings and events services, to explore the development of a distinctive bar concept, and to revise our breakfast pricing at the BU level. We also implemented best practices from successful refinements across a broader selection of hotels and made other select enhancements based on customer feedback. For example, we introduced various new food options, such as vending machines, healthy, antioxidant options and 24-hour room service in certain of our hotels.

During 2015, we have developed our global food and beverage service operations by offering new concepts, such as new items in our minibars, fresh corners, open bars and coffee breaks specifically tailored to our customers' preferences. This has enabled us to improve our results from our food and beverage operations, having improved our revenue per customer ratio in the main food and beverage services we provide (breakfast, minibar and restaurant) through a more healthy and attractive offer. Moreover, we continue to optimize spaces through external collaborations or own developments in order to maximize the productivity of our restaurants.

During 2016, we continued to develop our global food and beverage service operations by tailoring our services for each brand, for example, by offering gastronomic experiences for our NH Collection Brand. In addition, we have sought to optimize the use of our space by collaborating with external restaurateurs, particularly in the Spain, Benelux and Italy BUs.

For our NH Collection brand, we have collaborated with gastronomic leaders, such as David Muñoz and Diego Cabrera, to develop a cuisine that corresponds to that brand's values of excellence and service.

Seasonality and weather

Our business is seasonal in nature, and because the majority of our customers are business travelers we experience higher Occupancy and net turnover from April through June and from September through October when there are more business travelers in our primary markets compared to the rest of the year. In contrast, our Occupancy is at its lowest, and we may incur a loss, during the first quarter of each year. In recent years, our first quarter EBITDA has been negative or only made a limited contribution to our full-year EBITDA due to generally low demand for hotel accommodation following the holiday season in December and lower levels of demand by business travelers. Our first quarter EBITDA is also negatively affected when Easter occurs in the first quarter of the year due to fewer business travelers, though this is partially offset by an increase in leisure travelers. In the second, third and fourth quarters of 2014, 2015 and 2016, EBITDA has generally made positive contributions to our full-year EBITDA.

Our results are also affected by periods of abnormal, severe or unseasonal weather conditions, including natural disasters such as hurricanes, floods, earthquakes and other adverse weather and climate conditions. Mild weather may increase Occupancy levels in leisure destinations, particularly during peak travel season. Weather also typically affects our energy costs, which increase when there is an abnormally severe or prolonged winter or summer.

Currency translation

We report our financial results in euro, but we make investments and engage in transactions in countries whose currency is not the euro. Accordingly, a significant portion of our operations is conducted in functional currencies other than the euro. For the year ended December 31, 2016, approximately 12% of our net turnover was recorded in currencies other than the euro, mainly U.S. dollars, Swiss francs, Argentine pesos, Mexican pesos and Colombian pesos. As a result, we are required to translate those results from the functional currency into Euros at the market based average exchange rates during the period reported. When comparing our results of operations between periods, there may be material portions of the changes in our revenues or expenses that are derived from fluctuations in exchange rates experienced between those periods. Fluctuations in the value of the euro against the Swiss franc resulted in an increase in net turnover, equity and cash flows for the years ended December 31, 2014 and 2015. Fluctuations in the value of the euro against the U.S. dollar resulted in an increase in net turnover, equity and cash flows for the years ended December 31, 2014, 2015 and 2016.

Fluctuations in the value of the euro against the Argentine Peso resulted in a decrease in net turnover, equity and cash flows for the years ended December 31, 2014 and 2015. In the year ended December 31, 2016, the depreciation of the Argentine Peso (—37.1% compared to 2015), the Colombian Peso (—9.8% compared to 2015) and the Mexican Peso (—14.7% compared to 2015) against the euro had a combined negative effect on the Group's revenue of €30.3 million. We manage our exposure to currency translation risk by incurring indebtedness in the same currency as certain of our investments. See "*—Quantitative and qualitative disclosures about market risk—Foreign currency exchange risk*".

Repeat visitors and guest loyalty

As a chain brand with an international presence, we rely on repeat visits by our customers to sustain our business model. We strive to attract repeat customers, particularly business customers, that will visit the same hotel on multiple occasions. In addition, we aim to leverage our brand name and reputation for consistent quality across our international locations to attract our existing customers to our other locations. Guest loyalty is an important factor affecting our Occupancy. We have initiated various campaigns to promote awareness of our brands, and we have developed new service concepts to improve guest satisfaction. We believe that these activities and concepts contribute to our brand reputation and awareness, which are key factors in our ability to attract and retain guests. We monitor customer satisfaction through our "Quality Focus On Line" tool, which analyzes results for both individual hotels and for our Group in the aggregate. Loyalty programs are also an important tool in increasing guest loyalty. In 2016, our NH Hotel Group Rewards loyalty program accounted for approximately 5.5 million Room Nights, with respect to our owned, leased and managed hotels.

Description of key line items

Net turnover

Our net turnover includes hotel revenue from owned and leased hotels, fee revenue from our management agreements, real estate revenues and other non-hotel revenue. Revenue from owned and leased hotels consists of room sales and food and beverage sales through restaurants, bars, conference facilities and in-room dining. Additionally, we obtain revenue from renting out conference rooms for meetings, conventions and other events as well as telephone, parking and all other guest services. Fee revenue from our management agreements consists of base fees as a percentage of total hotel revenue and incentive fees as a percentage of the gross operating profit or adjusted gross operating profit of the hotels included in our management agreements. In addition, we may collect marketing fees for global marketing efforts based upon total hotel room revenue, and, under some management agreements, we receive a technical assistance fee for providing advice to the hotel owner regarding hotel construction.

Income from hotel activity

Our income from hotel activity includes hotel revenue from owned and leased hotels and fee revenue from our management agreements.

Other operating income

Other operating income includes extraordinary income not allocable within our regular operations, including operating subsidies, compensation paid to us in connection with termination of contracts, indemnities and the capitalization of expenses related to work we have completed with respect to our own hotels.

Net gain (loss) on disposal of non-current assets

Net gain (loss) on disposal of non-current assets includes gains and losses from the disposal of assets, including the disposal of owned hotels, and the early termination of lease agreements.

Procurements

Procurements consist of purchases and inventory impairments. Purchases include expenses for supplies acquired from third parties for our operations. Purchases generally increase or decrease when our net turnover increases or decreases. Inventory impairments includes variation on the valuation of our real estate inventories based upon expert appraisal opinions.

Personnel expenses

Personnel expenses include wages, salaries and similar costs, social security contributions, termination or redundancy costs, contributions to pension plans, similar costs and expenses and provisions made for similar costs and expenses in the future. The allowances for termination or redundancy costs includes the amounts that can be reasonably quantified and recognized as an expense in the year in which the decision to terminate the employment relationship is taken.

Depreciation allowance

Depreciation allowances mainly include the amortization of our tangible fixed assets, consisting primarily of our buildings, technical installations, machinery, fittings, furniture and equipment, the costs for which are distributed 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 fixtures, tools and furniture	5-10
Other fixed assets	4-5

Net losses from asset impairment

Net losses from asset impairment includes the difference between the estimated recoverable value and the book value of our tangible and intangible fixed assets. Fixed assets are initially valued at their original cost and such values are subsequently evaluated each year for any appropriate impairment losses. 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.

Variation in the provision for onerous agreements

Onerous agreements are those agreements which we have determined the costs of fulfilling the obligations thereunder exceed the economic benefits expected therefrom. We record a provision at the present value of future losses under the agreement, or, if we decide to terminate the agreement, the amount payable in connection with the termination. To the extent that such agreement is terminated, the corresponding provision is released. The pre-tax discount rates used reflect the current market value of money, as well as the specific risks associated with these agreements.

Other operating expenses

Other operating expenses includes rent expense; fees paid for professional and other services; commissions payable to third parties; outside labor; energy costs; repair and maintenance costs; laundry expenses; sales and distribution costs; advertising costs; expenses related to information technology and telecommunication; allowances for contingency provisions; operational taxes, including real estate and property taxes; and property insurance payments.

Fees paid for professional and other services are fixed and variable and include fees paid for yearly auditing services; remuneration and expenses for directors, executive committee members and audit committee members; fees for advisory services, including legal, tax, labor and food and beverage advisory services; and administrative, notary, trial and litigation expenses. Commissions payable to third parties include amounts paid to third-party sales intermediaries, such as Expedia, Trivago and Booking.com. Outside labor includes costs associated with outsourced housekeeping, janitorial and other services. Energy costs are fixed and variable and include the cost of water, electricity, gas, oil and energy service costs and installations. Repair and maintenance costs are fixed and variable and include all costs related to replacing and repairing furniture, fixtures, textiles, walls, floors, finishings such as painting and fire safety materials and costs incurred for maintenance contracts and external cleaning services such as window maintenance, waste disposal, municipal cleaning services and vehicle maintenance. Under our leases, we are generally required to set aside a minimum amount for maintenance capital expenditures on an annual basis. Laundry expenses relate to laundry services supplied by third-party service providers. Sales and distribution costs include both a fixed and variable component and include agency fees and costs in connection with public relations and communications services, including photography, graphics production and merchandising and client gifts during promotional events. Advertising costs include all costs related to marketing. Expenses related to information technology and telecommunication include both a fixed and variable component and consist of expenses for software maintenance, including support and applications, hardware maintenance, hardware renting, server maintenance, data communication lines and external IT and telecommunications support. Allowances for contingency provisions include unrecovered receivables and litigation expenses. Operational taxes are fixed and include local taxes on any owned real estate. Property insurance payments are fixed and include insurance premiums paid for buildings and business interruption coverage and claims expenses.

Rent expense

Rent expense includes lease payments accrued (mainly for our leased hotels).

Other operating expenses excluding rent

Other operating expenses excluding rent includes operating expenses net of rent expense.

Profit (loss) from entities valued through the equity method

Profit (loss) from entities valued through the equity method includes the results of companies included in our consolidated results and over which we have significant influence but that we do not control jointly with a third party. For the purposes of the preparation of our financial statements, significant influence is deemed to exist in investments in which we, directly or indirectly, hold over 20% of the voting power, and in certain instances where our holding is less than 20%, but significant influence can be clearly demonstrated. Companies in which our direct or indirect holding is between 20% and 50%, but in which we do not hold majority voting rights or in which we do not have effective control or joint control with another third-party entity, are consolidated using the equity method.

Financial income

Financial income primarily consists of interest income from cash deposits as well as interest income from loans, evolution of discounted values and dividends. Evolution of discounted values represents the evolution of certain financial assets, such as guarantee deposits for rent, which are recorded at present value in accordance with IFRS. As these financial assets approach maturity, their present value increases.

Change in fair value of financial instruments

Change in fair value of financial instruments includes the gains and losses derived from changes in the fair value of financial instruments related to hedging agreements and a put option held by the minority shareholders of Donnafugata.

Financial expenses

Financial expenses includes interest incurred on our indebtedness, financial expenses for means of payment, which includes credit card fees, commissions and costs for our point of sales transactions, and costs related to factoring and confirming lines of credit entered into in the ordinary course of business.

Net exchange rate differences

Net exchange rate differences include any gains or losses derived from exchange rate differences related to assets and liabilities denominated in currencies other than the euro, which is our functional currency. Net exchange rate differences mainly relate to transactions in U.S. dollars, Swiss francs, Argentine pesos, Mexican pesos and Colombian pesos.

Gain (loss) on financial investments

Gain (loss) on financial investments includes the difference between the estimated recoverable value and the book value of our financial investments. The recoverable amount is the market value of the investment. Gain (loss) on financial investments also includes disposals of our financial assets and disposals of shares we own in our hotel operating companies, except when such shares are sold in a leaseback arrangement, in which case the gain or loss resulting from the sale is included in the gain (loss) on disposal of non-current assets line item.

Results of operations

	For the year ended December 31,		
	2014	**2015**	**2016**
	(€ in millions)		
Net turnover	1,247.0	1,376.6	1,447.9
Other operating income	3.3	1.2	7.7
Net gain (loss) on disposal of non-current assets	(1.0)	(0.8)	41.5
Procurements	(67.3)	(67.6)	(66.9)
Personnel expenses	(373.8)	(398.1)	(415.9)
Depreciation allowance	(98.5)	(106.2)	(114.2)
Net losses from asset impairment	12.8	30.9	(2.7)
Variation in the provision for onerous agreements	14.7	19.0	4.2
Other operating expenses	(720.0)	(787.1)	(795.2)
Profit (loss) from entities valued through the equity method	(1.3)	(0.7)	0.1
Financial income	7.4	5.2	3.3
Change in fair value of financial instruments	2.0	4.7	0.4
Financial expenses	(68.7)	(73.6)	(72.3)
Net exchange rate differences	—	2.1	(3.6)
Gain (loss) on financial investments	17.3	4.8	9.9
Pre-tax profit (loss) from continuing operations	**(26.3)**	**10.3**	**44.4**
Corporate tax	(15.6)	(13.1)	(7.9)
Profit (loss) from continuing operations	**(41.9)**	**(2.8)**	**36.4**
Profit (loss) for the year from discontinued operations net of tax	31.5	6.1	(2.3)
Profit (loss) for the financial year	**(10.4)**	**3.3**	**34.1**
Non-controlling interests	(0.9)	2.4	3.4
Profit (loss) attributable to shareholders of the Issuer	**(9.6)**	**0.9**	**30.8**

The following table sets forth a geographic breakdown of our net turnover for the periods indicated.

	For the year ended December 31,		
	2014	**2015**	**2016**
		(€ in millions)	
Net turnover			
Spain	295.3	325.5	361.4
Italy	227.1	267.0	266.4
Germany	288.3	288.3	307.7
Benelux	256.6	263.7	276.1
Rest of Europe	92.6	93.5	99.1
Latin America	87.1	138.6	137.3
Total	**1,247.0**	**1,376.6**	**1,447.9**

The following table sets forth a breakdown of our net turnover by the type of arrangement under which we operate our hotels and the net turnover attributable to real estate investment for the periods indicated.

	For the year ended December 31,		
	2014	**2015**	**2016**
		(€ in millions)	
Net turnover			
Owned	353.9	379.6	382.5
Leased	866.7	972.0	1,037.2
Management Agreements	17.0	16.6	19.7
Real Estate	—	—	—
Others[(1)]	9.3	8.4	8.5
Total	**1,247.0**	**1,376.6**	**1,447.9**

(1) Represents net turnover attributable to Coperama Servicios a la Hosteleria, S.L., which provides procurement services for the Group, and NH Hotel Group Rewards, our guest loyalty program.

Comparison of the year ended December 31, 2016 and 2015

Net turnover

Group

In the year ended December 31, 2016, our net turnover was €1,447.9 million, an increase of €71.3 million, or 5.2%, from €1,376.6 million in the year ended December 31, 2015. This increase was primarily the result of an increase of €60.0 million, or 6.3%, in room revenues due to a 4.6% increase in ADR, a 1.2% increase in Occupancy and an increase of €2.2 million, or 0.7%, in food and beverage sales.

The revenue increase for the year ended December 31, 2016 was mainly driven by the performance of Spain and Germany, while revenue decreased compared to 2015 in Belgium (mainly due to security concerns relating to terrorist attacks), in Italy (due to the positive impact of the Milan Expo in 2015 that was only partially offset by the refurbishment in Italy in 2015) and in Latin America (which was negatively affected by currency devaluations).

Geographic segments

Spain. In year ended December 31, 2016, net turnover from our hotels in Spain was €361.4 million, an increase of € 35.9 million, or 11.0%, from €325.5. million in the year ended December 31, 2015. This increase was primarily the result of an increase in room revenues of

€26.9 million, or 12.7%, and an increase in food and beverage sales of €4.3 million, or 5.9%, in the year ended December 31, 2016 compared to the year ended December 31, 2015. RevPAR in Spain increased 13.7% as a result of a 9.2% increase in ADR and a 4.1% increase in Occupancy, mainly attributable to the performance of our hotels in Valencia, Sevilla and Zaragoza, where revenue has increased more than in Barcelona and Madrid.

Italy. In the year ended December 31, 2016, net turnover from our hotels in Italy was €266.4 million, a decrease of €0.6 million, or 0.2%, from €267.0 million in the year ended December 31, 2015. This decrease was primarily the result of a decrease in room revenues of €1.9 million, or 1.0%, partially offset by an increase in food and beverage sales of €1.0 million, or 2.1%, in the year ended December 31, 2016 compared to the year ended December 31, 2015. RevPAR in Italy decreased 2.0% as a result of a 3.1% decrease in ADR partially offset by a 1.1% increase in Occupancy. Net turnover in 2016 benefitted from a ramp up from investments made in 2015 (including in "tier two" cities such as Turin, Bologna and Pisa) but declined by comparison to 2015 mainly due to the Milan Expo in 2015 (which allowed us to maximize ADR in 2015).

Germany. In the year ended December 31, 2016, net turnover from our hotels in Germany was €307.7 million, an increase of €19.4 million, or 6.7%, from €288.3 million in the year ended December 31, 2015. This increase was primarily the result of an increase in room revenues of €19.7 million, or 9.6%, due to the favorable trade fairs calendar, which led to bi-annual and tri-annual fairs taking place in 2016. RevPAR in Germany increased 9.5% as a result of a 7.9% increase in ADR and a 1.5% increase in Occupancy.

Benelux. In the year ended December 31, 2016, net turnover from our hotels in Benelux was €276.1 million, an increase of €12.4 million, or 4.7%, from €263.7 million in the year ended December 31, 2015. This increase was the result of an increase in room revenues of €8.5 million, or 4.9%. RevPAR in Benelux increased 3.9% as a result of a 7.4% increase in ADR partially offset by a 3.3% decrease in Occupancy. The rise in ADR offset the lower occupancy from the impact of the security concerns in Belgium relating to terrorist attacks.

Rest of Europe. In the year ended December 31, 2016, net turnover from our hotels in Rest of Europe was €99.1 million, an increase of €5.6 million, or 5.9%, from €93.5 million in the year ended December 31, 2015. This increase was primarily the result of an increase in room revenues of €4.4 million, or 6.5%. ADR for our hotels in the Rest of Europe increased by 0.5%, but Occupancy increased by 6.3% compared to 2015, resulting in a 6.8% increase in RevPAR from €65.9 in 2015 to €70.4 in 2016.

Latin America. In the year ended December 31, 2016, net turnover from our hotels in Latin America was €137.3 million, a decrease of €1.3 million, or −1.0%, from €138.6 million in the year ended December 31, 2015. The decrease was primarily the result of a negative currency evolution, in particular, with respect to the Argentine peso. RevPAR in Latin America increased 0.8% as a result of a 2.4% increase in ADR, partially offset by a decrease of 1.5% in Occupancy.

Other operating income

In the year ended December 31, 2016, other operating income was € 7.7 million, an increase of €6.5 million, from € 1.2 million in the year ended December 31, 2015, mainly due to the capitalization of expenses related to renovation and IT works we have completed with respect to our hotels in connection with the implementation of our repositioning strategy, in accordance with IFRS.

Net gain (loss) on disposal of non-current assets

In the year ended December 31, 2016, our net gain on disposal of non-current assets (before taxes) was €41.5 million, an increase of €42.3 million compared to a loss of €0.8 million in the year ended December 31, 2015, primarily due to the disposal of several assets with a net book value of €38.4 million (including LHI option and NH Ambasciatori), compared to the disposals of assets with net book value of €4.0 million in the year ended December 31, 2015.

Procurements

In the year ended December 31, 2016, procurements were €66.9 million, a decrease of €0.7 million, or 1.0%, from €67.6 million in the year ended December 31, 2015. This decrease was primarily attributable to an increase in discounts of €2.7 million obtained from our suppliers due to higher volume of purchases made in connection with our repositioning plan in the year ended December 31, 2016 compared to the year ended December 31, 2015; partially offset by an increase in food and beverage expenses of €2.0 million, which corresponded to an increase in food and beverage sales of €2.2 million.

Personnel expenses

In the year ended December 31, 2016, personnel expenses were €415.9 million, an increase of €17.8 million, or 4.5%, from €398.1 million in the year ended December 31, 2015. This increase was primarily attributable to higher levels of Occupancy in Spain (+3.9% compared to the same period in 2015), Italy (+1.1% compared to the same period in 2015), Germany (+1.5% compared to the same period in 2015) and Rest of Europe (+7.1% compared to the same period in 2015), which required increased personnel, and severance payments related to the dismissal of management.

Depreciation allowance

In the year ended December 31, 2016, depreciation allowance was € 114.2 million, an increase of €8.0 million, or 7.5%, from € 106.2 million in the year ended December 31, 2015. This increase was primarily due to the implementation of our repositioning plan and the investments made by the Group in connection therewith that led to the accelerated amortization of certain obsolete assets.

Net losses from asset impairment

In the year ended December 31, 2016, net losses from asset impairment was €2.7 million, compared to a reversal of net losses from asset impairment of €30.9 million in the year ended December 31, 2015. The reversal in 2015 was due to a change in our assessment of the recoverability of the book value of our assets based upon the refurbishment of certain of our hotels, which has resulted in an improvement of expected future cash flows for these hotels.

Variation in the provision for onerous agreements

In the year ended December 31, 2016, the variation in the provision for onerous agreements was a reversal of €4.2 million, a decrease of €14.8 million from €19.0 million in the year ended December 31, 2015. This was primarily attributable to the lower provision for onerous agreements due to a better performance of our hotels. In addition, the reversal was based upon our business plan and the economic conditions in the primary markets in which we operate.

Other operating expenses

In the year ended December 31, 2016, other operating expenses were € 795.2 million, an increase of €8.1 million, or 1.0%, from € 787.1 million in the year ended December 31, 2015, primarily attributable to higher levels of activity in 2016 compared to the same period in 2015.

Rent expenses

In the year ended December 31, 2016, rent expense was €288.0 million, an increase of €5.4 million, or 1.9%, from €282.6 million in the year ended December 31, 2015. This increase was mainly attributable to the distribution of the rent payments on a linear basis during the lease terms (in accordance with IFRS rules), an increase in the variable component of our rent payments as a result of higher revenues from our leased hotels and the net effect of hotel openings and closures.

Other operating expenses excluding rent

In the year ended December 31, 2016, other operating expenses excluding rent were €507.2 million, an increase of €2.7 million, or 0.5%, from €504.5 million in the year ended December 31, 2015. This increase was mainly due to the increase in commissions payable to third parties resulting from higher revenues and the evolution of the mix of sale channels towards greater sales through OTAs, the higher level of activity in 2016 compared with 2015, partly as a result of the hotel refurbishments in 2015 and the changes in perimeter mainly associated with the acquisition of Hoteles Royal in March 2015.

Profit (loss) from entities valued through the equity method

In the year ended December 31, 2016, result from entities valued through the equity method was a profit of €0.1 million, from a loss of € 0.7 million in the year ended December 31, 2015. This increase was primarily the result of the performance of our hotels in Latin America and a change in perimeter mainly associated with the acquisition of Hoteles Royal in March 2015.

Financial income

In the year ended December 31, 2016, financial income was €3.3 million, a decrease of €1.9 million from €5.2 million in the year ended December 31, 2015. This decrease was primarily attributable to the lower interest rates applied to deposits.

Change in fair value of financial instruments

In the year ended December 31, 2016, we recorded a gain in fair value of financial instruments of €0.4 million, a decrease of 4.3 million, from a gain of €4.7 million recorded for the year ended December 31, 2015, primarily due to gains relating to the cancellation of some hedging agreements during 2015.

Financial expenses

In the year ended December 31, 2016, financial expenses (including credit card fees of €14.5 million) were €72.3 million, a decrease of €1.3 million, or 1.9%, from €73.6 million in the year ended December 31, 2015. This decrease was mainly due to the renegotiation of certain financing arrangements of the Group, including the refinancing completed in September 2016.

Net exchange rate differences

In the year ended December 31, 2016, net exchange rate differences were negative €3.6 million, a decrease of €5.7 million, from a €2.1 million gain in the year ended December 31, 2015. This was mainly due to the lack of income derived from the appreciation of deposits and cash in currencies other than the euro compared to the same period in 2015.

Gain on financial investments

In the year ended December 31, 2016, gain on financial investments was €9.9 million, an increase of €5.1 million, or 106.3%, from €4.8 million in the year ended December 31, 2015. This increase was primarily due to gains on the disposal of our shareholdings in Varallo Comercial, S.A. and other non-significant shareholdings which generated net gains of €4.1 million. In addition, in December 2016 the Group acquired 47% of the share capital of Palacio de la Merced, S.A. giving rise to a gain on financial investments of €2.8 million.

EBITDA

Group

In the year ended December 31, 2016, EBITDA was €219.2 million, an increase of €94.9 million, or 76.3%, from €124.3 million in the year ended December 31, 2015. The increase was mainly due to an increase in net turnover of €71.3 million, primarily driven by an increased ADR and higher revenue obtained from disposals of several assets, including NH Tenerife, NH Belagua, NH Ambasciatori, NH Fribourg and other non-hotel assets. EBITDA increased despite certain external factors such as the security problems in Belgium relating to terrorist attacks and the fluctuations in exchange rates in Latin America.

Comparison of the years ended December 31, 2015 and 2014

Net turnover

Group

In the year ended December 31, 2015, our net turnover was €1,376.6 million, an increase of €129.6 million, or 10.4%, from € 1,247.0 million in the year ended December 31, 2014. This increase was primarily the result of an increase of €106.4 million, or 12.5%, in room revenues due to a 9.7% increase in ADR and a 0.1% decrease in Occupancy, mainly attributable to the acquisition of Hoteles Royal in March 2015, and an increase of €13.2 million, or 4.4%, in food and beverage sales.

Geographic segments

Spain. In the year ended December 31, 2015, net turnover from our hotels in Spain was €325.5 million, an increase of € 30.2 million, or 10.2%, from €295.3 million in the year ended December 31, 2014. This increase was primarily the result of an increase in room revenues of €20.3 million, or 10.6%, an increase in revenue from M&E rooms rented of €2.9 million, or 28.1%, an increase in food and beverage sales of €1.7 million, or 2.4%, and an increase in management fees income of €2.5 million, or 32.3%, in the year ended December 31, 2015, compared to the year ended December 31, 2014. RevPAR in Spain increased 17.4% in 2015 compared to 2014 as a result of a 10.7% increase in ADR and a 6.0% increase in Occupancy.

Italy. In the year ended December 31, 2015, net turnover from our hotels in Italy was €267.0 million, an increase of €39.9 million, or 17.6%, from €227.1 million in the year ended December 31, 2014. The increase was primarily the result of an increase in room revenues of €35.9 million, or 21.9%, and an increase in food and beverage sales of €1.2 million, or 2.6%, in the year ended December 31, 2015, compared to the year ended December 31, 2014. RevPAR in Italy increased 20.1% in 2015 compared to 2014 as a result of a 17.0% increase in ADR and a 2.6% increase in Occupancy, mainly attributable to the positive performance of Milan in connection with the Expo in 2015.

Germany. In the year ended December 31, 2015, net turnover from our hotels in Germany was €288.3 million, in line with the year ended December 31, 2014. RevPAR in Germany increased 1.1%, as a result of a 5.0% increase in ADR, partially offset by a 3.6% decrease in Occupancy. Net turnover in 2015 was affected by the reduced spending capacity of trade fair visitors, the change of segmentation, which could not be offset, and a poorer brand positioning due to having begun the brand and product repositioning in Germany only in 2016.

Benelux. In the year ended December 31, 2015, net turnover from our hotels in Benelux was €263.7 million, an increase of € 7.1 million, or 2.8%, from €256.6 million in the year ended December 31, 2014. This increase was primarily the result of an increase in room revenues of €11.1 million, or 6.8%, partially offset by a decrease in food and beverage sales of €1.9 million, or 2.6%, in the year ended December 31, 2015, compared to the year ended December 31, 2014. Occupancy increased by 1.3% and ADR increased by 6.1% from 2014 to 2015, resulting in an increase in RevPAR of 7.4%, from €57.9 in 2014 to €62.2 in 2015.

Rest of Europe. In the year ended December 31, 2015, net turnover from our hotels in the Rest of Europe was €93.5 million, an increase of €0.9 million, or 1.0%, from €92.6 million in the year ended December 31, 2014. RevPAR in Rest of Europe increased 6.1% as a result of an 11.8% increase in ADR, partially offset by a 4.5% decrease in Occupancy in 2015 compared to 2014.

Latin America. In the year ended December 31, 2015, net turnover from our hotels in Latin America was €138.6 million, an increase of €51.5 million, or 59.1%, from €87.1 million in year ended December 31, 2014. This increase was primarily attributable to the contribution of Hoteles Royal which we acquired in March 2015 and generated revenues of €50.6 million in the year ended December 31, 2015. RevPAR in Latin America (excluding Hoteles Royal) increased 1.0% as a result of a 11.8% increase in ADR, partially offset by a 9.6% decrease in Occupancy.

Other operating income

In the year ended December 31, 2015, other operating income was € 1.2 million, a decrease of €2.1 million, or 63.6%, from € 3.3 million in the year ended December 31, 2014, due to the decrease of capitalization of expenses related to renovation and IT works we have completed with respect to our hotels in connection with the implementation of our repositioning strategy, in accordance with IFRS.

Net gain (loss) on disposal of non-current assets

In the year ended December 31, 2015, our net loss on disposal of non-current assets (before tax) was €0.8 million, a reduction of loss of €0.2 million compared to the €1.0 million loss in the year ended December 31, 2014, primarily due to a decrease in write-offs of intangible assets in connection with the implementation of our repositioning strategy from approximately 1 million in 2014 to almost nil in 2015.

Procurements

In the year ended December 31, 2015, procurements were €67.6 million, an increase of €0.3 million, or 0.4%, from €67.3 million in the year ended December 31, 2014. The increase was primarily due to the increase in food and beverage purchases, which corresponded to an increase in food and beverage sales, partially offset by the implementation of cost reduction measures.

Personnel expenses

In the year ended December 31, 2015, personnel expenses were € 398.1 million, an increase of €24.3 million, or 6.5%, from € 373.8 million in the year ended December 31, 2014. This increase was primarily the result of a 6.4% increase in Occupancy in Spain, higher expenses following the renegotiation of certain collective agreements and the strengthening of sales and revenue management teams.

Depreciation allowance

In the year ended December 31, 2015, depreciation allowance was € 106.2 million, an increase of €7.7 million, or 7.8%, from € 98.5 million in the year ended December 31, 2014. This increase was primarily the result of the accelerated depreciation of the Group's assets under refurbishment and the acquisition of Hoteles Royal in March 2015.

Net losses from asset impairment

In the year ended December 31, 2015, we recorded a reversal of net losses from asset impairment of €30.9 million, compared to a reversal of net losses from asset impairment of €12.8 million in year ended December 31, 2014, due to a change in our assessment of the recoverability of the book value of our assets based upon the refurbishment of certain of our hotels, which has resulted in an improvement of expected future cash flows for these hotels.

Variation in the provision for onerous agreements

In the year ended December 31, 2015, we recorded a reversal of € 19.0 million for the variation in the provision for onerous agreements, an increase of €4.3 million, or 29.3%, from €14.7 million in the year ended December 31, 2014, due to the release of a portion of the provision for onerous agreements as a result of a change in our assessment of the cost of operating certain of our hotels, which has resulted in an improvement of expected future cash flows for these hotels.

Other operating expenses

In the year ended December 31, 2015, other operating expenses were € 787.1 million, an increase of €67.1 million, or 9.3%, from € 720.0 million in the year ended December 31, 2014, due to higher marketing expenses and maintenance and repairs related to the refurbishment program and higher commissions related to increased cooperation with more profitable sales channels, such as OTAs.

Rent expense

In the year ended December 31, 2015, rent expense was €282.6 million, an increase of €10.4 million, or 3.8%, from €272.2 million in the year ended December 31, 2014. The increase was primarily due to the rent contribution of Hoteles Royal of €6.7 million in 2015 and the variable components of rent, higher as a result of higher revenues, under certain contracts, partially offset by the cancellation of two lease agreements with negative contributions and the renegotiation of 20 lease agreements.

Other operating expenses excluding rent

In the year ended December 31, 2015, other operating expenses excluding rent were €504.5 million, an increase of €56.7 million, or 12.7%, from €447.8 million in the year ended December 31, 2014, primarily due to the contribution of Hoteles Royal of €16.9 million and the higher effort in marketing and maintenance and repairs related to the refurbishment program. Additionally, commissions rose due to higher revenues and a change in segmentation, focusing on more profitable customers.

Loss from entities valued through the equity method

In the year ended December 31, 2015, loss from entities valued through the equity method was €0.7 million, a reduction of loss of €0.6 million from €1.3 million in the year ended December 31, 2014. This decrease was primarily related to the better performance of the two hotels owned by Varallo Comercial, S.A. in the Dominican Republic.

Financial income

In the year ended December 31, 2015, financial income was €5.2 million, a decrease of €2.2 million from €7.4 million in the year ended December 31, 2014. This decrease was primarily due to a different destination of cash flows to financial acquisitions instead of current financial investments, in connection with the sale of Sotogrande in November 2014 and the acquisition of Hoteles Royal in March 2015.

Change in fair value of financial instruments

In the year ended December 31, 2015, we recorded a gain in fair value of financial instruments of €4.7 million, an increase of 2.7 million, or 135%, from €2.0 million recorded for the year ended December 31, 2014, due to a positive effect from the evolution of our exchange rate derivatives.

Financial expenses

In the year ended December 31, 2015, financial expenses were €73.6 million, an increase of €4.9 million, or 7.1%, from €68.7 million in the year ended December 31, 2014. This increase was primarily due to the financial expenses related to the end of the contract of NH Alcala.

Net exchange rate differences

In the year ended December 31, 2015, we recorded a gain of €2.1 million, an increase of net exchange rate differences from a gain of € 38,000 in the year ended December 31, 2014. This increase was primarily due to the evolution of the exchange rate of the U.S. dollar against the Euro.

Gain on financial investments

In the year ended December 31, 2015, we recorded a gain on financial investments of €4.8 million, a decrease of €12.5 million from a gain of €17.3 million in the year ended December 31, 2014. This decrease was primarily due to the disposal of the NH Harrington Hall in August 2014.

EBITDA

Group

In the year ended December 31, 2015, EBITDA was €124.3 million, an increase of €36.2 million, or 41.1%, from €88.1 million in the year ended December 31, 2014. This increase was primarily due to an increase in ADR and Occupancy, as well as an improvement of efficiency in operating expenses in connection with the implementation of our cost savings initiatives and the EBITDA contribution of Hoteles Royal which we acquired in March 2015.

Liquidity

Our primary sources of liquidity are cash flows from operations and cash proceeds from financing activities. Sales of non-strategic assets provide additional liquidity. After giving *pro forma* effect to the Refinancing, as of December 31, 2016, our cash or cash equivalent assets would have been €83.5 million (corresponding to €136.7 million of cash and cash equivalents on balance sheet as of December 31, 2016, minus €53.2 million, which is the amount of cash which we currently assume will be used to partly repurchase the 2019 Notes). Cash flows from our financing activities include, among others, borrowings under our credit facilities, including the Senior Secured RCF. Our liquidity requirements arise primarily from our need to meet debt service requirements and to fund our capital expenditures. Our cash flows generated from operating activities together with our cash flows generated from financing activities have historically been sufficient to meet our liquidity requirements. We believe that our current liquidity position is sufficient to meet our needs, subject to a variety of factors, including (i) our future ability to generate cash flows from our operations, (ii) the level of our outstanding indebtedness and prevailing interest, which affects our debt service requirements with respect to such indebtedness, (iii) our ability to continue to borrow funds from financial institutions, (iv) our capital expenditure requirements and (v) contractual and legal restrictions on the ability of our subsidiaries and our joint ventures entities to dividend cash. In addition, Spanish law sets out certain capital requirements which limits our subsidiaries' ability to provide funds to the Issuer due to restrictions that require, among other things, each of our Spanish subsidiaries (i) to allocate an amount at least equal to 10% of its annual net income in to the legal reserve until such reserve represents at least 20% of such company's share capital and (ii) to maintain its equity in an amount not lower than its share capital once the profit distribution is deducted and the corresponding goodwill reserves are allocated.

Cash flows

The table below sets forth our consolidated statement of cash flows for the periods indicated.

	For the year ended December 31		
	2014	2015	2016
	(€ in millions)		
Operating activities			
Consolidated profit (loss) before tax[(1)]	(26.3)	10.3	44.4
Adjustments to profit (loss)	119.6	115.9	153.0
Adjusted result	**93.2**	**126.2**	**197.4**
Net change in assets / liabilities	(57.4)	(26.2)	(7.4)
Tax on profits paid	(3.8)	(9.7)	(13.4)
Total net cash flow from operating activities	**32.1**	**90.3**	**176.6**
Investment activities			
Financial income	7.3	4.8	2.0
Investments	(114.5)	(254.1)	(145.0)
Disposals	69.0	32.5	119.3
Total net cash flow from (used in) investing activities	**(38.2)**	**(216.8)**	**(23.7)**
Financing activities			
Dividends paid out	—	—	(1.1)
Interest paid for debts	(60.0)	(56.7)	(53.9)
Changes in:			
Equity instruments	(0.7)	1.2	(2.4)
Liability instruments	(43.1)	48.7	(37.0)
Total net cash flow used in financing activities	**(103.8)**	**(6.8)**	**(94.4)**
Gross increase/reduction of cash or equivalent assets	(109.9)	(133.3)	58.5
Effect of changes in exchange rates on cash and equivalent assets	(0.3)	3.1	0.6
Effect of changes in scope of consolidation	176.4	7.8	(0.0)
Net increase/reduction of cash or equivalent assets	**66.2**	**(122.4)**	**59.0**
Cash or equivalent assets at beginning of the period	133.9	200.1	**77.7**
Cash or equivalent assets at the end of the period	**200.1**	**77.7**	**136.7**

(1) Represents pre-tax profit (loss) from continuing operations attributable to shareholders of the Issuer and to non-controlling interests.

Cash flows from operating activities

Year ended December 31, 2016 as compared to year ended December 31, 2015

Net cash flow from operating activities increased by €86.3 million to €176.6 million for the year ended December 31, 2016 from €90.3 million for the year ended December 31, 2015, primarily attributable to an increase of the adjusted result by €71.2 million to €197.4 million for the year ended December 31, 2016 from €126.2 million for the year ended December 31, 2015 and a decrease of net change in assets/liabilities by €18.8 million to €7.4 million negative for the year ended December 31, 2016 from €26.2 million negative for the year ended December 31, 2015. These effects were partially offset by a €3.7 million increase in the tax on profit paid, from €9.7 million for the year ended December 31, 2015 to €13.4 million for the year ended December 31, 2016.

Adjusted result increased by €71.2 million to €197.4 million for the year ended December 31, 2016 from €126.2 million for the year ended December 31, 2015, mainly due to an increase in the net turnover by €71.3 million to €1,447.9 million for the year ended December 31, 2016 from €1,376.6 million for the year ended December 31, 2015.

Net change in assets/liabilities decreased by €18.8 million to €7.4 million negative for the year ended December 31, 2016 from €26.2 million negative for the year ended December 31, 2015, mainly attributable to the decrease in trade and other receivables accounts due to a reduction in average collection period (down from 36 days at the end of 2015 to 23 days at the end of 2016). Trade creditors and other accounts payable includes payments of €8.1 million related to the issuance of the Original Notes in 2016. In addition, in 2015, there were payments amounting to €10.8 million related to certain lease renegotiations.

Year ended December 31, 2015 as compared to year ended December 31, 2014

Net cash flow from operating activities increased by €58.2 million from €32.1 million for the year ended December 31, 2014 to €90.3 million for the year ended December 31, 2015, mainly due to an increase in the consolidated profit before tax from €26.3 million negative for the year ended December 31, 2014 to €10.3 million positive for the year ended December 31, 2015 and due to a decrease in trade and other receivables accounts, primarily attributable to a decrease of €23.5 million in the trade receivables variation as a consequence of the improvement in the collection of customers.

Cash flows from (used in) investing activities

Year ended December 31, 2016 as compared to year ended December 31, 2015

Net cash flow used in investing activities decreased by €193.1 million from €216.8 million of cash flow used for the year ended December 31, 2015 compared to €23.7 million of cash flow used for the year ended December 31, 2015. The cash flow obtained from disposals by the Group increased by €86.8 million from €32.5 million for the year ended December 31, 2015 to €119.3 million for the year ended December 31, 2016.

During 2016 there were asset disposals with a net book value of €38.4 million giving rise to capital gains of €53.3 million and to a cash entry of €88.6 million, as well as, sales of a minority stake of the Company Varallo Comercial, S.A. and another non-significant investment compared to less significant disposals during 2015. In addition, cashflow obtained from disposals included cash received in connection with the loan granted to the owner of the NHOW Rotterdam hotel amounting to €18.4 million.

Regarding investing activities, the cash used in connection with the refurbishment of certain hotels decreased by €36.7 million, from €176.1 million for the year ended December 31, 2015 to €139.4 million for the year ended December, 2016. In addition, financial investments decreased by €72.4 million, from €78.0 million for the year ended December 31, 2015 to €5.6 million for the year ended December 31, 2016. This decrease was mainly due to the acquisition, in March 2015, of 97.47% of the share capital of Hoteles Royal, S.A. The net cash used for this investment was €77.7 million. By contrast, the investing activities in 2016 included the first payment corresponding to the joint venture with the HNA Group, which amounted to €4.1 million and the acquisition of 47% of the share capital of Palacio de la Merced, S.A., for an amount of €2.1 million, of which €0.6 million is outstanding and is due to be paid by June 30, 2017.

Year ended December 31, 2015 as compared to year ended December 31, 2014

Net cash flows from investing activities increased by €178.6 million to €216.8 million of cash flow used for the year ended December 31, 2015 compared to €38.2 million of cash flow used for the year ended December 31, 2014. The cash flow obtained from disposals by the Group decreased by €36.5 million from €69.0 million for the year ended December 31, 2014 to €32.5 million for the year ended December 31, 2015. This decrease was mainly due to the sale in 2014 of NH Amsterdam, which represented net cash proceeds of €45 million, compared to net cash proceeds of €19.6 million realized in 2015 from the sale of NH Parque de la 93, S.A. in Colombia. Regarding investing activities, the cash used in connection with the refurbishment of certain of our hotels increased by €66.2 million, from €109.9 million for the year ended December 31, 2014 to €176.1 million for the year ended December 31, 2015. In addition, in

March 2015, the Group acquired a shareholding of 97.47% in the share capital of Hoteles Royal, S.A. The net cash used for this investment was €77.7 million.

Cash flows used in financing activities

Year ended December 31, 2016 as compared to year ended December 31, 2015

Net cash flow used in financing activities increased by €87.6 million to €94.4 million for the year ended December 31, 2016 from €6.8 million for the year ended December 31, 2015. The change was primarily attributable to debt amortization during 2016.

In addition, on September 2016, the Issuer issued the Original Notes. The proceeds from this issuance were used to repay indebtedness outstanding under the 2013 Senior Credit Facilities, Club Loan, Club Loan 2, DFG Restructuring Debt, Bankia Loan and Bilateral Credit Facilities.

Year ended December 31, 2015 as compared to year ended December 31, 2014

Net cash flow used in financing activities decreased by €97.0 million to €6.8 million for the year ended December 31, 2015 from €103.8 million for the year ended December 31, 2014, largely due to the refinancing of mortgages in Germany and Italy for a total consideration of approximately €76.0 million, the reduction of interest paid under the 2013 Senior Credit Facilities following the novation of the margin in July, 2015, the amendment of other relevant terms of the 2013 Senior Credit Facilities and drawdowns under revolving credit facilities.

Capital expenditures

Our capital expenditures consist primarily of expenditures towards maintenance of our hotel facilities, the opening of new hotels and information technology. Maintenance capital expenditures include repairs, ordinary course maintenance expenses and expenditures necessary to comply with legal requirements, such as occupational, health and safety standards. The following table sets forth our capital expenditures for the periods indicated as derived from our cash flow statement.

	For the year ended December 31,		
	2014	**2015**	**2016**
	(€ in millions)		
Property, plant and equipment	91.1	157.2	118.1
Intangible assets	18.8	18.9	21.3
Capital expenditures	**109.9**	**176.1**	**139.4**

In 2014, 2015 and 2016, investments in property, plant and equipment mainly related to our brand development initiative, refurbishment program and the maintenance of our hotel facilities, and investments in intangible assets mainly related to investments for the overhaul of our IT management systems and the upgrade of our software applications.

In the year ended December 31, 2016, we invested approximately €82.0 million as part of our repositioning initiative started in 2014 and we expect to invest approximately an additional €9.7 million during 2017 to complete approximately €200 million of investments since the plan was launched in 2014. As of December 31, 2016, a total of 58 hotels have been refurbished and, upon completion of this initiative, 65 hotels will have been refurbished, representing approximately 17% of our hotel portfolio. These hotels have been selected as we believe they are the most likely to yield higher Occupancy and ADR and to enhance the value of our owned and long term leased assets.

Out of the 20 hotels that are Mortgage Properties or properties that are owned or leased by entities whose shares form part of the Share Collateral (excluding NH Italia), we have refurbished five hotels. Regarding the assets which are owned or leased by NH Italia, nine refurbishments have been completed and one more is in progress and we intend to refurbish additional four hotels that are owned or leased by NH Italia. Our refurbishment program involves modernizing rooms and common areas by refreshing paint and floor coverings and replacing furnishings and finishings. In certain hotels, we intend to complete a total refurbishment of the building, including all mechanical, electrical and plumbing systems. Although we have embarked on a capital-intensive refurbishment program, we have staggered the costs over several years, and we are therefore able to substantially control or reduce such costs by restructuring the program as needed.

While we implement our brand development initiative and repositioning, we expect that our maintenance capital expenditures as a percentage of net turnover will decrease. In addition, since 2014 we have been investing to overhaul our IT management systems across our entire business, including centralizing our data collection, increasing integration and automation of certain critical processes, increasing our efficiency and developing new budget and planning systems, which we expect will further reduce our costs in the long term. We invested a total of approximately €10 million in 2016 to complete the overhaul of our IT management systems.

As of December 31, 2016, we were contractually committed to invest approximately €30 million in the opening of our committed pipeline hotels in 2017 to 2019.

We expect to finance our capital expenditures mainly from the cash generated by our operating and financing activities.

Working capital

The following table sets forth changes to our working capital for the periods indicated.

	For the year ended December 31		
	2014	**2015**	**2016**
		(€ in millions)	
(Increase)/Reduction in inventories	0.3	(0.8)	(0.3)
(Increase)/Reduction in trade and other receivables	(44.4)	(17.9)	28.6
(Increase)/Reduction in other current assets	(6.0)	(1.9)	14.3
Increase/(Reduction) in trade creditors	3.7	10.3	(24.6)
Increase/(Reduction) in other current liabilities	(3.8)	(15.4)	(17.7)
Increase/(Reduction) in provisions for liabilities and charges	(7.2)	(0.5)	(7.7)
Change in working capital	**(57.4)**	**(26.2)**	**(7.4)**

Our working capital requirements largely arise from our trade and other receivables, which primarily consist of amounts owed to us by our customers; inventories primarily includes catering products sold through our hotel operations; and other current assets composed of prepaid expenses. Our liabilities to our trade creditors include accounts payable arising from our regular trading activities, and advance payments from customers, which includes customer deposits arising from our hotel. Our other current liabilities include accrued wages and salaries, other current debts and taxes.

We have historically funded our working capital requirements through funds generated from our operations, from borrowings under our 2013 Senior Credit Facilities and other indebtedness and through funds from other finance resources. Our working capital typically is greatest during the third and fourth quarters of our fiscal year due to higher Occupancy, RevPAR and ADR, and is lowest during the first quarter of our fiscal year due to lower Occupancy in our hotels.

Our working capital increased by €7.4 million in the year ended December 31, 2016 compared to an increase of €26.2 million in the year ended December 31, 2015. This was mainly due to a decrease of €28.6 million in the trade and other receivables accounts in 2016 as compared to 2015, as a consequence of the stabilization of our back office system and the action plan that has reduced the average collection period from 36 days at the end of 2015 to 23 days at the end of 2016. This decrease was mainly attributable to a decrease of €24.6 million in trade creditors accounts in 2016, compared to 2015, which includes in 2016 payments of €8.1 million related to the issuance expense of the Original Notes. In addition, other current assets decreased by €14.3 million in the year ended December 31, 2016 compared to an increase of €1.9 million in the year ended December 2015. Other current liabilities decreased by €17.7 million in the year ended December 31, 2016 compared to a decrease of €15.4 million in the year ended December 2016 mainly due to the lease renegotiation payments made during 2015 amounting to €10.8 million. Provisions for liabilities and charges decreased by €7.7 million in the year ended December 31, 2016 compared to a decrease of €0.5 million in the year ended December 31, 2015, attributable to the restructuring process and other legal provisions.

Our working capital increased by €26.2 million in 2015 compared to an increase of €57.4 million in 2014, mainly due to an increase of €17.9 million in the trade and other receivables accounts in 2015 compared to an increase of €44.4 million in 2014 as a consequence of the working capital recovery.

Capital resources

Our main sources of financing following the Refinancing will be the Notes, the Original Notes, the 2019 Notes, Senior Secured RCF, various lines of credit and the Senior Unsecured Convertible Bonds. We currently have and, after the Refinancing, will continue to have a significant amount of outstanding debt with substantial debt service requirements. As of December 31, 2016, after giving pro forma effect to the Refinancing as described under "*Use of proceeds*", the aggregate amount of our outstanding debt would have been €848.6 million.

The lenders under our 2012 Senior Credit Facilities Agreement and a previous credit facility agreement have agreed on several occasions to waive the requirement that we comply with the relevant covenant requirements under those agreements. On April 30, 2013 and on August 30, 2013, the requisite proportional lenders under the 2012 Senior Credit Facilities agreed to waive the requirement that the Group complies with the financial ratios set forth in the 2012 Senior Credit Facilities Agreement with respect to the year ended December 31, 2012 and the six months ended June 30, 2013, respectively. On February 2, 2012, the lenders under a previous credit facility granted an extension for a payment installment in the amount of €195.0 million in connection with our refinancing of such credit facility. On December 24, 2010, the lenders under a previous credit facility agreed to waive our obligations with respect to the financial ratios set forth in the facility agreement. Since June 30, 2013, we have met all the required financial ratios imposed on us by the 2013 Senior Credit Facilities. See "*Risk factors—Risks relating to our business and industry—We did not meet certain financial ratios and levels imposed on us by the 2012 Senior Credit Facilities Agreement, and our audited consolidated financial statements as of and for the year ended December 31, 2012 included an emphasis on matter paragraph*."

Senior Secured RCF

On September 22, 2016, the Issuer entered into the Senior Secured RCF Agreement. The Senior Secured RCF is secured by the same Collateral as the 2023 Notes and the 2019 Notes on a *pari passu* basis. For a description of the Senior Secured RCF, see "*Description of certain financing arrangements—Senior Secured RCF Agreement*".

Original Notes

On September 29, 2016, the Issuer issued the Original Notes, which are secured by the same collateral as the Notes, the Senior Secured RCF and the 2019 Notes. For a description of the Notes and the Original Notes, see "*Description of the Notes*".

2019 Notes

On November 8, 2013, the Issuer issued the 2019 Notes, which are secured by the same Collateral as the Notes, the Original Notes and the Senior Secured RCF on a *pari passu* basis. For a description of the 2019 Notes, see "*Description of certain financing arrangements—2019 Notes*".

Senior Unsecured Convertible Bonds

In November 2013, the Issuer issued €250 million 4% Senior Unsecured Convertible Bonds (the "Senior Unsecured Convertible Bonds"). For a description of the Senior Unsecured Convertible bonds, see "*Description of certain financing arrangements—Senior Unsecured Convertible Bonds*".

Secured loans

For a description of our secured loans, see "*Description of certain financing arrangements—Secured loans*".

Subordinated loan

For a description of our subordinated loan, see "*Description of certain financing arrangements—Subordinated loan*".

Unsecured loans

For a description of our unsecured loans, see "*Description of certain financing arrangements—Unsecured loans*".

Contractual obligations

The following table sets forth our contractual obligations owed to third parties by period as of December 31, 2016, after giving *pro forma* effect to the Refinancing:

	As of December 31, 2016					
	Less than 1 Year	1 -2 Years	2 -3 Years	3 -4 Years	After 4 Years	Total
	audited (€ in millions)					
Original Notes due in 2023	—	—	—	—	285.0	**285.0**
Notes due in 2023	—	—	—	—	115.0	**115.0**
2019 Notes	—	—	100.0	—	—	**100.0**
Senior Secured RCF(1)(2)	—	—	—	—	—	**—**
Senior Unsecured Convertible Bonds(1)(3)	—	250.0	—	—	—	**250.0**
Other financial liabilities:	—	—	—	—	—	
Secured loans(1)(4)	4.3	6.6	2.4	1.9	22.1	**37.4**
Unsecured loans(1)(5)	19.0	1.1	0.7	0.3	—	**21.2**
Subordinated loan(1)(6)	—	—	—	—	40.0	**40.0**
Total	23.3	257.7	103.2	2.2	462.1	**848.6**

(1) Items not subject to the pro forma effect of the Refinancing.

(2) Expected to be undrawn on the Issue Date. See "*Description of certain financing arrangements—Senior Secured RCF Agreement*".

(3) Represents the portion of debt recorded with respect to our €250 million aggregate principal amount of Senior Unsecured Convertible Bonds. See "*Capitalization*". Assumes no conversion of the Senior Unsecured Convertible Bonds prior to maturity.

(4) Represents multiple secured loans as described under "*Description of certain financing arrangements—Secured loans*".

(5) Represents multiple unsecured facilities as described under "*Description of certain financing arrangements—Unsecured loans*".

(6) Represents an outstanding unsecured and subordinated loan of €40 million, pursuant to the loan agreement between the Issuer and Merrill Lynch International dated November 22, 2006. See "*Description of certain financing arrangements—Subordinated loans*".

Off-balance sheet arrangements

We have the following off-balance sheet arrangements.

Operating lease agreements

The following table sets forth our contractual obligations owed to third parties, discounted to present value, by period as of December 31, 2016:

	As of December 31, 2016				
	Less than 1 year	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**After 4 years**
	unaudited (€ in millions)				
Operating lease agreements	259.1	245.5	233.7	208.3	1,331.0

As of December 31, 2016 we had contractual obligations owed to third parties under certain lease and management agreements and with respect to certain owned properties for construction projects in the amount of €46.4 million. These investments are expected to be made between 2017 and 2019.

Real Arena guarantee

Varallo Comercial, S.A. ("Varallo") is a Dominican company which owns the Now Larimar and the Secrets Royal Beach Punta Cana hotel located in the Dominican Republic. The construction of these two hotels was partially financed through a $35 million loan granted to Varallo by Banco Popular Dominicana for a ten-year term, which was refinanced in November 12, 2014 with a credit facility in the amount of €57.1 million which has a ten-year term. We own a 10.13% interest in Varallo, and in 2007, we entered into a management agreement with Varallo to operate its two hotels, with a term of 10 years, which has subsequently been extended to October 1, 2020. We have agreed to provide a guarantee of up to 10.13% of the aggregate principal amount outstanding and due under this facility.

Sotocaribe guarantee

Sotocaribe, S.L. ("Sotocaribe"), a Spanish company owned by Sotogrande, S.A. (35.5%), Grupo Obratur, S.A. (31.605%) and Grupo Martinon Grumasa, S.L. (32.895%), owns an approximately 62.4% interest in a tourism development in Mexico, north of Cancun (the "Sotolindo Project"). Banco Sabadell, S.A. and Caixabank, S.A., as lenders, and Sotocaribe, as borrower, entered into a secured loan under which the lenders made available to the borrower a $23.7 million facility that matures in April 2017 (though we understand that Sotocaribe is currently discussing a potential extension with the lenders) to be used to partially finance the Sotolindo Project. Each of Sotocaribe's shareholders, including NH Hotel Group, S.A., guarantees Sotocaribe's obligations under the loan in an amount proportionate to each shareholder's interest in Sotocaribe's share capital, on a joint liability basis.

Quantitative and qualitative disclosures about market risk

Our activities expose us to a variety of financial risks, including credit risk, interest rate risk, foreign currency exchange risk, liquidity risk and market risks. Our risk management policy, which is managed centrally by our senior management, focuses on minimizing the potential adverse effects on our financial performance. The following section discusses the significant financial risks to which we are exposed. This discussion does not address other risks that we are exposed to in the normal course of business, such as operational risks. See "*Risk factors*".

Credit risk

We have adopted risk management procedures to both reduce and monitor credit risk. Our main financial assets include cash and cash equivalents, as well as trade and other accounts receivables. We have no significant concentration of third-party credit risk due to the diversification of our financial investments, as well as to the distribution of trade risks with short collection periods among a large number of customers. Part of our trade and other accounts receivable are guaranteed through guarantees, sureties and advance payments by tour operators.

We evaluate our bad debt provision on a regular basis for each debtor. We record a provision for any trade and other accounts receivable overdue more than 180 days. The outstanding provision of non-recoverable bad debt was €13.7 million as of December 31, 2016 compared to €12.3 million as of December 31, 2015, and €13.0 million as of December 31, 2014.

Credit risk relating to cash and cash equivalents arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds as a result of the insolvency. To mitigate this risk, we seek to transact and deposit funds with financial institutions we deem credit worthy, and we monitor transaction volumes in order to reduce the risk of concentration of our transactions with any single party.

Interest rate risk

We have, and after the Refinancing will continue to have, floating rate borrowings, and thus we are exposed to risks related to fluctuations in the levels of interest rates. After giving *pro forma* effect to the Refinancing, approximately 9.0% of our total gross borrowings as of December 31, 2016 would have been floating rate debt. We estimate that an increase in interest rates of 25 basis points, or 0.25%, on our floating rate debt as of December 31, 2016, as adjusted to give *pro forma* effect to the Refinancing, would result in an increase in finance expense of approximately €0.2 million. As of December 31, 2016 none of our outstanding debt was hedged under interest rate swap contracts.

Foreign currency exchange risk

We are exposed to exchange rate fluctuations that may affect our sales, results, equity and cash flows. This exposure mainly arises from investment in foreign countries and transactions by Group companies operating in countries whose currency is not the euro, including Mexico, Argentina, the Dominican Republic, Colombia, Panama, Switzerland and the United States. For example, fluctuations in the value of the euro against the U.S. dollar and Swiss franc resulted in a decrease in net turnover, equity and cash flows for the year ended December 31, 2013 and an increase in net turnover, equity and cash flows for the years ended December 31, 2014 and December 31, 2015. To mitigate these risks, we seek to align the composition of our financial debt with cash flows in the different countries in which we operate.

In the year ended December 31, 2016, a 5% depreciation of the U.S. dollar would have resulted in an average increase in profit (loss) for the financial year of approximately €519,000. In the year ended December 31, 2016, a 5% depreciation of the Mexican peso and the Argentine peso would have resulted in a decrease in profit (loss) for the financial year of approximately €148,000 and an increase of €29,000, respectively.

Additionally, we have local debt facilities denominated in currencies other than the euro. In Chile, we have a secured loan denominated in Chilean Peso. The outstanding balance on this loan as of December 31, 2016 was equivalent to €21 million. In Colombia, we have unsecured debt facilities denominated in Colombian Pesos. The outstanding balance on these loans as of December 31, 2016 was equivalent to €5 million. In Mexico, we have two secured loans taken out by Grupo Hotelero Querétaro, S.A. de C.V. and Proyecto Santa Fe that are denominated in U.S. dollars. The outstanding balance on these secured loans as of December 31, 2016 was equivalent to €2.9 million.

Liquidity risk

Liquidity risk is the risk of not being able to fulfil present or future obligations if we do not have sufficient funds available to meet such obligations. Liquidity risk arises mostly in relation to cash flows generated and used in financing activities, and particularly by servicing our debt, in terms of both interest and capital, and our payment obligations relating to our ordinary business activities. We believe that the potential risks to our liquidity include:

- a reduction in operating cash flows due to a lowering of net income from our operations, which could be due to downturns in our performance or the industry as a whole;
- adverse working capital developments;
- exposure to increased interest rates in relation to our borrowings that bear interest at a variable rate; and
- higher capital expenditures, including in connection with our repositioning initiative.

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- reduce or delay our planned acquisitions;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the 2023 Notes, the 2019 Notes, the Senior Secured RCF or the Senior Unsecured Convertible Bonds, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our debt, including the 2023 Notes, the 2019 Notes, the Senior Secured RCF and the Senior Unsecured Convertible Bonds, limit our ability to pursue these alternatives, as may the terms of any future debt.

We manage liquidity risk by monitoring the maturity schedule of our financial debt, as well as managing and maintaining credit lines to allow any forecast cash needs to be met. Although we believe that our expected cash flows from operations, together with available borrowings, will be adequate to meet our anticipated liquidity and debt service needs, we cannot assure you that our business will generate sufficient cash flows from operations or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs. We anticipate that our high leverage will continue for the foreseeable future. Our high level of debt may have important negative consequences for you. For more information, see "*Risk factors—Risks relating to the Notes and our structure—Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Notes Guarantees*". See also "*Description of certain financing arrangements*" and "*Description of the Notes*".

Critical accounting estimates

The preparation of our consolidated financial statements requires that management apply accounting standards and methods which, under certain circumstances, are based upon difficult subjective measurements and estimates based upon past experience and on assumptions considered, at various times, to be reasonable and realistic in terms of the respective circumstances. The use of such estimates and assumptions affects the amounts reported in the consolidated financial statements as of and for each of the years ended December 31, 2014, 2015 and 2016 as well as the information disclosed. Actual results for those areas requiring management judgment or estimates may differ from those recorded in the financial statements due to the occurrence of events and the uncertainties which characterize the assumptions and conditions on which the estimates are based.

The primary areas applicable to our Group that require greater subjectivity of management in making estimates and where a change in the conditions underlying the assumptions could have a significant impact on our consolidated financial statements include:

Asset impairment

Non-current assets are annually tested for impairment, and whenever there are indicators of difficulty in recovery an impairment loss is recorded. The annual test of impairment is performed at the end of each fiscal year, not at half year closing. The existence of such indicators can be verified through subjective valuations, based upon information available within the Group or externally and based upon historical experience. Moreover, in the presence of a potential impairment, this is determined with appropriate valuation techniques. The correct identification of the factors, indicating a potential impairment and the estimates to determine the loss, may depend on conditions which vary over time, affecting the assessments and estimates. Similar considerations regarding the existence of indicators and the use of estimates in the application of valuation techniques can be found in the valuations to be made in the event of the reversal of impairment losses charged in previous periods.

Useful life of tangible and intangible assets

The cost of property, plant and equipment and intangible assets is depreciated or amortized on a straight line basis over the estimated useful life of the asset. The economic useful life of the asset is determined at the time of purchase, based upon historical experience for similar assets, market conditions and expected future events which may affect them, such as technological changes. The effective economic useful life may, therefore, be different from the estimated useful life. Each year developments in technology and the business, any contractual and legislative changes related to the utilization of the assets and their recoverable value are reviewed to update the residual useful life. Such updating may modify the period of depreciation and consequently the annual rate and charge for the current and future periods.

Goodwill

Goodwill is annually tested for impairment and any impairment losses arising as a result of the impairment test are recognized in the statement of comprehensive income. The annual test of impairment is performed at the end of the year, not at half year closing. The impairment test involves allocating goodwill to "cash generating units" ("CGU") and the determination of the relative fair value. Our primary CGUs relate to hotels. When the fair value is lower than the carrying amount of the CGU, an impairment loss is recognized on the goodwill allocated to the CGU. The allocation of goodwill to a CGU and the determination of fair value require assumptions and estimates based upon factors which may change over time, with consequent effects, which may be significant, on the assessments.

Asset valuation

We evaluate annually possible losses of asset value, which would require us to reduce the book value of our tangible and intangible assets. A loss is deemed to occur when the recoverable value of an asset is less than its 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 established 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 after tax used by the Group for these purposes range from 5.8% to 8.2% in Europe, and from 9.8% to 13.4% in Latin America.

Onerous agreements

Onerous agreements are those which we have determined the costs of fulfilling the obligations exceed the economic benefits expected therefrom. We evaluate the benefits expected 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. We follow the principle of recording a provision at the present value of the difference between the costs and benefits of the contract, or the compensation expected to be paid for abandonment of the contract, if applicable. The pre-tax discount rates used reflect the current market value of money, as well as the specific risks associated with these agreements. We used discount rates after tax ranging from 5.8% to 8.2% in Europe, and from 9.8% to 13.4% in Latin America for the year ended December 31, 2016.

Provisions for and evaluation of contingencies

We accrue a provision for probable liabilities relating to contingencies. The quantification of this provision is based upon assumptions and estimates, which in turn are based upon information and knowledge that may vary over time. Therefore, the final outcome of such contingencies may be significantly different from those considered during the preparation of the financial statements.

Changes to accounting policies and new accounting standards

The accounting standards (IFRS) are subject to change from time to time. For a discussion of recent and pending changes to the accounting standards (IFRS), please see Note 2.1.1. of our consolidated financial statements as of and for the year ended December 31, 2016.

The following standards and interpretations published by the International Accounting Standards Board ("IASB") and endorsed by the European Union, have been deemed relevant to the Issuer and have been applied in the Issuer's consolidated financial statements as of and for the year ended December 31, 2015.

IFRIC 21. IFRIC 21 provides guidance on how to record liabilities for charges and taxes imposed by governmental authorities and for which the Group receives no specific asset or service. The main taxes affecting the Group and subject to IFRIC 21 are as follows:

- Property tax ("*Impuesto sobre Bienes Inmuebles*"): In accordance with current legislation this tax is due on January 1, each financial year, the date on which the Group acquires the tax liability.
- Business tax ("*Impuesto sobre Actividades Económicas*"): This tax becomes due simply by carrying out business activities in Spain, on January 1, each financial year.

IFRS 5 Non-Current Assets held for Sale and Discontinued Operations. In accordance with IFRS 5—Non-Current Assets Held for Sale and Discontinued Operations, as indicated in Note 4.7, of our financial statements as of and for the year ended December 31, 2014, non-strategic assets and liabilities undergoing divestment were reclassified as "Non-Current Assets and Liabilities Classified as Held for Sale" in the consolidated balance sheet and as "Profits (Loss) for the Year from Discontinued Operations Net of Tax" in the comprehensive consolidated income statement. The contribution of such assets and liabilities was accordingly excluded from all other line items in the comprehensive consolidated income statement and consolidated balance sheet.

Potential change to accounting treatment of operating leases

The IASB and the Financial Accounting Standards Board released an Exposure Draft on August 2010 that proposed significant changes to current lease accounting practice under IFRS 16 "Leases". A significant number of comments were received as part of the comment letter process. In November 2013, after a deliberation, the IASB and the Financial Accounting Standards Board decided to resubmit the revised proposal for standard on leases for comment. After the comment period, the IASB and the Financial Accounting Standards Board issued in January 2016 the IFRS 16 to replace the IFRS 17 standard. This standard will be effective from January 1, 2019.

IFRS 16 states that, from January 1, 2019, companies must register operating leases in their consolidated statement of financial position. The implementation of this new standard will lead to an increase of the consolidated statement of financial position (Assets and Liabilities) due to the recognition of the right to use the leased asset and any future payment commitments related thereto affecting the gross indebtedness and, therefore, the calculation of all the financial ratios linked to indebtedness. However, it will not have any effect on cash flows.

Given we have a significant number of operating leases, these proposed changes in lease accounting could have a material impact on our financial results, including our rental expense, depreciation, interest expense and balance sheet. We are working to assess the impact of this accounting standard.

Industry overview

The market information presented in this section is taken or derived from the cited sources. Market data are inherently forward looking and subject to uncertainty and do not necessarily reflect actual market conditions. They are based upon market research, which itself is based upon sampling and subjective judgments by both the researchers and respondents, including judgments about what types of products and competitors should be included in the relevant market. In addition, certain statements below are based upon our own information, insights, subjective opinions or internal estimates, and not on any third-party or independent source; these statements contain words such as "we estimate", "we expect", "we believe" or "in our view", and as such do not purport to cite to or summarize any third-party or independent source and should not be so read. See "Important information for investors—Market and industry data" and "Important information for investors—Information regarding forward-looking statements".

Overview

For the year ended December 31, 2015, the hotel industry generated approximately $716 billion in revenues worldwide, representing growth of 5.8% or approximately $39 billion, compared to $677 billion in revenues in the previous year (Source: Marketline). In 2016, there were approximately 1,143 million tourist arrivals worldwide out of which 50% chose Europe as their destination, 26% chose Asia-Pacific, 15% chose the Americas region and the rest chose MEA. In 2017, global tourist arrivals are expected to increase by 4.2%. (Source: BMI Research).

Hotel operating models

The hotel industry is characterized by four main types of operating models: (i) owned, (ii) leased, (iii) managed and (iv) franchised.

- Under the **ownership operating model**, the hotelier owns the hotel and is responsible for multiple aspects of its operations, with greater fixed costs, higher exposure to the cyclicality of the economic environment and higher sensitivity to variations in RevPAR.
- The **leased hotel operating model** relies on either (a) fixed long-term lease contracts, usually 20 to 25 years, providing for fixed rental payments or (b) variable lease contracts, usually of shorter durations than fixed term lease contracts in which rental payments are computed as a function of results of operations, such as hotel revenue. Many hotel leases include both fixed and variable elements, enabling the landlord to share in the successful results of the hotel while providing a minimum level of income protection.
- Under the **management operating model**, hotel operators contribute their expertise and operate the hotel under their brand name in exchange for fees while hotel proprietors remain responsible for capital investment and maintenance expenditures. Therefore, the hotel operator bears fewer costs and risks in this operating model compared to the owned or leased hotel operating models.
- Under **franchise agreements**, a brand owner provides franchisees the right to use its brand name for an agreed duration in exchange for a portion of the revenues generated by the franchisees' hotel operations in the form of licensing fees. No capital expenditure is undertaken by the franchisor. Such franchise agreements are more common with respect to the economy and mid-scale hotel segments and tend to be for a fixed duration, usually of five to fifteen years.

Operating hotels under management contracts or franchise agreements reduces the hotel operator's or franchisor's exposure to economic and market downturns and requires fewer capital expenditures and other operational expenses. Therefore, these operating models result in less volatility and higher margins compared to hotels operated under capital-intensive owned and leased operating models.

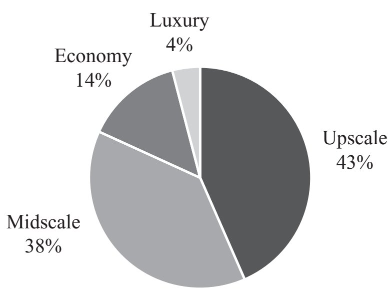
Types of hotels

Hotels range by price and services and can be broadly classified from least to most expensive as follows:

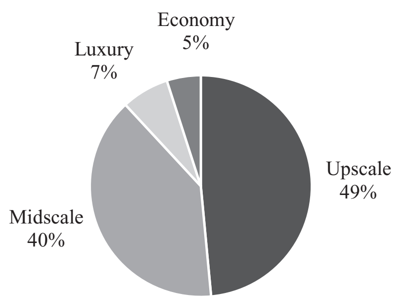
- **Economy** or limited service hotels typically offer the lowest rates per room.
- **Midscale** hotels typically offer rates that are higher than those of economy hotels and provide additional services such as food and beverage service beyond breakfast. Midscale hotels are predominant in the European and North American markets.
- **Upscale** hotels, including upper-midscale, upscale and upper-upscale hotels, offer a broader range of products and services to customers, including meeting room facilities and multiple dining options. Certain upscale hotels may be located in seaside destinations and may be tailored to vacation and leisure travelers.
- **Luxury** hotels offer the highest rates. The clientele for luxury hotels is mixed, including both business travelers and more demanding leisure guests. Demand for this high-end category tends to be more volatile and more exposed to cycles of economic contraction.

Hotel segment split by geography (January 2017)

Europe



Latin America



Source: STR Global.

Key industry drivers

Macroeconomic trends

Global economic conditions are showing signs of improvement on the back of strong monetary support from all major global central banks. Global GDP growth reached 2.5% in 2016, and it is expected to increase by 2.9% and 3.1% in 2017 and 2018, respectively (Source: IHS).

After the recession in 2012 and 2013, with negative GDP growth rates, 2014 was the turnaround year for the European economy. According to IHS, the real GDP of the European Union (excluding the UK) has grown 1.8% per annum since 2013. This positive trend is expected to continue for the coming years with real GDP expected to grow by 1.6% per annum from 2017 to 2020. This has been coupled with recovering employment, having the unemployment rate decreased from 11.6% in 2013 to 9.5% in 2016, and forecasted to be 9.1% in 2017. According to IHS, price inflation as measured by the Consumer Price Index ("CPI") increased slightly in the Eurozone by approximately 0.3% in 2016 and average GDP grew by 1.7% in 2016. CPI is expected to increase by 1.7% in 2017, mainly due to the European Central Bank's expansionary monetary policies, and it is expected to grow at a yearly rate of 1% to 2% until 2020 (Source: IHS).

Latin America's recent economic performance has remained challenging. 2015 and 2016 saw GDP decreases of (0.2%) and (1.1%). However, the region is expected to be at a turning point, primarily from stabilization in Argentina and Brasil in response to major political shifts, and hence the GDP outlook is expected to recover with growth rates of 1.2% in 2017, 2.1% in

2018, 2.8% in 2019, and growth over 3% in 2020 and thereafter. Economic forecasts are also helped by a rebound in exporting activity, driven by stronger commodities markets and demand from China, where GDP is forecasted to grow at above 5% per annum until 2027(Source: IHS).

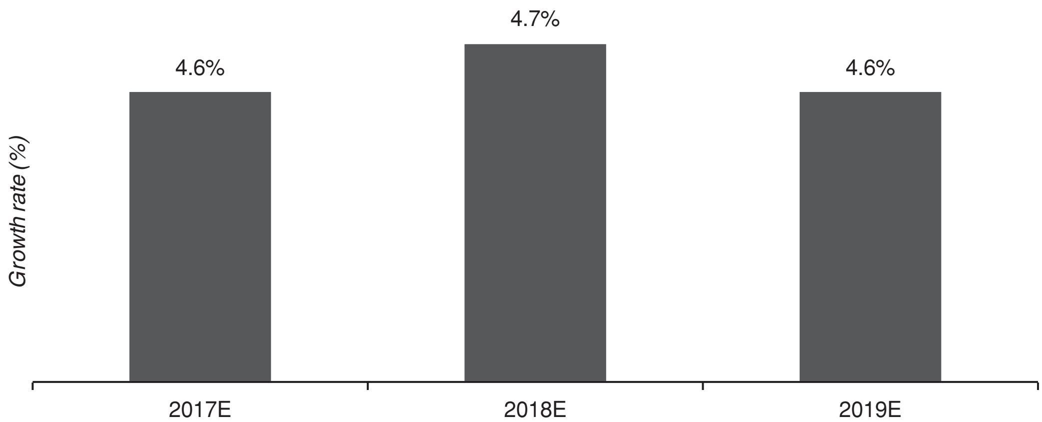
Travel and tourism industry

According to the World Travel & Tourism Council, the travel and tourism industry, which is strongly linked to the hospitality industry, comprised 9.8% of global GDP in 2015.

In the past decade, domestic and international air travel volumes have increased, due largely to improvements in, and greater accessibility to, air transport, as well as increases in disposable income and a greater need for travel as a result of the internationalization of many businesses and industries. According to the United Nations World Tourism Organization ("UNWTO") World Tourism Barometer, international tourists arrivals (overnight visitors) increased by 3.9% in 2016, reaching a total of 1,235 million globally.

Global passenger volumes are expected to grow more than 4.6% annually between 2017 and 2019, exceeding 7.5 billion passengers by 2017 according to the DKMA Medium Term Traffic Forecast 2015-2019.

The following chart shows the forecasted annual passenger growth from 2017 through 2019.



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	2015E	2016E	2017E	2018E	2019E	2015-2019
Africa	3.2%	4.4%	5.8%	6.1%	6.1%	5.1%
Asia/Pacific	6.6%	6.2%	6.4%	6.3%	6.2%	6.3%
Europe	4.6%	3.5%	3.6%	3.7%	3.6%	3.8%
Latin America	4.7%	5.5%	5.6%	5.8%	5.5%	5.4%
Middle East	6.2%	5.9%	7.1%	7.4%	7.2%	6.8%
North America	3.9%	2.2%	2.3%	2.5%	2.2%	2.6%
World(1)	5.0%	4.4%	4.6%	4.7%	4.6%	4.7%

Source: DKMA Medium Term Traffic Forecast 2015-2019.

(1) World refers to worldwide traffic, including all countries.

Tourist arrivals indicate general levels of activity in the hospitality industry. Tourist arrivals are measured as the number of visitors who travel to a country other than their country of normal residence for a period not exceeding 12 months and whose main purpose in visiting is other than to perform an activity remunerated from within the country visited. International tourist arrivals increased by 3.9% in 2016, according to the UNWTO World Tourism Barometer, and are expected to continue to increase at a similar pace in the next few years, reaching a total of approximately 1.3 billion arrivals by 2019 according to Business Monitor International.

Following the economic crisis of 2007, tourist arrivals increased, but the average length of stay has decreased. 2016 saw a robust 4.3% increase in global tourist expenditure, which is expected to grow by 6% to 9% per year until 2021 (Source: Business Monitor International). Due to increased levels of tourist activity, Latin America has been more resilient than most European countries.

Despite the increasing prominence and popularity of the hospitality industry in emerging markets, Europe remains the world's dominant market with an annual share of approximately 50% of global tourist arrivals in 2016, according to Business Monitor International. The European Central Bank's policy of sustained quantitative easing may lead to a further depreciation of the euro which should have a positive impact on the European tourism and hotel markets.

Between 2009 and 2016, tourist arrivals increased on a global basis at a CAGR of 5.9% according to the Business Monitor International. During that time, the Eurozone experienced limited growth in GDP, with a CAGR of 1.0%, and Latin America experienced a relatively significant growth in GDP with a CAGR of 2.2% (Source: IHS).

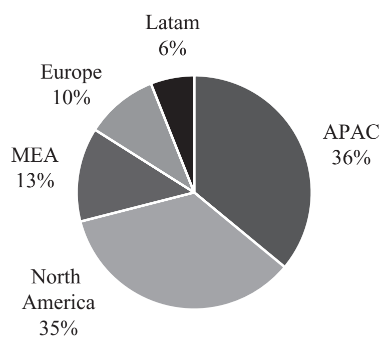
Supply dynamics

World hotel supply is unlikely to follow the pace of demand growth, in particular in Western Europe where development is constrained by a shortage of land and high prices.

During 2016, supply (rooms available) increased by only 0.9% (Source: PwC European Cities Hotel Forecast for 2017 and 2018). This supply-demand imbalance is expected to continue, although the number of rooms in the development pipeline is reportedly increasing in 2017 (Source: PwC). However as a result of the dichotomy between increasing demand and limited hotel development projects, occupancy levels in Europe are expected to continue to increase.

Most hotel developments are planned in the Asia Pacific and North America regions, which together account for approximately 71% of the current hotel pipeline with approximately 1.7 million new rooms expected in the near future (Source: STR 2017).

Project pipeline split by geography as of July 2016



Source: STR Global, 2016.

Cyclicality

The hotel industry is cyclical and generally follows, on a lagged basis, general economic conditions. There is a history of increases and decreases in demand for hotel rooms, in occupancy levels and in rates realized by owners of hotels through economic cycles. Variability of results through some of the cycles in the past has been more severe due to changes in the supply of hotel rooms in certain markets or in certain categories of hotels. The combination of changes in economic conditions and in the supply of hotel rooms can result in significant volatility in results for owners and managers of hotel properties. As the costs of running a hotel tend to be more fixed than variable, the rate of decline in earnings will generally be higher than the rate of decline in revenues.

Following a prolonged downturn over the past several years, a global economic slowdown and regional oversupply, the trading performance of the global markets has started to improve as demonstrated by recent hotel performance data in certain markets.

Recent trends

Western Europe

Western Europe, including the United Kingdom, Ireland, Portugal, Spain, Greece, France, Italy, Belgium, the Netherlands, Luxembourg, Germany, Austria and Switzerland, is the largest tourism market in the world.

	2016A(1)			2017E(1)			2018E(1)			CAGR 2016-2018%	
	Occ.	ADR	RevPAR	Occ.	ADR	RevPAR	Occ.	ADR	RevPAR	ADR	RevPAR
	(%)	(€)	(€)	(%)	(€)	(€)	(%)	(€)	(€)		
Amsterdam	78.0	135	105	78.3	138	108	78.9	139	110	1.5%	2.4%
Barcelona	76.6	137	105	77.9	142	110	79.8	146	116	3.2%	5.1%
Berlin	77.1	96	74	77.5	97	75	78.4	99	78	1.6%	2.7%
Dublin	82.5	128	105	83.0	138	115	83.8	147	123	7.2%	8.2%
Frankfurt	69.8	124	86	70.8	127	90	71.6	130	93	2.4%	4.0%
Geneva	67.3	299	201	67.2	300	202	67.8	298	202	(0.2)%	0.2%
Lisbon	74.2	98	73	75.0	102	77	76.1	108	82	5.0%	6.0%
Madrid	70.5	98	69	72.7	100	73	75.4	105	79	3.5%	7.0%
Milan	65.5	136	89	65.7	138	91	66.2	139	92	1.1%	1.7%
Paris	69.4	230	159	72.1	229	165	74.2	235	175	1.1%	4.9%
Porto	73.5	81	59	75.7	90	68	77.6	100	77	11.1%	14.2%
Rome	69.3	148	102	69.7	148	103	70.1	149	105	0.3%	1.5%
Vienna	74.7	98	73	74.8	99	74	75.5	100	76	1.0%	2.0%
Zurich	73.3	248	182	73.5	245	180	73.6	239	176	(1.8)%	(1.7)%
London	81.3	160	130	82.0	164	135	82.4	169	139	2.8%	3.4%

Source: PwC European Cities Hotel Forecast for 2017and 2018.

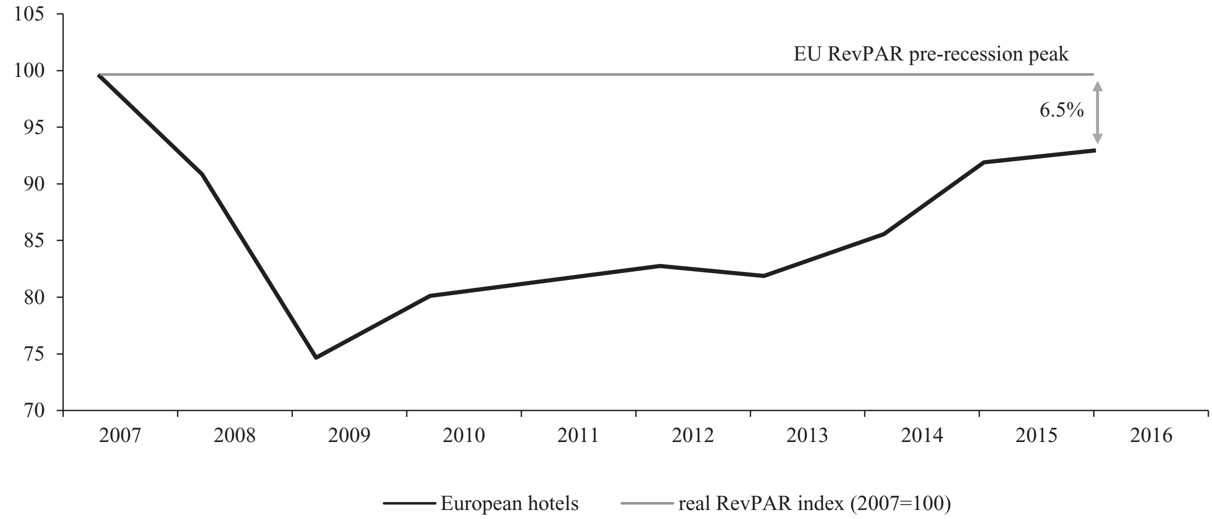
(1) ADR, Occupancy, and RevPAR statistics relate to the market average.

Capital cities in Western Europe have generally experienced an increase in demand in past years, but supply has remained relatively stable due to a lack of available sites and relatively high prices.

The development of low-cost airlines, many of which operate from major Western European hubs, has contributed to an increase in passenger traffic and demand for short holidays, particularly to what have recently become known as "city-break" destinations.

The travel environment has resulted in an increase of the average RevPAR for European hotels to €78.6 by the end of 2016. In real terms, RevPAR remains around 6.5% below 2007 levels. Overall, 2016 was a positive year for European hoteliers with 620 million international tourist arrivals, 12 million more than in 2015. In 2017, Porto is expected to lead by RevPAR growth, followed by Dublin, Madrid, Lisbon and Barcelona. (Source: PwC European Cities Hotel Forecast for 2017 and 2018 and STR Global).

European hotels RevPAR (in real terms)



Source: STR Global, 2016.

Latin America

The table below sets forth the average Occupancy, ADR and RevPAR of hotels in key Latin American destinations in 2015 and 2016.

	2015(1)			2016(1)		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
						(in US$
Buenos Aires	63.4%	132.2	83.8	61.2%	125.9	77.1
Dominican Republic	70.5%	125.9	88.7	69.9%	133.2	93.1
Mexico City	66.1%	134.2	88.7	67.4%	134.2	90.4
Bogota	55.1%	120.2	66.2	55.3%	98.8	54.6

Source: Latin American & Caribbean Hotels Monitor, May 2016, Issue 3 and 4. STR

(1) Period of analysis refers to April to March calendar years

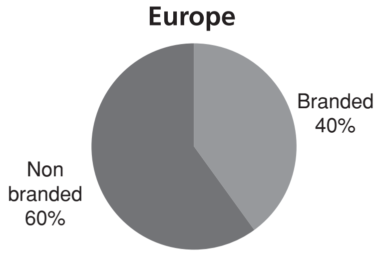
Paired with challenging macro economic conditions and slowing GDP growth rates, hotel market fundamentals in the Latin American region have suffered after having improved steadily in 2013 and 2014 periods. Occupancy has been resilient, and most of the RevPAR drops have been rate-driven. Given its strong correlation with GDP, hotel market KPIs are forecasted to have a positive outlook for the coming years, given the expected macroeconomic turnaround in the region.

Brand penetration

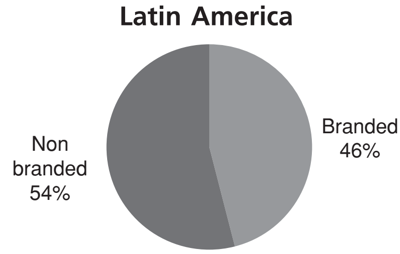
Hotels may operate under a nationally or internationally recognized brand, or may operate independently. A hotel brand is typically recognized by travelers and typically signifies consistent service and product standards with which guests may be familiar, particularly in markets unknown to the traveler. Branding a hotel may also increase the hotel's marketability through the brand's local, regional and international sales, marketing and distribution channels.

Independent, unbranded hotels are typically owned and operated by the individual owners, and rely largely on local, regional and national markets. Branded hotels are generally operated under franchise agreements, management agreements or lease agreements.

The European hotel market remains highly fragmented, with stand-alone hotels or small portfolios owned by local operators comprising the vast majority of the market. Branded hotels in Europe account for only 40% of the total number of rooms. Latin America as a whole remains also underserved by brand-affiliated hotels with branded hotels accounting only for 46% of total number of rooms. According to HVS, by 2025, Latin America's branded hotels share is expected to increase to 55%. Notably, this expansion of hotel brands could also catalyze an increase in demand and new opportunities for high-quality professional hotel management companies in the region. The charts below show the average split, for Europe and Latin America, of branded and independent hotels, highlighting the relatively low brand penetration in these regions.



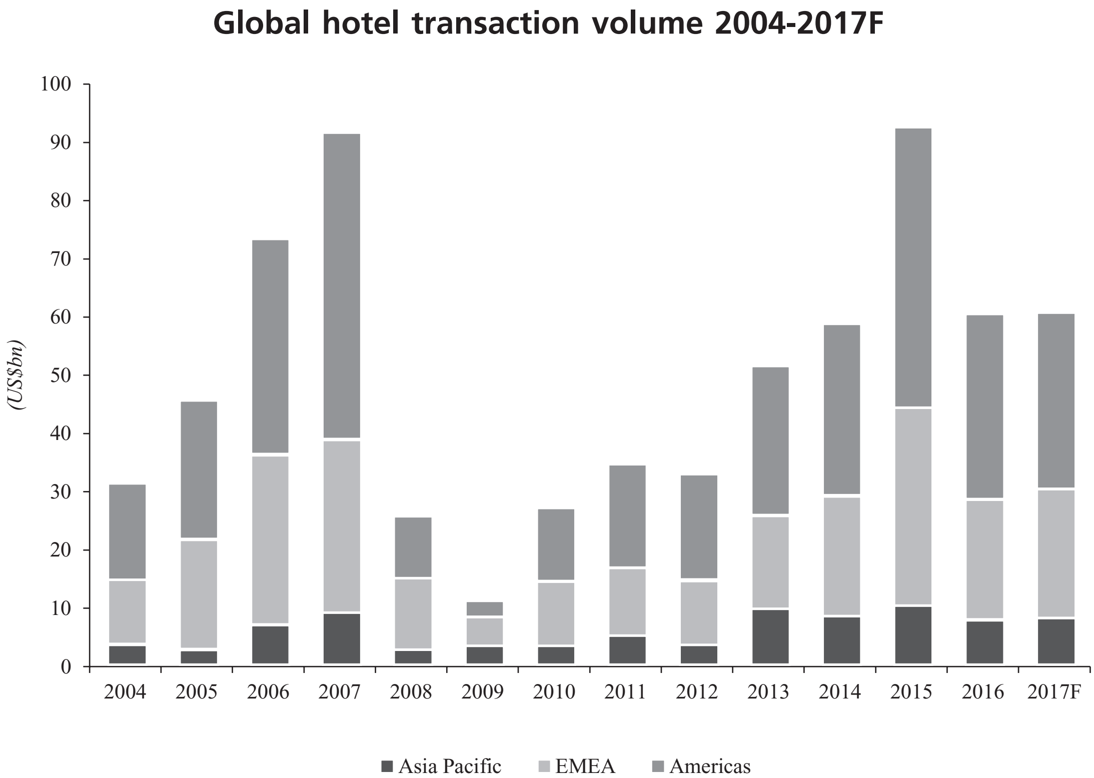
Source: PwC European cities hotel forecast



Source: HVS 2016

Increase in asset liquidity

Recent developments show a recovery of global investments for hotel real estate, resulting in increased liquidity for underlying assets. Hotel investment activity has experienced an important growth since 2009, as the increase in transactions continued and debt markets improved.



Source: Jones Lang LaSalle Hotel Investment Outlook 2017.

Global hotel investment volumes fell from $85 billion in 2015 to $60 billion in 2016. This difference depends on a number of records for the year 2015; record transaction volumes in New York and Hong Kong, $47bn of single asset transactions (the highest ever), the largest portfolio transaction in 8 years (Blackstone's acquisition of Strategic Hotels & Resorts), and the highest proportion of cross-border transactions ever reported.

JLL expect 2017 to be on par with 2016 at $60 billion of transaction volumes. In EMEA volumes are expected to be up around 9.8% to $22.5 billion, with those regions offering the most attractive yields (provincial UK and Germany, Spain, Italy and Portugal) expected to feature more prominently.

Competition

The hotel industry is highly competitive. Local hotel operators generally compete with a variety of local and international hotel operators. Some international hotel operators are large and have significant market share and operate under well-known international brand names, and others have established a long-standing presence in certain regions or cities. In mid-size urban areas and suburbs of large cities, branded hotel operators primarily compete with local and international chains, as well as independently owned and managed hotels. Depending upon the class of the hotel, competition is based primarily upon price, including discounted and promotional pricing, quality of facilities and services offered, physical location within a particular market and the ability to earn and redeem customer loyalty program points. Hotel owners and operators are required to modernize, refurbish and maintain their hotels on a regular basis in order to compete effectively with other hotels.

Hotel operators using the management model also compete for management contracts with hotel owners and lessors, and some competitors have substantial marketing and financial resources and experience in particular regions.

Business

Overview

We are a leading international hotel operator and we are ranked the sixth largest hotel chain in Europe by number of rooms, according to the latest available MKG Hospitality report (published in 2016 based on data for 2015). As of December 31, 2016, we operated 379 hotels consisting of 58,472 rooms in 29 countries.

Based on an independent market research firm, and measured by number of hotel rooms in operation, as of August 2016, we were the second largest hotel chain in the Netherlands, the third largest in Italy, the second largest in Spain and the sixth largest in Germany. Of the 379 hotels we operated as of December 31, 2016, we owned 76 (or 21% by number of rooms), we leased 224 (or 56% by number of rooms) and we managed 79 hotels (or 23% by number of rooms) owned or leased by third parties pursuant to management agreements. We believe that our versatile operating structure and our geographic diversity enhance our resilience to industry cycles while also providing us with flexibility to take advantage of future growth opportunities.

For the year ended December 31, 2016, our net turnover was €1,447.9 million and our Pro Forma Adjusted EBITDA was €204.5 million. Our Adjusted EBITDA increased from €119.5 million in 2014 to €195.7 million in the year ended December 31, 2016. In the year ended December 31, 2016, our Occupancy, ADR and RevPAR were 68.4%, €90.6 and €62.0, respectively. For further information on these performance measures, see "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our financial condition and results of operations—Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)*". Our ratio of net indebtedness to Adjusted EBITDA decreased from 5.9x as of December 31, 2014 to 3.8x as of December 31, 2016.

We have a centralized business model that allows us to provide a consistent level of service to customers across hotels in different regions and to achieve economies of scale. Our central corporate and regional offices provide our hotels with a wide array of key functions, including sales, reservations, marketing, administrative and IT systems.

Since 2013, we have implemented our new value proposition across our different brands, including by investing in upgraded basics such as flat screen televisions and rain showers and by refining our dining and other food and beverage options. We have worked to align our hotels with their particular brand aesthetic to create a comfortable and standardized experience for our customers. We have also implemented our pricing strategy which provides for a new price architecture organized by destination, whereby we structure relative prices among various NH hotels in each destination, and by room type, whereby we have refined our prices to reflect a premium for desirable features such as good views. We have refurbished several of our leased and owned hotels, which have generally shown improved Occupancy, RevPAR and ADR as a result, and have overhauled our IT systems, launching a new website and completing the migration of our back office systems to SAP, an enterprise software system which integrates our front and back office and computer reservation systems, in most business units ("BUs").

Since 2013, we have successfully implemented various initiatives of our strategic plan. As a result of these initiatives, Adjusted EBITDA increased by 63.7% from €119.5 million in 2014 to €195.7 million for the year ended December 31, 2016. We have strengthened our brand proposition by reorganizing our hotels into an upper-upscale segment, an upscale segment, a mid-tier segment and a vacation segment, and we have developed the following core dedicated brands, each tailored to represent a clearly defined level of service, quality and value:

- *NH Collection* is our upper-upscale urban segment brand, which consists of our best properties and is designed for clients that are willing to pay a premium for higher quality products and services;
- *NH Hotels* remains our core brand for our upscale segment hotels, which consists of urban hotels with higher standards and more detail-oriented product and service levels, and our mid-tier urban segment hotels, which focus on delivering value and comfort for our customers;
- *NHOW* is our upper-upscale design brand, for which we do not have a standard design applied across all hotels. Instead, we have combined new forms of contemporary architecture, design and luxury by prestigious architects and interior designers to create an elegant and extravagant experience for our guests; and
- *Hesperia* resorts is our vacation brand, which is comprised of upper-upscale and upscale vacation properties, mainly in seaside destinations.

Partly as a result of our re-branding initiative, RevPAR and ADR increased for all our BUs from 2014 to 2015. RevPAR and ADR increased for all of our BUs from 2015 to 2016, with the exception of Italy (due to the positive effects of the Milan Expo in 2015). In particular, for our hotels in Spain, RevPAR, ADR and Occupancy have increased by 13.7%, 9.2% and 4.1%, respectively, in 2016 compared with 2015. For our hotels in Germany, RevPAR, ADR and Occupancy increased by 9.5%, 7.9% and 1.5%, respectively, in 2016 compared with 2015. We also believe our brand initiative will continue to broaden our customer base and improve the percentage of our customers who are business customers. In keeping with our value proposition, the majority of our hotel offerings will continue to be in the mid-tier segment.

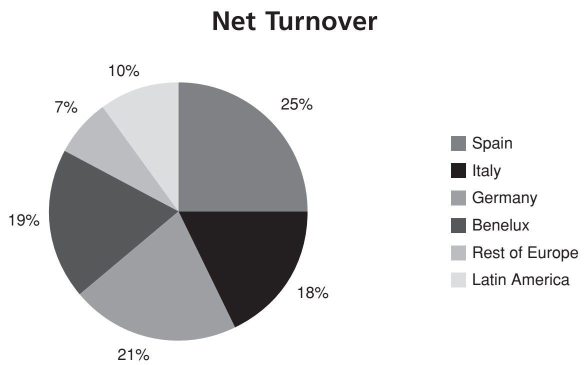
As part of our strategic plan, we actively manage our asset portfolio, including our owned hotels, which had a book value of €1.3 billion as of December 31, 2016, although we believe that the actual market value of such assets is higher, also in light of the fact that the prices at which we have been able to sell our assets in the past six years have been in most cases higher than their respective book values. Additionally, 35 of our hotels have been appraised by third parties and have been assigned a market value of approximately €1.3 billion (20 hotels as of December 2016 and 15 hotels as of December 2015), which is equal to the book value of the 76 hotels we own. We regularly evaluate the performance of individual hotels to identify underperforming properties. For the year ended December 31, 2016, we had cash inflow from asset disposals of €119 million (which included €18.4 million in cash received in connection with a loan granted to the owner of NHOW Rotterdam, one of our leased hotels). We also aim to strengthen our operations by terminating lease agreements for underperforming hotels with negative or lower than expected EBITDA and management agreements that contain undesirable performance guarantees, as well as selling certain underperforming hotels and redirecting our resources to markets and hotels where our operations have been successful. One of the ways in which we actively redirect our resources is to increase the proportion of our operations conducted under management arrangements in order to take advantage of the less capital intensive nature of management arrangements.

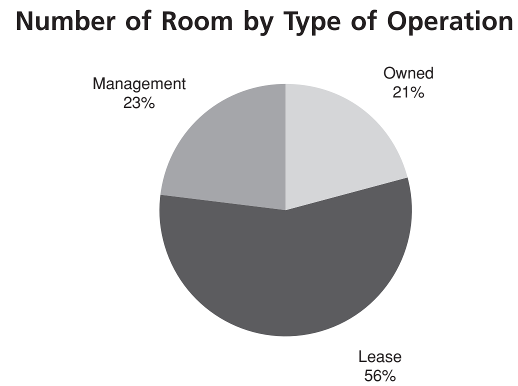
In addition, as part of our strategic plan, we intend to continue to increase Occupancy and Average Daily Rates through selective investments, including refurbishment of existing hotels and opening new hotels. As of December 31, 2016, a total of 58 hotels had been refurbished since we started making such investments in 2014. On average, the compound annual growth rate in RevPAR of all hotels with at least twelve months of operations was +12.7%, comparing 2016 (post-renovation) with 2014 or 2013, as applicable (pre-renovation). We also intend to complete the streamlining of our operating platforms to increase efficiency. To date, we have migrated most of our back office systems to SAP, and we have invested in the development of our website with increased functionality in order to increase the proportion of direct bookings. In the year ended December 31, 2016, compared to 2015, revenue generated from our website grew 18.0% from €89.6 million to €105.7 million. We also seek to reallocate our resources to grow in the markets where we believe there is increasing demand for hotel rooms and where we currently have limited presence. During 2016, we opened 6 hotels with 1,180 rooms in markets where we believed there is increasing demand for hotel rooms and we closed 7 hotels with 1,343 rooms.

As of December 31, 2016, we have entered into agreements to operate 31 new hotels with 4,959 rooms (our "committed pipeline hotels"), which are expected to commence operations between 2017 and 2019. We will operate our committed pipeline hotels under lease and management agreements with third-party hotel owners and most of our committed pipeline hotels will be operated under the core NH Hotels brand. We estimate that we will invest a total of approximately €30 million on our committed pipeline hotels between 2017 and 2019.

We are a public limited company (*sociedad anónima*) incorporated under the laws of Spain and listed on the Madrid, Bilbao, Valencia and Barcelona Stock Exchange (*Bolsas de Valores de Madrid, Bilbao, Valencia y Barcelona*) with an authorized share capital of €700,543,576 consisting of 350,271,788 shares as of December 31, 2016. Our market capitalization was €1.5 billion as of March 21, 2017.

The following diagram sets forth the geographic breakdown of our net turnover for the year ended December 31, 2016 and a breakdown of our rooms in our owned, leased and managed hotels as of December 31, 2016.





History of the group

Our first hotel, the Ciudad de Pamplona Hotel, opened in 1978. Four years later, we expanded our operations with the incorporation of NH Calderón in Barcelona. Within the next decade we became one of the first hotel chains in Spain. In 1997, our shares were first listed on the Madrid Stock Exchange (*Bolsa de Valores de Madrid*). By 1998, we owned 88 hotels in Spain, we were listed on the IBEX 35 index and we had expanded our operations into Latin America and Europe.

In 2000, we initiated a European expansion strategy aimed at creating a strong global brand in the urban hotel segment. We acquired the Dutch hotel company Krasnapolsky Hotels and Restaurants N.V., and we added 14 hotels in Mexico, with the acquisition of the Chartwell chain in June 2001. In 2002, 46 hotels in Germany, six hotels in Austria and one hotel in Switzerland were added to our portfolio with the acquisition of Astron Hotels.

Between 2003 and 2005, our organic growth allowed us to enter new European markets, such as Italy and Romania, as well as new cities such as London. We continued our international expansion strategy in 2007 and 2008 through the acquisition of the Italian Framon hotel chain and the remaining ownership interests in the Jolly Hotels chain, in which we acquired an initial interest in 1999. In 2009, we entered into an agreement with Hesperia, a shareholder of the Issuer, pursuant to which we agreed to manage several hotels owned or operated by Hesperia. As of December 31, 2016, we managed 28 hotels owned or operated by Hesperia.

As of December 31, 2016, we operated 379 hotels consisting of a total of 58,472 rooms in 29 countries, and as of December 31, 2015, we were one of the 24 largest hotel operators in the world by number of hotel rooms in operation.

Our strengths

We believe we benefit from the following key strengths:

Leading European hotel operator with a large and diversified hotel portfolio with attractive market fundamentals

We are a leading international hotel operator and we are ranked the sixth largest hotel chain in Europe by number of rooms, according to the latest available MKG Hospitality report (published in 2016 based on data for 2015). As of December 31, 2016, we operated 379 hotels consisting of 58,472 rooms in 29 countries. We believe our strong presence in key urban markets throughout Europe enhances our resilience to industry and economic cycles affecting local and national markets. In 2016, our RevPAR increased 5.8%, our Occupancy increased 1.2% and our ADR increased 4.6%. Based on an independent market research firm, and measured by number of hotel rooms in operation, as of August 2016, we were the second largest hotel chain in the Netherlands, the third largest in Italy, the second largest in Spain and the sixth largest in Germany. Moreover, 94% of our hotels are located in urban markets, including Madrid, Barcelona, Amsterdam, Milan, Berlin, Frankfurt, Rome, Munich, Brussels, and Mexico City. Through our geographically diversified asset portfolio, we are positioned to take advantage of favorable economic trends in our various local markets, reducing our reliance on particular localities.

Through our geographically diversified footprint, we are well positioned to take advantage of attractive hotel market fundamentals, including: (i) 4.6% forecast annual growth per annum in global passenger traffic in the period between 2017 and 2019; (ii) improving RevPAR growth in Europe in the past 7 years (with RevPAR levels in 2016 still 6.5% below 2007 levels), (iii) a positive GDP outlook in European and Latin American markets; and (iv) limited supply growth in our core regions.

Recognized brand that is positioned to capitalize on the fragmented European hotel markets

We operate most of our hotels under our core NH Hotels brand, and we aim to deliver a consistent customer experience across all our hotels. Of the hotels included in the 2016 GFK survey we were the most recognized hotel brand in Spain, with the #1 position in the country in the "core target" category in relation to brand prompted awareness, which includes business and city travelers. In the Netherlands and Italy, we ranked third and fifth in brand spontaneous awareness, respectively, in the same "core target" category. In addition, we seek to achieve a growing presence in our other markets, and we seek to successfully expand our operations into international markets. The European hotel market remains highly fragmented, with a significant portion of hotels being independently operated, compared to an increasing shift away from independently operated hotels to branded hotels worldwide. We believe that we are positioned to benefit from increasing levels of brand penetration as a result of increasing customer preferences for international and widely recognized hotel brands. We believe customers prefer international hotel brands, especially compared to independent hotels at similar prices, and we believe we are well-positioned to benefit from the opportunities to capitalize on the fragmented European hotel markets. In addition, our widely recognized and well-marketed brand enables us to attract customers to our newly opened hotels. We believe that we have established a reputation as a leading international hotel operator and that this enables us to optimize our market share compared to local operators.

Large, diversified, well-managed and well-invested hotel portfolio in several key urban markets

As of December 31, 2016, of the 379 hotels we operated, we owned 76, leased 224 and managed 79 hotels owned or leased by third parties pursuant to management agreements. Most of our hotels are strategically located in key urban markets. Our portfolio of 76 owned and operated hotels consists of 12,298 rooms which represent approximately 21% of the hotel rooms we operate. Our owned hotels are located in Spain, Italy, Germany, the Netherlands, Belgium, Switzerland, South Africa, the United States and Latin America. The book value of our owned hotels was €1.3 billion as of December 31, 2016, although we believe that the actual market value of such assets is higher, also in light of the fact that the prices at which we have been able to sell our assets in the past six years have been in most cases higher than their respective book values. Additionally, 35 of our hotels have been appraised by third parties and have been assigned a market value of approximately €1.3 billion (20 hotels as of December 2016 and 15 hotels as of December 2015), which is equal to the book value of the 76 hotels we own. Moreover, based on the Duff & Phelps Report, the aggregate market value of the Mortgage Properties and the Share Collateral as of December 31, 2016 was €1,243.4 million. For further information on the Duff & Phelps Report see "—*Valuation of the Collateral*". As part of our strategic plan, we have improved RevPAR from €53.4 for the year ended December 31, 2014 to €58.6 for the year ended December 31, 2015 and to €62.0 for the year ended December 31, 2016. We believe this positive result is partly attributable to the selective investments we have made in recent years, including the refurbishment of existing hotels and the opening of new hotels. As of December 31, 2016, a total of 58 hotels had been refurbished since our refurbishment and repositioning program was launched in 2014 and our refurbished hotels have generally shown improved Occupancy, RevPAR and ADR. We believe our refurbishment and repositioning program has also significantly contributed to improved TripAdvisor rankings, showing increases in the levels of quality perceived by customers. Our hotels have increased their average Tripadvisor score, obtaining an average score of 8.5 during the year ended December 31, 2016, as compared to 8.4 during the year ended December 31, 2015 and 8.2 for the year ended December 31, 2014. As of December 31, 2016, 34% of our hotels were in the relevant top 10 TripAdvisor ratings (almost doubled from 19% in 2013) and 53% of our hotels were in the relevant top 30 TripAdvisor ratings. As a significant owner of hotel assets, we are also benefitting from the recovery of demand, which we expect will continue to result in increased contributions from our owned properties. Moreover, we expect to extract additional value from our owned hotels in the short term either through increased earnings as a result of the refurbishment of our owned assets that we believe are most likely to yield higher Occupancy and ADR.

Operational efficiency gained through the implementation of a strategic plan

As a large and scalable hotel operator, we are able to benefit from operational efficiencies generated by our centralized cost structure. Our Group headquarters in Madrid provides several services and functions for all our hotels, including financing, sales and marketing, purchasing, information systems and technical assistance for our network, building and engineering services and central reservations. We believe the scalability of our centrally provided services gives us a competitive advantage over the smaller and independent hotel operators prevalent in our primary European markets. In addition, our centralized approach to reservations and marketing provides a familiar and consistent experience for customers across our global brand.

Since 2013 we have been implementing a number of administrative and operational cost saving initiatives in connection with our strategic plan. Such initiatives have been focused on supporting our margins, reducing operating costs and increasing operational efficiencies. In addition, we have sought to streamline our operations and central functions in order to enhance our operational efficiency and profitability and to position us to achieve our strategies in the future. In particular, we have restructured our personnel, centralized certain functions on a regional basis, rather than hotel by hotel, implemented new revenue management software, outsourced certain services where it is more efficient to do so and sold assets in order to effectively manage our operations. These efficiency initiatives have reduced our operational costs through the introduction of a more flexible cost structure that allows us to increase or decrease our services in accordance with changes in Occupancy levels. As of December 31, 2016, Spain, Benelux, Central Europe, Italy and Latin America have completed the migration of our back office and front office systems to SAP, an enterprise software system which integrates our front and back office and computer reservation systems (with the exception of Hoteles Royal, in relation to which the migration to SAP is expected to occur in 2017), and a new commercial website was launched in 2015. In the year ended December 31, 2016, compared to 2015, revenue generated from our website grew 18.0% from €89.6 million to €105.7 million. The migration to SAP provides us with more efficient access to data across our business, enabling us to enhance the customer experience we can offer, implement economies of scale and, we believe, improve our competitiveness. During 2014 and 2015, we also completed the centralization of our administrative staff in most of the countries in which we operate through the implementation of a shared service center with Accenture. We have also partly outsourced certain functions and services, including janitorial services in most of our hotels, reservations and technical support, to third-party vendors, and we may outsource other functions in the future.

Moreover, we have also introduced measures to enhance our offerings and increase demand through strategic pricing, developing our customer relationship management and our NH Hotel Group Rewards loyalty program, which has increased sales from several of our key accounts; tailoring our commercial strategies to our locations and destinations; and repositioning our brand and portfolio.

Experienced management team with a record of delivering operational and financial improvements

Our experienced and proven management team has an average of approximately 17 years' experience in the hotel industry. This has been instrumental to our growth and has successfully transformed our business into an international hotel operator with footholds in more European markets and exposure to markets in Latin America.

We have recently appointed Mr. Ramón Aragonés Marín as our Chief Executive Officer (CEO), who we believe has in-depth knowledge of the Group and the industry in which we operate, strategic vision as well as strong leadership and team management capabilities. Mr. Ramon Aragones Marin has approximately 40 years of experience in the hotel industry and has worked in the NH group for the last 9 years.

Our management team continues to be fully committed to the implementation of our business plan and will continue to seek opportunities to increase profitability going forward. As a result of the successful implementation of initiatives as part of our strategic plan by our management team, Adjusted EBITDA increased from €119.5 million in 2014 to €195.7 million in the year ended December 31, 2016.

Partly as a result of our re-branding initiative, RevPAR and ADR increased for all our BUs from 2014 to 2015. RevPAR and ADR increased for all of our BUs from 2015 to 2016, with the exception of Italy (due to the positive effects of the Milan Expo in 2015). In particular, for our hotels in Spain, RevPAR, ADR and Occupancy have increased by 13.7%, 9.2% and 4.1%, respectively, in 2016 compared with 2015. For our hotels in Germany, RevPAR, ADR and Occupancy increased by 9.5%, 7.9% and 1.5%, respectively, in 2016 compared with 2015. In March 2014, we launched a new loyalty program, NH Hotel Group Rewards, which reached approximately 6.9 million members as of December, 2016, 21% of whom joined in the previous 12 months.

Our strategy

Our key strategies are the following.

Benefit from the selective refurbishment of owned and leased hotels to increase Occupancy and ADR and to enhance asset value

In the year ended December 31, 2016, we invested approximately €82.0 million as part of our repositioning initiative started in 2014 and we expect to invest approximately an additional €9.7 million during 2017 to complete approximately €200 million of investments since the plan was launched in 2014. As of December 31, 2016, a total of 58 hotels have been refurbished and, upon completion of this initiative, 65 hotels will have been refurbished, representing approximately 17% of our hotel portfolio. These hotels have been selected as we believe they are the most likely to yield higher Occupancy and ADR and to enhance the value of our owned and long term leased assets.

Our refurbishment program involves modernizing rooms and common areas by refreshing paint and floor coverings and replacing furnishings and finishings. In certain hotels, we have completed or intend to complete a total refurbishment of the building, including all mechanical, electrical and plumbing systems. The hotels we have refurbished have generally experienced increased RevPAR. On average, the compound annual growth rate in RevPAR of all hotels with at least twelve months of operations was +12.7%, comparing 2016 (post-renovation) with 2014 or 2013, as applicable (pre-renovation). Moreover, the value of our hotels has typically increased as a result of refurbishment. Although we have undertaken a capital-intensive refurbishment program, we have staggered the costs over several years, and we therefore have the flexibility to substantially control or reduce such costs by restructuring our refurbishment program as required.

Increase our profitability and implement further measures to achieve operational efficiencies

The ongoing implementation of our strategic plan since 2013 has been a key driver underlying the increase in our EBITDA. Once the repositioning initiative, IT investment phase and revenue management strategy have been implemented, we intend to improve efficiency of the Group by introducing a new operating model aimed at continuing to implement a further series of cost savings initiatives to reduce our fixed costs, with the goal of increasing EBITDA going forward.

During 2017, we expect savings to come from: (i) further efficiency improvements in our administrative functions as a result of our shared service centers with Accenture; (ii) better invoicing capabilities due to the migration of our back office and front office systems to SAP and the use of other relevant IT tools; (iii) the integration of Commercial and Revenue Management (CRM), enabling faster check-in and check-out; (iv) optimization of CRM functions through Duetto, a revenue management software that automatizes pricing and related capabilities and provides insights on pricing and demand; and (v) rationalization of the Projects and Construction teams after the completion of the investment phase. Additionally, we will continue focusing on reducing sales commissions payable to third parties by implementing a global approach to accounts and customers and developing an optimized channel mix which includes direct sales channels through our website and our booking offices. Our channel mix will also include sales through online travel agencies (OTAs). OTAs provide us a higher net ADR and allow us to gain access to long distance markets.

We invested approximately €40 million in 2014, 2015 and 2016 to overhaul our IT management systems across our entire business, including centralizing our data collection, increasing automation of certain processes and developing a new website, which we expect will further reduce our costs and positively affect our net turnover. The migration to SAP will provide us with more efficient access to data across our business, enabling us to enhance the customer experience we can offer and implement economies of scale which, we believe, will improve our competitiveness. We are also in the process of implementing new M&E management tools in all our BUs, including: (i) the Virtual Planner, which allows our teams and customers to virtually design meetings in 3D and enables them to anticipate the appearance of the selected meeting room; (ii) the Voice Management tool, implemented in the Group Sales Offices to manage calls more efficiently; and (iii) the M&E online store, which allows our customers to book M&E services online, freeing up time for our hotel reservation agents. With our M&E management tools, we aim to improve our operational efficiency and productivity, which we believe will lead to improved customer satisfaction and competitiveness.

Moreover, the new operating model that we intend to implement in late 2017 involves a geographic reorganization of certain corporate functions and Business Units, which we expect will result in additional synergies.

Continue to optimize our hotel portfolio through selective acquisitions and disposals and the renegotiation or termination of certain lease agreements

We have a proven track record of realizing gains from sales of assets, the proceeds of which we invest in improving our existing asset base or purchasing new assets. In total, we have sold hotels for an aggregate amount of approximately €1.1 billion since January 2010. The following table summarizes our asset sales since 2010 up to December 31, 2016.

Hotel	Date	Location	Number of rooms	Sale price	Sale price/ book value	Ratio of sale price to EBITDA[1]	Net capital gain (after tax)
			(in millions)				(in millions)
Hilton portfolio[2]	2010	Mexico	720	$ 57	108%	9.6x	€ 3.0
NH Jolly St. Ermin's	2010	United Kingdom	275	£ 65	100%	17.1x	€(12.0)
NH Ischia	2010	Italy	194	€ 36	114%	23.7x	€ 4.3
NH Luzern	2010	Switzerland	110	€ 15	142%	13.7x	Fr. 4.4
Other non-hotel assets[3]	2011	The Netherlands	N/A	€ 9	101%	N/A	€ 0.1
NH Ligure	2011	Italy	169	€ 22	103%	18.1x	€ 0.6
Artos transaction	2011	Germany and Austria	1,149	€168[4]	124%	9.5x	€ 32.3
Jolly Lotti Hotel	2011	France	159	€106	112%	21.6x	€ 11.5
NH Molenvijver Genk Hotel	2011	Belgium	82	€ 4	129%	13.1x	€ 0.9
NH Grand Hotel Krasnapolsky . . .	2013	The Netherlands	468	€157	137%	10.8x	€ 42.2
NH Amsterdam Centre	2014	The Netherlands	232	€ 52	108%	15.8x	€ 4.0
Sotogrande	2014	Spain	N/A	€225	125%	N/A	€ 45.1
Harrington Hall[5]	2014	United Kingdom	200	€ 13	N/A	N/A	€ 13.3
NH Bogotá 93	2015	Colombia	137	€ 23	120%	15.9x	€ 3.9
Plettenberg	2015	South Africa	44	€ 1	179%	28.9x	€ 0.4
Eurobuilding Apartments	2015	Spain	12	€ 4	798%	N/A	€ 3.4
5 Flies	2015	The Netherlands	N/A	€ 6	214%	N/A	€ 3.4
NH Tenerife	2016	Spain	64	€ 4	100%	9.0x	€ 0.0
NH Belagua	2016	Spain	72	€ 8	100%	35.6x	€ (0.3)
Varallo and minority interests[6] . .	2016	Dominican Republic	N/A	€ 7	N/A	N/A	€ 3.0
LHI Option	2016	Spain	N/A	€ 48	N/A	N/A	€ 34.7
Eurobuilding Apartments	2016	Spain	N/A	€ 0.7	N/A	N/A	€ 0.6
NH Ambasciatori	2016	Italy	199	€ 20	116%	11.6x	€ 2.7
NH Fribourg	2016	Switzerland	122	Fr.12	110%	11.8x	€ 1.0
Minority interests[7]	2016	Germany	N/A	€ 2.6	N/A	N/A	€ 2.6
Minority interests[8]	2016	Italy	N/A	€ 3.0	N/A	N/A	€ 0.5

(1) The ratio of sale price to EBITDA in each case does not take into account corporate costs and is calculated on the basis of EBITDA for the full fiscal year preceding the disposal, except in the case of the NH Grand Hotel Krasnapolsky, which is calculated based upon EBITDA for the twelve months ended June 30, 2013.

(2) The Hilton portfolio consisted of three subsidiaries that each owned a hotel in Mexico, all of which were operated under the Hilton brand. Additionally, the cancellation of three management agreements was included in this transaction, which is taken into account in the calculations presented in this table.

(3) Other non-hotel assets consisted of the shops in the NH Grand Hotel Krasnapolsky.

(4) Represents the sale price with respect to the sale and leaseback of five hotels. In connection with this sale, we exercised our option to purchase ten hotels we previously leased.

(5) Reflects the disposal of the Group's 25% interest in a joint venture that owns the Harrington Hotel.

(6) Minority interests consisted of a minority investment in a resort hotel in the Dominican Republic.

(7) Minority interests consisted of a minority investment in three hotels in Germany.

(8) Minority interests consisted of a minority investment in a managed hotel in Italy.

Sales of certain of our hotels facilitate the repositioning of our business and also allow us to invest in our other owned and leased properties. For example, we continue to review strategic alternatives for our NH Jolly Madison Towers in New York. We regularly evaluate opportunities to expand, refurbish and upgrade our existing hotels to enhance our revenue base and profitability and increase the value of our owned assets. On average, we spend approximately 4 to 5% of our annual revenue from leased and owned hotels on the maintenance of our existing long-term leased hotels and owned hotels, which amounts are capitalized and depreciated over the life of the asset. In addition to capitalized maintenance expenditure, each hotel has its own ongoing maintenance budget. Moreover, as part of our repositioning initiative, we intend to more intensively invest in certain of our owned assets to increase their value, and in certain of the hotels we operate under long-term leases, which we believe will result in higher Occupancy and ADR.

Support our branded hotels by leveraging our marketing activities

We believe there are opportunities to leverage our global marketing strategy that will further diversify our customer base and deliver increased profits. We are enhancing our brand proposition in terms of value and quality we offer by redefining and segmenting our brands. We have also rolled certain standardized products and services under our "NH Experience" offering in order to provide a consistent guest experience across our hotels. We have reorganized our hotels into four core brands (NH Collection, NH Hotels, NHOW and Hesperia) to ensure that our marketing and service levels are consistent across each brand. Each core brand has been tailored to represent a clearly defined level of service, quality and value for our upper-upscale, upscale, mid-tier and vacation hotels. We intend to expand our reach in certain of our existing markets where we believe there is opportunity for further growth by leveraging our brand and promotional activities through a mixture of our new digital strategy, marketing strategy and sales and pricing strategy. We are continuing to develop our website and e-commerce platform to encourage customers to book reservations directly through our website and to maximize our repeat business customer ratios. We are introducing centralized corporate pricing policies on a local level to ensure consistent pricing among our hotels in local markets and to introduce standardized policies for dynamic pricing that address macro-economic conditions and seasonality. In March 2014 we launched a new loyalty program, NH Hotel Group Rewards, which reached approximately 6.9 million members as of December 31, 2016. Of such number, 21% were new members that joined in the preceding twelve months. In addition, we have experienced a significant increase in the number of members at the top status level of our NH Hotel Group Rewards program indicating increased customer loyalty to our brand.

In terms of brand awareness, in a survey conducted in 2016 by GFK, we were the most recognized hotel brand in Spain, with the #1 position in the country in the "core target" category in relation to brand prompted awareness, which includes business and city travelers. In the Netherlands and Italy, we ranked third and fifth in brand spontaneous awareness, respectively, in the same "core target" category. We monitor customer satisfaction through our "Quality Focus On Line" tool, which analyzes results for both individual hotels and for our Group in the aggregate. Loyalty programs are also an important tool in increasing our guest loyalty. In 2016, our NH Hotel Group Rewards loyalty program accounted for approximately 5.5 million Room Nights, with respect to our owned, leased and managed hotels.

Pursue selective transactions to further develop our asset-light model

We have gradually been increasing the proportion of our asset-light operations compared to our owned and leased hotels. We have achieved this through an increase in the number of our management contracts, which do not require the levels of investment and maintenance expenditures typically associated with owned and leased hotels. This move towards a more asset-light model allows us to focus our attention and investments on streamlining our operations and enhancing the profitability of our hotels and will give us the flexibility to allocate our resources in accordance with our assessment of which hotels have the greatest potential to deliver strong performance and returns. In order to advance our transition towards an asset-light model, we may explore various investment opportunities and structures. We intend to pursue selective transactions and relationships that will provide us access to markets where we have identified significant potential and allow us to increase the proportion of our hotels that are operated under management contracts. These may include the purchase of hotel operators, the increase of the weight of variable leases with more flexible terms that we believe will increase resilience to industry cycles and the entry into joint ventures and minority investments in order to secure management contracts. We will also pursue selective, strategic acquisitions, ranging from single hotels to transformative transactions, that will progress our shift towards an asset-light model. For example, in 2013, we entered into a preliminary joint venture agreement with the HNA Group, through which we intend to operate hotels in the Chinese market, including under the NH Hotels brand. The joint venture with the HNA Group was formalized in the first semester of 2016 and has established the operative model to manage the first four hotels in China. Four management agreements have been signed for the operation under the joint venture of three five star hotels under the Tangla brand (Tangla Beijing (380 rooms), Tangla Tianjin (116 rooms) and Tangla Dongguan (268 rooms) all of which are already in operation) and one four star hotel, NH Shijiazhuang (78 rooms), located in the city of Shijiazhuang, which is expected to open at the end of March 2017.

We intend to attract more customers from China to our European and Latin American hotels. The joint venture agreement provides for the eventual transfer of six of the HNA Group's existing management contracts to the joint venture, and, beyond our initial investment in the joint venture of $9.8 million, half of which has been invested in the first semester of 2016 and the second half is expected to be invested in 2017, we are not required to make any capital investments under such agreement. These arrangements afford us operational flexibility to determine the amount of time, resources and capital to be invested in this project based on projected returns and performance.

In addition, in March 2015, we expanded our operations in Latin America through our acquisition of Hoteles Royal. Under this arrangement, we have been granted rights to manage 22 hotels in Colombia, Chile and Ecuador.

Principal business activities

Hotel operations

As of December 31, 2016, we were the sixth largest hotel chain in Europe by number of rooms in operation. Based on an independent market research firm, and measured by number of hotel rooms in operation, as of August 2016, we were the second largest hotel chain in the Netherlands, the third largest in Italy, the second largest in Spain, the sixth largest in Germany, the fourth largest in Belgium and the third largest in Argentina. As of December 31, 2016, we operated 379 owned, leased or managed hotels consisting of a total of 58,472 rooms. All our hotels are full-service properties that range in amenities. Although we primarily operate in the mid-tier market, our hotel facilities vary from upper-upscale hotels to mid-tier hotels.

We operate our hotels under three types of arrangements: hotels that we own, hotels that we lease and hotels owned or leased by third parties that we manage pursuant to management agreements (including our franchise hotels). The following table sets forth the total number of hotels and hotel rooms that we operated under each type of arrangement as of the dates indicated.

	As of December 31,					
	2014		2015		2016	
Unaudited	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Owned	78	12,671	78	12,649	76	12,298
Leased	208	30,938	222	32,492	224	32,727
Management agreements	77	13,518	78	13,514	79	13,447
Total	**363**	**57,127**	**378**	**58,655**	**379**	**58,472**

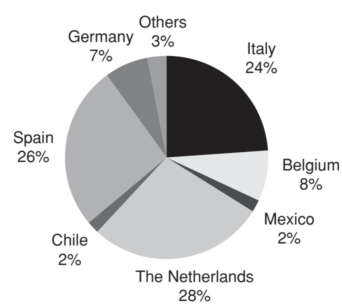
We strive to actively manage our management and lease agreements by trying to re-negotiate conditions which we believe are not favorable to us and by, for example, terminating leases of hotels with poor performance. As part of this exercise, (i) we terminated 5 leases in 2014, 5 leases in 2015 and 4 leases in 2016; (ii) we re-negotiated 85 leases in 2014, 2015 and 2016; and (iii) we reduced our hotels with negative EBITDA from 68 in 2014, to 55 in 2015 and 23 in 2016. Our weighted coverage ratio for our leased hotels (calculated in connection with each leased hotel by subtracting direct operational expenses from net turnover in a given period and dividing the amount so obtained by the fixed rent paid in such period) was 1.4x, 1.5x and 1.7x in 2014, 2015 and 2016, respectively.

As of December 31, 2016, (i) our owned hotels represented 21% of our total rooms; (ii) our leased hotels represented 56% of our total rooms; and (iii) our managed hotels represented 23% of our total rooms.

Owned hotels

As of December 31, 2016 we owned 76 hotels in Spain, Italy, Germany, the Netherlands, Belgium, Switzerland, South Africa, the United States and Latin America consisting of 12,298 rooms, representing 21% of the total number of rooms we operated. Unlike hotels we manage for third-party hotel proprietors, we are responsible for mortgage payments and taxes for our owned hotels, and we directly employ the staff who operate our owned hotels. In addition to personnel expenses and other operating expenses, as the owner of these hotels, we are responsible for maintenance capital expenditures and for refurbishing our owned hotels to maintain consistent quality standards. In the year ended December 31, 2016, we spent approximately 4% of owned and leased hotel revenues on capital improvements and maintenance. Moreover, the value of our owned hotels and our ability to realize gains from selling our owned hotels is affected by prevailing economic conditions in the relevant markets. Based on the Duff & Phelps Report, the aggregate market value of the Mortgage Properties and the Share Collateral as of December 31, 2016 was €1,243.4 million.

The following diagram sets forth the distribution of our owned hotels per country, based on their book value as of December 31, 2016:



Leased hotels

Our leased hotels account for the largest proportion of our operations by number of hotel rooms and net turnover. As of December 31, 2016, we had 224 leased hotels consisting of 32,727 rooms, representing 56% of the total number of rooms we operate.

Under our lease agreements, we lease hotel buildings from hotel proprietors or other partners, and we are entitled to the benefits and carry the risks associated with operating the hotel. We do not bear the risks of property ownership and are not required to make a significant initial capital investment in the hotel, and we are not subject to volatility in the real estate market to the same extent as if we owned the property. We derive revenue primarily from room sales and food and beverage sales from restaurants, bars, conference facilities and in-room dining. Our main costs arising under a lease agreement are the fixed or variable rent paid to the lessor, personnel expenses and other operating expenses. Subject to applicable law and in accordance with market practice, under some lease agreements, we also reimburse the owner of the hotel property for property taxes and property insurance.

Typically, our lease agreements include a minimum rent payment obligation that is independent of the revenue generated by the hotel. The fixed rent is typically adjusted annually to take into account changes in a specified consumer price index. Some of our lease agreements also include a variable rent clause under which we are obligated to pay the higher of the minimum rent or a variable rate of rent based upon a percentage of the total revenue generated by a hotel or based upon a percentage of gross operating profit. The terms and conditions of our lease agreements conform to the requirements of applicable local law and incorporate local market practice.

Under a few of our lease agreements, we are required to invest an agreed percentage of the relevant hotel revenue or a predetermined fixed sum in the maintenance of the hotel with respect to furniture, fixtures, operational equipment and hotel building, excluding the façade and external structure. We typically spend approximately 4 to 5% of our annual hotel revenue on the maintenance of owned and leased hotels. In certain circumstances when we expect it will lead to improved results from a hotel, we invest in total refurbishment of the hotel. In addition, under most of our lease agreements, the Group company that is party to the lease may transfer its benefits and obligations under the lease to any of our other subsidiaries. As of December 31, 2016, we had provided project financing for approximately 14 of our leased hotels in Germany, Austria, Luxembourg, the Netherlands, Italy and Spain, and we have an option to purchase those hotels at specified prices and at specified times during the term of the lease.

In summary, our obligations and responsibilities as a lessee under lease agreements typically include:

- maintaining and in certain circumstances replacing the furniture, fixtures and equipment;
- generally maintaining the hotel building, other than the façade and external structure, and its fixtures;
- under certain of our lease agreements, particularly in Germany and the Netherlands, assuming responsibility for full structural repairs and insurance costs of the building;
- maintaining an insurance policy typically covering contents, benefit loss and civil liability;
- hiring, training and supervising the managers and employees who operate the hotels, and assuming full responsibility regarding all obligations to employees;
- obtaining and maintaining all permits and licenses necessary to operate the hotels; and
- paying either fixed or variable rent.

However, there are important differences in local legal requirements among the different jurisdictions in which our leased hotels are located. These legal requirements affect a number of matters, including our responsibilities regarding maintenance, insurance and tax, the maximum lease duration and labor matters.

As of December 31, 2016, the average remaining term of our existing lease agreements was approximately 11 years, not taking into account any extension rights we may choose to exercise. The following table provides information on the expiry profile of our lease agreements as of December 31, 2016. The table does not reflect the renewal options provided in certain of our lease agreements, under which we have the right to extend the terms of the agreement, or early termination rights of some lessors in accordance with the terms of certain agreements.

Year	Number of lease agreements expiring	Number of rooms
2017-2020	44	6,041
2021-2025	66	10,154
2026-2030	44	6,062
2031-2035	21	3,851
2036-2076	22	3,714
Total	**197**	**29,822**

Under certain of our lease agreements, the lessor may have the right to terminate the lease due to a persistent and severe breach of our obligations. Under most of our lease agreements, we do not have the right to renegotiate rent or other material terms of the contract, or to terminate the lease early, except in the case of a persistent breach of the lessor's obligations, under certain circumstances specified in the agreement, destruction of the property or impossibility of continuing the hotel business. However, we have been able to negotiate reduced rents for a portion of the lease term or in some cases for the entire lease term by, in some cases, extending the term of the lease. In other cases, we have agreed rent reductions with lessors based on a legal opinion that there have been severe and unforeseen changes in economic and market conditions (*rebus sic stantibus*) that warrant a change to the agreement. Alternatively, we may pay the lessor a reduced rent based upon our analysis of market conditions and valuations without the lessor's consent. We have also been able to mutually terminate some lease agreements and enter into franchise agreements instead. We have been subject to disputes or litigation with the lessor from time to time in connection with lessors' claims for the shortfall in rent payments, and we may continue to be subject to similar disputes or litigation in the future. We are currently engaged in negotiations with some hotel owners to close hotels or to renegotiate the terms of the lease in light of current market conditions. Moreover, as part of our efforts to manage and optimize our asset portfolio, we have achieved significant rent savings by renegotiating and cancelling unprofitable leases in all BUs, primarily in Spain and Italy.

Managed hotels

As of December 31, 2016, we managed 79 hotels owned or leased by third parties, pursuant to management agreements, consisting of 13,447 rooms, representing 23% of the total number of rooms we operate.

Under our management agreements, we provide management services for third-party hotel proprietors. We derive revenue primarily from base fees as a percentage of total hotel revenue and incentive fees as a percentage of the gross operating profit or adjusted gross operating profit of the hotels included in our management agreements. In addition, we may collect marketing fees for global marketing efforts based upon total hotel room revenue, and, under some management agreements, we receive a technical assistance fee for providing advice to the hotel owner regarding hotel construction.

Under our management agreements, the hotel proprietor is responsible for all investments in and costs of the hotel, including personnel expenses, funding maintenance and repair and insuring the hotel property. Moreover, these agreements generally require that the hotel owners, or owners of the leasehold interest in a hotel, as the case may be, invest a specified percentage of annual revenues to refurbish and maintain the hotels in accordance with operating standards we establish. We advise the hotel proprietors regarding all necessary activities for operating the hotels, including procuring food, beverages and other inventories, marketing the hotels, establishing room rates, processing reservations and staffing the hotels, although we do not directly employ the staff at any hotel owned or leased by a third party. As an established hotel operator under the management model, our influence over hotel operations enables us to deliver a consistent standard of quality across our branded hotels, regardless of the operating arrangements.

Our responsibilities and scope of authority under our management agreements typically also include:

- administering the hotels, including preparing budgets, advising on accounting, purchasing, marketing and other commercial matters;
- advising hotel owners regarding personnel hiring and remuneration, and supervising and training the hotel staff;
- installing and training the hotel staff to use our computer systems and applications for hotel management;
- advising and supervising the use of our logos and name in accordance with our policies; and
- advising the hotel owners on designs for facilities, decoration and furnishing of the hotels.

Unlike our lease agreements, our management agreements do not vary significantly among jurisdictions. In certain countries, such as Germany and the Netherlands, management contracts are less common due to commercial reasons. In these countries, we pursue and undertake lease agreements instead of management agreements.

Under a few of our management agreements, we guarantee the hotel owner a minimum result measured by gross operating profit. Under most of these agreements, in the event that the actual result of a hotel is less than the guaranteed amount during a specified period, typically two or three consecutive years, we have the option to compensate the hotel owner for the shortfall or, if we elect not to pay the hotel owner, the hotel owner may terminate the agreement, in which case we have no further obligations to the hotel owner.

As of December 31, 2016, the average remaining term of our existing management agreements with third parties was approximately 3 years. The following table provides information on the expiry profile of our management agreements as of December 31, 2016. The table does not reflect the renewal options provided in certain of our management agreements, under which we have the right to extend the terms of such agreement, or early termination rights of some hotel proprietors in accordance with the terms of certain agreements.

Year	Number of management agreements expiring	Number of rooms
2016-2020	35	6,169
2021-2025	39	5,834
2026-2038	5	1,444
Total	**79**	**13,447**

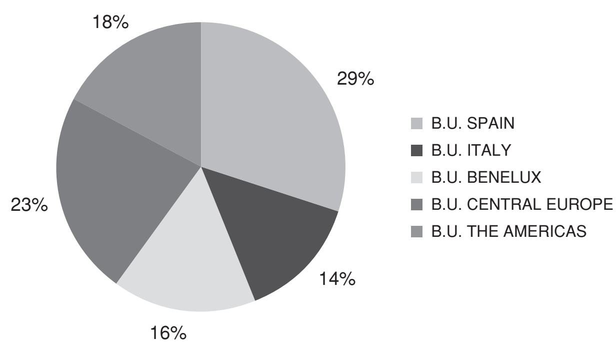
Under our management agreements, we do not have the right to terminate the contract prior to its expiration, except in the case of a persistent breach of the hotel proprietor's obligations or other circumstances specified in the agreement.

Operational structure

We currently operate our hotel business according to the following geographical BUs. As of December 31, 2016, we operated 139 hotels consisting of 17,155 rooms in Spain, Portugal and Andorra, which comprise our Spain BU for purposes of our operating structure; 51 hotels consisting of 9,192 rooms in Belgium, France, Luxembourg, South Africa, the Netherlands and the United Kingdom which comprise our Benelux BU for purposes of our operating structure, though the operations of our United States hotels, whose rooms are considered part of the Central Europe BU, are partly managed by the Spain BU; 76 hotels consisting of 13,410 rooms in Germany, Austria, Switzerland, the Czech Republic, Hungary, Poland, Romania, Slovakia and the United States, which comprise our Central Europe BU for purposes of our operating structure; 52 hotels consisting of 7,991 rooms in Italy which comprise our Italy BU for purposes of our operating structure; and 61 hotels consisting of 10,724 rooms in Mexico, Argentina, Venezuela, the Dominican Republic, Colombia, Chile, Ecuador, Uruguay, Haiti, and Cuba, which comprise our Americas BU for purposes of our operating structure. Although we do not currently have plans to change our business units, we may do so in the future.

The following diagram sets forth the contribution, expressed as a percentage, of each of our BUs to the total number of rooms as of December 31, 2016.

Number of rooms by BU



Our board of directors approves our business plan and budget, and our executive or delegate committee is responsible for executing a Group strategy to implement the business plan and the budget. We have a decentralized management structure, under which each BU has a manager that is responsible for preparing business plans to execute the Group's strategy within each of their respective BUs. Certain key responsibilities are divided between our BU managers and operations managers. Each business plan for each BU is then implemented locally by regional managers, who are accountable for customer, owner and employee satisfaction at individual hotels in addition to supervising and supporting hotel general managers. Under our decentralized management structure, individual hotel general managers are responsible for the profitability of their respective hotels and the proper implementation of our strategy as it relates to their respective hotels, while also achieving our global service standards.

Our Group headquarters in Madrid, Spain provides centralized services such as financing, sales and marketing, purchasing, technical support and building and engineering services, as well as tools such as information systems, procedures and metrics. Finally, our Group headquarters manages the deployment of our global guidelines, business plan and budget.

Our Hotel Portfolio

The following table sets forth a geographical breakdown of each of our owned, leased and managed hotels as of December 31, 2016.

Property(1)	Country	City	Rooms	Operating Structure/ Ownership (%)
BU Spain, Portugal & Andorra				
Centro de Formación BBVA La Moraleja	Spain	Madrid (Grand Area)	207	Management
Hesperia A Coruña	Spain	La Coruña	128	Management
Hesperia Andorra La Vella	Andorra	Andorra La Vella	60	Management
Hesperia Barri Gòtic	Spain	Barcelona (Grand Area)	71	Management
Hesperia Bilbao	Spain	Bilbao	151	Management
Hesperia Bristol Playa	Resorts Spain	Corralejo (Fuerteventura)	186	Management
Hesperia Ciutat Mallorca	Spain	Palma de Mallorca	60	Management
Hesperia Córdoba	Spain	Córdoba	152	Management
Hesperia del Mar	Spain	Barcelona (Grand Area)	84	Management
Hesperia Donosti	Spain	San Sebastian	45	Management
Hesperia Finisterre	Spain	La Coruña	92	Management
Hesperia Fira Suites	Spain	Barcelona (Grand Area)	50	Management
Hesperia Granada	Spain	Granada	68	Management
Hesperia Lanzarote	Resorts Spain	Lanzarote	331	Management
Hesperia Madrid	Spain	Madrid (Grand Area)	171	Management
Hesperia Murcia	Spain	Murcia	120	Management
Hesperia Peregrino	Spain	Santiago de Compostela	149	Management
Hesperia Playa Dorada	Resorts Spain	Lanzarote	465	Management
Hesperia Presidente	Spain	Barcelona (Grand Area)	151	Management
Hesperia Ramblas	Spain	Barcelona (Grand Area)	70	Management
Hesperia Sant Joan	Spain	Barcelona (Grand Area)	128	Management
Hesperia Sant Just	Spain	Barcelona (Grand Area)	150	Management
Hesperia Sevilla	Spain	Sevilla	244	Management
Hesperia Toledo	Spain	Toledo	54	Management
Hesperia Tower	Spain	Barcelona (Grand Area)	280	Management
Hesperia Vigo	Spain	Vigo (Pontevedra)	123	Management
Hesperia Villamil	Resorts Spain	Palma de Mallorca	162	Management
Hesperia Zaragoza	Spain	Zaragoza	86	Management
Hesperia Zubialde	Spain	Bilbao	82	Management
Hotel Almenara	Resorts Spain	Sotogrande (Cadiz)	145	Management
NH Campus	Spain	Barcelona (Grand Area)	188	Management
NH Chamberí	Spain	Madrid (Grand Area)	54	Management
NH Collection Palacio de Burgos	Spain	Burgos	110	72%
NH Collection Porto Batalha . . .	Portugal	Porto	107	Management
NH Collection Vigo	Spain	Vigo (Pontevedra)	108	Management
NH Gijon	Spain	Gijon	64	Management
NH Marbella	Resorts Spain	Marbella	163	Management
NH Ourense	Spain	Ourense	41	Management
NH Palacio del Duero	Spain	Zamora	49	Management
NH Principado	Spain	Oviedo	89	Management
NH San Pedro de Alcántara . . .	Spain	San Pedro de Alcantara	60	Management
NH Sotogrande	Resorts Spain	Sotogrande (Cadiz)	96	Management
NH Alcorcon	Spain	Madrid (Grand Area)	102	Lease
NH Alicante	Spain	Alicante	100	Lease
NH Alonso Martínez	Spain	Madrid (Grand Area)	101	Lease
NH Amistad Murcia	Spain	Murcia	144	Lease
NH Atlántico	Spain	La Coruña	199	Lease
NH Atocha	Spain	Madrid (Grand Area)	68	Lease
NH Bálago	Spain	Valladolid	120	Lease
NH Balboa	Spain	Madrid (Grand Area)	122	Lease
NH Barajas Airport	Spain	Madrid (Grand Area)	173	Lease

Property(1)	Country	City	Rooms	Operating Structure/ Ownership (%)
NH Barcelona Centro	Spain	Barcelona (Grand Area)	156	Lease
NH Barcelona Stadium	Spain	Barcelona (Grand Area)	106	Lease
NH Belagua	Spain	Barcelona (Grand Area)	72	Lease
NH Campo de Gibraltar	Spain	Algeciras	100	Lease
NH Campo Grande	Portugal	Lisboa	88	Lease
NH Canciller Ayala Vitoria	Spain	Vitoria	174	Lease
NH Cartagena	Spain	Cartagena (Murcia)	100	Lease
NH Center	Spain	Valencia	192	Lease
NH Ciudad de Almeria	Spain	Almeria	138	Lease
NH Ciudad de Cuenca	Spain	Cuenca	74	Lease
NH Ciudad de la Imagen	Spain	Madrid (Grand Area)	76	Lease
NH Ciudad de Santander	Spain	Santander	62	Lease
NH Ciudad de Valencia	Spain	Valencia	149	Lease
NH Ciudad de Valladolid	Spain	Valladolid	80	Lease
NH Ciudad de Zaragoza	Spain	Zaragoza	124	Lease
NH Ciudad Real	Spain	Ciudad Real	90	Lease
NH Ciutat de Vic	Spain	Barcelona (Grand Area)	36	Lease
NH Collection Abascal	Spain	Madrid (Grand Area)	183	Lease
NH Collection Amistad Córdoba	Spain	Córdoba	108	Lease
NH Collection Colón	Spain	Madrid (Grand Area)	146	Lease
NH Collection Constanza	Spain	Barcelona (Grand Area)	308	Lease
NH Collection Gran Hotel	Spain	Zaragoza	133	Lease
NH Collection Liberdade	Portugal	Lisboa	83	Lease
NH Collection Palacio de Avilés .	Spain	Aviles	78	Lease
NH Collection Palacio de Oquendo	Spain	Cáceres	86	Lease
NH Collection Palacio de Tepa . .	Spain	Madrid (Grand Area)	83	Lease
NH Collection Paseo del Prado .	Spain	Madrid (Grand Area)	114	Lease
NH Collection Plaza Mayor	Spain	Leon	51	Lease
NH Collection Pódium	Spain	Barcelona (Grand Area)	140	Lease
NH Collection Santiago	Spain	Santiago de Compostela	150	Lease
NH Collection Sevilla	Spain	Sevilla	252	Lease
NH Collection Victoria	Spain	Granada	69	Lease
NH Collection Villa de Bilbao . .	Spain	Bilbao	142	Lease
NH Cornella	Spain	Barcelona (Grand Area)	78	Lease
NH Diagonal Center	Spain	Barcelona (Grand Area)	129	Lease
NH Eixample	Spain	Barcelona (Grand Area)	81	Lease
NH El Toro	Spain	Pamplona	65	Lease
NH Entenza	Spain	Barcelona (Grand Area)	48	Lease
NH Herencia Rioja	Spain	Logroño	83	Lease
NH Iruña Park	Spain	Pamplona	213	Lease
NH La Maquinista	Spain	Barcelona (Grand Area)	92	Lease
NH Las Artes	Spain	Valencia	174	Lease
vNH Las Ciencias	Spain	Valencia	121	Lease
NH Las Tablas	Spain	Madrid (Grand Area)	149	Lease
NH Leganes	Spain	Madrid (Grand Area)	78	Lease
NH Les Corts	Spain	Barcelona (Grand Area)	81	Lease
NH Logroño	Spain	Logroño	110	Lease
NH Luz Huelva	Spain	Huelva	106	Lease
NH Madrid Sur	Spain	Madrid (Grand Area)	62	Lease
NH Mindoro	Spain	Castellon	105	Lease
NH Nacional	Spain	Madrid (Grand Area)	206	Lease
NH Parla	Spain	Madrid (Grand Area)	88	Lease
NH Paseo de la Habana	Spain	Madrid (Grand Area)	155	Lease
NH Pirineos	Spain	Lerida	92	Lease
NH Playa las Canteras	Spain	Las Palmas	67	Lease
NH Porta Barcelona	Spain	Barcelona (Grand Area)	99	Lease
NH Príncipe de Vergara	Spain	Madrid (Grand Area)	155	Lease
NH Puerta de la Catedral	Spain	Salamanca	37	Lease

Property(1)	Country	City	Rooms	Operating Structure/ Ownership (%)
NH Rambla de Alicante	Spain	Alicante	85	Lease
NH Ribera del Manzanares	Spain	Madrid (Grand Area)	224	Lease
NH San Sebastian de los Reyes	Spain	Madrid (Grand Area)	99	Lease
NH Sant Boi	Spain	Barcelona (Grand Area)	124	Lease
NH Sants Barcelona	Spain	Barcelona (Grand Area)	203	Lease
NH Sport	Spain	Zaragoza	64	Lease
NH Collection Suecia	Spain	Madrid	123	Lease
NH Tenerife	Spain	Tenerife	64	Lease
NH Turcosa	Spain	Castellon	70	Lease
NH Ventas	Spain	Madrid (Grand Area)	199	Lease
NH Viapol	Spain	Sevilla	96	Lease
NH Zurbano	Spain	Madrid (Grand Area)	257	Lease
NH Califa	Spain	Córdoba	65	Franchised
NH Campo Cartagena	Spain	Cartagena (Murcia)	100	Franchised
NH Deusto	Spain	Bilbao	71	Franchised
NH Gran Hotel Casino de Extremadura	Spain	Badajoz	58	Franchised
NH La Avanzada	Spain	Leioa (Vizcaya)	120	Franchised
NH Puerto de Sagunto	Spain	Valencia	99	Franchised
NH Villa de Coslada	Spain	Madrid (Grand Area)	78	Franchised
NH Avenida Jerez	Spain	Jerez Frontera (Cádiz)	95	100%
NH Collection Aránzazu	Spain	San Sebastian	180	100%
NH Collection Eurobuilding	Spain	Madrid (Grand Area)	417	100%
NH Collection Gran Hotel Calderónv	Spain	Barcelona (Grand Area)	255	100%
NH Collection Palacio de Aranjuez	Spain	Madrid (Grand Area)	86	100%
NH Malaga	Spain	Malaga	133	100%
NH Palacio de Castellanos	Spain	Salamanca	62	100%
NH Plaza de Armas	Spain	Sevilla	262	100%
NH Ciutat de Reus	Spain	Reus (Tarragona)	84	90%
NH Imperial Playa	Spain	Las Palmas	142	75%
NH Lagasca	Spain	Madrid (Grand Area)	100	75%
BU Italy				
NH Collection Piazza Carlina	Italy	Turin	160	Management
NH Lingotto Congress	Italy	Turin	240	Management
NH Lingotto Tech	Italy	Turin	140	Management
NH Trento	Italy	Trento	89	Management
NH Ambassador	Italy	Naples	230	Lease
NH Anglo American	Italy	Florence	115	Lease
NH Bergamo	Italy	Bergamo	88	Lease
NH Bologna de la Gare	Italy	Bologna	156	Lease
NH Bologna Villanova	Italy	Bologna	209	Lease
NH Brescia	Italy	Brescia	87	Lease
NH Collection Giustiniano	Italy	Rome	161	Lease
NH Collection G. H. Convento di Amalfi	Italy	Amalfi	53	Lease
NH Collection Marina	Italy	Genova	140	Lease
NH Collection Palazzo Barocci	Italy	Venice	59	Lease
NH Collection Palazzo Cinquecento	Italy	Rome	177	Lease
NH Collection Porta Rossa	Italy	Florence	72	Lease
NH Collection President	Italy	Milán	274	Lease
NH Collection Taormina	Italy	Taormina	63	Lease
NH Concordia	Italy	Milán	155	Lease
NH Fiera	Italy	Milán	398	Lease
NH Grand Hotel Verdi	Italy	Milán	100	Lease
NH Laguna Palace	Italy	Venice	376	Lease
NH Leonardo Da Vinci	Italy	Rome	244	Lease
NH Linate	Italy	Milán	67	Lease

Property(1)	Country	City	Rooms	Operating Structure/ Ownership (%)
NH Machiavelli	Italy	Milán	103	Lease
NH Milano 2	Italy	Milán	143	Lease
NH Milano 2 Residence	Italy	Milán	134	Lease
NH Milano Touring	Italy	Milán	282	Lease
NH Orio al Serio	Italy	Bergamo	118	Lease
NH Padova	Italy	Padova	190	Lease
NH Palazzo Moscova	Italy	Milán	65	Lease
NH Parma	Italy	Parma	120	Lease
NH Pontevecchio	Italy	Lecco	111	Lease
NH Santo Stefano	Italy	Turin	125	Lease
NH Savona Darsena	Italy	Savona	92	Lease
NH Siena	Italy	Siena	129	Lease
vNH Villa Carpegna	Italy	Rome	201	Lease
nhow Milano	Italy	Milán	246	Lease
NH Ambasciatori	Italy	Turin	199	100%
NH Ancona	Italy	Ancona	89	100%
NH Catania Centro	Italy	Catania	130	100%
NH Collection Vittorio Veneto . .	Italy	Rome	201	100%
NH Firenze	Italy	Florence	152	100%
NH Genova Centro	Italy	Genova	146	100%
NH La Spezia	Italy	La Spezia	110	100%
NH Milano Congress Centre . . .	Italy	Milán	255	100%
NH Palermo	Italy	Palermo	226	100%
NH Parco Degli Aragonesi Catania	Italy	Catania	123	100%
NH Pisa	Italy	Pisa	100	100%
NH Ravenna	Italy	Ravenna	84	100%
NH Trieste	Italy	Trieste	173	100%
NH Villa San Mauro	Italy	Caltagirone	91	100%
BU Benelux, UK, AF, F				
NH Collection Grand Hotel Krasnapolsky	The Netherlands	Amsterdam	468	Management
NH Amersfoort	The Netherlands	Amersfoort	114	Lease
NH Amsterdam Centre	The Netherlands	Amsterdam	232	Lease
NH Amsterdam Noord	The Netherlands	Amsterdam	290	Lease
NH Amsterdam Zuid	The Netherlands	Amsterdam	213	Lease
NH Arnhem Rijnhotel	The Netherlands	Arnhem	68	Lease
NH Atlantic Den Haag	The Netherlands	The Hague	152	Lease
NH Caransa	The Netherlands	Amsterdam	66	Lease
NH Carrefour de l'Europe	Belgium	Brussels	65	Lease
NH Centre Utrecht	The Netherlands	Utrecht	47	Lease
NH City Centre	The Netherlands	Amsterdam	209	Lease
NH Collection Brussels Centre . .	Belgium	Brussels	241	Lease
NH Collection Doelen	The Netherlands	Amsterdam	85	Lease
NH Collection Grand Sablon . . .	Belgium	Brussels	196	Lease
NH Den Haag	The Netherlands	The Hague	205	Lease
NH Hotel de Ville	The Netherlands	Groningen	66	Lease
NH Kensington	United Kingdom	London	121	Lease
NH Luxembourg	Luxembourg	Luxemburgo	148	Lease
NH Lyon Airport	France	Lyon	245	Lease
NH Maastricht	The Netherlands	Maastricht	275	Lease
NH Museum Quarter	The Netherlands	Amsterdam	163	Lease
NH Nice	France	Nice	152	Lease
NH Schiller	The Netherlands	Amsterdam	92	Lease
NH The Lord Charles	Southafrica	Somerset West, Capetown	198	Lease
NH Utrecht	The Netherlands	Utrecht	276	Lease
NH Waalwijk	The Netherlands	Waalwijk	120	Lease
NHOW Rotterdam	The Netherlands	Rotterdam	278	Lease

Property(1)	Country	City	Rooms	Operating Structure/ Ownership (%)
NH Atlanta Rotterdam	The Netherlands	Rotterdam	215	100%
NH Best	The Netherlands	Best / Eindhoven	68	100%
NH Brugge	Belgium	Bruges	149	100%
NH Brussels Airport	Belgium	Brussels	234	100%
NH Brussels City Centre	Belgium	Brussels	246	100%
NH Capelle	The Netherlands	Capelle a/d Ijssel / Rotterdam	105	100%
NH Carlton Amsterdam	The Netherlands	Amsterdam	218	100%
NH Collection Barbizon Palacev	The Netherlands	Amsterdam	274	100%
NH Conference Centre Koningshof	The Netherlands	Veldhoven / Eindhoven	509	100%
NH Conference Centre Leeuwenhorst	The Netherlands	Noordwijkerhout	513	100%
NH Geldrop	The Netherlands	Geldrop / Eindhoven	131	100%
NH Gent Belfort	Belgium	Gent	174	100%
NH Gent Sint Pieters	Belgium	Gent	49	100%
NH Grand Place Arenberg	Belgium	Brussels	155	100%
NH Marquette	The Netherlands	Heemskerk	65	100%
NH Mechelen	Belgium	Mechelen	43	100%
NH Naarden	The Netherlands	Naarden	128	100%
NH Schiphol Airport	The Netherlands	Amsterdam	419	100%
vNH Sparrenhorst	The Netherlands	Nunspeet	117	100%
NH Stéphanie	Belgium	Brussels	67	100%
NH Zandvoort	The Netherlands	Zandvoort	213	100%
NH Zoetermeer	The Netherlands	Zoetermeer/ The Hague	104	100%
NH Jan Tabak	The Netherlands	Bussum	84	80%
NH Groningen	The Netherlands	Groningen	127	50%
BU Central Europe				
NH Jolly Madison Towers	USA	New York	242	100%
NH Bucharest	Romania	Bucarest	78	Management
NH Collection Olomouc Congress	Czech Republic	Olomouc	137	Management
NH Gate One	Slovakia	Bratislava	117	Management
NH Prague City	Czech Republic	Praga	440	Management
NH Berlin Alexanderplatz	Germany	Berlin	225	Lease
NH Berlin City Ost	Germany	Berlin	99	Lease
NH Berlin City West	Germany	Berlin	136	Lease
NH Berlin Kreuzberg	Germany	Berlin	38	Lease
NH Berlin Kurfürstendamm	Germany	Berlin	167	Lease
NH Berlin Mitte	Germany	Berlin	392	Lease
NH Berlin Potsdam Conference Center	Germany	Kleinmachnow (Berlin)	243	Lease
NH Berlin Potsdamer Platz	Germany	Berlin	89	Lease
NH Berlin Treptow	Germany	Berlin	126	Lease
NH Budapest City	Hungary	Budapest	160	Lease
NH Collection Berlin Friedrichstrasse	Germany	Berlin	268	Lease
NH Collection Dresden Altmarkt	Germany	Dresden	240	Lease
NH Collection Frankfurt City . . .	Germany	Frankfurt	256	Lease
NH Collection Hamburg City . . .	Germany	Hamburg	119	Lease
NH Collection Köln Mediapark .	Germany	Köln	217	Lease
NH Collection Nürnberg City . . .	Germany	Nürnberg	244	Lease
NH Collection Wien Zentrum . .	Austria	Vienna	73	Lease
NH Danube City	Austria	Vienna	252	Lease
NH Deggendorf	Germany	Deggendorf	125	Lease
NH Dessau	Germany	Dessau	152	Lease
NH Dortmund	Germany	Dortmund	190	Lease
NH Dresden Neustadt	Germany	Dresden	269	Lease
NH Düsseldorf City	Germany	Düsseldorf	338	Lease

Property(1)	Country	City	Rooms	Operating Structure/ Ownership (%)
NH Düsseldorf City Nord	Germany	Düsseldorf	330	Lease
NH Düsseldorf Königsallee	Germany	Düsseldorf	111	Lease
NH Erlangen	Germany	Erlangen	138	Lease
NH Forsthaus Fürth Nürnberg . .	Germany	Nürnberg	111	Lease
NH Frankfurt Airport	Germany	Frankfurt	158	Lease
NH Frankfurt Messe	Germany	Frankfurt	65	Lease
NH Frankfurt Mörfelden Conference C.	Germany	Frankfurt	299	Lease
NH Frankfurt Niederrad	Germany	Frankfurt	165	Lease
NH Frankfurt Villa	Germany	Frankfurt	24	Lease
NH Fürth Nürnberg	Germany	Nürnberg	118	Lease
NH Geneva Airport	Switzerland	Geneve	190	Lease
NH Hamburg Altona	Germany	Hamburg	235	Lease
NH Hamburg Mitte	Germany	Hamburg	127	Lease
NH Heidelberg	Germany	Heidelberg	174	Lease
NH Hirschberg Heidelberg	Germany	Hirschberg	114	Lease
NH Horner Rennbahn	Germany	Hamburg	172	Lease
NH Ingolstadt	Germany	Ingolstadt	119	Lease
NH Klösterle Nördlingen	Germany	Nordlingen	98	Lease
NH Köln Altstadt	Germany	Köln	204	Lease
NH Ludwigsburg	Germany	Ludwigsburg	130	Lease
NH Magdeburg	Germany	Magdeburg	142	Lease
NH München Airport	Germany	Munich	236	Lease
NH München City Süd	Germany	Munich	163	Lease
NH München Deutscher Kaiser .	Germany	Munich	173	Lease
NH München Messe	Germany	Munich	253	Lease
NH München Ost	Germany	Munich	222	Lease
NH München Unterhaching . . .	Germany	Munich	80	Lease
NH Oberhausen	Germany	Oberhausen	172	Lease
NH Potsdam	Germany	Potsdam	143	Lease
NH Rex	Switzerland	Geneve	70	Lease
NH Salzburg City	Austria	Salzburg	140	Lease
NH Schwerin	Germany	Schwerin	144	Lease
NH Stuttgart Airport	Germany	Stuttgart	208	Lease
NH Stuttgart Sindelfingen	Germany	Stuttgart	103	Lease
NH Timisoara	Romania	Timisoara	83	Lease
NH Weinheim	Germany	Weinheim	187	Lease
NH Vienna Airport	Austria	Vienna	499	Lease
NH Wien Belvedere	Austria	Vienna	114	Lease
NH Wien City	Austria	Vienna	105	Lease
NH Zurich Airport	Switzerland	Glattburg (Zurich)	140	Lease
nhow Berlin	Germany	Berlin	304	Lease
NH Poznan	Poland	Poznan	93	Franchised
NH Fribourg	Switzerland	Fribourg	122	100%
NH Bingen	Germany	Bingen	135	94%
NH Frankfurt Airport West	Germany	Frankfurt	306	94%
NH Leipzig Messe	Germany	Leipzig	308	94%
NH Mannheim Viernheim	Germany	Viernheim	121	94%
NH Wiesbaden	Germany	Wiesbaden	130	94%
BU America				
Breathless Punta Cana	Dominican Republic	Uvero Alto	750	Management
Hesperia Edén Club	Venezuela	Isla Margarita	139	Management
Hesperia Isla Margarita	Venezuela	Isla Margarita	312	Management
Hesperia Playa El Agua	Venezuela	Isla Margarita	410	Management
Hesperia WTC Valencia	Venezuela	Valencia (Venezuela)	325	Management
NH Capri La Habana	Cuba	La Habana	220	Management
NH Collection Aeropuerto T2 Mexico	Mexico	Mexico City	287	Management

Property(1)	Country	City	Rooms	Operating Structure/ Ownership (%)
NH Collection Guadalajara Centro H.	Mexico	Guadalajara	142	Management
NH Collection Guadalajara Providencia	Mexico	Guadalajara	137	Management
NH Collection León Expo	Mexico	Guadalajara	141	Management
NH Edelweiss	Argentina	Bariloche	95	Management
NH Gran Hotel Provincial	Argentina	Mar de Plata	460	Management
NH Haiti El Rancho	Haiti	Puerto Príncipe	72	Management
NH Hotel Casino	Argentina	Mar de Plata	65	Management
NH Puebla Centro Histórico . . .	Mexico	Puebla	180	Management
NH Punta Cana	Dominican Republic	Punta Cana	66	Management
Now Garden Punta Cana	R. Dominican Republic	Punta Cana	180	Management
Now Larimar Punta Cana	R. Dominican Republic	Punta Cana	540	Management
Now Onyx Punta Cana	R. Dominican Republic	Punta Cana	502	Management
Secrets Royal Beach Punta Cana	R. Dominican Republic	Punta Cana	465	Management
Hilton Aeropuerto	Mexico	Mexico City	129	Lease
NH Centro Histórico	Mexico	Mexico City	105	Lease
NH Collection Monterrey	Mexico	Monterrey	217	Lease
NH Collection Royal Andino . . .	Colombia	Bogotá	70	Lease
NH Collection Royal Hacienda . .	Colombia	Bogotá	82	Lease
NH Collection Royal La Merced .	Colombia	Cartagena	9	Lease
NH Collection Royal Medellín . .	Colombia	Medellín	134	Lease
NH Collection Royal Quito	Ecuador	Quito	112	Lease
NH Collection Royal Smartsuites	Colombia	Barranquilla	118	Lease
NH Collection Royal Teleport . .	Colombia	Bogotá	251	Lease
NH Collection Royal Terra 100 . .	Colombia	Bogotá	73	Lease
NH Collection Royal WTC Bogotá	Colombia	Bogotá	144	Lease
NH Royal Cali	Colombia	Cali	145	Lease
NH Royal La Boheme	Colombia	Bogotá	66	Lease
NH Royal Metrotel	Colombia	Bogotá	336	Lease
NH Royal Pavillon	Colombia	Bogotá	72	Lease
NH Royal Urban 26	Colombia	Bogotá	118	Lease
NH Royal Urban 93	Colombia	Bogotá	54	Lease
NH Royal Urban Cartagena	Colombia	Cartagena	28	Lease
NH Valle Dorado	Mexico	Mexico City	130	Lease
NH 9 de Julio	Argentina	Buenos Aires	175	100%
NH Ciudad de Santiago	Chile	Santiago de Chile	122	100%
NH Coatzacoalcos	Mexico	Coatzacoalcos	104	100%
NH Collection Jousten	Argentina	Buenos Aires	84	100%
NH Collection Mexico City Reforma	Mexico	Mexico City	306	100%
NH Crillon	Argentina	Buenos Aires	96	100%
NH Florida	Argentina	Buenos Aires	162	100%
NH Latino	Argentina	Buenos Aires	100	100%
NH Mendoza Cordillera	Argentina	Mendoza	105	100%
NH Montevideo Columbia	Uruguay	Montevideo	136	100%
NH Panorama	Argentina	Córdoba (ARG)	138	100%
NH Tango	Argentina	Buenos Aires	108	100%
NH Urbano	Argentina	Córdoba (ARG)	72	100%
NH Antofagasta	Chile	Antofagasta	139	67%
NH Collection Plaza Santiago . .	Chile	Santiago de Chile	159	67%
NH Iquique	Chile	Iquique	78	67%
NH Queretaro	Mexico	Queretaro	140	63%
NH City	Argentina	Buenos Aires	302	50%

Property(1)	Country	City	Rooms	Operating Structure/ Ownership (%)
NH Collection Centro Histórico .	Argentina	Buenos Aires	67	50%
NH Collection Lancaster	Argentina	Buenos Aires	115	50%
NH Collection Santa Fe	Mexico	Mexico City	135	50%

(1) Following December 31, 2016, we have opened NH Curitiba The Five in Curitiba, Brazil, a hotel with 180 rooms.

The book value of our owned hotels as of December 31, 2016 was €1.3 billion.

We develop and grow our portfolio of hotels both strategically and on an opportunistic basis. In the markets where we already have a substantial presence, we intend to use our relationships with our existing partners to achieve further growth by entering into new leases or management agreements with these partners. We seek to grow in the markets where we believe there is increasing demand for hotel rooms and where we currently have limited presence, including into new international markets where we have identified significant potential. During 2016, we opened 6 hotels with 1,180 rooms in markets where we believed there is increasing demand for hotel rooms and we closed 7 hotels with 1,343 rooms. As of December 31, 2016, we have entered into agreements to operate 31 new hotels with 4,959 rooms (our "committed pipeline hotels"), which are expected to commence operations between 2017 and 2019. We will operate our committed pipeline hotels under lease and management agreements with third-party hotel owners and most of our committed pipeline hotels will be operated under the core NH Hotels brand. We intend to strengthen our presence in our strategic markets in Europe and Latin America by entering into management, franchise and variable lease agreements over the next four years, during which time we expect our four core brands will become more developed and our hotel portfolio will become stronger.

For example, in 2013, we entered into a preliminary joint venture agreement with the HNA Group, through which we intend to operate hotels in the Chinese market, including under the NH Hotels brand. The joint venture with the HNA Group was formalized in the first semester of 2016 and has established the operative model to manage the first four hotels in China. Four management agreements have been signed for the operation under the joint venture of three five star hotels under the Tangla brand (Tangla Beijing (380 rooms), Tangla Tianjin (116 rooms) and Tangla Dongguan (268 rooms) all of which are already in operation) and one four star hotel, NH Shijiazhuang (78 rooms), located in the city of Shijiazhuang, which is expected to open at the end of March 2017.

Recent acquisitions and disposals

Disposals

As part of our ongoing strategic plan, on February 8, 2017, we entered into agreements with Hispania Activos Inmobiliarios Socimi. S.A. ("Hispania", a listed real estate ownership company) for a total consideration of €41 million in connection with (i) our disposal of the current NH Málaga Hotel pursuant to a sale and lease back arrangement for 20 years for cash proceeds in 2017 of €23 million, generating a capital gain of €9.2 million before taxes and (ii) the future acquisition by Hispania for €16 million of the extension of the NH Málaga Hotel that we plan to develop on an adjacent plot, the construction of which is expected to be completed by 2019.

For information regarding other recent transactions, see "*Summary—Recent Developments*".

Hoteles Royal guarantee

Following our acquisition of Hoteles Royal in March 2015, a guarantee has been created in our favor by way of fiduciary arrangement with an independent third party in an amount equal to 120% of the value of the legal, labor and tax claims involving Hoteles Royal and its subsidiaries that have been realized between the completion of the acquisition and March 2017, plus 5% of the purchase price, subject to the provisions of the share purchase agreement.

Valuation of the Collateral

Duff & Phelps carried out a market valuation as of December 31, 2016 of the Mortgage Properties and the Share Collateral, including the total equity value of NH Italia. Duff & Phelps' valuation of the NH Italia Shares deducts total financial liabilities of NH Italia, which were €60.1 million as of December 31, 2016. Based on the Duff & Phelps Report, the aggregate market value of the Mortgage Properties and the Share Collateral as of December 31, 2016 was €1,243.4 million. The market value attributable to the Collateral as of December 31, 2016 is as follows.

Asset	Market value attributable to the Collateral
	(€ in millions)
Mortgage Properties	
NH Amsterdam Barbizon Palace	134.7
NH Noordwijk Conference Centre Leeuwenhorst	101.3
NH Eindhoven Conference Centre Koningshof	69.5
NH Amsterdam Schiphol Airport	48.2
NH Veluwe Conference Centre Sparrenhorst	10.1
NH Zoetermeer	5.0
NH Naarden	7.5
NH Capelle	8.2
NH Geldrop	4.6
NH Best	4.6
NH Heemskerk Marquette	2.4
	396.1
Diegem Properties	
NH Brussels Airport	31.2
NH Brussels City Centre	32.0
NH Gent Belfort	35.9
NH Brussels Grand Place Arenberg	27.7
NH Brugge	15.5
NH Brussels Stéphanie	8.7
NH Gent Sint Pieters	4.2
NH Mechelen	3.5
	158.8
Zandvoort Property	
NH Zandvoort	27.5
NH Italia(1)	
NH Italia Shares	661.1
Total	**1,243.4**

(1) For purposes of determining the value of the NH Italia Shares, we have used the mid-range value presented in the Duff & Phelps' Report.

The Collateral will secure the 2023 Notes as well as the 2019 Notes and the Senior Secured RCF (expected to be undrawn on such date) on a *pari passu* basis. After giving pro forma effect to the Refinancing, as of December 31, 2016, and assuming the Senior Secured RCF will be undrawn as of the Issue Date, an aggregate amount of €500.0 million of our outstanding indebtedness would have been secured by the Collateral, of which €115.0 million would have consisted of indebtedness under the Notes, €285.0 million would have consisted of indebtedness under the Original Notes and €100.0 million would have consisted of indebtedness under the 2019 Notes that are not cancelled pursuant to the Refinancing.

Basis of valuation and assumptions

The valuation described above was prepared on the basis of certain qualifications, assumptions, estimates and projections. In delivering its opinion of value, Duff & Phelps considered three approaches to value: market, cost and income. The valuation approach used by Duff & Phelps varies depending on the type of business or asset being valued.

Valuation of the hotels

Duff & Phelps based its valuation of the appraised hotel properties on the profit and loss accounts for the year ended December 31, 2016 for each appraised hotel, historical financial information of the appraised hotel properties from 2008 through 2016, prospective financial information for the appraised hotel properties for 2017 through 2021, which reflect our estimates of the future performance of the assets included in the valuation, and industry reports published by third parties. Duff & Phelps based its valuation of other real estate assets on third-party analysis of prevailing market conditions and construction costs. Duff & Phelps analyzed published information concerning the economy and the industry in which the assets operate to assess the ability of the assets to generate future investment returns.

Duff & Phelps' valuation is also based on its assessment of the status of the economy and on the purchasing power of the euro as of December 31, 2016.

Duff & Phelps considers the financial and other information we have provided to it to be true and accurate and has not conducted any audit, verification, technical or legal inspection or investigation of title to or any liabilities against any property appraised. Duff & Phelps has assumed that our claim to the properties is valid, that the property rights of the owner are good and marketable and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in its report.

Duff & Phelps' hotels valuation was based on the income approach, using discounted free cash flow ("DCF") as a valuation method, which according to Duff & Phelps, is the generally accepted approach for the valuation of businesses or assets on a going-concern basis. Under the income approach, the current value of an investment is based on the expected receipt of future economic benefits, such as cost savings, periodic income and sale proceeds. Indications of value are developed by discounting expected future cash flows available to the providers of the invested capital at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment. Using an income approach based on a normalized capital structure reflects the earning power of the company or asset without the effect of entity-specific funding decisions.

Under the DCF method, annual future cash flows are estimated, then individually discounted back to the present value. If the cash flow stream will continue beyond the forecast period, a normalized future cash flow attributable to the invested capital is estimated, then capitalized and discounted back to present value. The summation of the discounted cash flows during the forecast period plus the normalized cash flow after capitalization and discounting provides an indication of the invested capital value.

Valuation of the NH Italia Shares

Duff & Phelps based its valuation of the NH Italia Shares on the annual financial statements of NH Italia for the year ended December 31, 2015 and December 31, 2016, prospective financial information for NH Italia for 2017 through 2021, which reflects our estimates of the future performance of the business of NH Italia, and industry reports published by third parties. Duff & Phelps analyzed published information concerning the economy and the industry in which the assets operate to assess the ability of the assets to generate future investment returns.

Duff & Phelps' valuation is also based on its assessment of the status of the economy and on the purchasing power of the euro as of December 31, 2016.

Duff & Phelps considers the financial and other information we have provided to it to be true and accurate and has not conducted any audit, verification, technical or legal inspection or investigation of title to or any liabilities against any asset appraised. Duff & Phelps has assumed that our claim to the NH Italia Shares is valid, that the property rights of the owner of the NH Italia Shares are good and marketable and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in its report.

Duff & Phelps' valuation of the NH Italia Shares was based on income approach using the Discounted Cash Flow method. This method uses the present value of forecast cash flows for NH Italia (enterprise value) adjusted by the net debt as of valuation date. The terminal value of NH Italia was estimated upon the market and income approaches weighted to reach a conclusion about the range of valuation of the NH Italia Shares. The market approach uses relevant multiples from comparative guideline companies, such as revenue, earnings and cash flows for the guideline companies, and then applies these multiples to estimate the terminal value of NH Italia to make conclusions about the mid-range of the market value of the NH Italia Shares.

Other appraisers may reach different valuations of our properties and assets. Moreover, the valuation of our properties and assets included herein could be significantly higher than the amount obtained from the actual sale of our portfolio properties or assets, especially in a distressed or liquidation scenario. Accordingly, the Duff & Phelps valuations should not be considered as a guarantee of present or future value of our properties or assets. See "*Risk factors—Risks relating to our business and industry—The value of our properties reflected on our balance sheet and in this offering memorandum and the book value of our hotels and assets included in this offering memorandum is based in part upon the results of third-party valuations, and because property and asset valuation is inherently subjective and uncertain, the projections or assumptions used, estimates made or procedures followed in the third-party valuation of our properties and assets may not be correct, accurate or complete*".

Sales and marketing

Overview

Our marketing operations focus on building brand awareness, consideration and conversion through strategic marketing and promotional campaigns, advertisements and other media and communications. Our distribution and channel management network, e-commerce tools, yield management strategies and customer acquisition and retention programs concentrate on developing a strong and loyal customer base. In addition, our global sales teams are located in various strategic international locations to further support our brand awareness and represent us and our brands at key industry events.

Our integrated sales, marketing and distribution operation allows us to:

- respond to changing market demands in a more effective and timely manner;
- execute multi-layered marketing campaigns that integrate direct sales, marketing communication and electronic distribution;
- focus on increasing our global market share measured by revenue and brand recognition;
- maintain the integrity and consistency of our new brand architecture and positioning of our hotels and resorts;
- build value and customer insight by collecting data and inviting guests to join our permission-based customer databases;
- build a positive reputation with the media, industry and customers; and
- manage our global distribution network more efficiently.

Global sales

The main goal of our global sales team is to make our brand the most visible and recognized name in the market. We seek to achieve this goal by:

- defining and executing sales generating goals and priorities in each region;
- creating and sustaining the visibility of our brand;
- building trade relationships with key clients in all segments;
- building partnerships with travel partners in various regions;
- building our central corporate client database;
- supporting new hotel openings through special events and promotions;
- supporting, guiding and advising our BUs and hotel managers in optimizing revenue generating opportunities;
- organizing client events regionally and locally to sell, promote and build international, regional and local networks;
- increasing sales and strengthening our international sales network; and
- capturing the right demand segmented for each of our brands.

Our global sales team consists of 169 sales executives, who are part of our Spain, Benelux, Central Europe, Italy and Americas BUs. Each BU has its own global sales team focused on developing and sustaining the most important national and international key accounts in all relevant segments and is focused on offering targeted support and guidance to all hotels in those markets. We also have sales executives specifically focused on our resorts.

We have international sales offices in the United Kingdom and the United States, and we have a broad range of sales tools that are available to aid the sales process, such as a meetings facilities directory which lists all our hotels with conference facilities, a worldwide directory of all hotels in our portfolio and brand brochures, videos and websites. We continue to emphasize the M&E segment through our relationships with third-party professional conference organizers or our customers' corporate meeting planners.

We also participate in leading international trade shows, events and exhibitions. These exhibitions not only generate new business opportunities, but also offer opportunities to increase the awareness of our brands.

Revenue management

Our revenue management department includes a revenue management team of over 185 qualified professionals spread across all our BUs and the corporate revenue management team. The BU revenue management teams use a sophisticated and advanced revenue management system to identify revenue opportunities in designated markets based upon our analysis and forecasting. The opportunities identified by our BU revenue management teams form the basis for our short-term and long-term segmentation strategies, strategic and dynamic pricing, yield management, account strategies, channel strategies, marketing activities and meeting room and group strategies. Our standardized communication system ensures that the revenue opportunities identified by our BU revenue management teams are shared with our local and global commercial teams. This process also ensures that the commercial activities or initiatives deployed by our central commercial teams, such as the Revenue Committee and Strategic Destination Review Process, which identifies commercial opportunities at the property level, the regional level, the country or market level and the global level and consolidates and reports these identified opportunities to the appropriate commercial management level, are tailored to address the revenue opportunities we have identified. The BU revenue management teams also are responsible for day-to-day management of price changes, yield, overbooking limits, channels and group evaluations. Each BU is led by a director of revenue management in charge of a team of regional revenue managers dedicated to specified geographical areas. Our centralized structure enables one revenue manager analyst to manage three to five hotels, depending on different factors, including the proportion of rates the revenue manager analyst manages a hotel's size, level of demand or the number of distribution channels a revenue manager analyst has to monitor and manage.

The corporate revenue management department monitors our forecasting and analytics, pricing and revenue management procedures and tools. Our corporate revenue management department focuses on establishing mid- and long-term business forecasts for our relevant markets, including the markets from which our guests originate, key destinations and feeder markets; ensuring effective communication among our commercial departments; developing new forecasting methods; and analyzing past forecasting performance. It also defines our general business-to-customer and business-to-business pricing structure; ensures our revenue management teams work according to standardized processes and methods; sets pricing guidelines for marketing promotions; and seeks to set optimal prices across our hotel portfolio. Lastly, our corporate revenue management department defines the key objectives and procedures for each area, monitors the performance of each revenue management team and oversees revenue management training.

We are in the process of implementing "Open Pricing", an advanced and sophisticated pricing strategy which will add flexibility to our pricing policy, as we will no longer be tied to fixed price points or fixed discounts. Moreover, "Open Pricing" will allow us to quickly adjust our prices to market trends and price our offers at any value that we consider appropriate.

Reservations

Our direct distribution activities are divided into two key systems: hotel direct reservations and electronic distribution. Hotel direct reservations are made directly with the hotel by telephone or email and include hotel contracted business from local corporate accounts and tour operators and business and leisure accounts managed by the global sales team. Individual reservations requested by telephone or email are processed through our central reservations office in Madrid, and group reservations are processed through separate global sales offices, except for reservation requests in markets where we do not have a regional reservation office, which are processed through the international group desk based in Madrid. We have deployed an interactive voice response system that should make our central reservation office ("CRO") more efficient. Direct electronic distribution is carried out primarily through our central reservation system, which provides direct connections to our global distribution systems and our e-commerce portals. Our electronic distribution system is the booking engine behind our website.

In order to optimize our channel mix, we also run indirect distribution activities through collaboration with several third-party intermediaries, both online (such as OTAs) and through more traditional channels (such as tour operators). During 2016, 52.4% of our sales were made through indirect sales channels. Commissions payable to third parties depend on multiple variables, such as the applicable rate, the market segment (business or leisure), the property booked, seasonality and volume. In 2016, 23.5% of our sales were booked through OTAs.

We have strategic agreements with several e-commerce partners to further increase our reach in corporate, leisure and business meeting market segments. For example, we have partnerships with a global distribution system, several online travel agencies, Starcite (Lanyon) and C-Vent, M&E third-party websites. Other electronic distribution activities include "pay for performance" e-marketing activities, including search engine optimization, pay-per-click and banner advertising in key regional and international travel portals. In order to enhance our reservations process to increase its accessibility for our customers, we are currently undertaking initiatives that will not only improve the user interface and increase functionality for our clients but also improve our backend process. We believe that this initiative will increase conversion rates and therefore increase our revenue.

Customer relationship management

We seek to reward customer loyalty through our customer relationship management strategy and programs. These programs help us to retain loyal customers and acquire new customers by benefiting from promotions and referrals and allow us to have a better understanding of our customer needs and how to address them. This is a vital tool to communicate directly with our customers. We reward loyalty in various forms through our carefully targeted initiatives, such as the NH Hotel Group Rewards loyalty program which allows our customers to have access to special rates, earn credits that can be used to pay for accommodation and other services at our hotels and entitle members to other benefits depending on the tier they achieve, such as room upgrades, complimentary high speed wifi and guaranteed room availability. We first made our NH Hotel Group Rewards loyalty program available to our customers over ten years ago and we then re-launched it in 2014. The NH Hotel Group Rewards loyalty program reached approximately 6.9 million members by December 31, 2016, 21% of whom joined in the previous twelve months. The NH Rewards Corporate campaign, already launched internationally, is attracting corporate customers on all markets. Through our customer relationship management programs, we aim to create strong brand awareness and customer loyalty, and we are able to communicate offers and promotions to a targeted audience.

We have an online tool called "Quality Focus On Line" through which we monitor all the main online review sites, including Tripadvisor.com, Booking.com and Expedia.com. Our hotels have increased their average Tripadvisor score, obtaining an average score of 8.5 during the year ended December 31, 2016, as compared to 8.4 during the year ended December 31, 2015 and 8.2 for the year ended December 31, 2014. As of December 31, 2016, 34% of our hotels were in the relevant top 10 TripAdvisor ratings (almost doubled from 19% in 2013) and 53% of our hotels were in the relevant top 30 TripAdvisor ratings. Moreover, NH Collection hotels obtained higher scores compared to the rest of the hotels of the Group, receiving an average score of 8.9 as compared to an average score of 8.0 for the NH Hotels Brand for the year ended December 31, 2016. All hotel scores and written reviews (automatic translation is possible in more than 20 languages) are captured and displayed in a user friendly way, consolidating results at the hotel, BU, Brand or corporate level, enabling users to compare different periods. Additionally, the Quality Focus On Line tool monitors the scores and reviews received by the hotels of many of our competitors, which enables individual hotels to check the scores and reviews of their direct competitors.

Apart from online reviews, Quality Focus On Line also monitors the results of our own customer surveys. All NH employees at our corporate offices and hotels have access to Quality Focus On Line. The consolidated results produced by Quality Focus On Line are incorporated into our quality assurance assessment, which in turn is integrated into our yearly management objectives for each hotel. Quality Focus On Line will soon include the capability to respond via email directly to guests who have made comments or inquiries through the NH Customer Survey in an effort to improve the customer service experience by enhancing interaction with our guests and attention to their needs.

Communications and public relations

Our communications and public relations team consists of regional functions and a corporate team, which supports our brand, sales and marketing strategies and efforts, and which focuses on building a positive relationship and reputation with the media and our partners, ensuring a consistent message. The primary aim of the team is to further inform our partners about our strategic direction regarding brands, properties and services. The communications and public relations team also works on a project basis with specialized agencies to support and promote brand awareness, to generate higher visibility for all our brands and to add value to our brands by informing relevant consumer media. The regional communication and public relations executives also initiate, plan, organize, establish and manage a regional media network. They also advise the hotel general managers and regional managers on optimizing communication and media opportunities. Our internal communications team also ensures that our employees and partners are kept informed about our developments, strategies and tools.

Brand development

Our brand is supported by quality and service standards aimed at providing our guests with a consistent level of service across our hotels and fostering brand loyalty. Of the hotels included in the 2016 GFK survey, we were the most recognized hotel brand in Spain, with the #1 position in the "core target" category in relation to brand prompted awareness. In the Netherlands and Italy, we ranked third and fifth in brand spontaneous awareness, respectively. We will seek to continue to strengthen our reputation and brand through marketing initiatives and campaigns.

The repositioning of our hotel portfolio has been one of our main brand communication focus. In the year ended December 31, 2016, we invested approximately €82.0 million as part of our repositioning initiative started in 2014 and we expect to invest approximately an additional €9.7 million during 2017 to complete approximately €200 million of investments since the plan was launched. Our repositioning initiative involved the following countries or regions: (i) Spain, where we made the investments between the second semester of 2014 and the second semester of 2015, for an aggregate amount of approximately €84 million (or 42% of the total €200 million of the plan); (ii) Italy, where we made the investments between the first semester of 2014 and the first semester of 2015, for an aggregate amount of approximately €14 million (or 7% of the total €200 million of the plan); (iii) Benelux, where we made the investments in the second semester of 2015 and completed the plan in the second semester of 2016, for an aggregate amount of approximately €54 million (or 28% of the total € 200 million of the plan); (iv) Central Europe, where we made the investments in the second semester of 2015 and completed the plan in the second semester of 2016, for an aggregate amount of approximately € 34 million (or 17% of the total €200 million of the plan); and (v) Latin America, where we made the investments in the first semester of 2016, for an aggregate amount of approximately €12 million (or 6% of the total €200 million of the plan). Upon completion of this initiative, 65 hotels will have been refurbished, representing approximately 17% of our hotel portfolio. As of December 31, 2016 a total of 58 hotels have been refurbished since the plan was launched in 2014, and seven are under refurbishment.

In connection with our repositioning initiative, the ADR of our NH Hotels and NH Collection grew from €81.8 and €110.9 in 2015 to €84.6 and €118.5 in 2016, implying a growth of 3.4% and 6.9% respectively.

In the key cities where our hotels are located (i.e. Barcelona, Madrid, Seville, Valencia, Amsterdam, Brussels, Berlin, Frankfurt, Hamburg, Munich, Dusseldorf, Milano and Rome), where data are available and there are competitors' hotels with comparable features (in terms of location, segmentation, star rating and number of rooms), we have access through STR, a hotel market data and benchmarking provider, to the performance (ADR, Occupancy and RevPAR) of such competitors' hotels. The data we received from STR show that in connection with 77 NH hotels with a defined competitive set: (i) in 2015, as compared to 2014, our competitors' weighted average ADR increased 6.9%, whereas our ADR increased 13.1%, or 6.2 percentage points more than our competitors' increase, resulting in a 2.5 percentage points increase in RevPAR as compared to our competitive set; and (ii) in 2016, as compared to 2015, our competitors' weighted average ADR increased 0.9%, whereas our ADR increased 2.1%, or 1.3 percentage points more than our competitors' increase, resulting in a 4.4 percentage points increase in RevPAR compared to our competitive set.

In 2015 and 2016, we have increased our marketing activities and investment in key feeder markets from which our guests originate, namely Spain, Italy, Germany, the Netherlands, the United Kingdom, the United States and France, targeting travelers that are likely to travel to key destinations where our hotels are located. We used offline and, particularly, online media to implement our advertising campaigns. We aim to find the right balance between brand building and performance. Additionally, we intend to increase the size of our global commercial sales force in order to increase our presence in these key feeder markets from which our guests originate.

Furthermore, we have capitalized on our new brand architecture. The reorganization of our hotels into four core brands provides a clear defined level of service, quality and value for each brand. In particular, we segmented our portfolio in order to distinguish the value proposition of our four core brands for the business and urban leisure traveler. To aid this distinction and to maintain the position of each of these brands, all aspects of all our brands, including design, technical services, graphics, promotion, training and finance were carefully planned. Moreover, on top of our repositioning initiative, between 2013 and 2016, we have invested an additional approximately €40 million in basics (such as showers, mattresses, televisions, hairdryers, gym equipment and coffee machines) to ensure a higher and homogeneous quality of all our brands. Each brand has been defined by the following key positioning elements: appearance, products and services, guest experience, location and selling propositions. We have developed communication materials and dedicated marketing efforts to support accordingly the specific and distinct attributes of each brand. We believe this will help us improve the profitability and ADR for our core upper-upscale and upscale segments, as well as the brands.

NH Collection is our upper-upscale urban segment brand, which consists of our best properties and is designed for clients that are willing to pay a premium for higher quality products and services. NH Hotels remains our core brand for our upscale segment hotels, which consists of urban hotels with higher standards and more detail-oriented product and service levels, and our mid-tier urban segment hotels, which focus on delivering value and comfort for our customers. NHOW is our upper-upscale design brand, for which we do not have a standard design applied across all hotels. Instead, we have combined new forms of contemporary architecture, design and luxury by prestigious architects and interior designers to create an elegant and extravagant experience for our guests. Hesperia resorts is our vacation brand, which is comprised of upper-upscale and upscale vacation properties, mainly in seaside destinations. As of December 31, 2016, NH Collection, NHOW, NH Hotels and Hesperia represented approximately 20%, 1%, 75% and 4% of our total number of rooms, respectively, reflecting the pending rebranding of certain urban Hesperia hotels to NH brands. Our upper upscale collection, which is comprised of NH Collection and NHOW, increased from representing approximately 1% of our total number of rooms at December 31, 2013 to approximately 21% as of December 31, 2016.

As part of our repositioning program, we intend to continue investing in several of our core hotels to develop them into upper-upscale hotels. In addition, we plan to carry out quality assurance inspections on all hotels to monitor quality and performance according to our predefined services and standards criteria. See "*—Our strategy—Benefit from the Selective refurbishment of additional owned and leased hotels to increase Occupancy and ADR and to enhance asset value*".

Continuing the path that began in 2014, when we launched our new brand portfolio, over the next years, we will continue to develop and invest in all our brands to consolidate and further develop the brand portfolio.

Our customers

Most of our customers are business travelers, including travelers staying at our hotels for meetings, conventions and other events held at our hotels. During 2016, approximately 10 million customers stayed at one of our hotels, approximately 61% of whom were business travelers.

Competition

Our main competitors are other midscale and upscale international and local chains. We primarily compete with TRYP Hotels by Meliá International, AC Hotels by Marriott, Husa Hotels and Hotels Silken in Spain; Holiday Inn, Novotel, Marriott, Mercure, Park Inn and Motel One in Germany; Sheraton, Best Western, Stor Hotels, Una Hotels and AC Hotels by Marriott in Italy; Holiday Inn, Novotel, Van der Valk Hotels, Hampshire Hotels, Golden Tulip Hotels and Bildeberg Hotels in Benelux; and Fiesta Americana Hotels, Fiesta Inn, Holiday Inn, Camino Real and City Express in Mexico.

Regulation

We are subject to numerous national, regional and local laws and regulations in the various jurisdictions in which we manage, lease and own hotels, including those requirements relating to the preparation and sale of food and beverages, building and zoning, data privacy, competition and general business licenses and permits. Our ability to develop new hotel properties and to remodel, refurbish or add to existing properties also depends upon obtaining permits from local authorities. We are also subject to laws requiring us to pay taxes or governing our relationships with employees, including minimum wage requirements, overtime, working conditions, hiring and terminating, non-discrimination for disabilities and other individual characteristics, work permits and benefit offerings. National, regional and local laws and regulations also require certain registration, disclosure statements, compliance with specific standards of conduct and other practices with respect to operating hotels. Compliance with these various laws and regulations can affect the net turnover and profits generated by the hotels we manage, lease and own and could adversely affect our operations. We believe that our business is conducted in substantial compliance with applicable laws and regulations, and we have not received any notice of non-compliance that may have material effects on our business.

The rating of our hotels is determined by designated authorities pursuant to standards in the jurisdiction in which the hotel is located. To obtain a rating for our hotels, we first determine how and where we want to position the hotel or hotel project from a commercial point of view as this will affect the type of client we attract, the rates we can charge and the available sales channels, among other things. The location of a hotel also has an effect on the level of local competition the hotel will face, the destination possibilities for our clients and the local law standards with which we will have to comply.

After a decision is made regarding the positioning of the hotel, we must comply with the requirements set forth in the classification rating and ensure that we are able to offer the products and services that our selected star classification demands. In addition, each of our hotels must also be aligned with NH internal standards for each hotel category.

In Spain, the standards pertaining to hotel ratings and classifications are substantially the same across the country even though the standards are regionally determined. A hotel rating is certified by the Tourism Regional Authority after an extensive audit process ensuring all the required services, obligations and conditions are fulfilled. For example, the standards dictate floor space in each room; dimensions of staircases; the availability of a safe, laundry facilities and ironing equipment; opening hours of the hotel restaurant; ratio of parking spaces to number of rooms and the provision of doormen.

Environmental matters

Regulation

Our properties and operations are subject to certain legal requirements under various national and regional environmental laws and regulations, including those related to health and safety, air emissions, the use and disposal of solid and hazardous materials or waste and prevention and control for the contamination of water, air and soil ("Environmental Laws"). Governmental authorities may impose certain administrative and criminal penalties or fines for violation of Environmental Laws and may also, among other things, close, either indefinitely or temporarily, operations of any businesses found in violation of any Environmental Laws. Environmental Laws relating to contamination may impose liability for clean up without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous or toxic substances. Although we are not aware of any current material obligations for the removal of hazardous substances or any other environmental condition at any of our locations, the future discovery of hazardous or toxic substances may adversely affect our ability to operate our hotels or to sell or rent our owned real property or to borrow using our owned real property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic wastes may be liable for the costs of removal or remediation of such wastes at the treatment, storage or disposal facility, regardless of whether such facility is owned or operated by that person.

We are also subject to other laws and regulations relating to preservation of wetlands, coastal zones or endangered species, which could limit our ability to develop, use, sell or lease our real property. Future changes in environmental laws or the discovery of currently unknown environmental conditions may have a material adverse effect on our financial condition and results of operations. In addition, European environmental regulations have become increasingly stringent over the last decade and this trend is likely to continue.

We have an environmental management system designed to ensure our hotels comply with current regulations and control potential hazards that could damage the environment. This environmental management system has ISO 14001 environmental management and ISO 50001 energy efficiency certifications and is reviewed annually according to the legal requirements applicable in the countries to which we operate, as well as the recommendations of international organizations on best practices in sustainability to the hospitality industry. Over the past year, we have been able to take advantage of a general decrease in energy prices, which has allowed us to reduce our energy costs.

Moreover, 34% of our hotels hold individual external certifications that are either ISO 14.001, ISO 50.001 or GreenKey (a standard recognized by the Global Sustainable Tourism Council). From the beginning of our Strategic Environmental Initiative (with 2013 as our data baseline), we have reduced energetic demand by 5% per room night and our carbon footprint by 41% per room night. Since 2010, we also report our commitment and strategy against climate change to the Carbon Disclosure Project ("CDP"). In 2016, NH Hotel Group was recognized by CDP as a company with advanced management systems to effectively reduce emissions.

Information technology

We believe that investing in new systems and technology is critical to our growth. We are developing new systems, technology and platforms as part of our business plan that we believe will allow us to improve our product distribution, manage our operations more efficiently by helping us achieve economies of scale and better cultivate our employees' talents. Our IT initiatives are designed to implement best practices in the industry. We invested approximately €40 million in 2014, 2015 and 2016 to overhaul our IT management systems across our entire business, including centralizing our data collection, increasing automation of certain processes and developing a new website, which we expect will further contribute to reduce our costs and positively affect our net turnover. As of December 31, 2016, Spain, Benelux, Rest of Europe, Italy and Latin America have completed the migration of our back office and front office systems to SAP, an enterprise software system which integrates our front and back office and computer reservation systems (with the exception of Hoteles Royal, in relation to which the migration of our systems to SAP is expected to occur in 2017, and the new commercial website was launched in 2015. In the year ended December 31, 2016, compared to 2015, revenue generated from our website grew 18% from €89.6 million to €105.7 million. SAP allows us to outsource the administration of the hotels to a shared service center. The migration to SAP provides us with more efficient access to data across our business, enabling us to enhance the customer experience we can offer, implement economies of scale and, we believe, improve our competitiveness.

We believe these IT initiatives, together with our revenue management tools, will allow us to achieve additional cost savings in 2017 and 2018.

Intellectual property and innovation

We own and control a number of trade secrets, trademarks, service marks, trade names, copyrights, know-how and other intellectual property rights. We are licensed to use technology and other intellectual property rights owned and controlled by others, and we license other companies to use technology and other intellectual property rights owned and controlled by us. In addition, we have developed certain proprietary software applications that provide functionality to manage marketing, tours, gifting, sales, contracts, member profiles, property management, inventory management, yield management and reservations.

Insurance

We have international umbrella insurance policies under which we are insured against certain risks, including property damage, business interruption and civil liability claims brought by hotel guests. Our international umbrella policies are centrally managed in cooperation with our insurance brokers and adjusted on an ongoing basis. We also obtain local insurance policies to cover particular risks in the countries in which we operate. Deductibles and limits are agreed upon as appropriate. We also have directors and officers insurance as well as travel and personal insurance for our employees. We believe that our insurance coverage, including the maximum coverage amounts and terms and conditions of the insurance policies, are both standard for our industry and appropriate. We cannot, however, guarantee that we will not incur any losses or be the subject of claims that exceed the scope of the relevant insurance coverage.

Seasonality

Our industry is seasonal in nature. Based upon historical results, our hotels typically generate the highest net turnover from April through June and from September through October. We generally expect our revenues to be lower in the first quarter of each year than in each of the three subsequent quarters. See "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our financial condition and results of operations—Seasonality and weather*".

Employees

For the year ended December 31, 2016, we had an average of 13,986 full time equivalent employees who worked at our owned and leased hotels or in corporate positions. As of December 31, 2016, 6,246 employees were employed by the owner or lessor at the hotels that we operate but with whom we do not have a direct contractual relationship. For the year ended December 31, 2016, we had an average of 3,431 agency workers, 2,613 temporary workers and 7,942 permanent workers out of our total average of 13,986 full time equivalent employees. We employ temporary staff in order to give us the flexibility to reduce staff during seasonal low periods of Occupancy and to adjust staffing according to M&E activities. We have outsourced, in part, certain functions and services, including janitorial services at some of our hotels, reservations and technical support, to third-party vendors, and we may outsource other functions in the future.

We cooperate with the works councils in each country in which we operate to comply with the European Union directive on works councils (94/45/EC). In addition, in certain jurisdictions, we are also required to comply with certain employment conditions, including minimum wage requirements set by certain local authorities. Collective bargaining agreements that apply to our hotel employees are negotiated between the management of the relevant hotel and our human resources department, on the one hand, and the unionized employees and their respective unions, on the other. In general, these collective bargaining agreements are reviewed and revised biannually, depending upon the duration of the agreement, for salary adjustments and other contractual terms. We have not experienced any significant strikes or similar labor disputes with our existing employees in recent years that could have materially affected our operations.

Legal proceedings

From time to time, we are subject to certain legal proceedings and claims in the ordinary course of business. On the basis of current information, we do not expect that the current claims, lawsuits and other proceedings to which we are subject, or potential claims, lawsuits and other proceedings relating to matters of which we are aware, will ultimately have a material adverse effect on our results of operations, financial condition or liquidity.

HNA proceeding

On April 28, 2016, HNA Tourism Group Co., Ltd ("HNA Tourism Group"), an affiliate of our shareholder, the HNA Group, publicly announced that they had entered into an agreement (the "Carlson Agreement") for the acquisition of Carlson Hotels, Inc. ("Carlson Hotels"), which owns the Quourvus Collection, Radisson Blu, Radisson, Radisson RED, Park Plaza, Park inn by Radisson, Country Inns Suites By Carlson SM brands and the Club Carlson SM global hotel reward programs (the "Carlson Transaction"). According to public sources, under the terms of the Carlson Agreement, HNA Tourism Group will acquire all of Carlson Hotels, including its approximately 51.3% majority stake in Rezidor Hotel Group AB (publ) ("Rezidor") and Carlson Hotel's master license based in Brussels, with hotels in Europe, the Middle East and Africa.

The Carlson Transaction closed on December 7, 2016. As the ownership in Rezidor indirectly held by HNA Tourism Group was not sold down below 30%, the closing of the Carlson Transaction resulted in an indirect change of control in Rezidor and consequently, under Swedish takeover rules, HNA Tourism Group was obliged to launch a mandatory tender offer for the remaining of approximately 48.7% of Rezidor within the four weeks after the closing of the Carlson Transaction. On December 22, 2016, HNA Sweden Hospitality Management AB ("HNA Sweden") announced a mandatory tender offer to the shareholders of Rezidor to acquire all outstanding shares in Rezidor for SEK 34.86 in cash per share in Rezidor (the "Rezidor Offer"). On February 20, 2017, the board of directors of Rezidor unanimously recommended the shareholders of Rezidor not to accept the Rezidor Offer. On March 10, 2017, HNA Sweden extended the initial acceptance period of the Rezidor Offer to March 17, 2017 and the extended acceptance period to March 24, 2017. HNA Sweden announced the final outcome of the initial acceptance period on March 20, 2017, which was that the Rezidor Offer had been accepted by shareholders holding an aggregate of approximately 5.6% of the outstanding shares and votes in Rezidor HNA Sweden has reported that it expects to announce the final outcome of the initial acceptance period and the extended acceptance period on or about March 20, 2017 and March 29, 2017, respectively. According to HNA, settlement for shares tendered in the Rezidor Offer during the initial acceptance period and the extended acceptance period is expected to commence on April 7, 2017 and April 21, 2017, respectively, subject to HNA Sweden having obtained the necessary regulatory clearances to transfer funds out from China to be used for settlement in the Rezidor Offer.

Since the announcement of the Carlson Transaction there has been a public controversy between some of our shareholders regarding the potential conflict of interest of the HNA Group regarding its right to be represented by proprietary directors at our board of directors given that the HNA Group holds an interest (or has committed to hold an interest pursuant to the Carlson Agreement) in an international hotel business which may compete with our business. As a result of this controversy, at our ordinary general shareholders meeting held on June 21, 2016, following a specific proposal made by our shareholder Oceanwoods Opportunities Masterfund, a majority vote of our shareholders resolved to remove the four proprietary directors of our board proposed by HNA (the "HNA Directors Removal") and approved the appointment of four new directors presented by Oceanwoods Opportunities Masterfund (the "New Directors Appointment"). On that same date, following such general shareholders meeting, our board of directors decided not to renew the appointment of our former chief executive officer, Mr. Federico Jorge González Tejera (the "CEO Removal") as executive officer of the Company, and hence he resigned as director. See "*Management*".

The HNA Group has filed a claim against NH under the ordinary proceeding 527/2016 followed before the Commercial Court of Madrid no. 3 (the "Claim"), pursuant to which the HNA Group seeks the annulment of some of the resolutions passed by the ordinary general shareholders meeting held on June 21, 2016 including, among others, the HNA Directors Removal and the New Directors Appointment. The Claim also requests the adoption of interim measures by the Court (the "Interim Measures") consisting of the suspension of the corporate resolutions being challenged. If granted, the suspension and/or annulment of the challenged resolutions would not affect the position of seven directors out of eleven of the existing board of directors but may result in changes in the current management team and executive officers of our Company. Also, if the Claim were to be determined adversely to us, there could be a material adverse effect on our cash flow, financial condition and results of operations. See "*Risk factors—Risks relating to our business and industry—Controversies between some of our current significant shareholders may result in increasing litigation in which we may be involved and could harm our financial position, affect the composition and decision making process of our governing bodies, including the deadlock of commercial decisions, and limit our ability to operate our business and implement our strategy*".

The initial hearing in respect of the Interim Measures took place on September 19, 2016. On September 28, 2016, the Commercial Court of Madrid n°3 denied to grant the Interim Measures but, on October 18, 2016, HNA Group filed an appeal seeking revocation of the ruling and the adoption of the Interim Measures. On December 22, 2016, NH filed an opposition to appeal to HGA's appeal with respect to the Interim Measures. On January 26, 2017, the initial hearing in respect of the Claim took place and the Commercial Court scheduled further hearings for the Claim for June 6 and 8, 2017. Final resolution on both the Interim Measures and the appeal are pending.

HNA Group, through one of its subsidiaries Tangla, S.L., has brought criminal proceedings against Mr. Jose Antonio Castro Sousa based on the agreements adopted at the General Shareholders' Meeting of June 21, 2016 at which Mr. Castro served as the Chairman of the Meeting. The charges against Mr. Castro include unlawful use of proxy voting. Resolution of such criminal proceedings is pending.

Tax proceedings

From time to time, we are subject to various tax proceedings and audits with tax authorities in respect of our operations. Currently, we are subject to tax proceedings and audits with tax authorities in Spain, Italy, The Netherlands, Luxembourg, Colombia and Brazil. We estimate the total potential tax liability related to these proceedings, including penalties and interest, to be approximately €15 million (including potential tax liabilities of approximately €2.7 million in Spain, €2.3 million in Italy, €9.4 million in The Netherlands, €0.3 million in Luxembourg, €0.3 million in Colombia and €0.3 million in Brazil). We are also subject to a tax investigation in Germany and we estimate that any potential tax liability which might arise in connection therewith would not be significant. In connection with these proceedings, we have made provisions in our financial statements of approximately €2.4 million. Tax proceedings pose a significant amount of unpredictability and, as a result, we cannot forecast the outcome of any of these proceedings, when they may be resolved or the final amounts that may be payable in connection therewith.

In addition, we have identified tax contingencies amounting to approximately $0.6 million relating to the business of Hoteles Royal, S.A., which we believe should be borne by the sellers of Hoteles Royal, S.A. pursuant to the relevant share purchase agreement.

Leases

In relation to the renegotiation and early cancelation of leases of certain of our underperforming hotels or for other reasons, in some cases we have unilaterally paid the lessor a reduced rent based upon our analysis of market conditions and valuations. We have been subject to disputes and litigation from time to time in connection with lessors' claims for the shortfall in rent payments, and we may continue to be subject to similar disputes and litigation in the future, including in connection with our efforts through court proceedings to renegotiate and cancel leases of certain of our underperforming hotels.

Dutch claim

On March 31, 2015, the owner of four of our hotels in the Netherlands filed a claim against one of our Dutch subsidiaries for a penalty payment in the amount of €2.7 million, which it claims is due under our lease for those hotels as a result of a change of control caused by secondary sales of our shares in the open market in 2013 and 2014. The Court decision denied the claim but the owner has appealed the decision and the appeal proceeding is pending. The owner filed its grounds of appeal on October 18, 2016. We filed an opposition of appeal and counterclaim on January 10, 2017 and expect the owner to file a response by April 18, 2017. We believe the claim is without merit and intend to vigorously defend against it.

Former Chief Executive Officer

In October 2016, Mr. Federico Jorge González Tejera, our former chief executive officer, filed a claim against us in relation to the terms of his dismissal. We are in the process of filing an opposition to the claim.

Management

The following is a summary of certain information concerning our management, certain provisions of our by-laws and of Spanish law regarding corporate governance. This summary is qualified in its entirety by reference to such by-laws and Spanish law. See "*Listing and general information*" for information on how to obtain a copy of our by-laws.

The Issuer is managed by a board of directors which, within the limits prescribed by Spanish law, has the power to delegate its general authority to an executive committee or one or more executive directors under applicable law.

Board of directors of the issuer

As of the date of this offering memorandum the number of members of the board of directors, as approved by the most recently held general shareholders' meeting, is 12 members. Members of the board of directors are appointed by the shareholders of the Issuer at general shareholders' meetings. Each director's term of office is three years. The board of directors may fill any vacancies that may arise using the *cooptación* procedure under Spanish law on an interim basis until the next general shareholders' meeting. The board of directors has appointed two non-executive Co-Chairmen, Mr. Alfredo Fernandez Agras (Chairman of the board of directors and Vice Chairman of the Executive Committee) and Mr. José Antonio Castro (Vice Chairman of the board of directors and Chairman of the Executive Committee).

The following table sets forth, as of the date of this offering memorandum, the name, age, title and type of the members of the board of directors of the Issuer, together with their representatives (in the case of corporate directors), and is followed by a summary of biographical information of each director or representative (in the case of corporate directors):

Name	Age	Title
Alfredo Fernández Agras	47	Chairman Proprietary director representing Oceanwood
José Antonio Castro Sousa	60	Vice Chairman Proprietary director representing Hesperia
José Antonio Linati de Puig	57	Proprietary director representing Hesperia
Carlos Alfonso González Fernández	67	Independent director
Francisco Román Riechmann	62	Independent director
José María López-Elola González	67	Independent director
Koro Usarraga Unsain	59	Independent director
José María Sagardoy Llonis	48	Independent director
Maria Grecna	42	Other external director
Paul Daniel Johnson	52	Other external director
Fernando Lacadena Azpeitia	61	Other external director
José Maria Cantero de Montes-Jovellar	47	Other external director

The following is biographical information for each of the members of the board of directors of the Issuer:

Alfredo Fernández Agras. Mr. Fernández Agras is a partner at Everwood Capital SGEIC, the Chairman of the board of directors of Catral Garden & Home Depot, and a director of MERLIN Properties SOCIMI, South Capital and Alfer Corporate Finance. Over the last 20 years, Mr. Fernández Agras has worked in investment banking, serving as Managing Director and co-head of 360 Corporate and Managing Director of UBS Investment Bank in Spain. Previously, Mr. Fernández Agras worked at Merrill Lynch and Morgan Stanley in London. Mr. Fernández Agras also previously worked as a commercial and tax lawyer at Arthur Andersen.

Mr. Fernández Agras has degrees in economics and business studies and in law from the Universidad Pontificia Comillas (ICADE).

José Antonio Castro Sousa. Mr. Antonio Castro Sousa is Chairman of the boards of directors of Construcciones José Castro, S.A. and certain of its affiliates, a development and construction company, Grupo Inversor Hesperia, S.A. and certain of its affiliates, an investment company devoted to developing and operating hotel and commercial properties, Metropolitan Spain, S.L. and certain of its affiliates, a sports center management and operation company, and IPME 2012, S.A. and certain of its affiliates. Mr. Antonio Castro Sousa studied at the Escuela Superior de Arquitectura in Barcelona.

José Antonio Linati de Puig. Mr. Jose Antonio Linati de Puig.- Mr. Linati de Puig has over 35 years experience, and is Managing Director of Eurofondo, SA, a wealth management company. Mr. Linati de Puig is a graduate of law and has a degree in business management from ESADE.

Carlos Alfonso González Fernández. Mr. González Fernández was employed with Arthur Andersen for 35 years. Mr. González Fernández became a partner of Arthur Andersen in 1985 and, after holding various executive roles, was elected Chairman of Arthur Andersen in Spain in 2000, in which capacity he managed the merger with Deloitte in 2003 and was appointed Chairman of the new merged firm in Spain. Mr. González Fernández was also a member of the Deloitte World Council and the European Executive Committee and has served on the executive board of the Circle of Business People, the Association for Progress in Management and the Institute of Economic Studies. Mr. González Fernández retired from Deloitte in 2009. Until July 2013, Mr. González Fernández was a director of NCG Banco, S.A. Mr. González Fernández is a graduate in economics from the University of Bilbao and is a chartered accountant.

Francisco Román Riechmann. Mr. Francisco Román Riechmann is the Chairman of Vodafone España. He began his professional career in Sainco and in 1983 he became Commercial Manager at Hewlett Packard. At the beginning of 1992 he became the Manager for Spain for Pacific Telesisas, now named AirTouch Internacional, one of the founding companies of Airtel Móvil S.A. In 1998, he became Chief Executive of Microsoft Ibérica. From July 2002 he has been working for Vodafone, first as Chief Operations Manager, since February 2013 as Chief Executive and since January 2008 as Chief Executive and Chairman.

José María López-Elola Gonzalez. Mr. José María López Elola is a director of Festina Lotus, S.A., Cementos Occidentales S.A. and Celo, S.A. Mr. José María López Elola Gonzalez has held senior positions in several banking institutions, including Barclays, S.A. as General Manager, Citibank España, S.A. as Regional Manager of the mortgage business for Madrid and Banco Zaragozano, S.A. as deputy General Manager and head of Corporate Banking. During the past 25 years, Mr. José María López Elola Gonzalez has served as director of Lisbanzano, S.A., Banzafactor, S.A., Gesbanzano, S.A. and BZ.Gestión, S.A. and as Chairman of Inversiones Banzano, S.A., Eurofinanzas, S.A., Autopistas de Cataluña, S.A., Barclays Factoring, S.A. and Barclays Inversiones, S.A. Mr. José María López Elola Gonzalez is a graduate of the Universidad Complutense (Madrid) with a degree in economics.

Koro Usarraga Unsain. Mrs. Koro Usarraga Unsain has been a director of 2005 KP Inversiones, S.L., a private equity and management consultancy company, since 2005. Mrs. Koro Usarraga Unsain previously served as General Manager of Renta Corporación, a real estate group based in Barcelona, and Corporate General Manager of Occidental Hoteles. Before that, Mrs. Koro Usarraga Unsain worked at Arthur Andersen for 20 years and became a partner of Arthur Andersen in 1993. Mrs. Koro Usarraga Unsain has a bachelor's degree and a MBA from ESADE Barcelona.

José María Sagardoy Llonis. Mr. Sagardoy Llonis began his professional career in Arthur Andersen, and has held senior positions in several banking institutions, including Banco Popular, BBVA, and Deutsche Bank. Mr Sagardoy is currently a director of Club de Gestión de

Riesgos de España, is graduated from Pontificia Comillas University (ICADE E-2) with a degree in economics and has completed an Executive Program at IESE Business School.

María Grecna. Mrs. María Grecna is a co-founder and manager of Earlwood Rental Properties, a company dedicated to home acquisitions, refurbishment and management. Mrs. María Grecna previously served as Chief Executive of Varde Partners Europe in London from 2005 to 2011, and as Chief Executive of Varde Partners Iberia in Madrid from 2011 to 2013. Mrs. María Grecna has held various positions in Société Generale, Credit Suisse First Boston and Citigroup. Mrs. Maria Grecna holds a degree in economics from the School of Economy of Prague University in the Czech Republic and a Master's degree in finance from the London Business School.

Paul Daniel Johnson. Mr. Paul Daniel Johnson has 30 years of experience in management, marketing and sales in the hotel industry. Until May 2016, Mr. Paul Daniel Johnson served as the Chief Executive Officer of the Kew Green Hotels hotel chain, which he founded in 2000. Mr. Paul Daniel Johnson previously served as Marketing and Hotels Manager for Welcome Break Group and as Sales Marketing Manager for Europe, the Middle East and Africa for Budget Rent a Car. Mr. Paul Daniel Johnson has also held various positions in the Radisson Edwardian Hotels and Hilton International Hotels hotel groups. Mr. Paul Daniel Johnson has a degree in hospitality management.

Fernando Lacadena Azpeitia. Mr. Fernando Lacadena Azpeitia has over 35 years of experience in finance. Since 2014, Mr. Fernando Lacadena Azpeitia has served as Chief Executive Officer of Testa Inmuebles en Renta SOCIMI S.A., a real property company. Mr. Fernando Lacadena Azpeitia is also the chief financial officer of Merlin Properties Socimi, S.A. and the president of ASPRIMA, the Spanish association of rental property companies. Mr. Fernando Lacadena Azpeitia previously served as Chief Financial Officer for Grupo Sacyr Vallehermoso and has held positions in ACS-Dragados Group and Arthur Andersen. Mr. Fernando Lacadena Azpeitia holds a degree in economics and business management as well as a degree in law from ICADE (Major E-3) in Madrid.

José Maria Cantero de Montes-Jovellar. Mr. José Maria Cantero de Montes-Jovellar is the founder and Managing Partner of Results Mazimizier, a consulting firm for marketing, sales and communication projects, and Enubes, a digital marketing company. Mr. José Maria Cantero de Montes-Jovellar previously served at the Mutua Madrileña group in various capacities, including as Director of Mutuaactivos Inversions and Director in Segur Caixa Adeslas. Mr. José Maria Cantero de Montes-Jovellar also worked at the Amenda/Orange group in Spain and Procter & Gamble. Mr. José Maria Cantero de Montes-Jovellar graduated from Pontificia Comillas University (ICADE E-3) with a degree in law and economics and business management and graduated from the Companies Senior Management Programme of the Instituto de Estudios Superiores de la Empresa (IES).

The Board of Directors has agreed at its meeting on January 25, 2017 to propose the appointment of Ramón Aragonés Marín (Chief Executive Officer of the Issuer) as Executive Director at the next General Shareholders Meeting and his formal appointment as Managing Director at the Board of Directors meeting that will be held immediately after such General Shareholders Meeting.

Corporate governance

The current composition of the board of directors comprises, external proprietary directors (*consejeros externos dominicales*), external independent directors (*consejeros externos independientes*) and other external directors (*otros consejeros externos*). External proprietary directors are those who owned a significant shareholding interest in our capital stock or whose appointment has been proposed by significant shareholders and those who have been appointed in their capacity as shareholder, irrespective of their interest in the Issuer. External independent directors are professionals who can contribute their experience and knowledge to corporate governance and who fulfill the remaining conditions required by the regulations, including not being connected to the executive team or to significant shareholders. There are currently no executive directors (*consejeros ejecutivos*).

Our board of directors believes that its actions, composition, organization, remuneration and responsibilities comply with existing corporate governance recommendations in accordance with the specific indications set forth in our annual corporate governance report as well as in our annual report, in compliance with applicable legislation and recommendations set forth on behalf of the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

We include all documentation relating to our annual corporate governance report on our website in accordance with the provisions of the Securities Market Act and Circular 3/2015, of 23 June, as well as Circular 7/2015, of 22 December of the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*), regarding technical and requirements of contents of the web pages of listed companies, as requirements regarding the annual corporate governance report.

Senior management

Our experienced and proven management team has an average of approximately 17 years' experience in the hotel industry.

The Company has recently appointed Mr. Ramón Aragonés Marín as Chief Executive Officer of the Company (CEO). The Board of Directors has agreed to propose his appointment as Executive Director at the next General Shareholders Meeting and his formal appointment as Managing Director at the Board of Directors meeting that will be held immediately after such General Shareholders Meeting.

The following table sets forth, as of the date of this offering memorandum, the name, age and title of each of the senior managers of the Issuer, and is followed by a summary of biographical information of each member that is not a director.

Name	Age	Title
Ramón Aragonés Marín	61	Chief Executive Officer
Beatriz Puente Ferreras	44	Executive Managing Director of Administration and Finance
Rufino Pérez Fernández	42	Executive Managing Director of Corporate Resources
Carlos Ulecia Palacios	49	General Counsel
Jesús-Ignacio Aranguren González-Tarrío	55	Chief Assets & Development Officer
Isidoro Martínez de la Escalera Álvarez	51	Chief Marketing Officer
Fernando Vives Soler	38	Chief Commercial Officer
Jose María Basterrechea	48	Chief Operations Officer

Ramón Aragonés. Mr. Aragonés studied hotel management and tourism at the hotel management schools of Madrid and Palma de Mallorca and at the University of Leuven (Belgium). He has managed several hotels located in Galicia, Madrid, Brussels and Venezuela. From 2000 to 2010, Mr. Aragonés was the General Manager of Hoteles Hesperia, S.A. Since September 2011, Mr. Aragonés was appointed Chief Operations Officer and as of January 25, 2017 has been appointed Chief Executive Officer of the Issuer.

Beatriz Puente Ferreras. Mrs. Puente Ferreras holds an MBA from the Kellogg Graduate School of Management at Northwestern University in Chicago, where she studied Finance, Management and Marketing and was one of three international Fulbright Scholars. She also has a bachelor's degree in Business Administration with a major in Auditing from C.U.N.E.F. (Colegio Universitario de Estudios Financieros). Before joining the Group as Chief Financial Officer in July 2015, Mrs. Puente Ferreras worked as Chief Financial Officer of AENA for over two years and spent almost eight years at Vocento (Spanish media group), where she became Chief Financial Officer in 2007. At Citigroup European Investment Banking (Salomon Smith Barney), Mrs. Puente Ferreras held various management positions. During her professional life, she has also worked at companies such as Quintiles, where she worked as Financial Director, and Ernst & Young, as a Senior Auditor for clients in the food and beverage, lodging, personal care and retail sectors. Mrs. Puente Ferreras has also been a member of C.U.N.E.F.'s advisory board since September 2015.

Rufino Pérez Fernandez. Mr. Rufino Pérez Fernández studied economics and business management at the Universidad de Vigo and has an Executive MBA in Tourism Enterprise Management from the Instituto de Empresa. He has developed most of his professional career in the hotel industry, holding positions such as Head of Internal Audit, Organization and Systems Director and Chief Operations Officer of different hotel groups. After the integration of Hoteles Hesperia in the Group in December 2009, he has served as Commercial Director for Spain, Portugal and Andorra and Managing Director in this business unit. In February 2013, he was appointed Chief Commercial Officer of the Group leading the areas of Sales, Pricing and Revenue Management, Reservations and Commercial Business Intelligence. Currently he holds the position of Executive Managing Director of Corporate Resources, leading the Organization and IT, Human Resources and Procurement global disciplines, and reporting to the Delegated Commission of the Board of Directors.

Carlos Ulecia. Mr. Ulecia is a graduate of law and has a degree in business management from the University of Zaragoza, and he pursued a Master in Company and Tax Law from IE Business School (Madrid). Mr. Ulecia has worked as a senior associate in Landwell, which performs legal services for PricewaterhouseCoopers. In 2000, Mr. Ulecia was appointed as director of the legal department in Indra Sistemas. Mr. Ulecia joined Prisa in 2007 as Vice Secretary of the board of directors. Mr. Ulecia is a professor at the CEU San Pablo University and at the IE Business School, Madrid. Mr. Ulecia currently is the General Counsel of the Issuer.

Jesús-Ignacio Aranguren González-Tarrío. Mr. Aranguren González-Tarrío is a graduate in economics and business management from Universidad Pontificia de Comillas (ICADE-E2) and holds a Masters in Financial Management from the Center for Business Studies. Mr. Ignacio Aranguren González-Tarrío previously held several positions in Coopers & Lybrand. Mr. Ignacio Aranguren González-Tarrío joined the Issuer in 1989, and from 1997 to 2011 he served as the General Manager of Corporate Investment and Strategy of the Issuer. He is currently the General Manager of Assets and Development and Revenue of the Issuer.

Isidoro Martínez de la Escalera Álvarez. Mr. Martínez de la Escalera Álvarez has been a director of Biosearch, S.A. since 2012. He has held positions in Marketing and General Management in a wide range of multinational companies in the consumer, communications and Internet industries, including Procter & Gamble, 20th Century Fox H.E, Pepsi, Antena 3 TV and Grupo Osborne. Mr. Martínez de la Escalera Álvarez founded the communications agency QMS and the digital marketing company MultiPlatform Content. Mr. Martínez de la Escalera Álvarez has held academic posts in institutions such as the Instituto Superior para el Desarrollo de Internet (ISDI) and the Universidad de Nebrija. He is a graduate in Engineering from the Universidad Politécnica de Madrid and has a degree in Management Development from IESE.

Fernando Vives Soler. Mr. Vives Soler has a bachelor's degree and a master's degree in hotel management from Universidad Politécnica de Madrid, as well as diplomas in revenue management from Cornell University and CENP. Mr. Vives is the founder of Xotels, ltd, a revenue management and distribution firm. Mr. Vives spent eight years at Melia Hotels International, where he served as Global Director of Revenue Management and Senior Commercial Director, EMEA and Premium Brands. Mr. Vives has also previously held several positions at Le Meridien, the Ritz Carlton and Hesperia Hotels. Mr. Vives is also an associate professor at IE Business School where he teaches distribution and pricing as part of the MBA program.

Jose María Basterrechea. Mr Basterrechea holds a Bachelor in Economics from the University of Oviedo, and, an MA Business Finance from the University of Wisconsin (USA). He has completed an Executive Program at IESE Business School (Spain) and a Senior Executive Program at London Business School (UK). Mr. Basterrrechea has developed broad executive experience in the last 23 years in different Corporate positions, and as Managing Director in the Business Unit Italy.

Committees

The board of directors of the Issuer may form committees from among its members and charge the committees with the performance of specific tasks. The committees' tasks, authorizations and processes are determined by the board of directors. Where permissible by law, relevant decisions of the board of directors may also be previously informed by the committees. As of the date of this offering memorandum, the board of directors had established the following committees:

Executive committee

The executive committee is responsible for all the tasks delegated to it by the board of directors, which can delegate all the responsibilities allowed to be delegated by it under Spanish law, the bylaws and the board regulations. Under Spanish law, certain responsibilities of the board of directors cannot be delegated, such as, among others, the approval of the financial statements, the appointment of a delegated body and the determination of the general strategy of the company. The list of the responsibilities which cannot be delegated is set forth in the Issuer's by-laws. By virtue of our bylaws, the executive committee is entitled to take urgent decisions that require subsequent ratification from the board of directors.

Audit and control committee

The audit and control committee supports the oversight and control functions of the board of directors. The audit and control committee supervises the Issuer's internal control, internal auditing and risk management systems; preparing and reporting financial information; and compliance with the Issuer's internal codes of conduct. The audit and control committee also ensures the independence of the internal and external auditors and informs the board of directors regarding related-party transactions.

Appointments, remuneration and corporate governance committee

The appointments, remuneration and corporate governance committee reports on proposals to appoint and dismiss directors and senior managers of the Issuer and its subsidiaries; ensures that the selection procedures for vacancies on the board of directors are fair and unbiased; approves contracts for senior managers; determines the remuneration scheme of the chairman and the chief executive director; and performs an annual review of the remuneration policy with respect to directors and senior managers. The appointments, remuneration and corporate governance committee also oversees succession for the chairman and the chief executive and may present succession proposals to the board of directors. Lastly, this committee reviews and evaluates the corporate governance and corporate social responsibility of the Issuer, and ensures that standards for listed companies are met.

Compensation

In 2016, the aggregate cash compensation (including fixed salary, variable remuneration and allowances) received by the Group's senior management and by the board of directors was €2.6 million and €1.2 million, respectively. Additionally, the Group's senior management participates in an incentive compensation plan, the final cycle of which commenced on January 1, 2016, as described below.

The General Shareholders' Meeting of the Issuer held on June 25, 2013 approved a long-term share incentive plan (the "Plan") for certain of our executives and key personnel that would allocate a number of the Issuer's ordinary shares to the Plan's beneficiaries, based upon a percentage of their fixed salary according to their level of responsibility, at the end of each of the cycles that form the Plan.

The Plan has a total duration of five years and is split into three separate and independent three-year cycles. The first and second cycle commenced on January 1, 2014 and January 1, 2015 respectively. The final cycle commenced on January 1, 2016. The maximum amount set aside for the Plan in each of the cycles is €6.2 million for the first cycle, €5.8 million for the second cycle and €4.4 million for the third cycle. In turn, the maximum number of shares of the Issuer that will be allocated to the beneficiaries at the end of each cycle will be obtained by dividing the maximum amount allotted for that cycle by the average weighted trading price for shares of the Issuer in the ten working stock market days prior to the allocation date for the relevant cycle.

In order for beneficiaries to be entitled to receive shares under the Plan, they must remain employed by us on each of the Plan's payment dates, and the Issuer must achieve certain stock value and gross operating profit objectives.

Shareholders

The following table sets forth certain information with respect to the ownership of the ordinary shares, with a par value of €2.00 per share, of the Issuer by shareholders of record as of March 9, 2017. All shares are entitled to identical voting and economic rights and are traded on the Continuous Market of the Madrid Stock Exchange.

Name of owner of record[(1)]	Percentage of shares
HNA Group[(2)]	29.34%
José Antonio Castro Sousa[(3)]	9.272%
Oceanwood Capital Management, LLP[(4)]	11.969%
Others	49.419%
Total	**100.000%**

(1) Shareholder information is derived from the information disclosed by the Spanish National Securities Market Commission as of March 9, 2017.

(2) Held indirectly through Tangla Spain, S.L.

(3) Held indirectly through Grupo Inversor Hesperia, S.A. (9.100%) and Eurofondo, S.A. (0.171%).

(4) 1.56% of which is held through a securities loan.

Related party transactions

We maintain various business relationships with related parties. Our material transactions and agreements with related parties are summarized below.

Hesperia management agreement

In 2009, we purchased from Hesperia a 99% interest in its hotel management company, HH. As of December 31, 2016, we managed 32 hotels owned or leased directly or indirectly by Hesperia. In connection with our acquisition of HH, we agreed with Hesperia a form management agreement upon which the individual management agreements with respect to HH that we manage are based. Unlike our standard management agreements, our management agreements with Hesperia provide for:

- termination upon termination of the lease agreement, if applicable, between Hesperia and the third-party hotel proprietor;
- early termination by HH upon six months' notice;
- early termination for any reason, without cause, by Hesperia upon three months' notice; and
- early termination by Hesperia upon a change of control of the Issuer, in which case Hesperia must pay a specified termination fee to HH.

On December 4, 2016, we entered into a non-binding memorandum of understanding with Hesperia (the "Hesperia MoU") in connection with (i) the settlement of certain controversies with Hesperia regarding our management of certain Hesperia hotels and the economic consequences deriving from the potential termination of the relevant Hesperia management agreements (the "Hesperia Controversy"), (ii) the renewal of our Hesperia management agreements with respect to 28 of Hesperia's hotels in Spain (the "Spanish Hesperia Hotels") for nine years starting from January 1, 2017 and (iii) our provision of certain advisory services to three of Hesperia's hotels in Venezuela (the "Venezuelan Hesperia Hotels"), which we will cease to manage. On March 7, 2017, we entered into a binding agreement with Hesperia and certain entities of its group (the "Hesperia Framework Agreement") in respect of the matters contemplated by the Hesperia MoU.

The effectiveness of the Hesperia Framework Agreement is subject to the satisfaction of certain conditions precedent by April 20, 2017 (unless the long stop date under the agreement is extended), including (i) the execution of an agreement related to the transfer of Hesperia Entreprises de Venezuela, S.A. by the Group to Inverhesperia, S.L., an entity that is indirectly majority owned by our Co-Chairman Mr. Jose Antonio Castro Sousa, and certain trademarks associated with the Venezuelan Hesperia Hotels, the termination of the management agreements for the Venezuelan Hesperia Hotels and the execution of advisory agreements pursuant to which we will render advisory services to Hesperia Entreprises de Venezuela and (ii) the perfection of certain security granted by Hesperia in our favor to secure certain payment obligations assumed by Hesperia under the Hesperia Framework Agreement in the event of early termination of the management agreements by Hesperia. None of those conditions precedent have been satisfied as of the date hereof and, as a result, the Hesperia Controversy has yet to be definitively settled and the new terms and conditions of our management of the Spanish Hesperia Hotels have yet to come into force. The total consideration under the Hesperia Framework Agreement is €32.6 million, to be paid by us to Hesperia in three installments. See "*Risk factors—Risks relating to our business and industry—A significant number of our hotels are owned or leased by Hesperia, a shareholder of NH Hotel Group S.A., and we operate them under management contracts that grant non standard termination rights to Hesperia. The termination of our management contracts with Hesperia could have an impact on the number of hotels we manage and eventually have an adverse effect on our financial condition and results of operation*".

The aggregate management fees payable to us under our management agreements with Hesperia for the years ended December 31, 2014, 2015 and 2016 amounted to approximately €5.9 million, €6.2 million and €7.5 million, respectively. Because we invoice Hesperia on a monthly basis but collect our management fees on a quarterly basis, at December 31, 2016, €1.88 million of invoiced fees had not yet been received.

Joint Venture with HNA

In 2013, we established a framework for creating a joint venture agreement with the HNA Group to operate hotels in the Chinese market under the NH Hotels brand and for attracting the HNA Group's airline and tourism customers in the Chinese market to our hotels. The joint venture is in its second year of operation. It manages under agreement three HNA hotels, under the Tangla brand, Tangla Beijing (380 rooms), Tangla Tianjin (116 rooms) and Tangla Dongguan (268 rooms). One additional management agreement was signed in 2016 for the management by the joint venture of the first NH Hotel, NH Shijiazhuang Financial Center (78 rooms in phase one and an additional 40 rooms in phase 2), which is expected to open on March 30, 2017. During the course of 2017, we expect to have entered into management agreements for seven additional hotels, two of which are expected to open in 2017.

We intend to attract more customers from China to our European and Latin American hotels. The joint venture agreement provides for the eventual transfer of six of the HNA Group's existing management contracts to the joint venture, and, beyond our initial investment in the joint venture of $9.8 million, half of which has been invested in the first semester of 2016 and the second half is expected to be invested in 2017, we are not required to make any capital investments under such agreement. These arrangements afford us operational flexibility to determine the amount of time, resources and capital to be invested in this project based on projected returns and performance.

Description of certain financing arrangements

The following is a summary of the material terms of our principal financing arrangements. The agreements described herein are subject to the issuance of the Notes as described in this offering memorandum. The following summaries do not purport to describe all the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements.

Senior Secured RCF Agreement

The following is a summary of the provisions of the Senior Secured RCF Agreement dated September 22, 2016, entered into among, *inter alios*, the Issuer and NH Finance S.A., as borrowers (jointly, the "Borrowers"), various subsidiaries of the Issuer, as guarantors, Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank USA, BANKIA, S.A., BNP Paribas España, S.A, Bankinter, S.A., Banco de Sabadell, S.A., Liberbank, S.A. and Novo Banco, S.A., Sucursal en España, as original lenders (the "Lenders"), and Banco Bilbao Vizcaya Argentaria, S.A., as agent (the "Agent"). As of the date hereof, the Senior Secured RCF Agreement has not been amended.

Facilities

The Senior Secured RCF Agreement provides for a committed senior secured revolving credit facility of €250 million (the "Senior Secured RCF").

Availability and purpose

The Senior Secured RCF is available September 29, 2016 (the 'Effective Date') until the date that is 30 days prior to the third anniversary of the Effective Date. The utilization of the Senior Secured RCF is subject to customary conditions precedent.

Each Borrower shall apply all amounts borrowed by it under the Senior Secured RCF towards general corporate and working capital purposes of the Group, without any limitation on the uses.

Interest rates and fees

Interest on each loan under the Senior Secured RCF accrues during interest periods with a duration of 1, 3 or 6 months, at the Borrowers' choice at a rate equal to EURIBOR plus the applicable margin (set forth in the table below). The initial margin is 2.25% per annum. The margin applicable is adjusted based upon the ratio of Net Financial Indebtedness to consolidated EBITDA (as these terms are defined in the Senior Secured RCF Agreement) in respect of any relevant testing period, as demonstrated in a compliance certificate required to be delivered within 180 days since the end of each fiscal year, as set forth in the following table:

Net Financial Indebtedness to consolidated EBITDA	Margin % per annum
Greater than 4.0:1	2.25
Greater than or equal to 3.5:1 but less than or equal to 4.0:1	2.10
Less than 3.5:1	1.85

Upon the occurrence of an event of default and while such event of default is continuing, the margin shall automatically be the highest rate.

The Borrowers shall pay a commitment fee computed at the rate of 30%. per annum of the applicable margin at the relevant period on that Lender's available commitment during the availability period.

The Borrowers shall pay to the Lenders an arrangement fee to be distributed among the Lenders in proportion to their respective commitments.

The Borrowers shall pay an utilization fee per annum computed at the rate set in the table below opposite to each level of utilisation of the Senior Secured RCF (expressed as a percentage over the average amount of the Senior Secured RCF drawn as at each anniversary date of the Senior Secured RCF Agreement):

Amount of the Senior Secured RCF drawn (per cent)	Fee (bps)
Less than 33%	0
Equal to or greater than 33% but less than 66%	25
Equal to or greater than 66%	40

Guarantees and security

The Senior Secured RCF is guaranteed on a senior basis by the Guarantors on the same terms as the 2023 Notes and the 2019 Notes. The Senior Secured RCF benefits from the same security as the 2023 Notes and the 2019 Notes.

Undertakings

The Senior Secured RCF Agreement contains certain customary negative undertakings that, subject to certain customary and other agreed exceptions, limit the ability of each obligor (and in certain cases, members of the Group) to, among other things:

- create or permit to subsist any security over any of its assets, provide any guarantee, nor to
- incur in any additional indebtedness, in substantially similar terms as the Indenture;
- pay dividends or make other payments or distributions of any kind on or in respect of any of its shares, provided however that any such distributions may be made if an event of default has not occurred and is not continuing and limited to the maximum amounts (expressed as a percentage over the consolidated net profit) set below opposite to each level of the ratio Net Financial Indebtedness to consolidated EBITDA (as these terms are defined in the Senior Secured RCF Agreement), calculated pro-forma as of the distribution payment date:

Net Financial Indebtedness to consolidated EBITDA	Maximum amount of distribution (as a percentage of the net consolidated profit of the Issuer)
Less than or equal to 4.0:1	75
Less than or equal to 3.5:1	100
Less than or equal to 3.0:1	Unlimited

- carry out any investments, in substantially similar terms as provided for under the Indenture;
- not to effect or allow to effect sales, transfers, contributions, assignments, or any other type of disposal, in respect of the assets of the Group, in substantially similar terms as provided for under the Indenture;
- carry out corporate reorganisations and mergers, in substantially similar terms as provided for under the Indenture;

• change its businesses or corporate purposes; and

• carry out any transactions that are not in arms-length terms.

Likewise, the Senior Secured RCF Agreement contains certain customary positive undertakings pursuant to which, subject to certain customary and other agreed exceptions, each obligor and, in certain cases, members of the Group, undertake to, among other things:

• comply in all material respects with laws of different nature to which they may be subject;

• contract and maintain in full force and effect with reputable independent insurance companies, insurances on and in relation to the Group's business and material assets;

• appoint and maintain a reputable firm as auditors of the Group; and

• comply with certain information and reporting obligations.

Financial covenants

The Senior Secured RCF Agreement contains financial covenants that require the Group to ensure that it complies with the following ratios:

Ratio(1)	Level
Consolidated EBITDA to Consolidated Interest Expense	Greater than or equal to 2.0:1
Net Financial Indebtedness to consolidated EBITDA	Less than or equal to 5.50:1

(1) The calculation of the ratios presented in this table will be made in accordance with the defined terms in the Senior Secured RCF Agreement

Additionally, the obligors must comply with the following Loan to Value maximum levels (to be calculated in accordance with the defined terms in the Senior Secured RCF Agreement), as applicable from time to time:

(i) as from the date of the Senior Secured RCF Agreement and up until the full refinancing or the maturity and full redemption of the 2019 Notes, equal to or less than 55%; and

(ii) as from the date on which the 2019 Notes are fully refinanced or redeemed, the maximum levels of the Loan to Value shall be those set forth in the following table, opposite to each level of the ratio Net Financial Indebtedness to consolidated EBITDA:

Net Financial Indebtedness to consolidated EBITDA	Maximum Loan to Value
Greater than 4.00:1	70%
Less than or equal to 4.00:1	85%
Less than or equal to 3.50:1	100%

Maturity

Any amounts drawn under the Senior Secured RCF outstanding must be repaid on the third anniversary of the Effective Date. However, provided that before such date the 2019 Notes have been fully refinanced or repaid, the Issuer may extend the maturity for an additional two years. Accordingly, if such extension were to occur, any amounts drawn under the Senior Secured RCF outstanding would have to be repaid on the fifth anniversary of the Effective Date.

Voluntary cancellation and prepayment

Subject to certain conditions, the Issuer may voluntarily cancel any available commitments, or voluntarily prepay any outstanding loans, under the Senior Secured RCF by giving seven business days' prior notice.

Mandatory cancellation and prepayment

If it becomes unlawful for any Lender (or for any of its affiliates) to perform any of its obligations under the Senior Secured RCF Agreement or to fund or maintain its participation in any loan thereunder, upon serving notice to the Issuer, the available commitment of that Lender will be immediately cancelled and, to the extent that the Lender's participation has not been transferred in accordance with the Company's right to replace such Lender in the terms and conditions provided for under the Senior Secured RCF Agreement, each Borrower shall repay that Lender's participation in the loans made to that Borrower on the last day of the interest period ongoing at that time for each loan.

Subject to certain exceptions and thresholds, prepayments of loans outstanding under the Senior Secured RCF are required to be made with the proceeds obtained from the disposal of certain categories of assets and the recovery of insurance claims which are not previously applied in accordance with the permitted uses provided for under the Senior Secured RCF Agreement.

Upon the occurrence of a Change of Control, if a Lender so requires and notifies the Agent within 10 days of the Company notifying the Agent of the occurrence of the Change of Control, the Agent shall, by not less than 90 days' notice to the Company, cancel the commitment of that Lender and declare the participation of that Lender in all outstanding loans, together with accrued interest, and all other amounts accrued, immediately due and payable.

"Change of Control" is defined as any natural or legal person or group of natural or legal persons acting in concert (a) acquiring shares representing, at least, 50.01% of the share capital of the Issuer or gaining control of the Issuer or (b) acquiring shares in the share capital of the Issuer that enable such person or persons to appoint, at least, the majority of the members of the board of directors of the Issuer or (c) the Company ceasing to be the direct or indirect owner of 100% of the share capital or voting rights of NH Finance, S.A. (unless the obligations of NH Finance, S.A. under the Senior Secured RCF Agreement have been cancelled or assigned to the Issuer).

Representations and warranties

The Senior Secured RCF Agreement contains representations and warranties customary for financings of this nature (with customary and agreed thresholds, qualifications and carveouts) including, *inter alios*, those relating to status, binding obligations, no conflict with other obligations, power and authority, validity and admissibility in evidence, no filing or stamp taxes, no default, insolvency, no misleading information, financial statements, pari passu ranking, absence of indebtedness, guarantees or liens, ownership of shares in the Group and real estate assets which secure the obligations under the Senior Secured RCF Agreement, absence of threatened or pending proceedings, consents, filings and laws applicable to operations, compliance with law, industrial property rights, inexistence of immunity, insurance, sanctions and structure of the Group.

Events of default

The Senior Secured RCF Agreement contains events of default customary for financings of this nature (with customary and agreed thresholds, qualifications, carveouts and cure periods), including, *inter alios*, those relating to payment default, breach of financial covenants, breach of other obligations, misrepresentation, insolvency, cross defaults, enforcements and other creditors; process, qualifications in the audit reports, unlawfulness and enforceability of the finance documents,

The occurrence of any event of default will allow (i) the qualified majority of Lenders (as defined in the Senior Secured RCF Agreement) to cancel all available commitments under the

Senior Secured RCF and declare all amounts owed under the Senior Secured RCF Agreement to be due and payable, or (ii) in case of a payment default, any Lender if the qualified majority of Lenders decide not to take action within a certain period of time, to cancel available commitments of such Lender under the Senior Secured RCF and declare all amounts owed to such Lender under the Senior Secured RCF Agreement due and payable.

Governing law

The Senior Secured RCF Agreement is governed by Spanish law.

2019 Notes

On the 2019 Notes Issue Date, the Issuer issued €250 million aggregate principal amount 6.875% Senior Secured Notes due 2019. The interest on the 2019 Notes is payable semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2014. The 2019 Notes mature on November 15, 2019.

On the Issue Date, we will acquire the 2019 Notes purchased by Deutsche Bank in the Tender Offer. The 2019 Notes acquired from Deutsche Bank are expected to be cancelled on the Issue Date.

If less than €150 million in aggregate principal amount of the 2019 Notes are acquired by Deutsche Bank prior to the Issue Date in the Tender Offer and subsequently acquired by us on the Issue Date, then the Issuer intends to redeem, pursuant to a Post-Settlement Redemption, and subsequently cancel an aggregate principal amount of its 2019 Notes which, when combined with the 2019 Notes purchased by Deutsche Bank in the Tender Offer and subsequently acquired by the Issuer on the Issue Date, will result in the cancellation of €150 million in aggregate principal amount of the Issuer's 2019 Notes.

The Issuer may redeem all or part of the 2019 Notes prior to November 15, 2017 at a redemption price equal to 100% of the principal amount of such notes redeemed plus a make whole premium and accrued and unpaid interest to the redemption date. The Issuer may redeem all or part of the 2019 Notes on or after November 15, 2017 at 103.438% of the principal amount plus accrued and unpaid interest to the redemption date. The specified redemption price decreases to 100% of the principal amount plus accrued and unpaid interest to the redemption date in respect of the 2019 Notes redeemed on or after November 15, 2018.

At any time prior to November 15, 2016, the Issuer may redeem up to 35% of the aggregate principal amount of the 2019 Notes with the net cash proceeds of certain equity offerings at 106.875% of the aggregate principal amount of the 2019 Notes originally issued, plus accrued and unpaid interest, if any, to the redemption date, if at least 65% of the aggregate principal amount of the 2019 Notes originally issued remain outstanding and the redemption occurs within 90 days of the closing of such equity offering.

As of the Issue Date, the 2019 Notes will be jointly and severally guaranteed on a senior basis by the same subsidiaries of the Issuer that will guarantee the Notes. As of the Issue Date, the 2019 Notes will be secured by first priority security interests, subject to permitted collateral liens, over the same property and assets of the Issuer and the other subsidiaries that secure the Notes. The security interests are subject to limitations under applicable laws and may be released under certain circumstances.

We have agreed to observe certain covenants with respect to the 2019 Notes including limitations on restricted payments, incurrence of indebtedness and issuance of preferred stock and disqualified stock, liens, dividend distributions and other payments, mergers and consolidations, transactions with affiliates, sales of assets and equity interest in restricted subsidiaries and guarantees. In case of a change of control (including, among others, if all or substantially all of the properties or assets of the Issuer and certain of its subsidiaries taken as a whole are sold, transferred or otherwise disposed of, or if any person acquires the majority of voting power of the Issuer), holders of the 2019 Notes have the right to require the Issuer to repurchase all or any part of their 2019 Notes at a purchase price equal to 101% of the principal amount of the 2019 Notes repurchased, plus accrued and unpaid interest to the date of purchase.

The offering of the 2019 Notes was not registered under the Securities Act or any U.S. state securities laws. The 2019 Notes are listed on the Spanish fixed rent regulated market, AIAF.

The 2019 Notes contain customary events of default, including, among others, the non-payment of principal or interest on the 2019 Notes, certain failures to perform or observe any other obligation under the 2019 Notes Indenture or security documents, the failure to pay certain indebtedness or judgments and the bankruptcy or insolvency of the Issuer or certain significant subsidiaries of the Issuer. The occurrence of any of the events of default would permit or require the acceleration of all obligations outstanding under the 2019 Notes.

Senior Unsecured Convertible Bonds

On the 2019 Notes Issue Date, the Issuer issued €250 million 4% Senior Unsecured Convertible Bonds (the "Senior Unsecured Convertible Bonds"). The holders of the Senior Unsecured Convertible Bonds are represented by a commissioner (*comisario*) (the "Commissioner"), which is BNP Paribas Securities Services, Sucursal en España. The Senior Unsecured Convertible Bonds bear interest from and including the closing date of the Senior Unsecured Convertible Bonds at a rate of 4% per annum calculated by reference to the principal amount thereof and payable quarterly in arrears in equal installments on February 8, May 8, August 8 and November 8 in each year (each, an "Interest Payment Date"). The Senior Unsecured Convertible Bonds will mature on the Senior Unsecured Convertible Bonds Maturity Date and constitute direct, unconditional, unsubordinated, senior obligations of the Issuer and rank *pari passu* among themselves and equally with all other existing and future unsecured and unsubordinated indebtedness of the Issuer (except for such obligations that may be preferred by provisions of law that are mandatory and of general application).

The Senior Unsecured Convertible Bonds may be converted, under certain circumstances at the option of the holders, at any time (subject to any fiscal or other laws or regulations and as provided in the terms and conditions of the Senior Unsecured Convertible Bonds (the "Conditions") and the fiscal, transfer and conversion agency agreement), from the date that is 41 days after the closing date of the Senior Unsecured Convertible Bonds to the close of business on the seventh trading day prior to the Senior Unsecured Convertible Bonds Maturity Date (both days inclusive) or, as the case may be, on any early redemption at the option of the Issuer, prior to the close of business on the seventh trading day up to (and including) the date set for such early redemption. The Senior Unsecured Convertible Bonds are convertible at an initial conversion price of approximately €4.919 per ordinary share of our stock which price will be adjusted upon the occurrence of any one of certain adjustment events customary for issuances of equity-linked debt instruments and on a Tender Offer Triggering Event (as defined in the Conditions).

In addition, on giving the requisite notice set forth in the Conditions, the Issuer may redeem all but not some of the Senior Unsecured Convertible Bonds at a price equal to their principal amount plus accrued but unpaid interest to, but excluding, the date specified in the optional redemption notice at any time:

- on or after three years and 21 days following the closing date with respect to the Senior Unsecured Convertible Bonds, if the Aggregate Value of a Senior Unsecured Convertible Bond exceeds 130% of the principal amount during a certain period; or
- if more than 85% in principal amount of the Senior Unsecured Convertible Bonds originally issued have been converted or purchased and cancelled or redeemed.

As used above, "Aggregate Value" of a Senior Unsecured Convertible Bond in the principal amount of €100,000 on any trading day means €100,000 divided by the conversion price on such day multiplied by the closing price of an ordinary share of the Issuer on such day as derived from the relevant stock exchange.

Furthermore, the Issuer has the right to redeem the Senior Unsecured Convertible Bonds prior to the Senior Unsecured Convertible Bonds Maturity Date at any time for certain taxation reasons under and in accordance with the Conditions and upon the Issuer exercising such right, each holder will have the right to elect that its Senior Unsecured Convertible Bonds are not so redeemed in which case certain provisions related to taxation in the Conditions will cease to apply to payments due on such Senior Unsecured Convertible Bonds after the tax redemption date (as defined in the Conditions). Following a change of control, the Senior Unsecured Convertible Bonds may be redeemed at the option of the holder of the Senior Unsecured Convertible Bonds at their principal amount, together with accrued interest to (but excluding) the change of control put date.

The Conditions governing the Senior Unsecured Convertible Bonds limit, among other things, our ability to grant security to secure present or future indebtedness in the form of debt securities, subject to certain exceptions including, but not limited to, the security to secure the Notes and the 2019 Notes.

The Conditions contain events of default customary for issuances of equity-linked debt instruments (with customary and agreed grace periods, thresholds and carve-outs, as applicable), the occurrence of any of which will allow the Commissioner or, unless there has been a resolution of the syndicate of holders to the contrary, any holder in respect of the relevant defaulted bond, to declare all principal amounts, together with accrued but unpaid interest, owed under the Conditions immediately due and payable whereupon such amounts will become immediately due and payable without further formality to the extent permitted by applicable law. Events of default in the Conditions include, but are not limited to, payment default, cross default and cross acceleration with respect to present and future financial indebtedness of the Issuer or any material subsidiary and insolvency-related events of default.

On April 27, 2015, the Issuer completed a consent solicitation with respect to the Senior Unsecured Convertible Bonds to amend, among other things, the definition of "Permitted Security Interests" contained in the fiscal, transfer and conversion agency agreement governing the Senior Unsecured Convertible Bonds in order to permit the Issuer to issue additional senior secured notes, subject to certain conditions, that may be secured by assets of the Issuer or any of its subsidiaries.

Intercreditor Agreement

On the 2019 Notes Issue Date, the Issuer, the initial guarantors of the 2019 Notes, NH Finance, S.A., the 2019 Notes Trustee, the agent under the 2013 Senior Credit Facilities Agreement, the Security Agent, the lenders under the 2013 Senior Credit Facilities Agreement and certain other parties entered into the Intercreditor Agreement to establish the relative rights of certain of the Group's creditors, including creditors under the 2013 Senior Credit Facilities Agreement, the 2019 Notes Indenture and any Additional Senior Financings. The Intercreditor Agreement was amended on September 29, 2016. For the purposes of the Intercreditor Agreement, "Additional Senior Financings" means debt, including the 2023 Notes and the Senior Secured RCF, incurred by any member of the Group that benefits from a security interest in the Collateral (the "Transaction Security") and that is not prohibited to be incurred under the 2019 Notes Indenture, the 2023 Notes Indenture and the Senior Secured RCF Agreement or any other Senior Financing Documents (as defined thereunder). By accepting a Note, holders of Notes will be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement.

The Intercreditor Agreement sets forth:

- the ranking of the indebtedness under the 2019 Notes, the 2023 Notes, the Senior Secured RCF and any other Additional Senior Financing (together the "Senior Secured Debt" and the creditors to whom the Senior Secured Debt is owed being the "Senior Secured Creditors");
- the ranking of the security created pursuant to the Transaction Security;
- the procedure for enforcement of the Transaction Security and any guarantee granted in favor of the Senior Secured Creditors and the allocation of proceeds resulting from such enforcement;
- the types of disposals permitted under distressed and non-distressed scenarios and the Security Agent's authority to release the Transaction Security and guarantees granted in favor of the Senior Secured Creditors in case of a distressed and non-distressed disposal;
- the terms pursuant to which intra-Group debt will be subordinated; and
- turnover provisions.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and, as such, we urge you to read that document, because it, and not the discussion that follows, defines certain rights (and restrictions on entitlement) of the holders of the Notes and other Senior Secured Creditors.

Priority of debts

The Intercreditor Agreement provides that all liabilities owed under the 2019 Notes, the 2023 Notes, the Senior Secured RCF, and any other Additional Senior Financing (including in each case, any liabilities owed pursuant to any guarantees given in respect of such debt) will rank *pari passu* and without any preference between them and in priority to any intra-Group debt.

Ranking of security

The Intercreditor Agreement provides that the Transaction Security will rank and secure the Senior Secured Debt *pari passu* and without any preference between them.

Enforcement and application of proceeds

The Intercreditor Agreement sets forth procedures for enforcement of the Transaction Security. Subject to the Transaction Security having become enforceable, Senior Secured Creditors whose Senior Credit Participations aggregate more than 66⅔% of the total Senior Credit Participations (the "Instructing Group") are entitled to direct the Security Agent to enforce or refrain from enforcing the Transaction Security, as they see fit. The Security Agent will refrain from enforcing the Transaction Security unless otherwise instructed by the Instructing Group. For these purposes, "Senior Credit Participations" means at any time in relation to a Senior Secured Creditor, the aggregate amount owed to such Senior Secured Creditor.

All amounts paid to or recovered by the Security Agent under the Senior Secured Debt documents or in connection with the enforcement of any Transaction Security shall be held by the Security Agent and applied in the following order:

- first, on a *pro rata* and *pari passu* basis in discharging any sums (including fees, remuneration, costs, charges, liabilities and expenses (and including any taxes and VAT required to be paid)) owing to (i) the Security Agent or any receiver, delegate, attorney or agent appointed under the Transaction Security Documents or the Intercreditor Agreement; (ii) the Trustee and (iii) any creditor representative in its capacity as such in respect of any Additional Senior Financing;

- second, on a *pro rata* and *pari passu* basis to (i) the 2019 Notes Trustee and the Trustee on its own behalf and on behalf of the holders of the 2019 Notes and the 2023 Notes, respectively; and (ii) any creditor representative in respect of an Additional Senior Financing on its own behalf and on behalf of the creditors under such Additional Senior Financing, for application towards the discharge of amounts owed under the Senior Secured RCF, 2019 Notes and the 2023 Notes (in accordance with the 2019 Notes Indenture and the Indenture, respectively) and any Additional Senior Financing, on a *pro rata* basis;
- third, if none of the debtors is under any further actual or contingent liability under any of the Senior Secured Debt documents, in payment to any person the Security Agent is obliged to pay in priority to any debtor; and
- fourth, in payment or distribution to the relevant debtors.

Distressed and non-distressed disposals

The Security Agent is authorized (without the requirement to obtain any further consent, sanction, authority or further confirmation from any Senior Secured Creditor) to release from the Transaction Security any security interest (i) over any asset which is the subject of a disposal that is not a Distressed Disposal and is not prohibited by the terms of any Senior Secured Debt document (including a disposal to a member of the Group); and (ii) any security interest (and any other claim relating to a debt document) over any other asset to the extent that such release is in accordance with the terms of the Senior Secured Debt documents.

If to the extent permitted by applicable law a Distressed Disposal is being effected or the shares of a member of the Group are being appropriated by the Security Agent, the Security Agent is authorized (without the requirement to obtain any further consent, sanction, authorization or confirmation from any Senior Secured Creditor or other relevant party): (i) to release the Transaction Security or any other claim over any asset subject to the Distressed Disposal or appropriation; and (ii) if the asset subject to the Distressed Disposal or appropriation is the shares of a Group company, to release such Group Company and its subsidiaries from any liabilities under borrowings and guarantees under the Senior Secured Debt documents and Intra-Group debt documents.

Intra-Group debt

Pursuant to the Intercreditor Agreement, the Issuer and its subsidiaries party thereto that are creditors in respect of intra-Group debt have agreed to subordinate intra-Group debt to the Senior Secured Debt.

Neither the Issuer nor any of its subsidiaries that are creditors in respect of intra-Group debt may accept the benefit of any security, guarantee, indemnity or other assurance against loss in respect of intra-Group debt unless such action is permitted under the Senior Secured Debt documents or the prior consent of an Instructing Group is obtained. Neither the Issuer nor any other subsidiary may make any payment, prepayment, repayment or otherwise acquire or discharge any intra-Group debt if acceleration action has been taken in respect of any of the Senior Secured Debt unless the Instructing Group consents or such action is undertaken to facilitate repayment or prepayment of the Senior Secured Debt.

Turnover

If any creditor party to the Intercreditor Agreement (including the Agent, Security Agent, Trustee, Senior Secured Creditors, creditors in respect of intra-Group debt and creditors in respect of Equity Investor Liabilities) receives or recovers a payment (whether by way of direct payment, set-off or otherwise) except as permitted pursuant to the terms of the Intercreditor Agreement, such creditor shall hold such payment in trust for the Security Agent and promptly pay over such amounts to the Security Agent for application in accordance with the provision described above under "—*Enforcement and application of proceeds*".

Secured loans

The following table sets forth for each secured loan of the Group, the maturity dates, amounts outstanding as of December 31, 2016, interest rates per annum and the assets securing the loan.

Group Entity Borrower	Maturity date	Amount outstanding as of December 31 2016	Interest rate per annum	Collateral
		(€ in millions)		
NH Italia S.p.A.	2021	2.1	EURIBOR+0.9%	NH Villa San Mauro
NH Lagasca, S.A.	2018	5.4	EURIBOR+0.5%(1)	NH Lagasca
Desarrollo Inmobiliario Santa Fe Mexico, S.A. de C.V.	2017	1.3	LIBOR+2.6%	NH Santa Fe
Grupo Hotelero Queretaro, S.A. de C.V. . . .	2020	1.6	LIBOR+1.85%	NH Queretaro
Hoteles Royal, S.A.(2)	2036	21.0	Fixed rates : 8,55%	NH Antofagasta & NH Collection Plaza Santiago
VSOP VIII B.V.	2020	1.1	EURIBOR+2.6%	NH Groningen
Palacio de la Merced, S.A.(3)	2025	4.9	EURIBOR+1.5%	NH Palacio de la Merced
Total Secured Loans		**37.4**		

(1) Minimum interest rate is set at 3.5%.

(2) This facility was used to refinance former mortgage debt of Hoteles Royal, S.A. in Chile denominated in UF.

(3) This mortgage loan has been fully consolidated on the Issuer's accounts since December 2016, when the Issuer acquired (through its fully owned subsidiary NH Hoteles España, S.A.) an additional 47% stake thereby holding a 72% indirect stake in Palacio de la Merced, S.A.

The loan agreements for each of the secured loans contain certain covenants with respect to the borrower, including, among others, negative pledges with respect to the secured assets; restrictions on change of control and mergers with respect to the borrower; restrictions on selling, transferring or leasing the secured asset and restrictions against the borrower incurring additional indebtedness. In addition, the secured loan agreements require prepayment of the loans upon the occurrence of certain designated events, and certain of the secured loan agreements provide for voluntary prepayment.

Subordinated loan

The following loan represents an unsecured and subordinated obligation of the Issuer and will be subordinated in right of payment to the claims of all creditors of the Issuer.

Merrill Lynch loan

On November 22, 2006, the Issuer, as borrower, and Merrill Lynch International, as lender, executed a subordinated facility agreement (the "Merrill Lynch Subordinated Loan Agreement"). The loan under the Merrill Lynch Subordinated Loan Agreement is subordinated in right of payment to the claims of all senior creditors, except for certain obligations in the event of a winding-up pursuant to Spanish insolvency regulations. Under the Merrill Lynch Subordinated Loan Agreement, the loan in the amount of €40.0 million is to be repaid in full on the maturity date, January 25, 2037. Interest on the loan accrues quarterly at a rate equal to the rate for three-month deposits in euro (as calculated from time to time) plus 1.7% per annum. As of December 31, 2016, €40.0 million was outstanding under the Merrill Lynch Subordinated Loan Agreement.

The Merrill Lynch Subordinated Loan Agreement contains certain events of default, including, among others, (1) an event of default under any indebtedness, (2) a default by the Issuer on any payment obligation greater than €5.0 million, (3) any security for any indebtedness becoming enforceable, (4) a default on any payment due under any guarantee or indemnity in an amount equal to or greater than €5.0 million and (5) certain reorganizations.

The loan under the Merrill Lynch Subordinated Loan Agreement has been transferred by Merrill Lynch International to Taberna Europe CDO I PLC.

Unsecured loans

Unsecured Working Capital Facilities

Borrower	Lender	Limit (€ in millions)	Amount outstanding (€ in millions) as of December, 31 2016
NH Italia S.p.A.	Banca Popolare Commerciale	0.2	0.0
NH Italia S.p.A.	Cassa di Rispamio Veneto	4.6	0.0
NH Italia S.p.A.	Banco Popolare Milano	5.1	0.0
NH Hotel Group, S.A.	Bankinter	10.0	7.6
NH Finance, S.A.	Deutsche Bank	3.0	0.0
NH Finance, S.A.	BNP	6.0	2.4
NH Hotel Group, S.A.	BBVA	10.0	0.0
NH Hotel Group, S.A.	Novo Banco	3.0	0.0
NH Hotel Group, S.A.	Barclays	5.0	0.0
NH Hotel Group, S.A.	Caixa Geral	5.0	0.0
NH Hotel Group, S.A.	Caixa	3.5	0.0
NH Hotel Group, S.A.	Liberbank	3.0	0.0
Hoteles Royal, S.A.	Various	0.5	0.0
Total		**58.9**	**9.9**

Other Unsecured Loans

As of December 31, 2016 we had other unsecured loans totaling €11.2 million.

Description of the Notes

You can find the definitions of certain terms used in this description under the subheading "*Certain Definitions*". In this description, the "Company" refers only to NH Hotel Group, S.A. and not to any of its subsidiaries and the "New Notes" refers to the €115 million aggregate principal amount of senior secured notes due 2023. The New Notes will be issued under an Indenture (the "*Indenture*") dated as of September 29, 2016 among the Company, the Guarantors, BNP Paribas Trust Corporation UK Limited, as the trustee (in such capacity, the "*Trustee*"), BNP Paribas Trust Corporation UK Limited, as Security Agent, and BNP Paribas Securities Services, Luxembourg Branch, as paying agent, transfer agent and registrar, pursuant to which, on September 29, 2016 the Company issued €285 million aggregate of senior secured notes due 2023 (the "Original Notes" and, together with the New Notes, the "Notes"). The New Notes will be issued in a private transaction that is not subject to the registration requirements of the Securities Act. The Indenture will not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended. See "*Transfer Restrictions*". The terms of the Notes are subject to the provisions of the Indenture.

Unless the context requires otherwise, references in this Description of the Notes include the Original Notes, the New Notes and any Additional Notes subsequently issued under the Indenture as described below. The Original Notes, the New Notes and any Additional Notes will be treated as single class for all purposes under the Indenture, including without limitation, waivers, amendments, redemptions and offers to purchase, except as other provided in the Indenture. The following description is a summary of the material provisions of the Indenture and certain provisions of the Intercreditor Agreement. It does not restate the Indenture or the Intercreditor Agreement in their entirety. We urge you to read the Indenture attached hereto because it, along with the Intercreditor Agreement, and not this description, defines your rights as a holder of the Notes. Copies of the Indenture and the Intercreditor Agreement are available upon request as set forth under "*Where you can find additional information*." Certain defined terms used in this description but not defined below under "*—Certain Definitions*" have the meanings assigned to them in the Indenture.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Subject to compliance with the covenant described under "*—Certain Covenants—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*", the Company may also issue an unlimited amount of additional Notes at later dates under the Indenture ("*Additional Notes*"). Any Additional Notes that the Company issues in the future will be identical in all respects to the Original Notes and to the New Notes that the Company is issuing hereby (including with respect to Notes Guarantees), except that Notes issued in the future will have different issuance dates and may have different issuance prices. All Notes, including any Additional Notes, will be treated as a single class for all purposes under the Indenture, including (without limitation), with respect to waivers, amendments, redemptions and offers to purchase; *provided* that Additional Notes will not be issued with the same ISIN or common code, if any, as existing Notes unless such Additional Notes are fungible with the existing Notes for United States federal income tax purposes. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of the Notes*", references to the Notes include the Original Notes, the New Notes include the Notes offered hereby and any Additional Notes actually issued.

The New Notes will initially be issued bearing temporary international securities identification numbers (the "ISINs") and temporary common codes that differ from the ISINs and common codes assigned to the Original Notes, and will also bear an applicable restrictive U.S. Securities Act legend referred to under the heading "*Transfer restrictions*" in this offering memorandum. On and from the applicable consolidation date, the New Notes will be consolidated and fully fungible with the Original Notes. The consolidation date for New Notes sold outside the United

States to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act will be the earlier of 40 days after the later of the Issue Date and the earliest date or dates permitted under U.S. federal securities laws. The consolidation date for New Notes sold within the United States in reliance on Rule 144A under the U.S. Securities Act will be the earlier of one year after the later of the Issue Date and the earliest date or dates permitted under U.S. federal securities laws. Following the replacement of the applicable temporary ISINs and temporary common codes as set forth under "*Listing and General Information*", the New Notes will become fully fungible with the Original Notes for trading purposes.

For purposes of any covenant summarized herein, any reference to an amount in "€" shall mean, in respect of any amount in any currency other than euro, the Euro Equivalent thereof.

General

The notes

The Notes will:

- be a general senior obligation of the Company;
- be secured on a first-priority basis along with obligations under the Existing Notes and the Revolving Credit Facility as described below under "*—Security—The collateral*";
- rank *pari passu* in right of payment with existing and future obligations of the Company that are not subordinated to the Notes, including obligations under the Revolving Credit Facility, the Senior Unsecured Convertible Bonds and the Existing Notes;
- rank senior in right of payment to existing and future obligations of the Company that are subordinated to the Notes;
- be structurally subordinated to existing and future obligations of the Company's Subsidiaries that are not Guarantors;
- be effectively subordinated to existing and future obligations of the Company that are secured by assets that do not secure the Notes, to the extent of the value of the assets securing such obligations; and
- be fully and unconditionally guaranteed by the Guarantors, as described below under "*—The Notes guarantees*".

As of December 31, 2016, after giving pro forma effect to the Refinancing, we would have had total Indebtedness, including the New Notes, of approximately €848.6 million.

The notes guarantees

Each Notes Guarantee will:

- be a general senior obligation of the applicable Guarantor;
- be secured on a first-priority basis along with the guarantees of obligations under the Existing Notes and the Revolving Credit Facility as described below under "*—Security—The collateral*";
- rank *pari passu* in right of payment with existing and future obligations of the applicable Guarantor that are not subordinated to that Guarantor's Notes Guarantee, including guarantees of obligations under the Existing Notes and the Revolving Credit Facility;
- rank senior in right of payment to existing and future obligations of the applicable Guarantor that are subordinated to that Guarantor's Notes Guarantee;
- be effectively subordinated to existing and future obligations of the applicable Guarantor that are secured by assets that do not secure the Notes Guarantee, to the extent of the value of the property or assets securing such obligations; and

- be structurally subordinated to existing and future obligations of any of the applicable Guarantor's Subsidiaries that do not guarantee the Notes.

As of the Issue Date, all the Company's Subsidiaries except for Hesperia Entreprises de Venezuela, S.A., will be "Restricted Subsidiaries". However, under the circumstances described below under "*—Certain covenants—Designation of restricted and unrestricted subsidiaries*", the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries". The Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Not all Subsidiaries of the Company will initially guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of the Company's non-Guarantor Subsidiaries, those Subsidiaries will be required to pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The notes guarantees

On the Issue Date, the obligations of the Company under the Notes will be guaranteed, jointly and severally on a senior basis, by certain of the Company's Subsidiaries as set forth below:

Guarantor	Jurisdiction
Latina de Gestión Hotelera, S.A.	Argentina
Edificio Metro, S.A.	Argentina
Polis Corporation, S.A.	Argentina
NH Hoteles Austria, GmbH	Austria
Hotel Exploitatiemaatschappij Diegem N.V.	Belgium
Jolly Hotels Belgio, S.A.	Belgium
Immo Hotel BCC NV	Belgium
Immo Hotel Belfort NV	Belgium
Immo Hotel Brugge NV	Belgium
Immo Hotel Diegem NV	Belgium
Immo Hotel Gent NV	Belgium
Immo Hotel GP NV	Belgium
Immo Hotel Mechelen NV	Belgium
Immo Hotel Stephanie NV	Belgium
Hotelera Chile, S.A.	Chile
NH Hoteles Czechia, s.r.o.	Czech Republic
NH Aguamarina Dominicana S.R.L.	Dominican Republic
NH Hoteles France, S.A.S.U.	France
NH Hoteles Deutschland GmbH	Germany
NH Hotelbetriebs- und Dienstleistungs GmbH	Germany
NH Hotelbetriebs- und Entwicklungs GmbH	Germany
NH Central Europe GmbH & Co. KG	Germany
JOLLY HOTELS DEUTSCHLAND GmbH	Germany
NH Italia, S.p.A.	Italy
NH Finance S.A.	Luxembourg
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.	Mexico
Servicios Corporativos Hoteleros, S.A. de C.V.	Mexico
Hotelera de la Parra, S.A. de C.V.	Mexico
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	Mexico
Grupo Hotelero Monterrey, S.A. de C.V.	Mexico
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Mexico
NH Hoteles Polska, Sp. Zo.o.	Poland
NH Hotel Rallye Portugal, Unipessoal Lda.	Portugal
NH Management Black Sea S.R.L.	Romania
NH Atardecer Caribeño, S.A.U.	Spain
NH Central Reservation Office, S.A.U.	Spain
NH Hoteles España, S.A.U.	Spain
Nuevos Espacios Hoteleros, S.A.U.	Spain
NH Hoteles Switzerland GmbH	Switzerland
Hotel Houdstermaatschappij Jolly B.V.	The Netherlands
Hotel Exploitatiemaatschappij Vijzelstraat Amsterdam B.V.	The Netherlands

Guarantor	Jurisdiction
NH Private Equity B.V.	The Netherlands
Palatium Amstelodamum N.V.	The Netherlands
Hotelexploitatiemaatschappij Onderlangs Arnhem B.V.	The Netherlands
Hotelexploitatiemaatschappij Stadhouderskade Amsterdam B.V.	The Netherlands
Hotelexploitatiemaatschappij Forum Maastricht B.V.	The Netherlands
Hotelexploitatiemaatschappij Capelle aan den IJssel B.V.	The Netherlands
Hotelexploitatiemaatschappij Van Alphenstraat Zandvoort B.V.	The Netherlands
Hotelexploitatiemaatschappij Atlanta Rotterdam B.V.	The Netherlands
Hotelexploitatiemaatschappij Leijenberghlaan Amsterdam B.V.	The Netherlands
Exploitatiemaatschappij Doelen Hotel B.V.	The Netherlands
Exploitatiemaatschappij Schiller Hotel B.V.	The Netherlands
Hotelexploitatiemaatschappij Jaarbeursplein Utrecht B.V.	The Netherlands
Hotelexploitatiemaatschappij Amsterdam Noord B.V.	The Netherlands
Koningshof B.V.	The Netherlands
Leeuwenhorst Congres Center B.V.	The Netherlands
Hotelexploitatiemaatschappij Spuistraat Amsterdam B.V.	The Netherlands
Hotelexploitatiemaatschappij Janskerkhof Utrecht B.V.	The Netherlands
Hotel De Ville B.V.	The Netherlands
De Sparrenhorst B.V.	The Netherlands
Olofskapel Monumenten B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Maas Best B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Capelle aan den IJssel B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Bogardeind Geldrop B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Marquette Heemskerk B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort B.V.	The Netherlands
Hotelexploitatiemaatschappij Stationsstraat Amersfoort B.V.	The Netherlands
Jolly Hotels Holland N.V.	The Netherlands
Jolly Hotels USA, Inc.	United States
Columbia Palace Hotel, S.A.	Uruguay

The Guarantors will consist of certain of the Company's Subsidiaries incorporated in Argentina, Austria, Belgium, Chile, Czech Republic, Dominican Republic, France, Germany, Italy, Luxembourg, Mexico, Poland, Portugal, Romania, Spain, Switzerland, the Netherlands, the United States and Uruguay.

The Guarantors include both operating companies and various intermediate holding companies. The Guarantors comprised 63.7% of our total assets as of December 31, 2016 and represented 81.5% and 60.6% of our net turnover and EBITDA, respectively, for the year ended December 31, 2016, and the Company and the Guarantors together comprised 81.8% of our total assets as of December 31, 2016 and represented 82.9% and 84.6% of our net turnover and EBITDA, respectively, for the year ended December 31, 2016.

In addition, pursuant to the covenant entitled "*—Additional notes guarantees and collateral*", subject to certain exceptions, any Restricted Subsidiary that guarantees certain Indebtedness of other entities shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Notes Guarantees are joint and several obligations of the Guarantors. The obligations of the Guarantors will be contractually limited under the applicable Notes Guarantee to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For instance, due to Italian laws on corporate benefit, the guarantee provided by NH Italia S.p.A. will be limited to €80.0 million. For a description of such limitations, see "*Risk factors—Risks relating to the Notes* *and our structure—The Notes Guarantees and security interests in the Collateral are significantly limited by applicable laws and are subject to certain limitations on enforcement or defenses*" and "*Risk factors—Risks relating to the Notes and our structure—The granting of guarantees by Spanish companies is restricted by Spanish law*". See also "*Risk factors—Risks relating to the Notes and our structure—Fraudulent conveyance laws may limit your rights as a holder of Notes*".

Release of notes guarantees

The Notes Guarantee of a Guarantor will be released:

(1) in connection with any sale or other disposition of all the Capital Stock of that Guarantor or any sale or other disposition of all or substantially all the assets of that Guarantor (including in each case by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Company or any Restricted Subsidiary, if the sale or other disposition does not violate the Indenture, and all obligations of the Guarantor with respect to Indebtedness under the Revolving Credit Facility and the Existing Notes are also released;

(2) if the Company designates any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(3) upon legal defeasance or covenant defeasance or discharge of the Notes as described under the captions "*—Legal Defeasance and Covenant defeasance*" and "*—Satisfaction and discharge*";

(4) as described under the caption "*—Amendment, Supplement and Waiver*";

(5) in the case of a Notes Guarantee granted pursuant to the covenant entitled "*—Additional notes guarantees and collateral*", upon the discharge of the Indebtedness or the release and discharge of the guarantee that gave rise to the obligation to guarantee the Notes; or

(6) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement.

See "*—Certain covenants—Limitation on sales of assets and equity interests in restricted subsidiaries*".

Security

The collateral

Pursuant to the Security Documents, as amended, confirmed or extended (as applicable) the obligations of the Company and the Guarantors under the Notes will on the Issue Date be secured by (i) a first priority lien on the shares of capital stock representing 100% of the share capital of (A) Diegem, (B) Immo Hotel BCC NV, (C) Immo Hotel Belfort NV, (D) Immo Hotel Brugge NV, (E) Immo Hotel Diegem NV, (F) Immo Hotel Gent NV, (G) Immo Hotel GP NV, (H) Immo Hotel Mechelen NV, (I) Immo Hotel Stephanie NV, (J) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V. and (K) NH Italia, S.p.A. (as such security, together with any other liens on the shares of capital stock of a Person that secure the obligations of the Company and the Guarantors under the Notes, may vary or be replaced from time to time, collectively the "*Share Collateral*") and (ii) first priority mortgages over the following properties located in the Netherlands: NH Conference Centre Koningshof owned by Koningshof, B.V.; NH Conference Centre Leeuwenhorst owned by Leeuwenhorst Congres Center, B.V.; NH Schiphol Airport owned by Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.; NH Zoetermeer owned by Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.; NH Conference Centre Sparrenhorst owned by De Sparrenhorst, B.V.; NH Barbizon Palace owned by Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.; NH Best owned by Onroerend Goed Beheer Maatschappij Maas Best, B.V.; NH Capelle owned by Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.; NH

Geldrop owned by Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V.; NH Marquette owned by Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.; and NH Naarden owned by Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V.; in each case owned by the Company (as such security, together with any other liens on property that secure the obligations of the Company and the Guarantors under the Notes, may vary or be replaced from time to time, the "*Property Collateral*" and, together with the Share Collateral from time to time, the "*Collateral*").

Following the Issue Date, the Company or the Guarantors will provide security to secure the Notes or the Notes Guarantees, as the case may be, on a *pari passu* basis concurrently with the provision of any additional collateral under the Existing Notes or the Revolving Credit Facility, subject to the Intercreditor Agreement and any Additional Intercreditor Agreement. See "*—Certain covenants—Additional notes guarantees and collateral*".

The Security Documents have been entered into in connection with the issuance of the Original Notes and will be amended, confirmed or extended (as applicable) on or before the Issue Date or within five business days thereafter. The Company has agreed to take all necessary actions as soon as practicable to perfect and make effective the security interest to be granted in favor of the Security Agent (for the benefit of the holders of the Notes, among others) in the Collateral pursuant to the Security Documents executed on or before the Issue Date or within five business days thereafter, subject, in each case, to the terms of the Intercreditor Agreement and such Security Documents.

Subject to certain conditions, including compliance with the covenant described under "*—Certain Covenants—Liens*", the Company is permitted to pledge or cause its Subsidiaries to pledge the Collateral in connection with future incurrence of Indebtedness, including issuances of Additional Notes, permitted under the Indenture on a *pari passu* basis with the then outstanding Notes. The Collateral can also be released from the Liens of the Security Documents under certain circumstances. See "*—Release of security interests*" below.

Administration of collateral and enforcement of liens

The Collateral will be administered by a Security Agent pursuant to the terms of the Security Documents and the Intercreditor Agreement for the benefit of the Trustee and all holders of the Notes and the finance parties under the Revolving Credit Facility and the Existing Notes and certain other future secured creditors pursuant to the Intercreditor Agreement. For a description of the Intercreditor Agreement, see "*Description of certain financing arrangements—Intercreditor Agreement*".

The ability of holders of the Notes to realize upon the Collateral will be subject to various bankruptcy law limitations in the event of the Company's bankruptcy and various limitations on enforcement contained in the Intercreditor Agreement. See "*Risk factors—Risks relating to the Notes and our structure—The enforcement of the Notes Gurarantees may be restricted by Spanish law*", "*Risk factors—Risks relating to the Notes and our structure—Fraudulent conveyance laws may limit your rights as a holder of Notes*" and "*Risk factors—Risks relating to the Notes and our structure—Local insolvency laws may not be as favorable to you as the U.S. bankruptcy laws and insolvency laws of another jurisdiction with which you may be more familiar*".

The rights of the holders of the Notes with respect to the Collateral must be exercised by the Security Agent. Since the holders of the Notes are not a party to the Security Documents, holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The holders may only act through the Security Agent. The Security Agent will agree to any release of the security interest created by the Security Documents in accordance with terms of the Indenture and the Intercreditor Agreement without requiring any consent of the holders of the Notes. Subject to the terms of the Intercreditor Agreement, the holders of the Notes will, in certain circumstances, share in or have the ability to direct the Trustee to direct the Security Agent to commence enforcement action under the Security Documents. However, in enforcing the Liens provided for under the Security Documents, the Security Agent will take direction from the Trustee (subject to the terms of the Intercreditor Agreement). Please see "*Description of certain financing arrangements—Intercreditor agreement*".

Subject to the terms of the Security Documents, until the acceleration of amounts due under the Notes in accordance with the Indenture, the Company and other pledgors will be entitled to exercise any and all voting rights in a manner which does not materially adversely affect the validity or enforceability of the Liens created under the Security Documents or the value of the Collateral and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or reclassifications, rights issue, warrants, options and other distribution (whether similar or dissimilar to the foregoing) in respect of the shares that are part of the Collateral.

The value of the Collateral securing the Notes and the Notes Guarantees may not be sufficient to satisfy the Company's and the Guarantors' obligations under the Notes and the Notes Guarantees, as the case may be, and the Collateral may be reduced or diluted under certain circumstances, including the issuance of Additional Notes or other future incurrences of Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

There can be no assurance that the proceeds of any sale of Collateral, in whole or in part, pursuant to the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy the amounts due on the Notes or the Notes Guarantees. By its nature, all of the Collateral is likely to be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

The Security Documents will be governed by Dutch, Italian and Belgian law and will be subject to the jurisdiction of the Dutch, Italian and Belgian courts, respectively.

Release of security interests

All of the Liens granted under the Security Documents will be automatically and unconditionally released in accordance with the terms and conditions in the Indenture upon Legal Defeasance or Covenant Defeasance as described under "*—Legal Defeasance and Covenant Defeasance*", if all obligations under the Indenture are discharged in accordance with the terms of the Indenture or as otherwise permitted in accordance with the Indenture, including but not limited to the covenants under "*—Certain covenants—Impairment of security interest*", the Security Documents and the Intercreditor Agreement.

The Liens on the Collateral granted in the Security Documents will be released if:

(1) (a) the LTV Ratio of the Company as of the date of release would have been no more than Release LTV; and (b) all liens on such Collateral securing Secured Pari Passu Indebtedness, including the Revolving Credit Facility and the Existing Notes, are also released and the Collateral securing Secured Pari Passu Indebtedness, including the Revolving Credit Facility and the Existing Notes, shall also secure the Notes on a *pro rata* and *pari passu* basis following the release of the Collateral;

(2) in connection with any sale or other disposition of Collateral to a Person that is not the Company or a Restricted Subsidiary (but excluding (i) any transaction subject to "*—Certain Covenants—Merger, consolidation or sale of assets*" and (ii) any Permitted Asset Swap entered into by the Company or a Restricted Subsidiary with an Unrestricted Subsidiary); *provided* that any proceeds of such sale or other disposition are applied as set forth under the second paragraph of the covenant described under "*—Certain covenants—Limitation on sales of assets and equity interests in restricted subsidiaries*";

(3) to the extent that such Collateral disposed of pursuant to an enforcement of the security over such Collateral under the applicable Security Document(s) in accordance with the Intercreditor Agreement;

(4) to the extent that such Collateral is the property, asset or Capital Stock of a Guarantor, such Guarantor is released from its Notes Guarantee as described under clause (1) of "*—Release of notes guarantees*";

(5) (a) such Collateral is Property Collateral and such Property Collateral is held by or contributed to a Wholly Owned Restricted Subsidiary which is concurrently designated as a Property Company and whose Capital Stock or other ownership interest is concurrently pledged as a first-priority lien to secure the Notes and the Notes Guarantees, subject to the Intercreditor Agreement, as additional Share Collateral; *provided* that to the extent such Property Collateral is held by a Dutch Entity, the Capital Stock or other ownership interest of Dutch Holdco is also pledged as a first-priority lien to secure the Notes and the Notes Guarantees, subject to the Intercreditor Agreement, as additional Share Collateral or (b) such Collateral is Share Collateral in respect of a Property Company and such Property Company concurrently grants first-priority mortgages over all or substantially all of the real estate assets owned by such Property Company to secure the Notes and the Notes Guarantees, subject to the Intercreditor Agreement, as additional Property Collateral;

(6) as described under "*—Amendment, supplement and waiver*"; or

(7) in connection with a transaction permitted by the covenant described under "*—Certain Covenants—Merger, Consolidation or Sale of Assets*".

The Security Agent will take all reasonable action required to effectuate any release of Collateral securing the Notes and the Notes Guarantees (if applicable), in accordance with the provisions of the Indenture and the Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Intercreditor agreement

The Trustee is a party to the Intercreditor Agreement dated the Existing Notes Issue Date by and among, *inter alios*, the Existing Notes Trustee, the Company, various subsidiaries of the Company, and the Security Agent, as described under "*Description of certain financing arrangements—Intercreditor Agreement*". The Security Documents and the Collateral will be administered by the Security Agent pursuant to the Intercreditor Agreement for the benefit of the Trustee and the holders of the Notes, the creditors under the Revolving Credit Facility, the holders of the Existing Notes and certain future Indebtedness of the Company and its Subsidiaries permitted to be incurred and secured pursuant to the Indenture and the Intercreditor Agreement. Pursuant to the terms of the Intercreditor Agreement, recoveries received upon enforcement over Collateral will be applied (subject to certain claims of the Trustee, the Existing Notes Trustee, the Security Agent and costs and expenses related to the enforcement of the Collateral) *pro rata* in repayment of liabilities in respect of (i) obligations under the Indenture, the Notes and the Notes Guarantees, (ii) obligations under the Existing Notes and the Revolving Credit Facility and the guarantees of obligations under the Existing Notes and the Revolving Credit Facility, and (iii) any other Indebtedness of the Company and the Restricted Subsidiaries permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement.

The Trustee, the creditors under the Revolving Credit Facility, the Existing Notes Trustee and the other secured parties under the Intercreditor Agreement have, and by accepting a Note, each holder of a Note will be deemed to have, irrevocably appointed BNP Paribas Trust Corporation UK Limited, as Security Agent to act as its security agent under the Intercreditor Agreement, the Notes, the Indenture, including the Notes Guarantees, and the Security Documents (together, the "*Finance Documents*"). The Trustee, the creditors under the Revolving Credit

Facility, the Existing Notes Trustee and the other secured parties under the Intercreditor Agreement will have, and by accepting a Note, each holder of a Note will be deemed to have, irrevocably authorized the Security Agent to perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or the other Finance Documents, together with any incidental rights, power and discretions.

Principal, maturity and interest

In addition to the €285 million in aggregate principal amount of Original Notes issued on September 29, 2016, the Company will issue €115 million in aggregate principal amount of New Notes on the Issue Date. The Notes will mature on October 1, 2023.

Interest on the Notes will accrue at the rate of 3.750% per annum and will be payable semi-annually in arrears on April 1 and October 1 of each year, commencing (in the case of the New Notes) on October 1, 2017. The Company will make each interest payment to the holders of record of the Notes on the immediately preceding March 15 and September 15, respectively. The reimbursement price of the Notes at maturity will be 100% of the principal amount then outstanding.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date on which it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Methods of receiving payments on the notes

The Company will pay all principal, interest, premium, and Additional Amounts, if any, on the Global Notes (as defined below) at the corporate trust office or agency of the Paying Agent (as defined below). The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures.

Payments of principal of, and premium, if any, on each Note in definitive registered form ("*Definitive Registered Notes*") will be made by transfer on the due date to an account maintained by the payee pursuant to details provided by the holder against presentation and surrender (or, in the case of partial payment only, endorsement) of the relevant Definitive Registered Note at the office of any Paying Agent. Payments of interest in respect of each Definitive Registered Note will be made by transfer on the due date to an account maintained by the payee (the holder and account details of which appear on the register of holders at the close of business on the relevant record date). Payments in respect of principal of, premium, if any, and interest on Definitive Registered Notes are subject in all cases to any tax or other laws and regulations applicable in the place of payment but without prejudice to the provisions under the headings "*—Optional tax redemption*" and "*—Additional amounts*". The Paying Agent may require payment of a sum sufficient to cover any transfer tax or similar governmental charge in connection with any payment transfer instructions received by the Paying Agent. Definitive Registered Notes, if issued, will only be issued in registered form.

Paying agent and registrar for the notes

The Company will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes in the Grand Duchy of Luxembourg. The initial Paying Agent and Transfer Agent is BNP Paribas Securities Services, Luxembourg Branch. The Transfer Agent is responsible for, among other things, facilitating any transfers or exchanges of beneficial interests in different global notes between holders.

In addition, the Company undertakes that it will ensure that it maintains a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the European Council of Economics and Finance Ministers (*"ECOFIN"*) meeting of November 26, 27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

The Company also will maintain one or more registrars (each a "*Registrar*"). The initial Registrar will be BNP Paribas Securities Services, Luxembourg Branch. The Registrar will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time and will make payments on Definitive Registered Notes on behalf of the Company.

The Company may change the Paying Agent, the Transfer Agent or the Registrar without prior notice to the holders. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF of the Luxembourg Stock Exchange, the Company will publish a notice of any change of Paying Agent, Transfer Agent or Registrar in accordance with the requirements of such rules.

Form of notes and minimum denomination

The Notes initially will be issued in the form of global notes (the "*Global Notes*") in registered form and will be issued in minimum denominations of €100,000 principal amount and integral multiples of €1,000. The Notes will be serially numbered. In no event will Definitive Registered Notes in bearer form be issued. See "*Book-entry, delivery and form*".

Additional amounts

All payments made by or on behalf of the Company or any Guarantor (each a "*Payor*") on the Notes or under or with respect to any Notes Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, levies, imposts, assessments or similar governmental charges (including penalties, additions to tax, and interest related thereto) ("*Taxes*") unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) Spain or any political subdivision or governmental authority of any thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on the Notes or a Notes Guarantee is made by or on behalf of a Payor, or any political subdivision or governmental authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which a Payor is incorporated or organized or otherwise considered to be a resident or doing business for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a "*Relevant Taxing Jurisdiction*"),

will at any time be required from any payments made with respect to the Notes or any Notes Guarantee, including payments of principal, redemption price, interest or premium (if any), the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each beneficial owner of the Notes or the Notes Guarantee, as the case may be, after such withholding or deduction by any applicable withholding agent (including any such deduction or withholding from such Additional Amounts), equal the amounts which would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant holder or beneficial owner, if the relevant holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the

Relevant Taxing Jurisdiction, (including any Tax imposed as a result of a holder or beneficial owner being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment in, the Relevant Taxing Jurisdiction), other than a connection resulting from the mere acquisition, ownership or disposition of such Note or enforcement of rights under or in respect of such Note or any Notes Guarantee or the receipt of payments under or in respect of such Note or any Notes Guarantee;

(2) any Taxes that would not have been so imposed if the holder or the beneficial owner of a Note had made a declaration of non-residence or any other claim or filing for exemption to which it is entitled (*provided* that (x) such declaration of non-residence or other claim or filing for exemption is required by applicable law, regulation, administrative practice or treaty of the Relevant Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or a part of such Taxes and (y) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption is required under the applicable law of the Relevant Taxing Jurisdiction, the relevant holder at that time has been notified (in accordance with the procedures set forth in "*—Selection and notice*") by the Payor or any other Person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption is required to be made), but, in each case, only to the extent the holder or beneficial owner is legally eligible to make such declaration or other claim or filing;

(3) any Note presented for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented during such 30-day period);

(4) any Taxes that are payable otherwise than by withholding or deduction from payments under or with respect to the Notes or any Notes Guarantee;

(5) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(6) any withholding or deduction imposed in respect of a payment to a holder or beneficial owner and required to be made pursuant to the European Union Directive on the taxation of savings income (the "*Directive*") which was adopted by the ECOFIN Council of the European Union (the Council of EU finance and economic ministers) on June 3, 2003 or any other Directive implementing the conclusions of the ECOFIN meeting of November 26-27, 2000, or any law implementing or complying with, or introduced in order to conform to, the Directive;

(7) any Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(8) any Taxes imposed on or with respect to any payment to a holder of Notes or Notes Guarantees in respect of which the Company or any Guarantor have not received such information as may be necessary to allow payments on such Note to be made free and clear of Spanish withholding tax or deduction on account of Taxes, including a duly executed and completed payment statement from the Paying Agent, as may be required in order to comply with the procedures that may be implemented to comply with the First Additional Provision of Law 10/2014, Royal Decree 1065/2007 of July 21, as amended by Royal Decree 1145/2011, of 29 July and any implementing legislation or regulation thereof;

(9) any Taxes imposed on, or on a third party on behalf of, a Spanish- resident legal entity subject to Spanish Corporate Income Tax if the taxing authorities of the Kingdom of Spain determine that the Notes do not comply with exemption requirements specified in any applicable tax law, including the ruling of the General Directorate of Taxation (*Dirección General de Tributos*) dated July 27, 2004, or any legislation or regulation implementing or complying with, or introduced in order to conform to, such applicable law or such ruling, which law, ruling, legislation or regulation requires a withholding to be made;

(10) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code") or otherwise imposed pursuant to Section 1471 through 1474 of the Code (including any regulations or official interpretations issued, intergovernmental agreements entered into by the United States or non-U.S. laws enacted with respect thereto); or

(11) any combination of (1) through (10) above.

In addition, no Additional Amounts shall be paid with respect to any payment to any holder who is a fiduciary or a partnership or other than the beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

The applicable withholding agent will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such copies to the Trustee (or a holder upon request). If copies of such tax receipts are not obtainable, the relevant Payor shall provide the Trustee (or a holder upon written request) other evidence of payment reasonably satisfactory to the Trustee (or such holder). Copies of such documentation will be available for inspection during ordinary business hours at the office of the Trustee by the holders of the Notes upon reasonable request and will be made available at the offices of the Paying Agent located in Luxembourg if the Notes are then listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF of the Luxembourg Stock Exchange.

At least 30 days prior to each date on which any payment under or with respect to the Notes or any Notes Guarantee is due and payable (unless such obligation to pay Additional Amounts arises shortly before or after the 30th day prior to such date, in which case it shall be promptly thereafter), if the Payor will be obligated to pay Additional Amounts with respect to such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that such Additional Amounts will be payable, the amounts so payable and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to holders on the payment date. Each such Officer's Certificate shall be relied upon until receipt of a further Officer's Certificate addressing such matters.

Wherever in the Indenture, the Notes, any Notes Guarantee or this "*Description of the Notes*" there are mentioned, in any context:

(1) the payment of principal,

(2) purchase prices in connection with a purchase of Notes,

(3) interest, or

(4) any other amount payable on or with respect to the Notes or any Notes Guarantee,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, issue, registration, court or documentary Taxes, or any other excise, property or similar Taxes which arise in any Relevant Taxing Jurisdiction from the execution, issuance, delivery, registration or enforcement of any Notes, the Indenture, any Notes Guarantee or any other document or instrument referred to therein (other than on or in connection with a transfer of the Notes following their initial resale by the initial purchaser thereof).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any successor to a Payor and to any jurisdiction in which such successor is incorporated, organized, doing business or otherwise considered to be a resident for tax purposes, or any jurisdiction from or through which such successor (or its paying agent) makes any payment under or with respect to the Notes or any Notes Guarantee and, in each case, any political subdivision or governmental authority thereof or therein having the power to tax.

Optional redemption

At any time prior to October 1, 2019, at the option of the Company, the Company may, upon giving not less than 10 nor more than 60 days' notice to the holders of the Notes, on any one or more occasions redeem up to 40% of the aggregate principal amount of the Notes issued under the Indenture at a redemption price of 103.750% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the Net Cash Proceeds of one or more Equity Offerings after the Original Notes Issue Date; *provided* that:

(1) at least 60% of the aggregate principal amount of the Notes issued under the Indenture remain outstanding immediately after the occurrence of such redemption (excluding Notes held by the Company and its Subsidiaries); and

(2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

On or after October 1, 2019, at the option of the Company, the Company may redeem all or a part of the Notes upon not less than 10 nor more than 60 days' notice to holders of the Notes, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable redemption date, if redeemed during the twelve month period beginning on October 1 of the years indicated below:

Year	Percentage
2019	101.875%
2020	100.938%
2021 and thereafter	100.000%

Prior to October 1, 2019, the Company may redeem during each twelve-month period commencing with the Original Notes Issue Date up to 10% of the original principal amount of the Notes at its option, upon not less than 10 nor more than 60 days' notice to Holders of the Notes, at a redemption price equal to 103% of the principal amount, plus accrued and unpaid interest, if any, to the applicable redemption date.

In addition, the Company may on or prior to October 1, 2019, upon giving not less than 10 nor more than 60 days' notice to the holders of the Notes, at its option on one or more occasions redeem all or a portion of the Notes (which includes Additional Notes, if any) at a redemption price equal to the sum of:

(1) 100% of the principal amount thereof, plus

(2) accrued and unpaid interest, if any, to the redemption date, plus

(3) the Applicable Premium at the redemption date, subject to the right of holders of record on the relevant record date to receive interest due on any interest payment date occurring on or prior to the redemption date.

Any redemption and notice of redemption may, at the Company's discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering).

Mandatory redemption

The Company will not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

Optional tax redemption

The Company may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the holders of the Notes at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and Additional Amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Company determines that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined above) which change or amendment is publicly announced and becomes effective after the Original Notes Issue Date (or, if a Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Original Notes Issue Date, after such later date); or

(2) any change in position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) of a Relevant Taxing Jurisdiction, which change or amendment is publicly announced and becomes effective after the Original Notes Issue Date (or, if a Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Original Notes Issue Date, after such later date); (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Company or any Guarantor is, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to it (including, for the avoidance of doubt, the appointment of a new Paying Agent in accordance with the fourth paragraph under "*—Paying agent and registrar for the notes*" or payment through a Guarantor).

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and notice*". Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Company or the applicable Guarantor would be obliged to pay Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee (a) an Officer's Certificate stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the Trustee to the effect that the circumstances referred to above exist. The Trustee will accept such Officer's

Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the holders.

The foregoing provisions will apply *mutatis mutandis* to any successor to the Company.

Repurchase at the option of holders

Change of control

If a Change of Control occurs, each holder of Notes will have the right to require the Company to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof) of that holder's Notes pursuant to an offer (a "*Change of Control Offer*") on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a payment (a "*Change of Control Payment*") in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest, if any, on the Notes repurchased, to the date of purchase. Within 30 days following any Change of Control, the Company will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the date (the "*Change of Control Payment Date*") specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes and the related Notes Guarantees as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent or tender agent for such Change of Control Offer, as applicable, an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The Paying Agent or tender agent for such change of control offer, as applicable, will promptly mail to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each new Note will be in a principal amount of €100,000 or, if greater, an integral multiple of €1,000.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require the Company to repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer. The Company also will not be required to make a Change of Control Offer following a Change of Control if it has theretofore issued a redemption notice in respect of all of the Notes in the manner and in accordance with the provisions described under "*—Optional redemption*" and thereafter purchases all of the Notes pursuant to such notice.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain. In addition, it should be noted that recent case law suggests that, in the event that incumbent directors are replaced as a result of a contested election, issuers may nevertheless avoid triggering a change of control under a clause similar to clause (4) of the definition of "*Change of Control*", if the outgoing directors were to approve the new directors for the purpose of such change of control clause. As a result, it may be unclear as to whether a Change of Control has occurred and whether a holder of Notes may require the Company to make an offer to repurchase the Notes as described above.

Subject to the covenants described below, the Company could enter into certain transactions, including acquisitions, refinancings or other recapitalizations which, though not constituting a Change of Control under the Indenture, could increase the amount of outstanding debt or otherwise affect the Company's capital structure or credit ratings. In addition, we may not be able to finance the payments required for a Change of Control Offer. See "*Risk factors—Risks relating to the Notes and our structure—We may not be able to raise the funds necessary to finance and offer to repurchase the 2023 Notes upon the occurrence of certain events constituting a change of control as required by the Indenture, and the change of control provisions contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events*".

Selection and notice

If less than all of the Notes are to be redeemed at any time, subject to any applicable requirements of any clearing system then being used for the Notes, the Trustee will select Notes for redemption as follows:

(1) if the Notes are listed on any securities exchange, in compliance with the requirements, if any, of the principal securities exchange on which the Notes are listed as certificated to the Trustee by the Company; or

(2) if the Notes are not listed on any national securities exchange, then in relation to the Notes, on a *pro rata* basis.

No Definitive Registered Notes may be redeemed in part such that the remainder of the Note is less than €100,000 in aggregate principal amount. Notices of redemption will be mailed by first class mail at least 10 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

In addition, so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF of the Luxembourg Stock Exchange and its rules so require, all notices to holders of the Notes will also be supplied to the Luxembourg Stock Exchange and are expected to be published at *www.bourse.lu*. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. In the case of Definitive Registered Notes, notices will be mailed to holders of the Notes by first class mail at their respective addresses as they appear on the records of the Registrar. If and so long as the Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange. Notices given by publication will be deemed given on the first date on which publication is made. Notices given by first class mail, postage paid, will be deemed given five calendar days after mailing whether or not the addressee receives it.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note and will be collectible at the office of the Paying Agent. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Prescription

Claims against the Company or any Guarantor for the payment of principal of, or interest, premium, or Additional Amounts, if any, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of seven years, in the case of principal, or five years, in the case of interest, premium or Additional Amounts, if any, from the applicable original payment date therefor.

Certain covenants

Restricted payments

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than (A) dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company, (B) dividends or distributions to the Company or any of its Restricted Subsidiaries and (C) *pro rata* dividends or distributions made by a Subsidiary that is not a wholly owned Subsidiary to minority stockholders (or owners of any equivalent interest in the case of a Subsidiary that is an entity other than a corporation));

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is subordinated in right of payment to the Notes or the Notes Guarantees, except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment (all such payments and other actions set forth in these clauses (1) through (4) being collectively referred to as "*Restricted Payments*"),

unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) the Company would, after giving pro forma effect to such Restricted Payment (including the application thereof) as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Indebtedness (other than Permitted Debt) pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "*—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*"; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the Existing Notes Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (9) and (11) of the next succeeding paragraph), is less than the sum, without duplication, of:

   (a) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the first day of the first full fiscal quarter immediately prior to the Existing Notes Issue Date to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such aggregate Consolidated Net Income for such period is a deficit, less 100% of such deficit), *plus*

   (b) 100% of the aggregate net cash proceeds and Fair Market Value of property, assets or marketable securities received by the Company since the Existing Notes Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Company (in each case, other than Disqualified Stock, Designated Preference Shares, Excluded Contributions or Capital Stock of the Company held by the Company on or prior to the Existing Notes Issue Date) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company or from Excluded Contributions), *plus*

   (c) 100% of any dividends or distributions (including payments made in respect of loans or advances) received by the Company or a Restricted Subsidiary after the Existing Notes Issue Date from an Unrestricted Subsidiary or a Permitted Joint Venture, to the extent that such dividends or distributions were not otherwise included in Consolidated Net Income of the Company for such period (and *provided* that such dividends or distributions are not included in the calculation of that amount of Permitted Investments permitted under clause (10) of the definition thereof), *plus*

   (d) to the extent that any Unrestricted Subsidiary is redesignated as a Restricted Subsidiary after the Existing Notes Issue Date, the Fair Market Value of the Company's Investment in such Subsidiary as of the date of such redesignation, *plus*

   (e) to the extent that any Restricted Investment that was made after the Existing Notes Issue Date is sold for cash or otherwise liquidated or repaid for cash or Cash Equivalents (including, without limitation, any sale for cash or other Cash Equivalents of an Equity Interest in an Unrestricted Subsidiary), the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any).

The preceding provisions will not prohibit:

(1) the payment of any dividend within 60 days after the date of declaration of the dividend, if at the date of declaration the dividend payment would have complied with the provisions of the Indenture;

(2) the redemption, repurchase, retirement, defeasance or other acquisition of any Indebtedness of the Company or any Restricted Subsidiary or of any Equity Interests of the Company by conversion into (in the case of Indebtedness) or in exchange for, or out of the Net Cash Proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of equity capital to the Company; *provided* that the amount of any such Net Cash Proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition will be excluded from clause (3)(b) of the preceding paragraph;

(3) the defeasance, redemption, repurchase or other acquisition of subordinated Indebtedness of the Company or any Guarantor with the Net Cash Proceeds from an incurrence of Permitted Refinancing Indebtedness in respect of such subordinated Indebtedness;

(4) any Restricted Payment made by exchange for, or out of the proceeds of the substantially current sale of, Equity Interests of the Company (other than Disqualified Stock) or a substantially concurrent cash capital contribution received by the Company from its shareholders; *provided*, *however*, that the Net Cash Proceeds from such sale or cash capital contribution shall be excluded from clause (3)(b) of the preceding paragraph;

(5) the repurchase, redemption or other acquisition for value of Equity Interests of the Company or its Restricted Subsidiaries representing fractional shares of such Equity Interests in connection with a merger, consolidation, amalgamation or other combination of the Company or any such Restricted Subsidiary;

(6) any other Restricted Payment; *provided* that the Leverage Ratio of the Company and its Restricted Subsidiaries on a *pro forma* basis after giving effect to any such Restricted Payment does not exceed 4.50 to 1.00.

(7) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value, of Capital Stock of the Company (including any options, warrants or other rights in respect thereof) (or payments in lieu thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company (including any options, warrants or other rights in respect thereof), in each case from or for Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to €4 million *plus* €2 million multiplied by the number of calendar years commenced since the Existing Notes Issue Date *plus* the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Existing Notes Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock) from, or as a contribution to the equity (in each case under this clause (7), other than through the issuance of Disqualified Stock) of the Company from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds have not otherwise been designated as Excluded Contributions and are not included in any calculation under clause (3)(b) of the preceding paragraph;

(8) loans or advances made to employees, officers or directors (not including the Permitted Holders) in amounts not exceeding €2 million at any time outstanding;

(9) Restricted Payments made with the proceeds of Excluded Contributions;

(10) Restricted Payments pursuant to clause (6) of the second paragraph under "—*Transactions with affiliates*";

(11) Restricted Payments made in connection with the Existing Notes Refinancing and the 2016 Refinancing; and

(12) other Restricted Payments made after the Existing Notes Issue Date in an amount (measured on the date each such Restricted Payment was made and without giving effect to subsequent changes in value) when taken together with all other Restricted Payments made pursuant to this clause (12) not to exceed €25 million (*provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person is subsequently designated a Restricted Subsidiary, such Investment shall thereafter be deemed to have been made pursuant to clause (3) of the definition of "Permitted Investments" and not this clause).

provided, *however*, that after giving effect to any Restricted Payment referred to in clauses (6), (7), (8) or (12) of this paragraph, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the assets or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

Incurrence of indebtedness and issuance of preferred stock and disqualified stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided, however*, that the Company and any Restricted Subsidiary may incur Indebtedness, the Company or any Restricted Subsidiary may incur Acquired Debt and the Company may issue Disqualified Stock and any Restricted Subsidiary may issue shares of preferred stock, if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued would have been at least 2.00 to 1.00, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued, as the case may be, at the beginning of such four-quarter period; *provided* that a Restricted Subsidiary of the Company that is not a Guarantor may incur Indebtedness or issue Disqualified Stock or preferred stock pursuant to this paragraph solely to the extent that the Non-Guarantor Leverage Ratio for the Company's most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such Indebtedness is incurred or such Disqualified Stock or preferred stock is issued, as the case may be, would have been no greater than 1.00 to 1.00, as determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if such Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued, as the case may be, at the beginning of such four quarter period.

The first paragraph of this covenant will not prohibit the incurrence by the Company or its Restricted Subsidiaries of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) the incurrence by the Company and any Restricted Subsidiary of additional Indebtedness and letters of credit under Credit Facilities (a) in an aggregate principal amount at any one time outstanding under this clause (1)(a) not to exceed €250 million plus an amount equal

to 100% of the Consolidated EBITDA of the Company and its Restricted Subsidiary for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such Indebtedness is incurred; and (b) pursuant to the Bilateral Credit Facilities outstanding on the Original Notes Issue Date and any Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or disclose any Indebtedness incurred pursuant to this clause (1)(b);

(2) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness and the Existing Notes;

(3) the incurrence (a) by the Company of Indebtedness represented by the Original Notes (but not including any Additional Notes), (b) by the Guarantors and any future Guarantors of Indebtedness represented by a Notes Guarantee (including Notes Guarantees of Additional Notes incurred in compliance with the Indenture) and (c) by the Company of Indebtedness represented by the Existing Notes (but not including any additional Existing Notes) and (d) by the Guarantors of Indebtedness represented by a guarantee of obligations under the Existing Notes;

(4) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings, sale and leaseback transactions or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or such Restricted Subsidiary, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of €65 million and 3.5% of Net Tangible Assets at any time outstanding;

(5) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clauses (2) (other than the Indebtedness repaid from the proceeds of the 2016 Refinancing), (3), (5), (15) or (17) of this paragraph;

(6) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; *provided*, *however*, that:

(a) if the Company or any Guarantor is the obligor on such Indebtedness and the creditor is not a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations with respect, in any bankruptcy, insolvency or winding up of such obligor, to its Notes Guarantee, and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations that are incurred for the purpose of fixing or hedging interest rate risk or currency risk (i) with respect to any floating rate or non-euro denominated Indebtedness that is permitted by the terms of the Indenture to be outstanding or (ii) for non-speculative purposes in the ordinary course of business;

(8) the guarantee by the Company or any of the Guarantors (subject to compliance with the covenant "*—Additional Notes Guarantees and Collateral*") of Indebtedness of the Company or a Restricted Subsidiary that was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Note or a Notes Guarantee, then the guarantee must be expressly subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness being guaranteed;

(9) the incurrence by the Company or any Restricted Subsidiary of Indebtedness in connection with one or more standby letters of credit or performance bonds issued by the Company or a Restricted Subsidiary in the ordinary course of business or pursuant to self-insurance obligations and, in each case, not in connection with the borrowing of money or the obtaining of advances or credit;

(10) the incurrence by the Company or any Restricted Subsidiary of Indebtedness arising from agreements providing for indemnification or adjustment of purchase price or from guarantees or letters of credit securing any Obligations of the Company or any Restricted Subsidiary pursuant to such agreements, incurred in connection with the sale or other disposition of any business, assets or Restricted Subsidiary, other than guarantees or similar credit support by the Company or any Restricted Subsidiary of Indebtedness incurred by any Person acquiring such business, assets or subsidiary; *provided* that the maximum Indebtedness permitted by this clause (10) in respect of any such sale or other disposition of any business, assets or subsidiary shall not exceed the Net Cash Proceeds from such sale or other disposition;

(11) the incurrence by the Company or any Restricted Subsidiary of Indebtedness arising from guarantees to suppliers, lessors, licensees, contractors, franchisees or customers and incurred in the ordinary course of business;

(12) the incurrence by the Company or any Restricted Subsidiary of Indebtedness in respect of any obligations under workers' compensation laws and similar legislation;

(13) Indebtedness incurred pursuant to the factoring of Receivables arising in the ordinary course of business pursuant to customary arrangements; *provided*, that either (a) no portion of such Indebtedness has, directly or indirectly, contingent or otherwise, recourse to any property or assets of the Company or any of its Restricted Subsidiaries (other than the Receivables that are the subject of the factoring), or (b) if such Indebtedness has recourse to any property or assets of the Company or any of its Restricted Subsidiaries, only the portion of such Indebtedness that is not recourse to any property or assets of the Company or any of its Restricted Subsidiaries (other than Receivables that are the subject of the factoring) may be considered as "Permitted Debt" under this clause (13);

(14) the incurrence by the Company or any Restricted Subsidiary of guarantees of Indebtedness of Permitted Joint Ventures in an amount not to exceed €10 million;

(15) Indebtedness, Disqualified Stock or preferred stock (i) of Persons that are acquired by the Company or any Restricted Subsidiary or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or a Restricted Subsidiary in accordance with the terms of the Indenture or (ii) incurred or issued to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or otherwise in connection with or contemplation of such acquisition; *provided*

that, with respect to each of clause (15)(i) and (15)(ii), that after giving effect to such acquisition, merger, consolidation, amalgamation, transaction or other combination, either:

(a) the Company or such Restricted Subsidiary would be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first sentence, of this covenant; or

(b) the Fixed Charge Coverage Ratio of the Company is no less than immediately prior to such acquisition, merger, consolidation, amalgamation or other combination; and

(16) the incurrence by the Company or any Restricted Subsidiary of additional Indebtedness (including Acquired Debt) in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (16), not to exceed €35 million; and

(17) the incurrence by the Company or any Restricted Subsidiary of Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness incurred pursuant to this clause (17) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Company, in each case, subsequent to the Original Notes Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (2), (6) and (7) of the third paragraph of the covenant described above under "*—Restricted payments*" to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (17) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (2), (6) and (7) of the third paragraph of the covenant described under "*—Restricted Payments*" in reliance thereon.

To the extent any Restricted Subsidiary that is not a Guarantor is a joint obligor with respect to any Indebtedness, the entire amount of such Indebtedness shall be considered Indebtedness of a Restricted Subsidiary that is not a Guarantor for purposes of this covenant.

The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this covenant; *provided* that, in each such case, that the amount thereof is included in Consolidated Interest Expense of the Company as accrued or paid in accordance with the definition of such term.

The incurrence by an Unrestricted Subsidiary of Non-Recourse Debt will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this covenant; *provided*, *however*, that if any such Indebtedness ceases to be Non-Recourse Debt of such Unrestricted Subsidiary, such Indebtedness shall be deemed to constitute an incurrence of Indebtedness by a Restricted Subsidiary that was not permitted by this covenant.

For purposes of determining compliance with this covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (17) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company will be permitted to classify such item of

Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant; *provided* that Indebtedness incurred under the Bilateral Credit Facilities pursuant to clause (1)(b) of the second paragraph of this covenant may not be reclassified, and Indebtedness under the Bilateral Credit Facilities outstanding or incurred on the Original Notes Issue Date shall be deemed initially incurred on such date under clause (1)(b) of the second paragraph of the description of this covenant.

Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind upon any of its assets or property (including Capital Stock of Restricted Subsidiaries), whether owned on the Original Notes Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Notes Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or senior in right of payment to, in the case of Liens with respect to subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Dividend and other payment restrictions affecting subsidiaries

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to the Company or any of its Restricted Subsidiaries;

(2) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(3) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness, the Existing Senior Credit Facilities, the Existing Notes, the Revolving Credit Facility and the Bilateral Credit Facilities as in effect on or prior to the Original Notes Issue Date and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, modifications, restatements, renewals, increases, supplements, refundings, replacement or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on or prior to the Original Notes Issue Date;

(2) the Indenture, the Notes, the Notes Guarantees, the Intercreditor Agreement, the Security Documents and any notes and guarantees in connection with the subsequent issuance of debt securities in accordance with and on terms no less onerous than the Indenture;

(3) applicable law or regulation or the terms of any license, authorization, concession or permit to engage in a Permitted Business;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with

or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(5) customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices;

(6) purchase money obligations for property acquired in the ordinary course of business that impose restrictions on that property of the nature described in clause (4) of the second paragraph of the covenant entitled "*—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*";

(7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) Liens securing Indebtedness otherwise permitted to be incurred under the provisions of the covenant entitled "*—Liens*" that limit the right of the debtor to dispose of the assets subject to such Liens;

(10) customary provisions in joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements;

(11) provisions that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or other contract entered into in the ordinary course of business;

(12) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(13) any agreement or instrument (A) relating to any Indebtedness or preferred stock of a Restricted Subsidiary permitted to be incurred subsequent to the Original Notes Issue Date pursuant to the provisions of the covenant described under "*—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*" (i) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders of the Notes than the encumbrances and restrictions contained in the Existing Notes and the Intercreditor Agreement, together with the security documents associated therewith, as in effect on the Original Notes Issue Date (as determined in good faith by the Company) or (ii) if the encumbrances and restrictions are not materially more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Company) and either (x) the Company determines that such encumbrance or restriction will not adversely affect the Company's ability to make principal and interest payments on the Notes as and when they come due or (y) such encumbrances and restrictions apply only during the continuance of a default in respect of a payment or financial maintenance covenant relating to such Indebtedness, (B) constituting an intercreditor agreement on terms substantially equivalent to the Intercreditor Agreement or (C) relating to any loan or advance by the Company to a Restricted Subsidiary subsequent to the Original Notes Issue Date; *provided* that with respect to this clause (13) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders of the Notes than the encumbrances and restrictions contained in the Existing Notes, the Security Documents and the Intercreditor Agreement (as in effect on the Original Notes Issue Date).

Merger, consolidation or sale of assets

The Company

The Company will not, directly or indirectly: (1) consolidate or merge with or into another Person; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person; unless:

(1) either: (a) the Company is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made (the "*Surviving Entity*") is a corporation organized or existing under the laws of (i) Spain, (ii) any other member of the European Union that has adopted the euro as its national currency, (iii) the United Kingdom or (iv) the United States, any state of the United States or the District of Columbia;

(2) the Surviving Entity (if other than the Company) assumes all the obligations of Company under the Notes, the Indenture, the applicable Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, pursuant to agreements satisfactory to the Trustee;

(3) immediately after giving effect to such transaction no Default or Event of Default exists or would exist;

(4) only in the case of a transaction involving the Company, the Company or the Surviving Entity, as the case may be, will on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, either (a) be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant entitled "*—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*" or (b) the Fixed Charge Coverage Ratio of the Company (or, if applicable, the Surviving Entity) would equal or exceed the Fixed Charge Coverage Ratio of the Company immediately prior to giving effect to such transaction; and

(5) the Company or the Surviving Entity, as the case may be, will deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, in each case, stating that such consolidation, merger or transfer and any supplemental indenture comply with this covenant and the Indenture, and, if the Company is not the surviving entity, that the accession agreement executed in connection therewith is the legally valid and binding obligation of the Surviving Entity enforceable (subject to customary exceptions and exclusions) in accordance with their terms.

In addition, the Company may not, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person. This "*—Merger, consolidation or sale of assets*" covenant will not apply to a sale, assignment, transfer, conveyance or other disposition of assets between or among the Company and any of the Guarantors. Notwithstanding clause (4) of the foregoing, the Company or any Guarantor may merge with an Affiliate solely for the purpose of reincorporating the Company or such Guarantor in another jurisdiction to realize tax or other benefits.

Each holder, by accepting a Note, shall be deemed to have consented to and accepted and to have waived any legal right to oppose, object to, or impose conditions on (including the provision of any guarantee or security), any direct or indirect consolidation or merger of the Company with or into another Person or sale, assignment, transfer, conveyance or other disposal of all or substantially all of the properties or assets of the Company and its Restricted

Subsidiaries taken as a whole, in one or more related transactions, to another Person that, in any such case, complies with this covenant.

The Guarantors

A Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the Company or another Guarantor, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) either:

  (a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under the Indenture and its Notes Guarantee pursuant to a supplemental indenture satisfactory to the Trustee and the applicable Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement;

  (b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture; or

  (c) in any transaction between (i) the Company or a Guarantor and (ii) a Restricted Subsidiary that is not a Guarantor, the Company or such Guarantor is the surviving Person or the Restricted Subsidiary is the surviving Person and assumes all of the obligations of the Company or such Guarantor under the Indenture and its Notes Guarantee pursuant to a supplemental indenture satisfactory to the Trustee.

Transactions with affiliates

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each, an "*Affiliate Transaction*") involving aggregate payments or consideration in excess of €5 million, unless:

(1) the Affiliate Transaction is on terms no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and

(2) the Company delivers to the Trustee:

  (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €15 million, a resolution of the Board of Directors of the Company set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with clause (1) above; and

  (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €30 million, an opinion that such transaction or series of transactions is fair to the holders from a financial point of view, or is not less favorable than could reasonably be expected to be obtained at the time in an arm's length transaction with a Person who was not an Affiliate of the Company, which opinion shall be issued by an independent accounting, appraisal or investment banking firm of international or national standing.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) transactions between or among the Company and any Restricted Subsidiary (or any entity that becomes a Restricted Subsidiary as a result of such transaction) or between or among Restricted Subsidiaries;

(2) transactions with a Person (including any joint venture or equity investee) that is an Affiliate of the Company or a Restricted Subsidiary solely because the Company or a Restricted Subsidiary owns an Equity Interest in such Person;

(3) payment of reasonable director's and other fees to, indemnities provided on behalf of, and expenses (including expense reimbursement, employee benefit and pension expenses) relating to, officers, directors, employees or consultants of the Company or its Subsidiaries and payments of benefits and salaries to employees of the Company or its Subsidiaries in the ordinary course of business;

(4) issuances or sales of Equity Interests of the Company (other than Disqualified Stock) to Affiliates of the Company;

(5) Permitted Investments or Restricted Payments that are permitted by the provisions of the Indenture described above under the caption "—*Restricted payments*" (other than Permitted Investments described in clauses (3), (10), (11)(i) and (14) of the definition of "Permitted Investments");

(6) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Company, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(7) the 2016 Refinancing; and

(8) the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument as in effect on the Original Notes Issue Date, as such agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time after the Original Notes Issue Date (to the extent not more disadvantageous to the holders of the Notes in any material respect).

Limitation on sales of assets and equity interests in restricted subsidiaries

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Capital Stock issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents (except to the extent the Asset sale is a Permitted Asset Swap). For purposes of this provision, each of the following will be deemed to be cash:

    (a) any liabilities, as shown on the Company's or such Restricted Subsidiary's most recent balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Notes Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash within 180 days of the receipt thereof, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company may apply those Net Cash Proceeds, if any, at its option:

(1) (a) to repay, repurchase, prepay or redeem (i) Indebtedness of a Restricted Subsidiary that is not a Guarantor or Indebtedness which is secured by a Lien on assets that do not constitute Collateral (in each case other than Indebtedness owed to the Company or any Restricted Subsidiary) or (ii) Indebtedness of the Company or any Restricted Subsidiary that is secured by a Lien on the Collateral, which Lien ranks *pari passu* with or senior to the Liens securing the Notes and the applicable Notes Guarantees; *provided*, *however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased and (b) unless included in clause (a), to prepay, repay or purchase Pari Passu Indebtedness; *provided* that the Company shall redeem, repay or repurchase Pari Passu Indebtedness pursuant to this clause (b) only if the Company makes (at such time or subsequently in compliance with this covenant) an offer to the holders of the Notes to purchase their Notes in accordance with the provision set forth below for an Asset Sale Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness;

(2) to acquire all or substantially all the assets of, or to acquire Capital Stock of, another Person engaged in a Permitted Business, if, after giving effect to any such acquisition of Capital Stock, such Person is or becomes a Restricted Subsidiary;

(3) to make a capital expenditure;

(4) to acquire other long-term assets (other than Indebtedness or Capital Stock) that are used or useful in a Permitted Business;

(5) to enter into a binding commitment to apply the Net Cash Proceeds pursuant to clauses (2), (3) or (4) of this paragraph; *provided* that such binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated and (y) the 180th day following the expiration of the aforementioned 360 day period; or

(6) any combination of the foregoing.

Pending the final application of any Net Cash Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest the Net Cash Proceeds in any manner that is not prohibited by the Indenture. Notwithstanding the foregoing provisions of this covenant, the Company and the Restricted Subsidiaries will not be required to apply any Net Cash Proceeds in accordance with this covenant except to the extent that the aggregate Net Cash Proceeds from all Asset Sales which is not applied in accordance with this covenant exceeds €20 million.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute "*Excess Proceeds*". When the aggregate amount of Excess Proceeds exceeds €20 million, or at such earlier time if the Company elects, the Company will make an offer (an "*Asset Sale Offer*") to all holders of Notes, and the Company will make any required offer to purchase Pari Passu Indebtedness containing similar asset sale provisions, to purchase the maximum principal amount of Notes and such Pari Passu Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Sale Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. Upon completion of each Asset Sale Offer the amount of Excess Proceeds will be reset at zero.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes and the related Notes Guarantees pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached their respective obligations under the Asset Sale provisions of the Indenture by virtue of such compliance.

Designation of restricted and unrestricted subsidiaries

The Board of Directors of the Company or, if required by applicable law, the shareholders of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary so designated will be deemed to be an Investment made as of the time of such designation and will either reduce the amount available for Restricted Payments under the first paragraph of the covenant entitled "*—Restricted payments*" or reduce the amount available for future Investments under one or more clauses of the definition of Permitted Investments, as the Company shall determine. That designation will only be permitted if such Investment would be permitted at that time and if such Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Company or, if required by applicable law, the shareholders of the Company may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if the redesignation would not cause a Default.

Additional notes guarantees and collateral

The Company will not permit any of its Restricted Subsidiaries, directly or indirectly, to guarantee the payment of any other Credit Facilities or other Public Debt of the Company or any Guarantor unless such incurrence is permitted by the covenant entitled "*—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*", and such Restricted Subsidiary (if not already a Guarantor) simultaneously executes and delivers a supplemental indenture and supplemental intercreditor agreement pursuant to which such Restricted Subsidiary will guarantee payment of the Notes on the same terms and conditions as those set forth in the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement and which Notes Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Credit Facilities or other Public Debt; *provided* that no such additional Notes Guarantee need be provided in respect of Credit Facilities or other Public Debt of the Company or any Guarantor (i) that does not exceed €25 million, in the aggregate with all other Credit Facilities or other Public Debt described under this clause (i), (ii) if the guarantee of such Indebtedness is pursuant to a regulatory requirement and such Credit Facilities or other Public Debt is owed to a regulatory body, or (iii) if such Credit Facilities or other Public Debt is guaranteed by such Restricted Subsidiary on the Original Notes Issue Date and such Restricted Subsidiary is not a Guarantor.

The Company shall cause each Restricted Subsidiary that (i) becomes a Property Company or (ii) becomes an obligor under the Revolving Credit Facility after the Original Notes Issue Date to execute and deliver a supplemental indenture providing for the Notes Guarantee by such Restricted Subsidiary on the same terms as the Notes Guarantees granted by the other Guarantors pursuant to the Indenture as promptly as practicable following such Restricted Subsidiary becoming a Property Company or an obligor under the Revolving Credit Facility, as the case may be.

The Company shall not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent that such Notes Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Company or a Restricted Subsidiary; (2) any liability for the officers, directors or shareholders of such Restricted Subsidiary; (3) any cost, expense, liability or obligation (including any Tax) other than reasonable out of pocket expenses and other than reasonable governmental or regulatory filing fees and (4) a requirement under applicable law, rule or regulation to obtain or prepare financial statements or financial information of such Person to be included in any required filing with a legal or regulatory authority that the Company is not able to obtain or prepare through measures reasonably available to the Company.

Notwithstanding the preceding paragraphs of this covenant, any Notes Guarantee by a Restricted Subsidiary will provide by its terms that it will be automatically and unconditionally released and discharged when (i) the Indebtedness that gave rise to the obligation to guarantee the Notes is discharged, (ii) in the case of any Notes Guarantee granted as contemplated under the second paragraph of this covenant, when such Restricted Subsidiary ceases to be designated as a Property Company or an Obligor under the Revolving Credit Facility, as the case may be, or (iii) otherwise under the circumstances described above under the caption "*—The notes guarantees*." The terms, provisions and limitations related to the Notes Guarantees will be included in the Indenture.

In addition, concurrently with the provision of any collateral under the Existing Notes or the Revolving Credit Facility, subject to the Intercreditor Agreement and any Additional Intercreditor Agreement, the Company or such Guarantor will provide security to secure the Notes or such Notes Guarantee on a *pari passu* and *pro rata* basis. The Company shall pledge or cause to be pledged as security to secure the Notes and the Notes Guarantees, subject to the Intercreditor Agreement, the Capital Stock of each Restricted Subsidiary that after the Original Notes Issue Date becomes a Property Company as promptly as practicable following such Restricted Subsidiary becoming a Property Company.

Impairment of security interest

The Company shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the holders of the Notes, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders of the Notes and the other beneficiaries described in the Security Documents, any interest whatsoever in any of the Collateral, except that the Company and its Restricted Subsidiaries may incur Permitted Collateral Liens and the Collateral may be discharged, transferred or released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement; *provided*, *however*, that (a) nothing in this provision shall restrict the release or replacement of any security interests in compliance with the terms of the Indenture as described under "*—Security—Release of security interests*" and (b) any Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, if contemporaneously with any such action, the Company delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an independent financial advisor confirming the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, (2) a certificate from an Officer of the relevant Person which confirms the solvency of the Person granting such security interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release and replacement, or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the security so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens, in each case, not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement. In the event that the Company complies with the requirements of this covenant, the Trustee or the Security Agent (as the case may be) shall (subject to customary protections and indemnifications) consent to any such amendment, extension, renewal, restatement, supplement, modification or replacement without the need for instructions from the holders of the Notes.

Limitation on activities of the property companies

Each of the Property Companies will not engage in any business activity or undertake any other activity, except any activity (a) relating to the ownership of real estate and related property owned by each of them, (b) relating to the provision of administrative, management and similar services and the ownership of assets necessary to provide such services, (c) undertaken with the purpose of, directly related to or otherwise reasonably incidental to or resulting from the establishment and maintenance of its corporate existence or (d) not specifically enumerated above that is immaterial or *de minimis* in nature. Notwithstanding the foregoing, each Property Company shall not (i) incur any financial Indebtedness other than (x) the Notes, the Existing Notes, the Revolving Credit Facility and Hedging Obligations relating to the Notes, the Existing Notes and the Revolving Credit Facility or (y) guarantees of Secured Pari Passu Indebtedness incurred by a Guarantor and subject to the Intercreditor Agreement or Additional Intercreditor Agreement, or (ii) issue any Capital Stock (other than to the Company or a Wholly Owned Restricted Subsidiary).

Lines of business

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Similar Business, except to such extent as would not be material to the Company and its Restricted Subsidiaries, taken as a whole.

Suspension of certain covenants when notes rated investment grade

If on any date following the Original Notes Issue Date, (1) the Notes are rated (a) Baa3 or better by Moody's and (b) BBB− or better by S&P (or, if either Moody's or S&P ceases to rate the Notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from Fitch or, in the absence of such, any other Nationally Recognized Statistical Rating Organization selected by the Company as a replacement agency so that the Notes are so rated by at least two such credit rating agencies); and (2) no Default or Event of Default shall have occurred and be continuing, then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this Offering Memorandum will be suspended and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries:

(1) "—Restricted Payments";

(2) "—Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock";

(3) "—Dividend and Other Payment Restrictions Affecting Subsidiaries";

(4) clause (4) of the first paragraph of the covenant described under the caption "*—Merger, consolidation or sale of assets—The company*";

(5) "—Transactions with Affiliates";

(6) "—"Limitation on Sales of Assets and Equity Interests in Restricted Subsidiaries";

(7) "—Additional Notes Guarantees and Collateral"; and

(8) "—Lines of Business".

During any period that the foregoing covenants have been suspended, the Company's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described below under the caption "*—Designation of restricted and unrestricted subsidiaries*" or the second paragraph of the definition of "Unrestricted Subsidiary".

Notwithstanding the foregoing, if the rating assigned by any such rating agency should subsequently decline to below Baa3 or BBB −, as applicable, the foregoing covenants and any related default provisions will be reinstituted as of and from the date of such rating decline. Such covenants will not, however, be of any effect with respect to actions properly taken during the period of suspension. Calculations under the reinstated "Restricted Payments" covenant will be made as if the "Restricted Payments" covenant had been in effect since the Original Notes Issue Date except that no default will be deemed to have occurred by reason of a Restricted Payment made while that covenant was suspended. On the rating decline date, all Indebtedness incurred during the suspension period will be classified, at the Company's option, as having been incurred pursuant to the first paragraph of the covenant described under the caption "*—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*" or one or more of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be incurred thereunder as of the rating decline date and after giving effect to Indebtedness incurred prior to the suspension period and outstanding on the rating decline date). To the extent that such Indebtedness would be so permitted to be incurred under the first two paragraphs of the covenant described under "*—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*", such Indebtedness will be deemed to have been outstanding on the Original Notes Issue Date, so that it is classified under clause (2) of the second paragraph of the covenant described under "*—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*".

Reports

The Company will post on its website and furnish to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the fiscal year ending December 31, 2016, annual reports containing a level of detail that is comparable in all material respects to the 2016 Offering Memorandum consisting of the following information: (a) audited consolidated balance sheets of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and cash flow of the Company for the three most recent fiscal years, including appropriate footnotes to such financial statements, and the report of the independent auditors on the financial statements; (b) pro forma income statement and balance sheet information, together with

summary explanatory footnotes, for any material acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates or material recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, in each case unless pro forma information has been provided in a previous report pursuant to clause (2) (*provided* that a material acquisition, disposition or recapitalization that has occurred fewer than 30 days prior to the last day of the completed fiscal year as to which such annual report relates shall be reported in the next interim report provided pursuant to this covenant; *provided*, *further*, that such pro forma information will be provided only to the extent available without unreasonable expense); (c) to the extent relating to annual periods, an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) material risk factors and material recent developments;

(2) within (a) 60 days following the end of the first and third fiscal quarters in each fiscal year of the Company (beginning with the fiscal quarter ending on September 30, 2016) and (b) 75 days following the end of the second fiscal quarter in each fiscal year of the Company (beginning with the fiscal quarter ending on June 30, 2017), quarterly financial statements containing the following information: (i) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods; (ii) pro forma income statement and balance sheet information, together with summary explanatory footnotes, for any material acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates or material recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, in each case unless pro forma information has been provided in a previous report pursuant to clause (3) below (*provided* that a material acquisition, disposition or recapitalization that has occurred fewer than 30 days prior to the last day of the completed fiscal quarter as to which such quarterly report relates shall be reported in the next interim report provided pursuant to this covenant; *provided*, *further*, that such pro forma information will be provided only to the extent available without unreasonable expense); (iii) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; and (iv) material recent developments and any material changes to the risk factors disclosed in the most recent annual report;

(3) promptly after the occurrence of a material acquisition, disposition, restructuring, senior management or board of directors changes or change in auditors of the Company and its Restricted Subsidiaries, a report containing a description of such event; and

(4) promptly after the occurrence of any event that the Company announces to the securities and exchange commission in Spain (*Comisión Nacional del Mercado de Valores*), a copy of such report or announcement.

The Company will furnish to the Trustee within 180 days after the end of each fiscal year, an Annual Valuation Report with respect to the Collateral and may deliver any Interim Valuation Report or Supplemental Valuation Report from time to time.

The foregoing reports and press releases that the Company shall deliver, provide or file in accordance with the Indenture, shall be in English.

All financial statement and pro forma financial information shall be prepared in accordance with IFRS as in effect from time to time and on a consistent basis for the periods presented and the financial statements required under clause (1) may be presented in the same format as in the Offering Memorandum; *provided*, *however*, that the reports set forth in clauses (1), (2), (3) and (4) above may, in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods.

No report need include separate financial statements or financial data for any Guarantors or non-Guarantor Subsidiaries of the Company; *provided* that the annual report in clause (1) shall include a statement of the aggregate percentage of the consolidated EBITDA of the Company represented by the Guarantors.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in the operating and financial review of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

In addition, so long as the Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company will furnish to the holders, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Additional intercreditor agreements

At the request of the Company, in connection with the incurrence by the Company or its Restricted Subsidiaries of any Indebtedness permitted to be secured under the Indenture, the Company, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the holders (*provided* that the Trustee and the Security Agent shall have received an Officer's Certificate and an Opinion of Counsel to that effect)); *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent, as the case may be, under the Indenture or the Intercreditor Agreement.

At the direction of the Company and without the consent of holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be incurred by the Company or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes or other Indebtedness permitted to be secured by the Indenture or (6) make any other change to any such agreement that does not adversely affect the holders in any material respect (*provided* that the Trustee and the Security Agent shall have received an Officer's Certificate and an Opinion of Counsel to that effect). The Company may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture, any Intercreditor Agreement or Additional Intercreditor Agreement.

Each holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or an Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

Events of default and remedies

Each of the following is an Event of Default:

(1) default for 30 days in the payment when due of interest on, or Additional Amounts with respect to, the Notes;

(2) default in payment when due at maturity, upon redemption, upon repurchase, upon declaration or otherwise, of the principal of, or premium, if any, on the Notes;

(3) failure by the Company or any of the Guarantors to comply with the provisions described under the caption "*—Certain covenants—Merger, consolidation or sale of assets*";

(4) failure by the Company or any of its Restricted Subsidiaries for 30 days after written notice by the Trustee on behalf of the holders or by the holders of 25% in aggregate principal amount of the outstanding Notes to comply with the provisions described under the captions "*—Repurchase at the option of holders*" and "*—Certain covenants*" (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above and a failure to comply with the provisions described under the caption "*—Certain covenants—Merger, consolidation or sale of assets*" described in clause (3) above);

(5) failure by the Company or any of its Restricted Subsidiaries for 60 days after written notice by the Trustee on behalf of the holders or by the holders of 25% in aggregate principal amount of the outstanding Notes to comply with any of the other agreements in the Indenture;

(6) default under any mortgage, Indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the Original Notes Issue Date, if that default:

    (a) is caused by a failure to pay principal of such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

    (b) results in the acceleration of such Indebtedness prior to its express maturity;

    and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €25 million or more;

(7) failure by the Company or any of its Restricted Subsidiaries to pay final judgments (which are not covered by insurance as to which a claim has been submitted and the insurer has not disclaimed or indicated an intent to disclaim responsibility for the payment thereof) aggregating in excess of €25 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(8) except as permitted by the Indenture, any Notes Guarantee of any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company) would constitute a Significant Subsidiary of the Notes shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor shall deny or disaffirm in writing its obligations under its Notes Guarantee;

(9) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the relevant Security Documents, the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) for any reason other than satisfaction in full of all obligations of the Company and its Restricted Subsidiaries under the Indenture or the release of any such security interest in accordance with the Security Documents, the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, or the Indenture or any security interest created pursuant to the Indenture and the Security Documents shall be declared invalid or unenforceable or the Company shall assent in writing that any such security interest is invalid or unenforceable or any pledgor disaffirms in writing its obligations under the Security Documents and any such Default continues for 10 days;

(10) default under any other Indebtedness that is secured by the Collateral if such default results in the creditors under such Indebtedness commencing an enforcement action of their security rights over the Collateral; and

(11) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company, any Restricted Subsidiary that is a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company) would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Indenture provides that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Company, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Company. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders.

The holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or Additional Amounts on, or the principal of, the Notes.

The Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Company is taking or proposes to take in respect thereof.

No personal liability of directors, officers, employees and stockholders

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture or the Notes Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws of the United States.

Legal defeasance and covenant defeasance

The Company may, at its option, and at any time, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Company and any Guarantors discharged with respect to their Notes Guarantees ("*Legal Defeasance*") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium, and Additional Amounts, if any, on such Notes when such payments are due from the trust referred to below;

(2) the Company's obligations with respect to mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's and any Guarantor's obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option, and at any time, elect to have the obligations of the Company and any Guarantors released with respect to certain covenants that are described in the Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non- payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "*—Events of default and remedies*" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit or cause to be deposited with the Trustee (or another entity designated by the Trustee for such purposes), in trust, for the benefit of the holders of the Notes, cash in euros, non- callable European Government Obligations, or a combination of cash in euros and non-callable European Government Obligations, in amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay the principal of, or interest and premium, and Additional Amounts, if any, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that (a) the Company has received from, or there has been published by, the United States Internal Revenue Service a ruling or (b) since the Original Notes Issue Date, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the holders of the outstanding Notes will not

recognize income, gain or loss for United States federal income tax purposes as a result of such Legal Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound;

(6) the Company must deliver to the Trustee an Officer's Certificate stating that the deposit was not made or caused to be made by the Company with the intent of preferring the holders over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

(7) the Company must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, supplement and waiver

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes, the Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing default or compliance with any provision of the Indenture, the Notes, the Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents may be waived with the consent of the holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF of the Luxembourg Stock Exchange and the rules of this exchange so require, the Company will inform the Luxembourg Stock Exchange and publish a notice of any such amendment, supplement or waiver in a newspaper having a general circulation in Luxembourg (currently expected to be the *Luxemburger Wort*) or the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Without the consent of holders of at least 90% of the aggregate principal amount of then outstanding Notes affected (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes), an amendment or waiver may not (with respect to any Notes held by a non-consenting holder):

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the captions "*—Repurchase at the option of holders*" and "*—Certain covenants—Limitation on sales of assets and equity interests in restricted subsidiaries*");

(3) reduce the rate of or change the time for payment of interest on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or interest, premium, or Additional Amounts, if any, on the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in a currency other than that stated in the Notes;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, premium, or Additional Amounts, if any, on the Notes (such rights are changed only when the terms of the Indenture or the Notes are amended to reduce the specified principal amount, percentage or amount of premium or interest rate or to extend the maturity date of the Notes or to amend the specified conditions or circumstances in which Additional Amounts are payable or the amount of Additional Amounts that are payable and this subparagraph (6) shall not be construed as requiring the consent of holders of the Notes to any amendment or to any action, including an action undertaken by the Company or any Guarantor, except as specifically provided in this subparagraph (6));

(7) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the captions "*—Repurchase at the option of holders*" and "*—Certain covenants—Limitation on sales of assets and equity interests in restricted subsidiaries*");

(8) release the Company or any Guarantor from any of its obligations under its Notes Guarantee or the Indenture, except in accordance with the terms of the Indenture;

(9) release the security interest granted for the benefit of the holders of the Notes in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement or as otherwise permitted by the Indenture; or

(10) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Company and the other Guarantors and the Trustee and the other parties thereto may amend or supplement the Indenture, the Notes or the Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of Definitive Registered Notes;

(3) to provide for the assumption of the Company's or a Guarantor's obligations to holders in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Guarantor's assets;

(4) to make such changes as are necessary to provide for the issuance of Additional Notes in compliance with the covenants described herein (including for the issuance of Additional Notes denominated in a currency different from the currency of the initially issued Notes), or to add guarantees in favor of the Notes;

(5) to mortgage, pledge, hypothecate or grant security interest in favor of the Security Agent to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture and the covenant described under "*—Certain covenants—Impairment of security interest*" is complied with;

(6) to conform the text of the Indenture, the Notes Guarantees, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents, the Notes Guarantees or the Notes;

(7) to add additional assets or property as Collateral;

(8) to evidence and provide the acceptance of the appointment of a successor Trustee or Security Agent under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(9) as provided under "*—Additional Intercreditor Agreements*";

(10) to confirm and evidence the release, termination, discharge or retaking of any guarantee or Lien (including the Collateral and the Security Documents) with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement; or

(11) to make any change that would provide any additional rights or benefits to the holders or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect.

Satisfaction and discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or another entity designated by the Trustee for such purposes) as trust funds in trust solely for the benefit of the holders, cash in euros, non-callable European Government Obligations, or a combination of cash in euros and non-callable European Government Obligations, in an aggregate amount as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or

violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(3) all sums payable by the Company or the Guarantors under the Indenture is paid or caused to be paid by or on behalf of the Company or the Guarantors; and

(4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Company must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Concerning the trustee

The Trustee will be permitted to engage in transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days of becoming aware of such conflict or resign. If the Trustee becomes the owner or pledgee of the Notes it may deal with the Company with the same rights it would have if it were not the Trustee, Paying Agent, Registrar or such other agent.

The holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations can be read into the Indenture against the Trustee. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has provided to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Judgment currency

Any payment on account of an amount that is payable in euros (the "*Required Currency*") which is made to or for the account of any holder of a Note in lawful currency of any other jurisdiction (the "*Other Currency*") whether as a result of any judgment or order or the enforcement thereof or the realization of any security or the liquidation of the Company or any Guarantor shall constitute a discharge of Company's or such Guarantor's obligation under the Indenture, the Notes or the Notes Guarantees, as the case may be, only to the extent of the amount of the Required Currency which such holder could purchase in the New York foreign exchange markets with the amount of the Other Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first day (other than a Saturday or Sunday) on which banks in New York are generally open for business following receipt of the payment first referred to above. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such holder, Company or such Guarantor, as the case may be, shall indemnify and save harmless such holder from and against all loss or damage arising out of or as a result of such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture, the Notes or the Notes Guarantees, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder of a Note from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Consent to jurisdiction and service of process

Pursuant to the Indenture, each of the Company and the Guarantors has appointed Jolly Hotels U.S.A., Inc. 2711 Centerville Road, Suite 400 Wilmington, Delaware 19808 USA as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Notes Guarantees brought in any federal or state court located in the City of New York and has submitted to such jurisdiction.

Additional information

Anyone who receives this Offering Memorandum may obtain a copy of the Indenture without charge at the registered office of the Company and at the offices of the Trustee or by writing to the Trustee.

Governing law

The Indenture, the Notes and the Notes Guarantees are governed by the laws of the State of New York.

Certain definitions

"2016 Offering Memorandum" means the offering memorandum dated September 23, 2013 relating to the Original Notes.

"2016 Refinancing" means, collectively, the issuance of the Original Notes on September 29, 2016 and the application of proceeds therefrom.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Additional Guarantor*" means any Restricted Subsidiary that becomes a Guarantor after the Issue Date by executing and delivering a supplemental indenture and supplemental intercreditor agreement pursuant to which such Restricted Subsidiary will guarantee payment of the Notes on the same terms and conditions as those set forth in the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement, together with its successors and assigns.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person and, in the case of any natural Person, any Immediate Family member of such Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" shall have correlative meanings.

"*Annual Valuation Report*" means (1) in the case of the Property Collateral, a property valuation report prepared by an independent real property appraisal firm of international or national standing that is delivered to the Trustee pursuant to the second paragraph under "*—Certain covenants—Reports*" setting forth the Market Value with respect to all of the Collateral as of the end of each fiscal year of the Company; and (2) in the case of the Share Collateral, a valuation report prepared by an independent appraisal firm of international or national standing that is delivered to the Trustee pursuant to the second paragraph under "*—Certain covenants—Reports*" setting forth (a) in the case of Share Collateral in respect of a Property Company or a Person whose activities substantially consist of those described in clauses (a) to (d) of the first sentence under "*—Certain covenants—Limitation on activities of the property companies*", the Market Value of the real estate held by the Person whose Capital Stock constitutes Share Collateral less all liabilities of such Person, adjusted for the percentage of Capital Stock owned by the Company as of the end of each fiscal year of the Company and (b) in the case of all other Share Collateral, the price which could be negotiated for the Capital Stock of such Person that constitutes Collateral in an arm's length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction, as of the end of each fiscal year of the Company.

"*Applicable Premium*" means, at any redemption date, the greater of (a) 1% of the principal amount of such Note at such time and (b) the excess of (A) the present value at such time of (i) the redemption price of such Note on October 1, 2019 (such redemption price being described in the table appearing in the second paragraph under the caption "*—Optional redemption*" exclusive of any accrued interest to such redemption date), plus (ii) any required interest payments due on such Note through and including October 1, 2019 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the Bund Rate plus 50 basis points, over (B) the principal amount of such Note.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets, other than sales of inventory in the ordinary course of business; *provided* that the sale, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "*—Repurchase at the option of holders—Change of control*" and/or the provisions described above under the caption "*—Certain Covenants—Merger, consolidation or sale of assets*" and not by the provisions of "*—Certain covenants—Limitation on sales of assets and equity interests in restricted subsidiaries*"; and

(2) the issuance of Capital Stock in any of the Company's Restricted Subsidiaries or the sale by the Company or any of its Restricted Subsidiaries of Capital Stock in any of their respective Restricted Subsidiaries.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than €7.5 million;

(2) a transfer of assets between or among the Company and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(4) the sale, lease, assignment or sublease of equipment, inventory, accounts receivable or other assets in the ordinary course of business;

(5) the sale or other disposition of cash or Cash Equivalents;

(6) (a) a Restricted Payment that is permitted by the covenant described above under the caption "*—Certain Covenants—Restricted payments*" and (b) solely for purposes of the second and fourth paragraphs of the covenant described under "*—Certain Covenants—Limitation on sales of assets and equity interests in restricted subsidiaries*", one or more sale, lease, conveyance or other disposition of any assets with aggregate Net Cash Proceeds of up to €60.0 million if the proceeds thereof are used to make Restricted Payments that

are permitted by the covenant described above under the caption "—*Certain covenants—Restricted payments*";

(7) a Permitted Investment;

(8) a disposition of obsolete or worn-out equipment or equipment that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries in the ordinary course of business;

(9) the grant of licenses of intellectual property rights to third parties in the ordinary course of business;

(10) the disposal or abandonment of intellectual property that is no longer economically practicable to maintain or which is no longer required for the business of the Company and its Restricted Subsidiaries;

(11) sales of dispositions of Receivables in connection with any factoring transaction arising in the ordinary course of business pursuant to customary arrangements; *provided* that any Indebtedness incurred in relation thereto is permitted to be incurred by clause (13) of the second paragraph of the covenant described under "—*Certain covenants—Incurrence of indebtedness and issuance of disqualified stock and preferred stock*";

(12) a disposition by way of the granting of a Permitted Lien or foreclosures on assets.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "*Beneficially Owns*" and "*Beneficially Owned*" have a corresponding meaning.

"*Bilateral Credit Facilities*" means:

(i) the credit facility dated April 8, 2008 entered into among, *inter alios*, Vela Secunda Omnium Primum VIII B.V., as borrower, and Friesland Bank NV, as agent;

(ii) the credit facility dated November 9, 2006 entered into among, *inter alios*, Italjolly Compagnia Italiana Dei Jolly Hotels S.P.A., as borrower, and Unicredit Banca d'Impresa Societa' per Azioni, as agent;

(iii) the credit facility dated December 20, 2006 entered into among, *inter alios*, NH Italy Hotel Management S.r.l., as borrower, and Unicredit Banca d'Impresa S.p.A., as agent;

(iv) the credit facility dated November 25, 2014 entered into among, inter alios, NH Italia SpA as borrower, and Banca Popolare Di Milano, as lender;

(v) the credit facility dated June 30, 2006 entered into among, *inter alios*, Italjolly Compagnia Italiana Dei Jolly Hotels S.P.A., as borrower, and Banca Popolare Di Bergamo S.p.A., as agent;

(vi) the credit facility dated June 30, 2006 entered into among, *inter alios*, Italjolly Compagnia Italiana Dei Jolly Hotels S.P.A., as borrower, and Banca Popolare Di Bergamo S.p.A., as agent;

(vii) the credit facility dated October 25, 2006 entered into among, *inter alios*, NH Hoteles Switzerland GmbH, as borrower, and Freiburger Kantonalbank, as agent;

(viii) the credit facility dated June 9, 2003 entered into among, *inter alios*, NH Lagasca, S.A., as borrower, and Banco Bilbao Vizcaya Argentaria, S.A., as agent;

(ix) the credit facility dated November 22, 2006 entered into among, *inter alios*, Nuevos Espacios Hoteleros S.A., as borrower, and Banco Popular Español, S.A., as agent;

(x) the credit facility dated July 13, 2005 entered into among, *inter alios*, Desarrollo Inmobilario Santa Fe Mexico S.A., as borrower, and Caixanova de Aforros de Vigo Ourense E Pontevedra, as agent;

(xi) the credit facility dated April 28, 2004 entered into among, *inter alios*, Grupo Hotelero Queretaro S.A. de C.V., as borrower, and BBVA Bancomer S.A., as agent;

(xii) the credit facility dated November 22, 2006 entered into among, *inter alios*, NH Hoteles S.A., as borrower, and Merrill Lynch International, as agent,

(xiii) the credit facility dated February 13, 2015 entered into among, *inter alios*, NH Hotel Group, S.A., as borrower, and Banco Santander,S.A., as lender;

(xiv) the credit facility dated November 24, 2014 entered into among, *inter alios*, Latinoamericana de Gestion Hotelera S.A., as borrower, and Bankinter, as lender;

(xv) the credit facility dated November 24, 2014 entered into among, *inter alios*, NH Europa S.A.U., as borrower, and Bankinter, as lender;

(xvi) the credit facility dated January 28, 2016 entered into among, *inter alios*, NH Hotel Group SA, as borrower, and Barclays as lender;

(xvii) the credit facility dated July 10, 2015 entered into among, *inter alios*, NH Hotel Group SA, as borrower, and Caixabank, SA, as lender;

(xviii) the credit facility dated November 10, 2015 entered into among, *inter alios*, NH Central Reservation Office S.A.U, as borrower, and Bankinter SA, as lender;

(xix) the credit facility dated March 29, 2016 entered into among, *inter alios*, NH Hotel Group SA, as borrower, and Novo Banco SA, as lender;

(xx) the credit facility dated June 15, 2016 entered into among, *inter alios*, NH Hotel Group SA, as borrower, and Banco Caixa Geral SA, as lender;

(xxi) the credit facility dated July 29, 2016 entered into among, *inter alios*, Inmobiliaria Royal SA as borrower, and Itau Corpbanca, as lender;

(xxii) the credit facility dated November 6, 2015 entered into among, *inter alios*, NH Hoteles, SA, as borrower, and Liberbank SA, as lender

(xxiii) the credit facility dated July 17, 2016 entered into among, *inter alios*, NH Hoteles, SA, as borrower, and Liberbank SA, as lender;

(xxiv) the credit facility dated September 25, 2015 entered into among, *inter alios*, NH Finance, SA, as borrower, and Deustche Bank SA Española, as lender;

(xxv) the credit facility dated January 29, 2016 entered into among, *inter alios*, NH Finance, SA as borrower, and BNP Paribas Fortis SA, as lender;

(xxvi) the credit facility dated July 23, 2015 entered into among, *inter alios*, NH Finance, SA, as borrower, and BNP Paribas Fortis SA, as lender;

(xxvii) the credit facility dated November 6, 2015 entered into among, *inter alios*, NH Hotel Group, SA, as borrower, and BBVA SA, as lender;

(xxviii) the credit facility dated December 3, 2015 entered into among, *inter alios*, NH Hotel Group, SA, as borrower, and Banco Popular Español SA, as lender;

(xxix) the credit facility dated February 2, 2016 entered into among, *inter alios*, NH Hotel Group, SA, as borrower, and Bankinter SA, as lender;

(xxx) the credit facility dated May 24, 2013 entered into among, *inter alios*, Sociedad Hotelera Cien Internacional, as borrower, and Bancolombia, as lender;

(xxxi) the credit facility dated June 7, 2013 entered into among, *inter alios*, Hotel Pacifico Royal Ltda, as borrower, and Bancolombia, as lender;

(xxxii) the credit facility dated January 24, 2014 entered into among, *inter alios*, Hotel Parque Royal SAS, as borrower, and Bancolombia, as lender;

(xxxiii) the credit facility dated May 30, 2013 entered into among, *inter alios*, Hotel Andino Royal SAS, as borrower, and Bancolombia, as lender;

(xxxiv) the credit facility dated January 19, 2016 entered into among, *inter alios*, Sociedad Operadora Urban Calle 26 SAS, as borrower, and Bancolombia, as lender;

(xxxv) the credit facility dated April 25, 2015 entered into among, *inter alios*, Hoteles Royal, as borrower, and Bancolombia as lender;

(xxxvi) the credit facility dated October 25, 2012 entered into among, *inter alios*, NH Italia SpA, as borrower, and Cassa Di Risparmio del Veneto, as lender;

(xxxvii) the credit facility dated February 26, 2016 entered into among, *inter alios*, NH Hotel Group SA, as borrower, and Banco Santander, as lender; and

(xxxviii) the credit facility dated July 2, 2013 entered into among, *inter alios*, NH The Netherlands BV as borrower, and ING, as lender,

in each case, as amended and restated from time to time prior to the Original Notes Issue Date.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation;

(2) with respect to a partnership, the board of directors of the general partner of the partnership; and

(3) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Bund Rate*" means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "*Comparable German Bund Issue*" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to October 1, 2019, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to October 1, 2019; *provided*, *however*, that, if the period from such redemption date to October 1, 2019 is less than one year, a fixed maturity of one year shall be used;

(2) "*Comparable German Bund Price*" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "*Reference German Bund Dealer*" means any dealer of German Bundesanleihe securities appointed by the Company; and

(4) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Company of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third Business Day preceding the relevant date.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Luxembourg, Madrid, Spain, or New York, United States are authorized or required by law to close.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) for financial reporting purposes on the basis of IFRS, as in effect on the Original Notes Issue Date.

"*Capital Stock*" means:

(1) in the case of a corporation, ordinary shares, preferred stock, corporate stock, share capital, acciones, participaciones or other participation in the share capital of such corporation;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"*Cash Equivalents*" means:

(1) (a) euros or, (b) in respect of any Restricted Subsidiary, its local currency;

(2) securities or marketable direct obligations issued by or directly and fully guaranteed or insured by the government of a member of the European Union, the United States, Canada, Switzerland or Japan having maturities of not more than twelve months from the date of acquisition;

(3) certificates of deposit and eurodollar time deposits with maturities of twelve months or less from the date of acquisition, bankers' acceptances with maturities not exceeding twelve months and overnight bank deposits, in each case, with any domestic commercial bank having capital and surplus in excess of €500 million;

(4) repurchase obligations and reverse repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having at the time of acquisition thereof at least P-1 by Moody's or at least A-1 by S&P and in each case maturing within twelve months after the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a ranking of "A" or higher from S&P or "A2" or higher from Moody's; and

(7) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (6) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole to another "person" (as that term is used in Section 13(d)(3) of the Exchange Act) (other than a "person" that is controlled by one or more Permitted Holders);

(2) the adoption of a plan relating to the liquidation or dissolution of the Company, except as part of a merger, a consolidation, or a sale, assignment, transfer conveyance or other disposition of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries permitted under "*—Certain covenants—Merger, consolidation or sale of assets*";

(3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined in clause (1) above) or any "group" (as that term is used in Section 14(d) of the Exchange Act), other than the Permitted Holders, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured, by voting power rather than number of shares; or

(4) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors.

"*Collateral Value*" means, as of the date of determination, the aggregate value of, in each case, as of the date of determination, reflected in the most recent Valuation Report and calculated to give pro forma effect to any additions to or release of property from the Collateral based on any Supplemental Valuation Report since the date of the Valuation Report:

(1) the Property Collateral;

(2) the Share Collateral,

provided that in the case of clause (2) above, the value of such Share Collateral in respect of a Person designated as a Property Company will be included only to the extent that the Property Company to which such Share Collateral relates is in compliance with the covenant described under "*—Certain covenants—Limitation on activities of the property companies*".

"*Consolidated EBITDA*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus (without duplication to the extent reflected in the calculation of Consolidated Net Income):

(1) provision for taxes or other similar payments based on income or profits, property taxes, annual fees or other duties or taxation on activities of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; plus

(2) Consolidated Interest Expense of such Person and its Restricted Subsidiaries, changes in fair value in financial instruments and exchange gains and losses, for such period, to the extent that any such expense was deducted in computing such Consolidated Net Income; plus

(3) depreciation, amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; minus

(4) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business; plus

(5) income attributable to minority equity interests of third parties in such period; plus

(6) costs and expenses associated with the offering and sale of the Notes; less

(7) any net after tax gain or loss realized in connection with any disposal of hotels,

in each case, on a consolidated basis and determined in accordance with IFRS.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, the sum, without duplication, of (1) the consolidated interest expense (net of interest income) of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of original issue discount, Additional Amounts, non-cash interest payments, the interest component of any deferred payment obligations (which shall be deemed to be equal to the principal of any such payment obligation less the amount of such principal discounted to net present value at an interest rate (equal to the interest rate on one-year EURIBOR at the date of determination) on an annualized basis), the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations), (2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period, (3) any interest expense on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries (whether or not such guarantee or Lien is called upon) and (4) all dividend payments on any series of preferred stock of such Person or any of its Restricted Subsidiaries, in each case, on a consolidated basis and in accordance with IFRS.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS; *provided* that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or distributions paid in cash to the specified Person, or a Restricted Subsidiary of the Person;

(2) for the purposes of the covenant described under "*—Certain covenants—Limitation on restricted payments*", the Net Income of any Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation (based, for purposes of Spanish legal reserve requirements, on the reserve status as of the determination thereof at the most recent meeting of stockholders of the applicable Restricted Subsidiary) applicable to that Restricted Subsidiary or its stockholders, unless, in each case, such restriction has (a) been legally waived, or (b) constitutes a restriction described in clauses (1), (2), (9), (10) and (11) and (13) of the second paragraph of the covenant described under "*—Certain covenants—Dividend and other payment restrictions affecting subsidiaries*";

(3) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition will be excluded;

(4) the cumulative effect of a change in accounting principles shall be excluded;

(5) any net after tax gain or loss (a) realized in connection with the extinguishment or forgiveness of any Indebtedness or in connection with any disposal of (i) assets other than in the ordinary course, (ii) land or any other real estate asset or any other interest thereon, (iii) businesses and (iv) any securities, in each case, by the Company or any of its Restricted Subsidiaries, or (b) arising from discontinued operations, shall be excluded;

(6) any goodwill or other intangible asset amortization or impairment charge, shall be excluded; and

(7) any extraordinary, exceptional, unusual or non-recurring gain, loss, change or expense, or charges in reserves in respect of any restructuring, redundancy or severance, shall be excluded.

For purposes of clause (2) above, the net income of a Restricted Subsidiary that could have or actually distributed such net income to the relevant Person shall be included in such net income.

"*Consolidated Non-Guarantor Indebtedness*" means the sum of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries as of the relevant date of calculation less the aggregate outstanding Indebtedness incurred solely by the Company and/or a Guarantor as of the relevant date of calculation. Consolidated Non-Guarantor Indebtedness will be determined on the basis of the balance sheet of the Company and its Restricted Subsidiaries as of such date on a consolidated basis in accordance with IFRS and without regard for any Indebtedness of the Company or a Restricted Subsidiary owed to the Company or a Restricted Subsidiary. For the avoidance of doubt, to the extent any Restricted Subsidiary that is not a Guarantor is a joint obligor with respect to any such Indebtedness, such Indebtedness shall not be reduced by the amount of such Indebtedness pursuant to this definition.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the Company who:

(1) was a member of such Board of Directors on the Original Notes Issue Date; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"*Credit Facilities*" means, one or more debt facilities or commercial paper facilities, in each case with banks, other institutional lenders or governmental lending agencies providing for revolving credit loans, bonds, notes, debt securities, term loans, Receivables financing (including through the sale of Receivables to such lenders or to special purpose entities formed to borrow from such lenders against such Receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time by such debt facilities or commercial paper facilities and, in each case, including all agreements, indentures, instruments, purchase agreements and documents executed and delivered pursuant to or in connection with the foregoing (including any letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facilities" shall include any agreement or instrument (i) changing the maturity of any Indebtedness incurred thereunder, (ii) adding Subsidiaries of the Company as additional borrowers, issuers or guarantors thereunder, (iii) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Preference Shares*" means, with respect to the Company or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (3)(b) of the first paragraph of the covenant described under "*—Certain Covenants—Restricted payments*".

"*Diegem Entities*" means Immo Hotel BCC NV, Immo Hotel Belfort NV, Immo Hotel Brugge NV, Immo Hotel Diegem NV, Immo Hotel Gent NV, Immo Hotel GP NV, Immo Hotel Mechelen NV and Immo Hotel Stephanie NV, in each case, a wholly owned subsidiary of the Company organized under the laws of Belgium.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 365 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain covenants—Restricted payments*".

"*Dutch Entities*" means Koningshof, B.V., Leeuwenhorst Congres Center, B.V., Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V., Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V., De Sparrenhorst, B.V., Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V., Onroerend Goed Beheer Maatschappij Maas Best, B.V., Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V., Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V., Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V. and Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V., in each case, a wholly owned subsidiary of the Company and Dutch Holdco organized under the laws of the Netherlands.

"*Dutch Holdco*" means NH The Netherlands, B.V.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means (i) any public or private sale of Equity Interests (other than Disqualified Stock) or (ii) the conversion or exchange of Mandatorily Convertible Debt Securities of the Company into or for Capital Stock of the Company; *provided* that the amount of the Net Cash Proceeds of such conversion shall be equal to the Net Cash Proceeds received by the Company at the time such Mandatorily Convertible Debt Securities were issued, other than, in each case, public offerings with respect to Capital Stock of the Company registered on Form S-8 (or any successor form) under the Securities Act or otherwise relating to Capital Stock of the Company issued or issuable under any employee benefit plan.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than the euro, at any time for the determination thereof, the amount of euro obtained by converting such foreign currency involved in such computation into euro at the spot rate for the purchase of euros with the applicable foreign currency as quoted by Reuters at approximately 11:00 a.m. (New York City time) on the date not more than two Business Days prior to such determination. For purposes of determining whether any Indebtedness can be incurred (including Permitted Debt), any Investment can be made or any transaction described in the "*—Certain covenants—Transactions with affiliates*" covenant can be undertaken (a "*Tested Transaction*"), the Euro Equivalent of such Indebtedness, Investment or transaction described in the "*—Certain covenants—Transactions with affiliates*" covenant shall be determined on the date incurred, made or undertaken and, in each case, no subsequent change in the Euro Equivalent shall cause such Tested Transaction to have been incurred, made or undertaken in violation of the Indenture.

"*European Government Obligations*" means direct obligations (or certificates representing an ownership interest in such obligations) of a member state of the European Union (including any agency or instrumentality thereof) for the payment of which the full faith and credit of such government is pledged.

"*Event of Default*" has the meaning set forth under "*—Events of Default and Remedies*".

"*Exchange Act*" means the U.S. Exchange Act of 1934, as amended.

"*Excluded Contribution*" means Net Cash Proceeds and/or the Fair Market Value of property other than cash, (a) contributed to the ordinary equity of the Company or any Restricted Subsidiary or (b) received by the Company from the sale (other than to a Restricted Subsidiary or pursuant to any management equity plan or share option plan or any other management or employee benefit plan or arrangement of the Company or its Restricted Subsidiaries, as the case may be) of Equity Interests (other than Disqualified Stock) of the Company, in each case, after the Existing Notes Issue Date and designated as Excluded Contributions pursuant to an Officer's Certificate, executed at or prior to the date such capital contribution is made or the date such Equity Interests are sold, in each case which, for the avoidance of doubt, are excluded from the calculation set forth in clause (3) of the first paragraph under "*—Certain covenants—Restricted payments*".

"*Existing Indebtedness*" means Indebtedness in existence on the Original Notes Issue Date but excluding any Indebtedness under the Existing Notes and the Bilateral Credit Facilities; *provided* that Indebtedness that was intended to be repaid from the proceeds from the Original Notes as described in 2016 Offering Memorandum under the heading "*Use of proceeds*", shall constitute Existing Indebtedness only until such Indebtedness is so repaid.

"Existing Indenture" means the Indenture governing the Existing Notes dated the Existing Notes Issue Date, among, *inter alios*, the Company, various subsidiaries of the Company and the Existing Notes Trustee as trustee and security agent, as amended from time to time.

"*Existing Notes*" means the Company's €250 million aggregate principal amount of 6.875% Senior Secured Notes due 2019.

"*Existing Notes Discharge Date*" means the date on which the legal defeasance or the covenant defeasance or the discharge of the notes issued under the Existing Indenture occurs pursuant to its terms.

"*Existing Notes Issue Date*" means November 8, 2013, the date of original issuance of the Existing Notes.

"*Existing Notes Refinancing*" means, collectively, the issuance of the Existing Notes, the Senior Unsecured Convertible Bond, the borrowings under the Existing Senior Credit Facilities and the application of the proceeds therefrom as described under "*Use of proceeds*" in the offering memorandum relating to the Existing Notes.

"*Existing Notes Trustee*" means the trustee for the Existing Notes under the Existing Indenture.

"*Existing Senior Credit Facilities*" means the term and revolving credit facilities under the Existing Senior Facilities Agreement.

"*Existing Senior Facilities Agreement*" means the Senior Facilities Agreement, dated October 17, 2013, entered into among, *inter alios*, the Company, as borrower, certain Subsidiaries of the Company, as guarantors and Banco Bilbao Vizcaya Argentaria, S.A., as agent, comprising €133.3 million of term facilities and a €66.7 million revolving credit facility, as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part).

"*Fair Market Value*" means, with respect to any asset or property, the price which could be negotiated in an arm's length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction as determined in good faith by the responsible accounting or financial Officer of the Company or the Board of Directors of the Company pursuant to an Officer's Certificate or a resolution of the Board of Directors, respectively, whose determination will be final and conclusive.

"*Fitch*" means Fitch Ratings.

"*Fixed Charge Coverage Ratio*" means with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Consolidated Interest Expense of such Person for such period. In the event that the specified Person or any of its Subsidiaries incurs, assumes, guarantees, repays, repurchases or redeems any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided*, *however*, that the pro forma calculation of Consolidated Interest Expense shall not give effect to any Permitted Debt (as defined in "*—Certain covenants—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*") incurred on the date of determination or to any discharge on the date of determination of any Indebtedness to the extent such discharge results from the proceeds of Permitted Debt.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be given pro forma effect as if they had occurred on the first day of the four-quarter reference period and Consolidated EBITDA for such reference period shall be calculated on a pro forma basis, but without giving effect to clause (2) of the proviso set forth in the definition of Consolidated Net Income;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and hotels, properties, operations or businesses disposed of or the operations of which are substantially terminated prior to the Calculation Date, shall be excluded; and

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and hotels, properties, operations or businesses disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the specified Person or any of its Subsidiaries following the Calculation Date.

For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Company and may include pro forma expenses and cost reductions and cost synergies that have occurred or are reasonably expected to occur in the good faith judgment of a responsible financial or accounting officer of the Company. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness). For purposes of this definition, whenever pro forma effect is to be given to any Indebtedness incurred pursuant to a revolving credit facility, the amount outstanding on the date of such calculation will be computed based on (1) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which the facility was outstanding or (2) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation. Interest on Indebtedness that may optionally be determined at an interest rate based on a prime or similar rate, a euro interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen or, if none, then based upon such optional rate chosen as the relevant Person may designate.

"*guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

"*Guarantors*" means the subsidiaries of the Company that guarantee the obligations under the Notes as of the Original Notes Issue Date, together with its successors and assigns and any Additional Guarantors; *provided*, in each case, that a Guarantor shall cease to be a Guarantor upon release of its Notes Guarantee in accordance with the terms of the Indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements; and

(2) other agreements or arrangements designed to protect such Person against fluctuations in interest rates or foreign exchange rates.

"*IFRS*" means International Financial Reporting Standards promulgated by the International Accounting Standards Board and as adopted by the European Union as in effect from time to time; *provided* that (i) the Company may at any date after the Original Notes Issue Date, make an irrevocable election to establish that "IFRS" shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election and (ii) IFRS in respect of the accounting for operating leases shall mean IFRS in respect of operating leases in accordance with IFRS as at the Original Notes Issue Date.

"*Immediate Family*" has the meaning specified in Rule 16a- 1(e) of the Exchange Act.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person:

(A) the principal and premium amount of any indebtedness of such Person, whether or not contingent:

  (1) in respect of borrowed money;

  (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or, without duplication, reimbursement agreements in respect thereof, except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 30 days of incurrence);

  (3) in respect of banker's acceptances;

  (4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property which deferred purchase price is due more than twelve months after taking delivery and title thereof (but not including, for the purpose of calculating the Fixed Charge Coverage Ratio, any amount deemed to represent interest pursuant to the definition of Consolidated Interest Expense);

(6) representing any Hedging Obligations entered into in connection with currency exchange rate or interest rate hedging (the amount of any such indebtedness to be equal at any time to the net payments that would be payable by such Person at such time under the Hedging Obligation at its scheduled termination date);

(7) representing the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any preferred stock (but excluding, in each case, any accrued dividends); or

(8) representing guarantees by such Person of the principal component of Indebtedness of other Persons to the extent guaranteed by such Person,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS.

(B) In addition, the term "Indebtedness" shall include all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any indebtedness of any other Person (to the extent guaranteed by such Person).

(C) Notwithstanding the foregoing, in no event shall the following constitute Indebtedness: (i) advances paid by customers in the ordinary course of business for services or products to be provided or delivered in the future, (ii) deferred taxes, (iii) post-closing payment adjustments in connection with the purchase of any business to which a seller may be entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter, (iv) any contingent obligation in respect of workers' compensation claims, early retirement obligations, obligations in respect of severance or retirement or pension fund contributions, (v) contingent obligations in the ordinary course, (vi) obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance, performance bond, advance payment bonds, surety bonds, completion or performance guarantees or similar transactions, to the extent that such letters, bonds, guarantees or similar credit transactions are not drawn upon, (vii) for the avoidance of doubt, anything accounted for as an operating lease in accordance with IFRS as of the Original Notes Issue Date and (viii) obligations of any other Person except as provided by (B) above.

The amount of any Indebtedness outstanding as of any date shall be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount; and

(2) the principal amount of the Indebtedness in the case of any other Indebtedness.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated the Existing Notes Issue Date, among, *inter alios*, the Existing Notes Trustee, the Company, various subsidiaries of the Company and the Security Agent, as amended from time to time, and to which the Trustee has acceded on the Original Notes Issue Date.

"*Interim Valuation Report*" means (1) in the case of the Property Collateral, a property valuation report prepared by an independent real property appraisal firm of international or national standing that is delivered to the Trustee pursuant to the second paragraph under "*—Certain covenants—Reports*" setting forth the Market Value with respect to all of the Collateral as of the measurement date; and (2) in the case of the Share Collateral, a valuation report prepared by an independent appraisal firm of international or national standing that is delivered to the Trustee pursuant to the second paragraph under "*—Certain covenants—Reports*" setting forth (a) in the case of Share Collateral in respect of a Property Company or a Person whose activities substantially consist of those described in clauses (a) to (d) of the first sentence under "*—Certain covenants—Limitation on activities of the property companies*", the Market Value of the real estate held by the Person whose Capital Stock constitutes Share Collateral less all liabilities of such Person, adjusted for the percentage of Capital Stock owned by the Company as of the measurement date and (b) in the case of all other Share Collateral, the price which could be negotiated for the Capital Stock of such Person that constitutes Collateral in an arm's length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction, as of the measurement date.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of other extensions of credit, loans (including the maintenance of current accounts, cash accounts, and the extension of guarantees or other obligations), advances (other than advances to suppliers in the ordinary course of business or to customers in the ordinary course of business that are recorded as Receivables) or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet (excluding the footnotes) prepared in accordance with IFRS. If the Company or any Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Equity Interests of such Person not sold or disposed of in an amount determined as provided in the last paragraph of the covenant described above under the caption "*—Certain covenants—Restricted payments*". The acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investment held by the acquired Person in such third Person in an amount determined as provided in the last paragraph of the covenant described above under the caption "*—Certain covenants—Restricted payments*".

"*Issue Date*" means , 2017.

"*Leverage Ratio*" means, for any Person as of any date of determination, the ratio of (x) Indebtedness as of such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which consolidated financial statements of that Person are available. In the event that the specified Person or any of its Subsidiaries incurs, assumes, guarantees, repays, repurchases or redeems any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Leverage Ratio is being made occurs (the "*Leverage Ratio Calculation Date*"), then the Leverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Leverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Leverage Ratio Calculation Date shall be given pro forma effect as if they had occurred on the first day of the four-quarter reference period and Consolidated EBITDA for such reference period shall be calculated on a pro forma basis, but without giving effect to clause (3) of the proviso set forth in the definition of Consolidated Net Income;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and hotels, properties, operations or businesses disposed of or the operations of which are substantially terminated prior to the Leverage Ratio Calculation Date, shall be excluded; and

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and hotels, properties, operations or businesses disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the specified Person or any of its Subsidiaries following the Calculation Date.

For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Company and may include pro forma expenses and cost reductions and cost synergies that have occurred or are reasonably expected to occur in the good faith judgment of a responsible financial or accounting officer of the Company. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness). Interest on Indebtedness that may optionally be determined at an interest rate based on a prime or similar rate, a euro interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen or, if none, then based upon such optional rate chosen as the relevant Person may designate.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"*LTV Ratio*" means, as of any date of determination, the ratio of the aggregate principal amount of Secured Pari Passu Indebtedness as of such date to the Collateral Value. In determining the LTV Ratio in connection with the release of Liens over the Collateral, the LTV Ratio shall be determined on a pro forma basis for the relevant transaction (including the substantially concurrent granting of any Liens over assets that will form part of the Collateral) and the use of proceeds of such transaction.

"*Management Investors*" means the present or former officers, directors, employees and other members of the management of or consultants to the Company or any of its Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own, receive or have the right to acquire, directly or indirectly, Capital Stock of the Company or any Restricted Subsidiary.

"*Mandatorily Convertible Debt Securities*" means, with respect to any Person, any debt securities of such Person that, by their terms, are mandatorily convertible into, or exchangeable for, Capital Stock of such Person upon the happening of any event.

"*Market Value*" means the market value as defined by the International Valuation Standards Committee or such other broadly accepted standard designed to determine the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion at the measurement date.

"*Moody's*" means Moody's Investors Service, Inc.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"*Net Cash Proceeds*" means (a) the aggregate proceeds in cash or Cash Equivalents received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash in cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, payments in cash or Cash Equivalents made by the Company or its Restricted Subsidiaries in connection with the acquisition of an asset which is the subject of an immediately subsequent Asset Sale and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness, secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with IFRS and (b) with respect to any issuance or sale of Capital Stock or Permitted Refinancing Indebtedness, the proceeds of such issuance or sale in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Company or any Restricted Subsidiary), net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultants' and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"*Net Income*" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with IFRS and before any reduction in respect of preferred stock dividends.

"*Net Leverage Ratio*" means the Leverage Ratio of a Person and its Restricted Subsidiaries, but calculated by replacing Indebtedness in clause (x) of such definition with Indebtedness less cash and Cash Equivalents of such Person and its Restricted Subsidiaries.

"*Net Tangible Assets*" means the tangible fixed assets of the Company, as shown on the most recent consolidated balance sheet (excluding the notes thereto) of the Company prepared on the basis of IFRS.

"*Non-Guarantor Leverage Ratio*" means the Leverage Ratio, but calculated by replacing Indebtedness in clause (x) of such definition with Consolidated Non-Guarantor Indebtedness.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Notes) of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its Stated Maturity (except for any such right that would arise pursuant to Existing Indebtedness or Credit Facilities including any refinancing in respect thereof permitted by the Indenture); and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Offering Memorandum*" means this offering memorandum in relation to the Notes.

"*Officer*" means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

"Original Notes Issue Date" means September 29, 2016.

"*Parent*" means any Person of which the Company at any time is or becomes a Subsidiary after the Original Notes Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Pari Passu Indebtedness*" means Indebtedness of the Company or any Guarantor or any guarantor if such guarantee ranks equally in the right of payment to the Notes Guarantees which, in each case, is secured by Liens on assets of the Company or any Guarantor, including Secured Pari Passu Indebtedness.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash and Cash Equivalents between the Company or any of its Restricted Subsidiaries and another Person; *provided* that the Fair Market Value of the assets received by the Company (or the Restricted Subsidiary, as the case may be) together with any cash or Cash Equivalents received together with such assets is not less than the Fair Market Value of the assets sold or exchanged together with any cash or Cash Equivalents paid together with the assets sold or exchanged in such Permitted Asset Swap; and *provided further* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "—*Certain covenants—Limitation on sales of assets and equity interests in restricted subsidiaries*".

"*Permitted Business*" means the hotel, hospitality and property asset business and other businesses necessary for and incident to, connected with, ancillary or complementary to, arising out, or developed or operated to permit or facilitate the conduct of the hotel, hospitality and property asset business, and the ownership and operation of real estate, hotels, restaurants and entertainment facilities that are directly related to the operation of a hotel, hospitality and property asset business.

"*Permitted Collateral Liens*" means (1) Liens on the Collateral (a) arising by operation of law or that are described in one or more of clauses (4), (7), (8), (10), (12), (15) and (24) of the definition of "Permitted Liens" or that are securing the Indebtedness repaid from the proceeds of the 2016 Refinancing or (b) that are Liens granted to cash management banks securing cash management operations and that, in each case, would not materially interfere with the ability of the Security Agent to enforce the Liens on the Collateral; (2) Liens on the Collateral to secure Indebtedness of the Company or any of its Restricted Subsidiaries that is permitted to be incurred under clauses (1)(a), (7), (8) (to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and is specified in this definition of "Permitted Collateral Liens") and (16) of the second paragraph of the covenant described under "—*Certain covenants—Incurrence of indebtedness and issuance of disqualified stock and preferred stock*", (3) Liens on the Collateral securing (a) the Notes on the Original Notes Issue Date and any Permitted Refinancing Indebtedness in respect thereof and the related Notes Guarantees of the Notes or such Permitted Refinancing Indebtedness in respect thereof and (b) the Existing Notes on the Original Notes Issue Date and any Permitted Refinancing Indebtedness in respect thereof and the related guarantees in respect of the Existing Notes and any Permitted Refinancing Indebtedness in respect thereof; and (4) Liens on the Collateral securing Indebtedness incurred under the first paragraph of the covenant described under "—*Certain covenants—Incurrence of indebtedness and issuance of disqualified stock and preferred stock*"; *provided* that in the case of this clause (4), after giving pro forma effect to such incurrence on that date and the application of the proceeds thereof, the Secured Leverage Ratio of the Company and its Restricted Subsidiaries shall be no greater than 4.50 to 1.00.

"*Permitted Holders*" means any Person or each Person in any group that after the Original Notes Issue Date becomes a Beneficial Owner, directly or indirectly, of Voting Stock of the Company or forms a group, that, in each case, makes a Change of Control Offer in accordance with the requirements of the Indenture.

"*Permitted Investments*" means:

(1) any Investment in the Company or a Restricted Subsidiary;

(2) any Investment in Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment:

  (a) such Person becomes a Restricted Subsidiary; or

  (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration including Replacement Assets from an Asset Sale (or a transaction excepted from the definition of "Asset Sale") that was made pursuant to and in compliance with the covenant described above under the caption "—*Certain covenants—Limitation on sales of assets and equity interests in restricted subsidiaries*";

(5) any acquisition of assets solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;

(6) Receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however*, that such trade terms may include such concessionary terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;

(7) loans and advances to, and guarantees of loans or advances to, employees in the ordinary course of business and on terms consistent with past practice, including payroll, travel, relocation and other like advances;

(8) lease, utility and other similar deposits in the ordinary course of business;

(9) Hedging Obligations, which transactions or obligations are incurred in compliance with "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock or Preferred Stock*";

(10) Investments made after the Original Notes Issue Date having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (10) that are at the time outstanding not to exceed (i) the greater of €30 million and 2.0% of Net Tangible Assets *plus* (ii) an amount then oustanding equal to 100% of the dividends or distributions (including payments received in respect of loans and advances) received by the Company or a Restricted Subsidiary from a Permitted Joint Venture (which dividends or distributions are not included in the calculation in clauses (3)(a) through (3)(e) of the first paragraph of the covenant described under "*—Certain covenants—Restricted payments*" and dividends and distributions that reduce amounts outstanding under clause (i) hereof); *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain covenants—Restricted payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (3) of the definition of "Permitted Investments" and not this clause;

(11) (i) guarantees not prohibited by the covenant described under "*Certain covenants—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*" and (ii) (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(12) any Investments in leased or managed properties in the ordinary course of business;

(13) any Investment existing on, or made pursuant to legally binding commitments existing on, the Original Notes Issue Date;

(14) any Investments in Permitted Joint Ventures made after the Original Notes Issue Date, not exceeding, in aggregate, an amount then outstanding equal to the greater of €40 million and 2.5% of Net Tangible Assets;

(15) any Investment in the Notes or any Indebtedness permitted to be incurred under the Indenture which ranks *pari passu* in right of payment to the Notes; and

(16) the repurchase, redemption or other acquisition for value of Equity Interests of any non-Wholly Owned Restricted Subsidiary if, as a result of such purchase, redemption or other acquisition, the Company increases its percentage ownership, directly or indirectly through its Restricted Subsidiaries, of such non-Wholly Owned Restricted Subsidiary;

provided that no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof.

"*Permitted Joint Venture*" means (a) any corporation, association or other business entity (other than a partnership) that is not a Restricted Subsidiary and that, in each case, is engaged primarily in a Permitted Business and of which at least 10% of the total equity and total Voting Stock is at the time of determination owned or controlled, directly or indirectly, by the Company or one or more Restricted Subsidiaries or a combination thereof and (b) any partnership, joint venture, limited liability company or similar entity that is not a Restricted Subsidiary and that, in each case, is engaged primarily in a Permitted Business and of which at least 10% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are at the time of determination, owned or controlled, directly or indirectly, by the Company or one or more Restricted Subsidiaries or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise.

"*Permitted Liens*" means:

(1) Liens in favor of the Company or a Restricted Subsidiary (but not, in the case of a Restricted Subsidiary that is not a Guarantor, Liens in favor of such Restricted Subsidiary over the assets of a Guarantor);

(2) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company or any Restricted Subsidiary; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Restricted Subsidiary;

(3) Liens on property existing at the time of acquisition of the property by the Company or any Restricted Subsidiary; *provided* that such Liens were in existence prior to the contemplation of such acquisition;

(4) Liens to secure the performance of statutory or regulatory requirements, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(5) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the second paragraph of the covenant entitled "*—Certain Covenants—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*" covering only the assets acquired with such Indebtedness;

(6) Liens (other than Permitted Collateral Liens) securing Permitted Refinancing Indebtedness of secured Indebtedness incurred by the Company or a Restricted Subsidiary permitted to be incurred under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured the Indebtedness being refinanced;

(7) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;

(8) Liens, pledges and deposits incurred in connection with workers' compensation, unemployment insurance and other types of statutory obligations;

(9) any Lien that is a Permitted Collateral Lien or a Lien in favor of the Notes and the Notes Guarantees, including the Liens created pursuant to the Security Documents;

(10) Liens in favor of customs or revenue authorities to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(11) Liens arising out of put/call agreements with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(12) easements, rights-of-way, municipal and zoning ordinances, utility agreements, reservations, encroachments, restrictions and similar charges, encumbrances, title defects or other irregularities that do not materially interfere with the ordinary course of business of the Company or any of its Restricted Subsidiaries;

(13) Liens on cash or Cash Equivalents set aside at the time of the incurrence of any Indebtedness, to the extent such cash or Cash Equivalents refund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(14) Liens on assets of Unrestricted Subsidiaries that secure Non- Recourse Debt of Unrestricted Subsidiaries;

(15) Liens imposed by law, such as carriers', landlords', warehousemen's, suppliers', and mechanics' Liens and other similar Liens, on the property of the Company or any Restricted Subsidiary arising in the ordinary course of business;

(16) Liens on property of the Company or any Restricted Subsidiary pursuant to conditional sale or title retention agreements;

(17) Liens on property of the Company or any Restricted Subsidiary arising as a result of immaterial leases of such property to other Persons;

(18) Liens arising under deposit or security arrangements entered into in connection with acquisitions or in the ordinary course of business, including in connection with management and other property-related agreements, but excluding arrangements for borrowed money;

(19) Liens of the Company or any Restricted Subsidiary with respect to Obligations that do not exceed the greater of €125 million and 7.0% of the Net Tangible Assets at any one time outstanding;

(20) Liens existing on the Existing Notes Issue Date or the Original Notes Issue Date;

(21) Liens in respect of factoring of Receivables arising in the ordinary course of business pursuant to customary arrangements; *provided* that any Indebtedness incurred in relation thereto is permitted to be incurred by clause (13) of the second paragraph of the covenant described under "*—Certain covenants—Incurrence of indebtedness and issuance of disqualified stock and preferred stock*";

(22) Liens on any proceeds loan made by the Company in connection with any future incurrence of Indebtedness (other than Additional Notes) permitted under the Indenture (without any requirement to secure the Notes with a Lien on such proceeds loan);

(23) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(24) banker's Liens, rights of set off or similar rights and remedies as to deposit accounts, cash pooling arrangements, net balance or balance transfer agreements, Liens arising out of judgments or awards not constituting an Event of Default and notices and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(25) Liens to secure Indebtedness incurred under the first paragraph of the covenant described under "*—Certain Covenants—Incurrence of indebtedness and issuance of disqualified stock and preferred stock*" by a Restricted Subsidiary that is not a Guarantor or the Company; *provided* that any such Lien shall extend to the property or assets of such Restricted Subsidiary that is not a Guarantor or the Company; and

(26) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses including any Liens over assets or property encumbered by Liens (other than a Permitted Collateral Lien) existing on the Existing Notes Issue Date or on the Original Notes Issue Date and released on the Original Notes Issue Date or to be released in connection with the 2016 Refinancing; *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend to any additional property or assets.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Notes or any Notes Guarantee, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes or the Notes Guarantee (as applicable) on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(4) such Indebtedness is incurred either by the Company or by the Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; *provided* that the Company and any Guarantor may incur refinancing Indebtedness in respect of the Company, any Guarantor, or any Restricted Subsidiary; and *provided further* that any non-Guarantor Subsidiary of the Company may incur refinancing Indebtedness in respect of any other non-Guarantor Subsidiary of the Company.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Property Companies*" means the Diegem Entities and, if designated as such, any of the Dutch Entities and any Restricted Subsidiary to whom any of the hotels owned by a Diegem Entity or a Dutch Entity as of the Original Notes Issue Date is transferred (and in the case of a Dutch Entity, is designated as a Property Company); *provided* that such Restricted Subsidiary will cease to be a Property Company immediately upon such Restricted Subsidiary granting mortgages over all or substantially all of the real estate assets owned by such Restricted Subsidiary to secure the Notes and the Notes Guarantees, subject to the Intercreditor Agreement and any Additional Intercreditor Agreement.

"*Public Debt*" means any bonds, debentures, notes or other indebtedness of a type that could be issued or traded in any market where capital funds (whether debt or equity) are traded, including private placement sources of debt and equity as well as organized markets and exchanges, whether such indebtedness is issued in a public offering or in a private placement to institutional investors or otherwise.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined in accordance with IFRS.

"*Refinancing*" means, collectively, the issuance of the New Notes offered hereby and the application of the proceeds therefrom as described in this Offering Memorandum under the heading "*Use of proceeds*".

"Release LTV" means (a) from the Original Notes Issue Date to, and including, the Existing Notes Discharge Date, 55%, and (b) following the Existing Notes Discharge Date, (i) 100% if the Net Leverage Ratio of the Company and its Restricted Subsidiaries does not exceed 3.50 to 1.00, or (ii) 85% if the Net Leverage Ratio of the Company and its Restricted Subsidiaries is more than 3.50 to 1.00, but does not exceed 4.00 to 1.00, or (iii) 70% if the Net Leverage Ratio of the Company or its Restricted Subsidiaries is 4.00 to 1.00 or more.

"*Replacement Assets*" means, with respect to any Asset Sale by the Company or a Restricted Subsidiary, consideration received in the form of:

(1) properties and assets (other than cash or any common stock or other security) that will be used in a Permitted Business by the Company or a Restricted Subsidiary; or

(2) Capital Stock of any Person (i) that will become, be merged into, be liquidated into or otherwise combined or amalgamated with, on or within 90 days of the date of acquisition thereof, a Restricted Subsidiary, if such Person is engaged in a Permitted Business or (ii) that is or that will become a Restricted Subsidiary engaged in a Permitted Business upon the date of acquisition thereof.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the €250 million revolving credit facility entered into on September 22, 2016, as may be amended or supplemented from time to time, among, *inter alios,* the Company, the Guarantors and the lenders named therein.

"*S&P*" means Standard and Poor's Rating Group.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Secured Leverage Ratio*" means the Leverage Ratio of a Person and its Restricted Subsidiaries, but calculated by replacing Indebtedness in clause (x) of such definition with Secured Pari Passu Indebtedness of such Person and its Restricted Subsidiaries.

"*Secured Pari Passu Indebtedness*" means Indebtedness of the Company or any Guarantor which is secured by the Collateral.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended.

"*Security Agent*" means any Person acting as security agent with respect to the Collateral pursuant to the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement or such successor security agent as may be appointed thereunder.

"*Security Documents*" means each security agreement, pledge agreement, assignment or other document under which a security interest is granted to secure the payment and performance when due of the Company and/or the Guarantors under the Notes, the Notes Guarantees and the Indenture, as the case may be.

"*Senior Unsecured Convertible Bonds*" means the €250 million Senior Unsecured Convertible Bonds due 2018 issued by the Company on the Existing Notes Issue Date.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Company's and its Restricted Subsidiaries' investments in and advances to such Restricted Subsidiary exceed 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Company's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of such Restricted Subsidiary exceeds 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Company's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of such Restricted Subsidiary exceeds 10% of such income of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries on the Original Notes Issue Date, (b) the provision of hotel and accommodation services and other services in relation thereto, and (c) any businesses, services and activities engaged in by the Company or any of its Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"*Supplemental Valuation Report*" means (1) in the case of the Property Collateral, a property valuation report prepared by an independent real property appraisal firm of international or national standing that is delivered to the Trustee pursuant to the second paragraph under "*—Certain covenants—Reports*" setting forth the Market Value with respect to all of the Collateral as of the measurement date and in connection with the addition or release of any property from the Collateral with respect to such property added or released from the

Collateral as of the measurement date; and (2) in the case of the Share Collateral, a valuation report prepared by an independent appraisal firm of international or national standing that is delivered to the Trustee pursuant to the second paragraph under "*—Certain covenants—Reports*" setting forth the Market Value of the real estate held by the Person whose Capital Stock constitutes Share Collateral less all liabilities of such Person adjusted for the percentage of Capital Stock owned by the Company as of the measurement date and in connection with the addition or disposal of any real estate held or to be held by the Person whose Capital Stock constitutes Share Collateral.

"*Unrestricted Subsidiary*" means any Subsidiary of the Company that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a board resolution, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary shall be evidenced to the Trustee by filing with the Trustee a certified copy of the board resolution giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "*—Certain covenants—Restricted payments*". If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "*—Certain covenants—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*", the Company will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "*—Certain covenants—Incurrence of indebtedness and issuance of preferred stock and disqualified stock*", calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

"*Valuation Report*" means, the Company's most recently available Annual Valuation Report or Interim Valuation Report.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one- twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"*Wholly Owned Restricted Subsidiary*" of any specified Person means a Restricted Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) will at the time be owned by such Person or by one or more Wholly Owned Restricted Subsidiaries of such Person and one or more Wholly Owned Restricted Subsidiaries of such Person.

Book-entry, delivery and form

General

The Original Notes sold pursuant to Regulation S of the U.S. Securities Act (the "Regulation S Original Notes") and the Original Notes sold pursuant to Rule 144A of the U.S. Securities Act (the "Rule 144A Original Notes") will initially have a different common code and a different ISIN to the Notes sold pursuant to Regulation S of the U.S. Securities Act (the "Regulation S Notes") and the Notes sold pursuant to Rule 144A of the U.S. Securities Act (the "Rule 144A Notes"), respectively. Once the Regulation S Notes become freely tradeable, the Regulation S Notes and the Regulation S Original Notes will have the same common code and ISIN. Once the Rule 144A Notes become freely tradeable, the Rule 144A Notes and the Rule 144A Original Notes will have the same common code and ISIN. See "The Offering", "Description of the Notes" and "Listing and general information". Notes sold within the United States to QIBs in reliance on Rule 144A (the "Rule 144A Notes") under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "Rule 144A Global Notes"). The Rule 144A Global Notes will be deposited with, or on behalf of, a common depositary (the "Common Depositary") for the accounts of Euroclear Bank SA/NV, as operator of the Euroclear system ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream") and registered in the name of the Common Depositary or its nominee.

Notes sold outside the United States in reliance on Regulation S (the "Regulation S Notes") under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "Regulation S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes"). The Regulation S Global Notes will be deposited with, or on behalf of, the Common Depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the Common Depositary.

Notes will be issued at the closing of this offering only against payment in immediately available funds.

Ownership of interests in the Rule 144A Global Notes (the "Restricted Book-Entry Interests") and in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the Restricted Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The Book-Entry Interests in the Global Notes will be issued only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, the Common Depositary (or its nominee), as applicable, will be considered the sole holders of Global Notes for all purposes under the Indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

None of the Issuer, the Guarantors or the Trustee nor any of their respective agents and none of the Trustee, the Registrar or the Transfer Agent will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominee), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The Common Depositary will surrender such Global Note to the Registrar for a cancellation or, in the case of a partial redemption, the Registrar will mark down, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate unless otherwise required by applicable law or applicable stock exchange or depositary requirements; *provided*, *however*, that no Book-Entry Interest of less than €100,000 in principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional interest, if any) to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective customary procedures. All payments required to be made by the Issuer with respect to the Notes, or by any Guarantor under its applicable Notes Guarantee, will be made free and clear of, and without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional amounts*". If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional amounts*", the Issuer or such Guarantor, as applicable, will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding to equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer and the Trustee and the relevant agents will treat the registered holders of the Global Notes (*i.e.*, the Common Depositary (or its nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes.

Consequently, none of the Issuer, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- the records of the Common Depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euro.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither the Issuer nor the Trustee nor the Initial Purchaser nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream, at the request of the holders of such Notes, reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the “Definitive Registered Notes”), and to distribute such Definitive Registered Notes to its participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream’s rules and will be settled in immediately available funds. If a holder of a Note requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in jurisdictions that require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures to be set forth in the Indenture.

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in "*Transfer restrictions*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements as discussed in "*Transfer restrictions*".

Transfers of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the Rule 144A Global Note, as set forth in "*Transfer restrictions*".

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form to be provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A under the U.S. Securities Act or any other exemption (if available) under the U.S. Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Restricted Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Restricted Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

The Notes represented by the Global Notes are expected to be listed on the Luxembourg Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures, which rules and operating procedures may change from time to time.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes if:

- Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary for the Global Notes, and the Issuer fails to appoint a successor;
- Euroclear or Clearstream so requests following an event of default under the Indenture; or

- the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

Euroclear has advised the Issuer that upon request by an owner of a Book- Entry Interest, its current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend set forth in "*Transfer restrictions*", unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agents, the Registrars and the Transfer Agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; *provided* that no Definitive Registered Note in a denomination less than €100,000 and in integral multiples of €1,000, in excess thereof, will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. We will not impose any fees or other charges in respect of the Notes; however, holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee or an authenticating agent will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for the expenses of replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book- Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer restrictions*".

So long as the Notes are listed on the Official List of and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent in Luxembourg so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require.

Global clearance and settlement under the Book-Entry system

Initial settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional euro bonds in registered form. Book- Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special timing considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing information

The Issuer expects that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers, common codes and CUSIP numbers for the Notes are set out under "*Listing and general information*".

Information concerning Euroclear and Clearstream

The following description of the operations and procedures of Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. Neither the Issuer nor the Initial Purchaser takes any responsibility for these operations and procedures and the Issuer urges investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream also interface with domestic securities markets in several countries. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Since Euroclear and Clearstream only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The Issuer understands that, under existing industry practices, if either the Issuer or the Trustee requests any action by owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give or take any action that a holder is entitled to give or take under the Indenture, Euroclear and Clearstream would authorize participants owning the relevant Book-Entry Interest to give or take such action, and such participants would authorize indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

Certain ERISA considerations

General

The fiduciary responsibility provisions of Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, ("ERISA") imposes certain requirements on employee benefit plans subject to Title I of ERISA, on entities that are deemed to hold the assets of such plans within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA ("ERISA Plans") and on those persons who are fiduciaries with respect to any such ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the plan.

The prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans") and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and/or other penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans, governmental plans and certain church plans (collectively referred to as "Non ERISA Plans"), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("Similar Law"). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such law or regulations.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase or hold any Notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or Prohibited Transaction Class Exemption ("PTCE") 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. Each of the above-noted exemptions contains conditions and limitations on its application. Fiduciaries of ERISA Plans considering acquiring and/or holdings the Notes in reliance on these or any other exemption should carefully review the exemption to assure it is applicable. There can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Accordingly, by acceptance of a Note, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes (or any interest therein) constitutes assets of any Plan or Non-ERISA Plan or (ii) the acquisition and holding of the Notes (or any interest therein) by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Law.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that each Plan fiduciary (and each fiduciary for non-U.S., governmental or church plans subject to Similar Law) consult with its legal advisor concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in the Notes.

Certain tax considerations

The following is a general description of certain tax considerations relating to the acquisition, ownership and disposal of the Notes. It does not constitute tax advice and does not purport to be a complete analysis of all tax considerations relating to the Notes, as applicable, whether in Spain, the United States or elsewhere and does not purport to deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. Prospective investors should consult their own tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and transfer of the Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this offering memorandum and is subject to any change in law that may take effect after such date.

Investors should also note that the appointment by an investor in Notes or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisors in relation to the tax consequences for them of any such appointment.

Spanish tax considerations

The following summary describes the main Spanish tax implications related to the acquisition, holding and transfer of the Notes by certain individuals or entities that are the beneficial owners of the Notes and payments made by the Issuer to these beneficial owners of the Notes.

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain, and it is not intended to be, nor should it be construed to be, legal or tax advice, and does not address all the tax consequences applicable to all categories of investors, some of which (such as look-through entities, pension funds, undertakings for collective investment in transferable securities or holders of the Notes by reason of employment) may be subject to special rules. This analysis is a general description of the tax treatment under the Spanish legislation currently in force in the common territory of Spain and, hence, it does not indicate the tax treatment applicable under the regional tax regimes in the Historical Territories of the Basque Country and the Community of Navarre, or under the provisions passed by Autonomous Communities which may apply to specific investors for specific taxes. References in this section to holders include the beneficial owners of the Notes, where applicable.

The information provided below has been prepared in accordance with the following Spanish tax legislation in force at the date of this offering memorandum:

(i) of general application, First Additional Provision of Law 10/2014 on the organization, supervision and solvency of credit entities, of June 26, 2014 (“**Law 10/2014**”), as well as Royal Decree 1065/2007, of July 27, 2007, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended by Royal Decree 1145/2011, of July 29, 2011 (“**Royal Decree 1065/2007**”);

(ii) for individuals resident for tax purposes in Spain who are subject to the Individual Income Tax (“**IIT**”), Law 35/2006, of November 28, 2006, on the IIT Law and on the partial amendment of the Corporate Income Tax Law, the Non-Resident Income Tax Law and the Net Wealth Tax Law, as amended, and Royal Decree 439/2007 of March 30, 2007, promulgating the IIT Regulations, along with Law 19/1991, of June 6, 1991, on the Net Wealth Tax, as amended, and Law 29/1987, of December 18, 1987, on Inheritance and Gift Tax (“**IGT**”);

(iii) for legal entities resident for tax purposes in Spain which are subject to the Spanish Corporate Income Tax ("**CIT**"), Law 27/2014, of November 27, 2014, and Royal Decree 634/2015, July 10, 2015 promulgating the CIT Regulations; and

(iv) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Spanish Non-Resident Income Tax ("**NRIT**"), Royal Legislative Decree 5/2004, of March 5, 2004, promulgating the Consolidated Text of the NRIT Law, as amended, and Royal Decree 1776/2004, of July 30, 2004, promulgating the NRIT Regulations, along with Law 19/1991, of June 6, 1991, on the Net Wealth Tax and Law 29/1987, of December 18, 1987, on the IGT.

Whatever the nature and residence of the beneficial owners of the Notes, the acquisition, holding and transfer of Notes will be exempt from indirect taxes in Spain (i.e., exempt from transfer tax and stamp duty, in accordance with the Consolidated Text of such taxes promulgated by Royal Legislative Decree 1/1993, September 24, 1993, and exempt from value added tax, in accordance with Law 37/1992, of December 28, 1992, regulating such tax).

Individuals with tax residency in Spain

Individual Income Tax (Impuesto Sobre la Renta de las Personas Físicas)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25.2 of the IIT Law, and must be included in the investor's IIT savings taxable base. The savings taxable base is taxed at a flat rate of 19% for the first €6,000, 21% between €6,001 and €50,000 and 23% for any amount in excess of €50,000.

No withholding on account of IIT will be imposed by the Issuer on interest as well as on income derived from the redemption or repayment, the Notes by individual investors subject to IIT which is paid by the Issuer, provided that certain requirements are met (including that the paying agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement). If those requirements are not met, such interest and income will be subject to withholding on account of IIT at the applicable rate (currently 19%). See "—*Compliance with Certain Requirements in Connection with Income Payments*."

On the other hand, income derived from the transfer of the Notes may be subject, under certain circumstances, to a withholding on account of IIT at the applicable rate (currently 19%). In any event, the individual holder may credit any withholding on account of IIT against his or her final IIT liability for the relevant tax year.

Reporting Obligations

The Issuer will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes who are individuals resident in Spain for tax purposes.

Net Wealth Tax (Impuesto Sobre el Patrimonio)

Individuals who are resident in Spain for tax purposes are subject to Spanish Net Wealth Tax (Spanish Law 19/1991), as amended, which imposes a tax on property and rights in excess of €700,000 held on the last day of any year.

Spanish tax resident individuals whose net worth is above €700,000 and who hold Notes on the last day of any year would therefore be subject to Spanish Net Wealth Tax for such year at marginal rates varying between 0.2% and 2.5% of the average market value of the Notes during the last quarter of such year. However, this taxation may vary depending on the legislation of the autonomous region of residency of the taxpayer. Accordingly, prospective noteholders should consult their tax advisers.

In accordance with article 4 of the Royal Decree-Law 3/2016, of 2 December, adopting tax measures aimed at the consolidation of public finances and other urgent social security measures (*Real Decreto-ley 3/2016, de 2 de diciembre, por el que se adoptan medidas en el ámbito tributario dirigidas a la consolidación de las finanzas públicas y otras medidas urgentes en materia social*) ("RDL 3/2016"), as from year 2018, a full exemption on Spanish Net Wealth Tax would apply (*bonificación del 100%*), and therefore from year 2018 and onwards, individuals resident in Spain will be released from formal and filing obligations in relation to this Spanish Net Wealth Tax, unless the application of this full exemption is postponed again.

Inheritance and Gift Tax (Impuesto Sobre Sucesiones y Donaciones)

Individuals who are resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to Spanish IGT in accordance with the applicable Spanish regional and state rules. The general applicable tax rates as of the date of the Offering Memorandum range between 7.65% and 81.6%, depending on various factors, such as the amount of the gift or inheritance, the net wealth of the heir or beneficiary of the gift, and the kinship with the deceased or the donor. Some tax benefits could reduce the effective tax rate. In addition, the final tax rate may vary depending also on the legislation of the corresponding autonomous region. Prospective noteholders should consult their tax advisers.

Legal entities with tax residency in Spain

Corporate Income Tax (Impuesto Sobre Sociedades)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes are subject to CIT (at a general flat tax rate of 25%) in accordance with the rules for such tax.

No withholding on account of CIT will be imposed on interest as well as on income derived from the redemption or repayment of the Notes by Spanish CIT taxpayers which is paid by the Issuer, provided that certain requirements are met (including that the paying agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement). If those requirements are not met, such interest and income will be subject to withholding on account of CIT at the then applicable rate (currently 19%). See "—*Compliance with certain requirements in connection with income payments*."

With regard to income derived from the transfer of the Notes, in accordance with article 61.s of the CIT regulations, there is no obligation to withhold on income obtained by Spanish CIT taxpayers from financial assets traded on organized markets in OECD countries. The Issuer intends to apply for the Notes to be listed on the official list of the Luxembourg Stock Exchange and the admission to trading of the Notes on the Euro MTF. Upon admission to trading on the Euro MTF market of the Luxembourg Stock Exchange, the Notes should fulfill the requirements set forth in the legislation for exemption from withholding.

However the Directorate General for Taxation (*Dirección General de Tributos*), on July 27, 2004, issued a ruling stating that in the case of issuances of debt securities by Spanish resident entities, as in the case of the Issuer, application of the exemption requires that, in addition to being traded on an organized market in an OECD member state, the placement of the Notes be made outside Spain and in another OECD member state. In the case of Notes held by a Spanish resident entity and deposited with a Spanish based entity acting as depositary or custodian, income obtained upon the transfer of the Notes may be subject to withholding tax at the current rate of 19% if the Notes do not comply with exemption requirements specified in the abovementioned ruling issued by the Directorate General for Taxation (*Dirección General de Tributos*). Prospective investors should seek advice from their tax advisors to check if they benefit from this withholding exception in case of transfer of the Notes.

If the Notes are not listed on an organized market in an OECD member state, income derived from the transfer of the Notes will be subject to withholding at the then applicable rate (currently 19%). In any event, a Spanish CIT taxpayer that is a beneficial owner of the Notes may credit the withholding on account of CIT levied against its final CIT liability for the relevant CIT year.

Reporting Obligations

The Issuer will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are legal persons or entities resident in Spain for tax purposes.

Net Wealth Tax (Impuesto Sobre el Patrimonio)

Spanish resident legal entities are not subject to Net Wealth Tax.

Inheritance and Gift Tax (Impuesto Sobre Sucesiones y Donaciones)

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the IGT but must include the market value of the Notes in their taxable income for CIT purposes.

Individuals and legal entities that are not tax resident in Spain

Non-Resident Income Tax (Impuesto Sobre la Renta de no Residentes)

(i) Investors that are not resident in Spain for tax purposes, acting in respect of the Notes through a permanent establishment in Spain for non-resident income tax purposes.

If the Notes form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those set forth above for Spanish CIT taxpayers. See "*—Legal entities with tax residency in Spain—Corporate Income Tax* (*Impuesto sobre Sociedades*)". Ownership of the Notes by investors who are not resident in Spain for tax purposes will not in itself create the existence of a permanent establishment in Spain.

The Issuer will comply with the reporting obligations set forth under Spanish tax laws with respect to beneficial owners of the Notes that are individuals or legal entities not resident in Spain for tax purposes and that act with respect to the Notes through a permanent establishment in Spain.

(ii) Investors that are not resident in Spain for tax purposes, not acting in respect of the Notes through a permanent establishment in Spain for non-resident income tax purposes.

Both interest payments periodically received under the Notes and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities that are not resident in Spain for tax purposes and do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT and therefore no withholding on account of NRIT will be levied on such income provided certain requirements are met (including that the paying agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement, as set forth in article 44.5 of Royal Decree 1065/2007 of July 27, 2007. See "*—Compliance with Certain Requirements in Connection with Income Payments*").

If the paying agent fails or for any reason is unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income under the Notes, the Issuer will apply Spanish withholding tax at the applicable rate (currently 19%) on such payment of income on the Notes and the Issuer will not pay additional amounts with respect to any such withholding tax. A beneficial owner not resident in Spain for tax purposes and entitled to exemption from NRIT, but to whom payment was not exempt from Spanish withholding tax due to failure by the paying agent to deliver a duly executed and completed Payment Statement, will receive a refund of the amount withheld, with no need for action on the beneficial owner's part, if the paying agent provides the Issuer with a duly executed and completed Payment Statement no later than the 10th calendar day of the month immediately following the relevant payment date.

In addition, beneficial owners of the Notes may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the NRIT Law. In such case, beneficial owners may claim the amount withheld from the Spanish Treasury from February 1 of the year immediately following the year in which the relevant payment was made and within the first four years following the last day on which the Issuer may pay any amount so withheld to the Spanish Treasury by filing with the Spanish tax authorities, among other documents (i) the relevant Spanish tax form (currently tax form 210), (ii) proof of beneficial ownership, (iii) evidence that Spanish NRIT was withheld with respect to the corresponding beneficial owner of the Notes and (iv) a certificate of residency issued by the tax authorities of the country of tax residence of such beneficial owner, according to the procedures set forth in the NRIT Law and its regulations.

Net Wealth Tax (Impuesto Sobre el Patrimonio)

Individuals who are not tax resident in Spain are subject to Spanish Net Wealth Tax (Spanish Law 19/1991), which imposes a tax on property and rights in excess of €700,000 that are located in Spain, or can be exercised within the Spanish territory, as the case may be, on the last day of any year.

However, to the extent that the interest derived from the Notes is exempt from NRIT (as described under "*—Individuals and Legal Entities that are not Tax Resident in Spain—Investors that are not Resident in Spain for Tax Purposes, not acting in respect of the Notes through a permanent establishment in Spain for non-resident income tax purposes (Impuesto sobre la Renta de no Residentes)*"), individual beneficial owners not resident in Spain for tax purposes that hold Notes on the last day of any year will be exempt from Spanish Net Wealth Tax regarding the holding of the Notes. Furthermore, beneficial owners of the Notes who benefit from a treaty for the avoidance of double taxation with respect to wealth tax that provides for taxation only in that beneficial owner's country of residence will not be subject to Spanish Net Wealth Tax.

If the provisions of the foregoing paragraph do not apply, non-Spanish tax resident individuals whose net worth related to property located, or rights that can be exercised, in Spain is above the then-applicable threshold (currently set at €700,000) and who hold Notes on the last day of any year would therefore be subject to Spanish Net Wealth Tax for such year at marginal rates varying between 0.2% and 2.5% of the average market value of the Notes during the last quarter of such year.

Individuals that are not resident in Spain for tax purposes who are resident in an EU or European Economic Area member State may apply the rules approved by the autonomous region where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled. As such, prospective noteholders should consult their tax advisers.

In accordance with article 4 of RDL 3/2016 as from year 2018, a full exemption on Spanish Net Wealth Tax would apply (*bonificación del 100%*), and therefore from year 2018 and onwards, individuals who are not resident in Spain will be released from formal and filing obligations in relation to this Spanish Net Wealth Tax, unless the application of this full exemption is postponed again.

Finally, legal entities who are not resident in Spain for tax purposes are not subject to Net Wealth Tax.

Inheritance and Gift Tax (Impuesto Sobre Sucesiones y Donaciones)

Individuals who are not resident in Spain for tax purposes who acquire ownership or other rights over the Notes by inheritance, gift or legacy will be subject to IGT in accordance with the applicable Spanish state rules, unless they reside in a country for tax purposes with which

Spain has entered into a treaty for the avoidance of double taxation in relation to IGT. In such case, the provisions of the relevant treaty for the avoidance of double taxation will apply.

If no treaty for the avoidance of double taxation in relation to IGT applies, applicable IGT rates would range between 7.65% and 81.6%, depending on various factors, such as the amount of the gift or inheritance, the net wealth of the heir or beneficiary of the gift, the kinship with the deceased or the donor and the qualification for tax benefits. These factors may vary depending on the application of the state's or the autonomous region's IGT laws. Generally, non-Spanish tax resident individuals are subject to Spanish state rules. However, if the deceased, heir or the donee are resident in an EU or European Economic Area Member State, depending on the specific situation, the applicable rules will be those corresponding to the relevant autonomous regions according to the law. Accordingly, prospective noteholders should consult their tax advisers.

Non-Spanish tax resident legal entities that acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to IGT. Such acquisitions will be subject to NRIT (as described above), without prejudice to the provisions of any applicable treaty for the avoidance of double taxation entered into by Spain. In general, treaties for the avoidance of double taxation provide for the taxation of this type of income in the country of tax residence of the beneficial owner.

Tax rules for Notes not listed on a regulated market, multilateral trading facility or other organized markets in an OECD country

Withholding on Account of NRIT

If the Notes are not listed on a regulated market, multilateral trading facility or other organized markets on any date on which income in respect of the Notes will be paid (i.e., a payment date or a redemption date), payments of income to beneficial owners in respect of the Notes will be subject to Spanish withholding tax at the then applicable rate (currently 19%) except in the case of beneficial owners that are: (a) residents of an EU Member State other than Spain and obtain such income either directly or through a permanent establishment located in another EU Member State other than Spain, provided that such beneficial owners (i) do not obtain such income on the Notes through a permanent establishment in Spain or in a country or jurisdiction outside the European Union and (ii) are not resident of, are not located in, nor obtain income through, a tax haven for Spanish purposes (as currently defined by Royal Decree 1080/1991, of July 5, 1991, as amended); or (b) residents for tax purposes in a country which has entered into a treaty for the avoidance of double taxation with Spain which provides for an exemption from Spanish tax or a reduced withholding tax rate with respect to income payable in respect of the Notes to such beneficial owners. Individuals and entities that may benefit from such exemptions or reduced tax rates should apply directly to the Spanish tax authorities for any refund to which they may be entitled, following the Spanish tax authorities' procedures set forth in the relevant Spanish legislation and regulations.

Compliance with certain requirements in connection with income payments

Provided the conditions set forth in Law 10/2014, in particular, that the Notes are listed on a regulated market, multilateral trading facility or other organized markets and that the identification requirements provided in Royal Decree 1065/2007 are met (including that the Paying Agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement) as explained below, income paid in respect of the Notes by the Issuer for the benefit of non-Spanish tax resident investors not acting through a permanent establishment will not be subject to Spanish withholding tax. For these purposes, "income" means interest and premium amounts paid on a payment date or the amount of the difference, if any, between the aggregate redemption price paid upon the redemption of the Notes (or a portion thereof) and the aggregate principal amount of such Notes.

In accordance with section 5 of Article 44 of Royal Decree 1065/2007, a duly executed and completed Payment Statement must be submitted to the Issuer by the Paying Agent at the time of each relevant payment of income under the Notes (i.e., a payment date or a redemption date including in respect of a change of control). In accordance with the form attached as Annex to Royal Decree 1145/2011, the Payment Statement shall include the following information:

(i) the identification of the Notes;

(ii) the payment date;

(iii) the total amount of income to be paid on the relevant payment date; and

(iv) the total amount of income corresponding to Notes held through each clearing system located outside Spain (such as Euroclear S.A./N.V. or Clearstream Banking, *société anonyme*).

In light of the above, the Issuer and the Paying Agent will enter into a paying agency agreement which, among other things, will provide for the timely provision by the Paying Agent to the Issuer of a duly executed and completed Payment Statement in connection with each income payment under the Notes and set forth certain procedures agreed by the Issuer and the Paying Agent which aim to facilitate such process, along with a form of the Payment Statement to be used by the Paying Agent.

Prospective investors should note that neither the Issuer nor the Initial Purchaser accept any responsibility relating to the procedures established for the timely provision by the Paying Agent of a duly executed and completed Payment Statement in connection with each payment of income under the Notes. Accordingly, neither the Issuer nor the Initial Purchaser will be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding tax.

If the Paying Agent fails or for any reason is unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income under the Notes, such payment will be made net of Spanish withholding tax (currently 19%). If this were to occur, affected beneficial owners will receive a refund of the amount withheld, with no need for action on their part, if the Paying Agent submits a duly executed and completed Payment Statement to the Issuer no later than the 10th calendar day of the month immediately following the relevant payment date. If such was not the case, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the relevant Spanish legislation and regulations.

The proposed Financial Transactions Tax (FTT)

On February 14, 2013, the European Commission published the Commission's Proposal for a Directive for a common FTT in the Participating Member States.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in notes (including secondary market transactions) in certain circumstances. The issuance and subscription of notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including

(a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Material U.S. federal income tax considerations

The discussion below is a summary of material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes as of the date hereof. The following summary addresses only U.S. Holders (as defined herein) who purchase the Notes at the offering price set forth on the cover page of this offering memorandum and hold the Notes as capital assets within the meaning of Section 1221 of the Code. This summary does not address the tax consequences to subsequent purchasers of the Notes.

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust (a) that is subject to the primary supervision of a U.S. court and with respect to which one or more U.S. persons has the authority to control all of the substantial decisions of the trust or (b) that has made a valid election in effect under applicable U.S. Treasury Regulations ("Treasury Regulations") to be treated as a U.S. person.

This summary is based upon provisions of the Code and Treasury Regulations, rulings and judicial decisions as of the date hereof, all of which are subject to change (possibly with retroactive effect), so as to result in U.S. federal income tax consequences different from those summarized below. The discussion below does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, nor does it address any tax consequences arising under U.S. federal estate and gift tax laws or under the laws of any state, local, non-U.S. or other taxing jurisdiction. In addition, this summary does not address tax consequences to U.S. Holders who may be subject to special tax treatment, such as banks, dealers, traders that elect to mark to market, insurance companies, financial institutions, regulated investment companies, real estate investment trusts, grantor trusts, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities, persons holding the Notes as part of a hedge, straddle, conversion or other integrated financial transaction, investors in partnerships or other pass-through entities for U.S. federal income tax purposes or U.S. Holders whose "functional currency" is not the U.S. dollar. If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. A partner of a partnership considering holding the Notes is urged to consult its own tax advisors regarding the U.S. federal income tax consequences to it of the acquisition, ownership and disposition of the Notes by the partnership.

The summary of U.S. federal income tax consequences set out below is for general information only. Prospective investors should consult their own tax advisors concerning the particular U.S. federal income tax consequences to them of purchasing, owning or disposing of the Notes, as well as the consequences to them arising under the laws of any other taxing jurisdiction or due to changes in tax law.

Qualified reopening

We expect that the issuance of the Notes will be treated as a "qualified reopening" for U.S. federal income tax purposes and therefore the Notes will be treated as part of the same issue and as having the same issue date and issue price (each, within the meaning of applicable Treasury Regulations) as the Original Notes. The remainder of this discussion assumes that the Notes will be treated as a qualified reopening of the Original Notes.

Payments of interest

Pre-issuance accrued interest.

A portion of the purchase price of the Notes will be attributable to the amount of interest accrued after October 1, 2016 and prior to the date of issuance of the Notes (the "pre-issuance accrued interest"). The Issuer intends to take the position that a portion of the first interest payment on the Notes, equal to the amount of pre-issuance accrued interest, will be treated as a nontaxable return of the pre-issuance accrued interest. The remainder of this discussion assumes that the first interest payment on the Notes will be so treated, and references to interest in the remainder of this discussion exclude pre-issuance accrued interest. Prospective investors should consult their tax advisors concerning the U.S. federal income tax treatment of pre-issuance accrued interest.

General

Interest paid by the Issuer on the Notes (including any additional amounts) generally will be considered income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. A U.S. Holder will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where such holder does not meet a minimum holding period requirement during which such holder is not protected from risk of loss. Prospective investors should consult their tax advisors concerning the applicability of the U.S. foreign tax credit and source of income rules to income attributable to the Notes.

Euro-denominated stated interest

Each payment of "qualified stated interest" (including any amounts withheld and any additional amounts paid in respect of withholding taxes imposed on payments on the Notes) will generally be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the Issuer, at least annually at a qualifying rate during the entire term of the Note. The Issuer expects that stated interest on the Notes will be treated as qualified stated interest.

The amount of income recognized by a cash basis U.S. Holder with respect to a payment of stated interest denominated in euro will be the U.S. dollar value of the interest payment based upon the "spot rate" (as such term is defined in Treasury Regulations) on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. A cash basis U.S. Holder generally will not recognize exchange gain or loss on the interest payment but may recognize exchange gain or loss when it disposes of any euro it receives (as discussed below under "*—Disposition of euro*").

An accrual basis U.S. Holder may determine the amount of income recognized with respect to a payment of stated interest denominated in euro in accordance with either of two methods. Under the first method, the amount of income accrued will be based upon the average spot rate in effect during the interest accrual period or periods (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within each taxable year). Under the second method, the accrual basis U.S. Holder may elect to determine the amount of income accrued on the basis of the spot rate on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the spot rate on the last day of the portion of the accrual period within each taxable year). Additionally, if the interest payment is actually paid or received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the spot rate on the day of actual payment or receipt. Any such election will apply to all debt instruments held by the U.S. Holder from year to year and cannot be changed without the consent of the Internal Revenue Service (the "IRS").

Upon an accrual basis U.S. Holder's receipt of a stated interest payment denominated in euro (including a payment attributable to accrued but unpaid interest upon the sale, exchange, retirement or other taxable disposition of a Note), the U.S. Holder may recognize U.S.-source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount of such stated interest payment previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Amortizable bond premium

If the offering price of the Notes (excluding pre-issuance accrued interest not included in income, as described above) exceeds the principal amount of the Notes, a U.S. Holder may elect to amortize any such premium as an offset to interest income, using a constant-yield method, over the term of the Notes. Because the Notes may be redeemed by the Issuer prior to maturity at a premium, special rules apply that may reduce or eliminate the amount of premium that a U.S. Holder may amortize with respect to a Note. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by the electing U.S. Holder and may be revoked only with the consent of the IRS. Prospective investors should consult their tax advisors about these special rules.

Disposition of Notes

On a sale, exchange, retirement or other taxable disposition of a Note, a U.S. Holder will generally recognize gain or loss equal to the difference between (i) the amount realized on the disposition (less an amount equal to any accrued but unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in income) and (ii) the U.S. Holder's adjusted tax basis in the Note. The amount realized by a U.S. Holder on a taxable disposition of a Note for an amount in euro will be the U.S. dollar value of such euro on the date of the disposition (or on the settlement date of the disposition, in the case of Notes traded on an established securities market and taxably disposed of by a cash basis U.S. Holder or an electing accrual basis U.S. Holder). If an accrual method taxpayer makes the election described in this paragraph, such election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

A U.S. Holder's adjusted tax basis in a Note will generally equal the "U.S. dollar cost" (as defined herein) of the Note to such holder. The U.S. dollar cost of a Note purchased with euro will generally be the U.S. dollar value of the purchase price on the date of purchase (or on the settlement date of the purchase, in the case of Notes traded on an established securities market that are purchased by a cash basis U.S. Holder or an electing accrual basis U.S. Holder).

Except as discussed below with respect to exchange gain or loss on a Note attributable to currency fluctuations, any gain or loss recognized by a U.S. Holder in excess of exchange gain or loss on a sale, exchange, retirement or other taxable disposition of a Note will generally be treated as U.S.-source capital gain or loss and will be long-term capital gain or loss if, at the time of the disposition, the Note was held by the U.S. Holder for more than one year. In the case of an individual U.S. Holder, any long-term capital gain will generally be subject to preferential U.S. federal income tax rates. The deductibility of capital losses is subject to significant limitations. Prospective investors should consult their own tax advisors as to the foreign tax credit implications of the sale, exchange, retirement or other taxable disposition of the Notes.

The gain or loss that a U.S. Holder realizes on the sale, exchange, retirement or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates will be taxable as ordinary income or loss and generally will be treated as U.S.-source for U.S. foreign tax credit limitation purposes. Such exchange gain or loss will generally equal the difference, if any, between the U.S. dollar value of the purchase price of the Note on (i) the date of the disposition and (ii) the date on which the U.S. Holder acquired the Note. However, a U.S. Holder will only realize exchange gain or loss with respect to the purchase price of a Note to the extent of the total gain or loss realized by such holder on the disposition. Prospective investors should consult their own tax advisors regarding the proper calculation of exchange gain or loss realized in connection with their acquisition and disposition of the Notes.

Disposition of euro

Euros received as interest on a Note or upon the sale, exchange, retirement or other taxable disposition of a Note generally will have a tax basis equal to their U.S. dollar value at the time they are received. Any gain or loss recognized on a sale, exchange, retirement or other taxable disposition of the euro (including their use to purchase Notes or upon their exchange for U.S. dollars) will be U.S.-source ordinary income or loss.

Reportable transactions

Under the Treasury Regulations, certain transactions are required to be reported to the IRS including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a Note or foreign currency received in respect of a Note to the extent that such disposition results in a tax loss in excess of a threshold amount. Prospective investors should consult with their own tax advisors to determine the tax return obligations, if any, with respect to their acquisition, holding or disposition of the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Backup withholding and information reporting

Generally, information reporting requirements will apply to all payments of principal and interest on and accruals of OID on, or the proceeds from a sale of, a Note, unless the U.S. Holder is an exempt recipient, such as a corporation. Additionally, if a U.S. Holder fails to provide its taxpayer identification number, or in the case of interest payments, fails either to report in full dividend and interest income or to make certain certifications, it may be subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS. U.S. Holders are urged to consult their own tax advisors regarding backup withholding and information reporting requirements relating to their ownership of the Notes.

Additional tax reporting requirements

Certain U.S. Holders are required to report information relating to interests in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938 (Statement of Specified Foreign Financial Assets) with their tax return for each year in which they hold an interest in the Notes. Penalties may apply for failure to properly complete and file IRS Form 8938. Prospective investors are urged to consult their tax own advisors regarding information reporting requirements relating to their ownership of the Notes.

U.S. Foreign Account Tax Compliance Withholding

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), a "foreign financial institution" may be required to withhold on certain payments it makes ("Foreign Passthru Payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the Kingdom of Spain) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to January 1, 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "Foreign Passthru Payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Prospective investors should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, neither Issuer nor the Guarantors will be required to pay additional amounts as a result of the withholding.

Plan of distribution

Subject to the terms and conditions set forth in a purchase agreement (the "Purchase Agreement") dated , 2017, the Initial Purchaser has agreed to purchase, and the Issuer has agreed to sell to it, severally, the entire principal amount of the Notes as provided in the Purchase Agreement.

The Purchase Agreement provides that the obligations of the Initial Purchaser to pay for and accept delivery of the Notes are subject to, among other customary closing conditions, the delivery of certain legal opinions by counsel.

The Initial Purchaser proposes to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchaser without notice.

The Issuer has agreed to pay the Initial Purchaser certain customary fees for its services in connection with the Offering and to reimburse it for certain out-of-pocket expenses.

Persons who purchase Notes from the Initial Purchaser may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Purchase Agreement provides that the Issuer will indemnify and hold harmless the Initial Purchaser against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchaser may be required to make in respect thereof. We have agreed that, except with the prior written consent of Deutsche Bank, for a period of 90 days after the date of this offering memorandum neither the Issuer nor any of its subsidiaries or other affiliates will offer, sell, contract to sell, issue or otherwise dispose of any secured debt securities issued or guaranteed by the Issuer or any of the Guarantors and having tenor of more than one year (other than the Notes, the Notes Guarantees and any unsecured debt securities, including convertible instruments).

The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and to non-U.S. persons in offshore transactions in reliance on Regulation S. Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the U.S. Exchange Act. The Initial Purchaser will effect offers to sell and sales of the Notes into the United States or to nationals or residents of the United States only through one or more registered broker-dealers in compliance with applicable securities laws and regulations. The Initial Purchaser may sell the Notes through affiliates or other appropriately licensed entities in jurisdictions in which it is otherwise not licensed or authorized to make direct sales of the Notes. Until 40 days after the later of (i) the commencement of this Offering and (ii) the Issue Date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Transfer restrictions*".

The Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by any of the Issuer, the Notes Guarantors or the Initial Purchaser that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer, the Notes Guarantors or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Notes. See "*Transfer restrictions*".

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

We have applied or will apply, through our listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF; however, we cannot assure you that the Notes will be admitted to trading or that such admission to trading will be maintained.

The Initial Purchaser has advised us that it intends to make a market in the Notes after completing the Offering. The Initial Purchaser is not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchaser without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk factors—Risks relating to the Notes and our structure—There is no existing public trading market for the Notes and the ability to transfer them is limited, which may adversely affect the value of the Notes*".

We expect that delivery of the Notes will be made on or about the date specified on the cover page of this offering memorandum, which will be seven business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T+ "). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum will be required, because the Notes initially will settle in T+ , to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchaser may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the Offering size, which creates a short position for the Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchaser to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk factors—Risks relating to the Notes and our structure—There is no existing public trading market for the Notes and the ability to transfer them is limited, which may adversely affect the value of the Notes*".

On March 20, 2017, Deutsche Bank launched the Tender Offer for the purchase for cash of up to €150 million in principal amount of the Issuer's outstanding 2019 Notes. On the Issue Date, the Notes issued in the Offering are expected to be issued and delivered by the Issuer, together with cash on hand, to Deutsche Bank as consideration for the acquisition from Deutsche Bank of the 2019 Notes purchased by Deutsche Bank in the Tender Offer. See *"Use of Proceeds"*. In connection with the Tender Offer, Deutsche Bank and the Issuer entered into a dealer manager agreement setting forth the parties' rights and obligations in relation to the Tender Offer, and also entered into the Exchange Settlement Agreement governing the terms of the exchange of the Notes issued in the Offering for the 2019 Notes acquired by Deutsche Bank in the Tender Offer.

The Initial Purchaser and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchaser and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Company or any of its subsidiaries, for which they received or will receive customary fees and expenses.

In the ordinary course of their business activities, the Initial Purchaser and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of the Issuer or its affiliates. If the Initial Purchaser or its affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Initial Purchaser and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchaser and its affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

Transfer restrictions

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

General

The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act or any state securities laws and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes are only to be offered and sold to:

(a) QIBs in compliance with Rule 144A; and

(b) non-U.S. persons in offshore transactions outside the United States in reliance upon Regulation S.

We use the terms "offshore transaction", "U.S. person" and "United States" with the meanings given to them in Regulation S.

The Notes will be available initially only in Book-Entry form. The Notes will be issued in one or more Global Notes bearing the legends set forth below.

Important information about the offering

If you purchase Notes, you will be deemed to have acknowledged, represented and agreed as follows:

(1) You understand and acknowledge that the Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You are not our "affiliate" (as defined in Rule 144 under the U.S. Securities Act), you are not acting on our behalf and you are either:

   (a) a QIB and are aware that any sale of the Notes to you will be made in reliance on Rule 144A, and such acquisition will be for your own account or for the account of another QIB; or

   (b) not a "U.S. person" or purchasing for the account or benefit of a U.S. person (other than a distributor), and you are purchasing notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither the Issuer, any Guarantor, the Initial Purchaser nor any other person representing any of them has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that no person other than the Issuer makes any representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to

such financial and other information concerning us and the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchaser.

(4) You are purchasing Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any other applicable securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to (x) the date which is one year (in the case of Rule 144 Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue of the Notes and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) or (y) such later date, if any, as may be required by applicable law (the "Resale Restriction Termination Date") only:

(a) to us;

(b) pursuant to a registration statement which has been declared effective under the U.S. Securities Act;

(c) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of another QIB to whom you give notice that the transfer is being made in reliance on Rule 144A;

(d) pursuant to offshore transactions to non-U.S. persons occurring outside the United States within the meaning of Regulation S in reliance on Regulation S; or

(e) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act;

subject, in each of the foregoing cases, to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be within the seller's or account's control, and in compliance with any applicable securities laws of the states of the United States and other jurisdictions.

You acknowledge that the Issuer, the relevant Trustee, the applicable registrar and the applicable Transfer Agent reserve the right prior to any offer, sale or other transfer of the Notes (i) pursuant to clause (d) or clause (e) above prior to the Resale Restriction Termination Date of the Notes to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us, the relevant Trustee, the applicable registrar and the applicable Transfer Agent, and (ii) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Global Note will contain a legend substantially in the following form:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION

IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES THAT IT WILL NOT, ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES, PRIOR TO (X) THE DATE WHICH IS [IN THE CASE OF THE RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH NOTE)] [IN THE CASE OF THE REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS NOTE (OR OF ANY PREDECESSOR OF THIS NOTE) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S] AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D) AND (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (4) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND".

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the Notes.

(5) You acknowledge that the registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the registrar that the restrictions set forth herein have been complied with.

(6) You acknowledge that:

  (a) the Issuer, the Guarantors, the Initial Purchaser and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein, and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchaser promptly in writing; and

(b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make the foregoing acknowledgements, representations and agreements.

(7) You understand that the issuance of Additional Notes under the Indenture may have the effect of extending the Resale Restriction Termination Date.

(8) You agree that you will, and each subsequent holder is required to, give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes, if then applicable.

(9) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge that until the expiration of the "distribution compliance period" (as defined below), you shall not make any offer or sale of the Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the U.S. Securities Act. The "distribution compliance period" means the 40-day period following the Issue Date for the Notes.

(10) You acknowledge that until 40 days after the commencement of the relevant Offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(11) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchaser that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth in this section of this offering memorandum and/or in the front of this offering memorandum under "*Notice to certain European investors*", "*Notice to Canadian investors*" and "*Plan of distribution*".

(12) Each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes constitutes assets of any employee benefit plan subject to Title I of ERISA, any plan, individual retirement account or other arrangement subject to Section 4975 of the Code or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "Similar Law"), or any entity whose underlying assets are considered to include "plan assets" of any such plan, or account, within the meaning of U.S. Department of Labor Regulations, 29 C.F.R. §2510.3-101, as modified by Section 3(42) of ERISA or otherwise, or (ii) the purchase and holding of the Notes will not constitute a non- exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations

The validity and enforceability of the Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited under applicable law or subject to certain defenses that may limit their validity and enforceability. The following is a summary description of certain limitations on the validity and enforceability of the Notes Guarantees and Collateral, and a summary of certain insolvency law considerations in the jurisdictions in which the Issuer, some of the Guarantors and some of the providers of Collateral are organized. In the event that any one or more of the Issuer, the Guarantors and the providers of Collateral experience financial difficulties, it is not possible to know with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced or what the outcome of such proceedings would be. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer, the Guarantors and the providers of the Collateral and of the Notes Guarantees and the Collateral themselves. The descriptions below are only a summary and do not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Notes Guarantees and the Collateral. If additional Notes Guarantees and/or Collateral are required to be granted pursuant to the Indenture in the future, such Notes Guarantees and/or Collateral will also be subject to limitations on enforceability and validity, which may differ from those discussed below. For further information regarding limitations on validity and enforceability of guarantees and security interests see "*Risk factors—Risks relating to the Notes and our structure—Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral*" and "*Risk factors—Risks relating to the Notes and our structure—The enforcement of the Collateral may be restricted by Spanish law*" above.

Limitations on validity and enforceability of Notes Guarantees granted by any Argentine subsidiaries

Mortgages

The Argentine Civil Code regulates mortgages both as a contract and as a right over property. There are no special provisions in the Civil Code aimed at protecting mortgagors. Any agreement entered into by a mortgagor and a mortgagee at time of execution of the mortgage or prior to the default of the mortgagor allowing the mortgagee to recover the property without a public auction of the property will not be enforced by the courts as it is contrary to Argentine public policy.

Until the enactment of Trust Law No. 24,441, the only procedure available to collect unpaid amounts secured by a mortgage was an executive proceeding regulated by the Civil and Commercial Procedure Code. The heavy caseload on the courts that hear such matters usually delays the proceeding, which currently takes 1 to 2 years to be completed.

Title V of Trust Law No. 24,441 institutes a new procedure which may expedite collection of unpaid amounts secured by a mortgage. To be applicable, the new rules, which allow an out-of-court auction, need to be expressly agreed to by the parties in the mortgage contract.

Pursuant to Argentine law, fees and expenses related to collection procedures must be borne by the debtor, and the proceeds from any auction of the property may be used for the settlement of such obligation.

Pledges

The pledge is the most common form of security over movable property. A pledge will generally secure the principal amount, accrued interest, and other related expenses owed by a debtor to the creditor. There are several types of pledge:

Civil pledge. The pledged asset must be delivered to the creditor or placed in the custody of a third party. If the debtor defaults on the secured debt, the creditor can sell the pledged asset through a court auction but, in principle, cannot obtain ownership of the asset. The creditor with a pledge over an asset has a priority right to the proceeds of the sale of the asset.

Commercial pledge. Commercial pledges are regulated by the Commercial Code. These are defined as pledges over chattels to be used as Collateral for commercial obligations. The main difference between a civil and a commercial pledge is that in a commercial pledge some creditors are entitled to a private sale (that is, an out-of-court foreclosure). The Commercial Code provides that unless the debtor and creditor agree on a special sale proceeding, the pledged asset must be sold by public auction.

Registered pledge (fixed and floating pledges). Registered pledges allow the pledged asset to remain in the debtor's possession. Registered pledges can be fixed or floating. Fixed pledges affect only the relevant registered assets while floating pledges affect the original pledged goods and goods derived from their transformation or replacement. The pledge must be registered with the Registry of Pledges of the jurisdiction where the assets are located (fixed pledges) or where the debtor is domiciled (floating pledges). The pledge becomes binding on third parties upon registration.

Pledge on shares or other securities. In the case of shares, the pledge becomes binding on the company and third parties from the date it is registered in the corporate stock ledger. If the shares or securities are traded on stock markets, they may be sold through a stock broker.

New Civil and Commercial Code

Law 26,994, passed on October 1, 2014 and enacted as of October 7, 2014, establishes a new Civil and Commercial Code (the "New Code"). The New Code was going to be effective on January 1, 2016, but an amendment was passed in order to anticipate its effectiveness as from August 1, 2015. It is a legal amalgamation in the path of the Italian Civil Code of 1942, since, as of today, Argentina has a Civil Code and a Commercial Code. Argentina is a Civil Law jurisdiction with almost all law established by code. The Commercial and Civil Codes of Argentina, which were passed back in 1859 and 1869, respectively, with subsequent amendments over time, have now been unified and simplified. Some of the provisions included in the New Code are completely new, others codify existing jurisprudence.

Based on the contractual unification in the New Code, as from August 2015 there be no further "Civil" and "Commercial" pledges, but rather "Common" pledges. The rules are basically the same. However, as of today, if the debtor defaults on the secured debt, the creditor can sell the pledged asset through a court auction but, in principle, cannot obtain ownership of the asset. In turn, the New Code provides that unless the debtor and creditor agree on a special sale proceeding the sale of the asset may be conducted through a public auction and the creditor can get ownership of the asset if it has been agreed by the debtor and the creditor with a previous assestment of an expert appointed by both parties. If the pledged asset consists of securities listed on a stock exchange, the sale may be conducted at the quotation price.

Personal guarantees

The Civil and the Commercial Codes as well as the New Code that is effective since August1 of 2015 regulate the security agreement. The New Code does not introduce major changes, particularly, considering that this type of guaranty is quite frequent and therefore the provisions are based on common practice. The New Code states, coicidentally with the former Civil and Commercial Codes, that there be a security agreement when a natural or a legal person assumes the secondary obligation, as security, to comply an obligation of a third party in case of non-compliance. The obligation assumed by the guarantor shall be equivalent or inferior to that of the main debtor, but in no case more onerous. If this rule is not followed the security agreement will not be null but the reduction to the limits of the main obligation is authorized.

All current and future obligations may be secured and the guarantor may not avoid compliance based on the lack of capacity of the debtor. The security has to be granted in written but it is not required to be implemented in a public instrument. Unless as otherwise agreed, the security includes the accessories to the main obligation and -as added by the New Code- reasonable expenses required for collection, including legal costs.

While the former Commercial Code stated that in commercial security agreements the benefit of excussion and division are not allowable, the New Code provides that creditor may collect from the guarantor after previous excussion of the debtor's assets. If the debtor's assets only cover the debt partially, the creditor may direct the claim to the guarantor for the outstanding debt. The benefit of excussion is removed in case of bankruptcy or preventive reorganization process as well as if the guarantor has renounced to such benefit, which is customary. The benefit of division, which can also be renounced, applies if there is more than one guarantor, event upon which they will respond for the share assumed by each one.

The New Code also allows the guarantor to assume joint and several liability with the obligor or to act as principal payor when that is provided in the agreement between the parties. The guarantor may raise its own exceptions and defenses in addition to those of the principal debtor, even if the principal debtor has renounced to them. Once the guarantor pays the obligation, it will subrogate over the creditors rights to get reimbursement from the main obligor.

The personal guarantees are extinguished: a) if for a fact attributed to the creditor the subrogation by the guarantor of the rights over mortages, pledges or other privileges accesory to the credit existing at the time of the execution of the guarantee may not be effective; b) if the term for the compliance of the obligation is extended without the consent of the guarantor; c) if five years have elapsed since the granting of the guarantee without the future obligation being in place; and d) if the creditor does not initiate judicial action against the debtor within sixty days upon request of the guarantor. Also, the guarantee is extinguished by the novation of the main obligation even if the creditor has reserved its rights to keep action against the guarantor. The guarantee is not extinguished upon the novation resulting for the reorganizational insolvency proceeding of the debtor.

Payments in foreign currency

The New Code also incorporated a provision (section 765) relating to foreign currency payment obligations by establishing that foreign currency payment obligations may be discharged in Pesos. This amends the legal framework, pursuant to which debtors could only discharge their foreign currency payment obligations by making payment in the specific foreign currency agreed upon in their agreements. However, such provision seems to contradict section 766 of the New Code stating that the debtor should deliver the corresponding amount in the designated specie. Furthermore, there are other provisions underlining the principle of contractual freedom, except when there is a public policy involved and therefore there have been several rulings stating that the parties may waive the right provided under section 765 of the New Code. However, the option to waive the right to discharge in pesos a foreign currency obligation by the debtor is still disputed by some rulings of other courts.

Trusts

Immovable and movable property trusts may be used to take security over most forms of movable and immovable assets. Goods held in trust form a separate estate from the estates of the trustee and the settlor, and therefore are not affected by any individual or joint actions brought by the trustee's or settlor's creditors, except in the case of fraud by the settlor.

The beneficiary's creditors may exercise their rights over the proceeds of the goods held in trust and be subrogated to the beneficiary's rights. The form of sale of the goods held in trust should be provided under the trust agreement. Enforcement proceedings in trusts are generally faster and cheaper than those used to enforce a pledge or a mortgage.

The formalities that must be complied with are those which relate to transferring the asset to the trust. This depends on the type of asset, for example:

- If the debt owed is assigned to the trust, the debtor must be notified of the assignment.
- If real estate is transferred, the transfer must be instrumented by a public deed and be registered to become perfected.

Therefore, the trust becomes binding as an agreement between the signatory parties as of the time of signature, and vis-à-vis third parties when the formalities relate to those required for the transfer of the assets by the settlor to the trust.

Limitations on validity and enforceability of Notes Guarantees granted by any Austrian subsidiaries

Austrian statute of limitations in contract and in tort

The statute of limitations is generally 30 years for creditor claims for specific performance as well as damages resulting from willful acts involving criminal behavior. For general tort claims, specifically with respect to damages caused by negligence, the statute of limitations is three years from the date the creditor obtains adequate knowledge of both the occurrence of the tort (*Schadenseintritt*) as well as the identity of the tortfeasor. Adequate knowledge is assumed if there are valid grounds to assume that a certain act triggered a certain detrimental consequence. A creditor must not wait until there is a certainty of liability or of the identity of the tortfeasor to bring its claim.

The statute of limitations to file for rescission of an agreement is generally three years from the closing of the relevant agreement, but when malice (*Arglist*) is involved, the statute of limitations to file for recission is 30 years.

The term "enforceable" means that a claim right or agreement is of a type and in a form enforced by Austrian courts. This term does not mean that an obligation will be enforced in accordance with its terms in every circumstance in Austria; in particular, specific performance may not always be available as a remedy. Generally, petitions for enforcement of judgments in Austria are made through a district court, which issues enforcement orders that are carried out, at times with some delay, by the court's bailiff.

Limitations on the validity and enforceability of the Notes Guarantees

If a beneficiary under a guarantee claims that the guaranteed obligation has not been performed, the guarantor would have to show that either there was performance of the guaranteed obligation or there was an apparent lack of any guaranteed obligation in order to avoid liability under the guarantee. If the guarantor cannot clearly prove performance or nonexistence of the guaranteed obligation, the court is likely to order the guarantor to perform under the guarantee. If the existence of the guaranteed obligation is in doubt, the court will follow the principle "pay and reclaim" under which the guarantor is required to perform under the guarantee but is able to recoup any payment made upon demonstration that there was no guaranteed obligation.

Austrian capital maintenance rules

Guarantees benefitting a guarantor's parent or sister company may conflict with Austrian capital maintenance rules pursuant to Art 82 of the Act on Limited Liability Companies ("GmbHG"). Violation of Austrian capital maintenance rules triggers the nullification (*Nichtigkeit*) of the obligation in violation. As a rule, an affiliated enterprise may only guarantee, pledge, issue sureties or in any other way financially support its parent or sister company to the extent (a) the affiliate rendering the assistance has freely distributable profit, or (b) the affiliate receives an arm's length remuneration for such guarantee and there is manifest and evident corporate benefit to the affiliate and the liability incurred under the guarantee does not threathen the company's existence. Such corporate benefit could be assumed, for example, where a group of companies can show that centrally obtaining financing is cheaper than each entity providing for its own loans or other financing. In a guarantee enforcement case, an Austrian court would look at where the benefit lies and how it accrues.

Generally, a third-party guarantee beneficiary is not required to investigate capital maintenance aspects of the corporate structure of the guarantor. However, in cases where a relationship exists between a group of companies and a third party through which the third party may derive knowledge of the corporate structure of the guarantor and therefore of an act of financial assistance, there is a duty to investigate. In cases "where the suspicion of an illicit financial assistance is so strong that this suspicion closely resembles certainty", the Austrian Supreme Court has held that the third-party guarantee beneficiary cannot rely on the guarantee issued in its favor unless the guarantee is given at an arm's length and the guarantor receives a corporate benefit in return. Otherwise, payment under the guarantee can be made only up to the guarantor's amount of freely distributable profits at the time a demand is made under the guarantee provided the guarantor passes the necessary resolution on distribution of profits. The amount of a guarantor's distributable profits will likely vary over time and could well be zero.

Limitations on validity and enforceability of Notes Guarantees and security interests granted by any Belgian subsidiaries

Limitations on Enforcement

The grant of a guarantee or collateral by a Belgian company for the obligations of another group company must fall within the grantor's legal and corporate purpose and be for the own corporate benefit of the granting company.

If the granting of a guarantee or the creation of a pledge does not fall within the grantor's corporate purpose, the security could, upon certain conditions, be held null and void.

The assessment of whether or not the grant of a guarantee or collateral is in the Belgian Guarantor's corporate interest, is largely dependent on factual considerations and is to be determined on a case-by-case basis by the directors of the Belgian Guarantor and to be reviewed ultimately on a case- by-case basis by the competent courts. Consideration has to be given to any actual or real benefit that the company would actually derive from the transaction and is particularly relevant for upstream or cross-stream guarantees and security interests. It is generally taught by legal scholars at least the following principles apply to such evaluation: (i) the risk taken by the Belgian Guarantor in issuing the guarantee must be proportional to the direct and/or indirect benefit derived from the transaction, and (ii) the financial support grated by the Belgian Guarantor should not exceed its financial capabilities. The responsibility for such assessment is that of the directors of each Belgian Guarantor.

If the corporate benefit requirement is not met, the directors of the company may be held liable (i) by the company for negligence in the management of the company and (ii) by third parties in tort. Moreover, the guarantee or collateral could be declared null and void and, under certain circumstances, the creditor that enforced the guarantee or the collateral could be held on the basis of the principle of tort liability. Alternatively, the guarantee or collateral could be reduced to an amount corresponding to the corporate benefit or the creditor may be held liable for any guarantee amount in excess of such amount. These rules have been seldom tested under Belgian law, and there is only limited case law on this issue.

In order to enable Belgian subsidiaries to grant a guarantee and collateral to secure liabilities of a direct or indirect parent or sister company without the risk of violating Belgian rules on corporate benefit, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated or established in Belgium.

Suspect Period and Fraudulent Transfer

In the event that bankruptcy proceedings are governed by Belgian law, certain business transactions shall be declared ineffective against third parties if concluded or performed during a so-called "suspect period."

In principle, the cessation of payments (which constitutes one of the conditions for filing for bankruptcy) is deemed to have occurred as of the date of the bankruptcy order. The court issuing the bankruptcy order may determine, based on serious and objective grounds, that the cessation of payments occurred on an earlier date. Such date may not be earlier than six months before the date of the bankruptcy order, except in the case where the bankruptcy order relates to a company that was dissolved more than six months before of the bankruptcy order in circumstances suggesting an intent to defraud its creditors, in which case the date of cessation of payments may be determined as being the date of such decision to dissolve the company. The period from the date of cessation of payments up to the declaration of bankruptcy is referred to as the "suspect period" (*période suspecte/verdachte periode*).

The business transactions entered into during the suspect period which will be declared ineffective against third parties include, among others, (i) gratuitous transactions or unbalanced transactions entered into on extremely beneficial terms for the counterparty, (ii) payments for debts which are not due, (iii) payments other than in money for debts due, and (iv) security provided for pre-existing debt.

The Belgian receiver of the Belgian Guarantor may also request the court to declare ineffective against third parties payments of a Belgian Guarantor during the suspect period for due debts; provided that it can be proven that the creditor concerned was aware of the cessation of payment of the company.

If the guarantee or security interest granted by the Belgian Guarantor or Belgian security provider were successfully held ineffective (based on any of the above), noteholders would cease to have any claim in respect thereof and would be under an obligation to repay any amounts received pursuant to such guarantee or the realization of the security.

Finally, regardless of any declaration by the commercial court of a suspect period, transactions of which it can be demonstrated that they have been entered into with the fraudulent intention to cause prejudice to a third creditor, may be declared ineffective against third parties, under certain circumstances.

Limitations on validity and enforceability of Notes Guarantees granted by any Chilean subsidiaries

A party can bring a suit against a counterparty to a contract for breach of the counterparty's contractual obligations as regulated by the Chilean Civil Code "CC" in articles 1545 to 1559. Potential remedies under Chilean laws include specific performance, damages and rescission. In addition, a party may seek the nullification of a contract based on lack of agreement as occurs in cases of mistake, duress or fraud, impossible performance as occurs in cases of sale of non-existent goods or transactions prohibited by law, lack of real and licit cause as occurs in cases of simulated price or compensation of criminal activities, lack of legal capacity by one of the parties, or, more generally, lack of compliance with a requirement or a formality established by law pertaining to the validity of the contract (CC art. 1467). If a contract is rendered void and one of the parties to the voided contract has acted wrongfully, causing damage to a counterparty, the injured party can sue for damages on tort grounds.

Statute of limitations

According to articles 2514 and 2515 of the CC, contract liability terminates upon the lapsing of 5 years from the date that the obligation was due.

Security interests

Chilean law allows the creation of security interests over almost all kinds of assets and rights held by project companies, except for certain assets listed in the Civil Procedure Code that may not be attached under Chilean law (e.g., working tools and assets employed in services that may not be stopped without serious harm to public transportation or health, household assets, salaries and child support). The main security interests over assets are obtained in Chile through mortgages and pledges.

Chilean law allows for mortgages, which are granted over real estate, "regular pledges", under which possession of pledged assets is vested in a creditor and "pledges without conveyance", under which collateral remains with the pledgor. Regular pledges, including civil pledges and commercial pledges, are established over personal assets, receivables, credits and shares, among others things.

Perfection and priority

Mortgages are perfected through notarial deeds registered in the Registry of Mortgages of the relevant real estate registrar. Mortgages over major vessels or aircraft must be recorded in specific registrars.

Regular pledges are perfected by delivery of pledged assets to the notary. However, for commercial pledges to be effective against third parties, they must be executed in a notarial deed or notarized private deed.

Under Law No. 20190, containing the Regulations on Pledges without Conveyance, which became fully effective on January 2011, a pledge without conveyance may be perfected, proven and maintained through registration of an instrument of public record or a certified copy of the private instrument in the Register of Pledges without Conveyance (the "Registry"). Where a private instrument is used, the signatures on the document must be certified by a notary public, and the document must be entered into the notary public's records. To successfully register a pledge, a Chilean notary public must submit a certified copy of the pledge agreement, its amendment or release, to the Registry for registration purposes within three days from the execution of the respective instrument of public record or from the date of notarization of a private instrument. In general terms, for security interests that require registration, priority will be given based on the "first registered, first priority" principle, regardless of the date a security interest was created. If one item is subject to several pledges or mortgages, each pledge will be given priority based on the chronological order of the registry entries. According to Law No. 20190, the preference and assignment of real pledge rights may be made to the extent the secured credit and the right to assign the pledge rights expressly appears in the Registry. Certain security interests have statutory priority.

Enforcement of collateral

Under Chilean law, collateral foreclosure requires certain proceedings before a Chilean court. The relevant obligations are paid with the proceeds of a sale of the collateral at a public action. If there are no bidders at the public auction, the assets may be awarded to the secured lender. No repossession of collateral is available. Security interests created for project financing have different enforcement proceedings.

Limitations on validity and enforceability of Notes Guarantees granted by any Czech subsidiaries

General limitations

Under Czech law, claims may become time-barred (3 years being the general term) or may be or become subject to the below described defenses.

The terms "enforceable", "enforceability", "valid", "legal", "binding" and "effective" (or any combination thereof) mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Czech courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. The enforceability of any agreement or instrument may be limited by bankruptcy, insolvency, liquidation, reorganization, moratorium, misuse of rights and limitation laws of general application relating to or affecting the rights of creditors, and claims may be or become subject to set-off, counterclaim or foreclosure of the holder of such claim (in civil and administrative as well as tax matters).

The general defences available to obligors under Czech law and in respect of the validity and enforceability of contractual obligations are (a) modification of the enforceability of obligations on the grounds of the general obligation to act in accordance with good manners (*bonos mores*), (b) modification of obligations on the grounds of exercise of rights contrary to the principles of fair business dealings, (c) avoidance on grounds of error or fraud or duress, (d) *force majeure*, *exceptio non adimpleti contractus* (*i.e.*, the right to suspend performance as long as the other party is in default in respect of its obligations) and (e) legal set-off.

In general terms, under Czech law, any guarantee must guarantee another obligation to which it is ancillary, which must be clearly identified in the relevant guarantee or security agreement. Therefore, the guarantee or security interest follows the underlying obligation in such a way that nullity of the underlying obligation entails nullity of the guarantee or security and termination of the underlying obligation entails termination of the guarantee or security. In the event that the guarantor is able to prove that there are no existing and valid guaranteed obligations, Czech courts may consider that the security providers' obligations under the relevant guarantees or securities are not enforceable.

Under Czech law, representatives of a company are not allowed to bind the company to performances which are disproportionate to the assets of the Company (this principle being also reflected in criminal law). Based on this concept it became customary to contractually limit guarantees by certain amounts which do not exceed the assets of the guarantor.

Insolvency

A legal act performed by a Guarantor may be contested as ineffective either (i) on the basis of general fraudulent transfer provisions of the Czech Civil Code, as described in the section "*—Fraudulent transfer provisions of general applicability including during bankruptcy*" below or (ii) on the basis of provisions of the current Czech Act No. 182/2006, on Insolvency ("Czech Insolvency Act") as described in section "*—Czech insolvency law*" below. If a legal act is declared ineffective, generally the beneficiary of such legal act shall surrender the benefit it obtained from such legal act.

Financial assistance

Financial assistance is defined by the Czech Act No. 90/2012 Coll., on Business Corporations and Cooperatives ("Czech Companies Act") as a transaction where a company provides an advance payment, loan or a loan facility or grants security, in each case for the purpose of acquisition of a participation interest in itself. Any legal act constituting financial assistance is void and unenforceable, unless it is performed under conditions stipulated by the Czech Companies Act and the articles of association of the company. The Czech Companies Act, among other things, requires that in relation to a limited liability company a financial assistance may only be performed if (i) the transaction is made under equitable terms, (ii) it does not cause the company to become insolvent, (iii) the statutory body of the company prepares a report giving the reasons for the financial assistance (indicating risks and advantages for the company), stipulating the terms of the financial assistance and justifying why the financial assistance is not in conflict with the company's interests and (iv) the general meeting of the company approves the financial assistance.

Limitations on validity and enforceability of Notes Guarantees granted by any Dominican subsidiaries

Some types of guarantees as mortgages, authentic promissory notes, commercial pledges or debenture agreements, require specific registration for its enforceability in accordance with Dominican Law. The registry of the security interests governed by Dominican Civil and Commercial Procedure Law is essential for its opposability towards third parties and therefore for enforceability purposes. In order to enforce the security interests in the Dominican Republic a court could require the translation into Spanish of the Security Documents and Notes Guarantees.

Under Dominican law, the security agreements and the notarial promissory notes must be notarized and drafted in Spanish for their filing in the corresponding registry office. Pledge or debenture agreements must be recorded in the corresponding court of the jurisdiction of the location of the asset, mortgage agreements must be recorded in the title registry office, and assignment agreements must be notified to the corresponding party by means of a bailiff's act.

With regard to the Notes Guarantees, it is worth noting that the holder of a simple promissory note will have to validate its content before a Dominican Court before taking any type of preventive measure to enforce the promissory note or execute any seizure over the debtor, which could take considerable time under the ordinary Dominican legal procedure. The holder of a simple promissory note can impose a executive *embargo* over the properties of the debtor or initiate a foreclosure procedure over the real estate property registered under the name of the debtor.

However, an authentic promissory note (*pagaré notarial*), drafted before a Dominican notary, is a "directly" enforceable title since any type of legal action can be filed against the debtor to collect the sums guaranteed by the note without the need to previously seek judicial authorization. Authenticated *pagarés notariales* must be registered at the corresponding Civil Registry and the registration fee would be calculated based on the amount of the debt.

Under Dominican law, enforceable titles are the following: first copies of judgments and other judicial decisions, as well as its subsequent judgments replacing the first decision, notary deeds containing payment obligations and simple promissory notes. The simple promissory only acquire the executive force resultant of the power of the judge who imposes or allows resorting directly by public force to obtain the fulfillment of the obligations or prescriptions contained therein.

In any case, enforcement before the Dominican courts will in any event be subject to the nature of the remedies available in the courts; and the availability of defenses such as, without limitation, set-off of credits or circumvention of law.

Limitations on validity and enforceability of Notes Guarantees granted by any French subsidiaries

Under French law, claims may become time-barred (5 years being the general term established for personal claims and rights on movable property under Article 2224 of the French Civil Code (Code Civil)) or may be or become subject to the defense of set-off or counterclaim.

The terms “enforceable”, “enforceability”, “valid”, “legal”, “binding”, “effective” and any combination thereof mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by French courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances. Enforcement before the courts will in any event be subject to:

- the nature of the remedies available in the courts; and
- the availability of defenses such as, without limitation, set-off, circumvention of law, abuse in the exercise of rights, force majeure, duress and counterclaim.

Under French law, any guarantee, pledge or mortgage generally must guarantee or secure a primary obligation to which it is ancillary. The primary obligation must be clearly identified in the guarantee or security agreement, and the nullification or termination of the primary obligation entails the nullification or termination of the ancillary guarantee or security. Consequently, if the primary obligation is deemed null and void, the ancillary guarantee or security interest will also be deemed null and void. The same principles would apply to a French *cautionnement* but not to a *garantie autonome*, which is governed by Articles 2321 of the French Civil Code (Code Civil). A *garantie autonome* remains independent from the primary obligation and would not follow it, unless so provided by the parties to the *garantie autonome*.

Subject to the foregoing sentences relating to *garanties autonomes*, in the event that the security providers are able to prove that there are no existing and valid secured obligations, French courts may consider that the security providers’ obligations under the relevant guarantees or securities are not enforceable.

The obligations under the Notes Guarantees granted by the Guarantors shall not extend to any use of the proceeds of the Notes for the purpose of acquiring shares representing the share capital of such Guarantor or shares representing the share capital of its holding company, or refinancing a previous debt incurred for the acquisition of shares representing the share capital of such Guarantor or shares representing the share capital of its holding company.

Under French law, the granting of any security or guarantee by a company shall fall within its corporate purpose and be in its corporate interest.

Limitations on validity and enforceability of Notes Guarantees granted by any German subsidiaries

Under German law, claims may become barred under statutory limitation period rules (the general limitation period being 3 years) and may be subject to defences of set-off or counter-claims.

Limitations pursuant to German corporate law, particularly Sections 30 and 31 of the German Act on Limited Liability Companies (GmbH-Gesetz)

Certain Guarantors, namely NH Central Europe GmbH & Co. KG, NH Hotelbetriebs- und Dienstleistungs GmbH, NH Hoteles Deutschland GmbH, NH Hotelbetriebs- und Entwicklungs GmbH and JOLLY HOTELS DEUTSCHLAND GmbH are incorporated under the laws of Germany in the legal form of either a limited liability company (*Gesellschaft mit beschränkter Haftung*) (“GmbH”) or a limited partnership with a general partner (*persönlich haftender Gesellschafter*), personally liable for the limited partnership’s debts without limitation, that is not a natural person but a GmbH (“GmbH & Co. KG”). The grant of guarantees or collateral by these types of companies is subject to certain provisions of the German Act on Limited Liability Companies (*GmbH-Gesetz*).

As a general rule, Sections 30 and 31 of the GmbH-Gesetz prohibit a GmbH from disbursing its assets to its affiliates to the extent that the amount of the GmbH’s net assets (*i.e.*, assets minus liabilities and liability reserves) is already less or would fall below the amount of its stated share capital (*Stammkapital*). The granting of guarantees and other security by a GmbH or GmbH & Co. KG in order to guarantee or secure liabilities of a direct or indirect parent or affiliate thereof may be considered a disbursement pursuant to Sections 30 and 31 of the GmbH Gesetz. Therefore, in order to enable German guarantors to issue guarantees to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31, it is standard market practice for indentures, credit agreements, guarantees, and other security documents to contain so-called "limitation language" in relation to entities in the legal form of a GmbH or a GmbH & Co. KG incorporated or established in Germany. Pursuant to such limitation language, the creditors of such instruments agree, subject to certain exemptions, to enforce the guarantees against the German subsidiary only to the extent that such enforcement does not result in the GmbH's or, in case of a GmbH & Co. KG, the general partner's net assets falling below its stated share capital or, as the case may be, if the net assets are already below the amount of its stated share capital, to cause such amount to be further reduced. Accordingly, the Notes Guarantees provided by the German Guarantors will contain such limitation language and the respective Notes Guarantees will be limited in the manner described.

Furthermore, Section 64 sentence 3 of the GmbH-Gesetz restricts payments if and to the extent such payments under any Notes Guarantees would deprive the German Guarantor of the liquidity necessary to fulfill its financial liabilities to its creditors. These limitations could, to the extent applicable, restrict the enforcement of the relevant Notes Guarantees.

German capital maintenance rules and liquidity rules (including, without limitation, the prohibition to make payments in case of existing illiquidity (*Zahlungsunfähigkeit*), over-indebtedness (*Überschuldung*) or if such payments cause illiquidity (*Zahlungsunfähigkeit herbeiführen*) and are regarded as being made to or for the benefit of an affiliate pursuant to section 64 of the GmbH-Gesetz) are subject to ongoing court decisions. Future court rulings may thus further limit the access of direct or indirect shareholders to assets of their subsidiaries constituted in the form of a GmbH or a GmbH & Co. KG, which can negatively affect the ability of such subsidiaries to make payments on the Notes Guarantees or of the beneficiaries of the Notes Guarantees to enforce the Notes Guarantees.

Furthermore, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called destructive interference (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of the Notes Guarantees. In such case, the amount of proceeds to be realized may be reduced, even to zero.

In addition, under German law, a creditor who provided additional, or extended existing, funding to a debtor and/or obtained security from the debtor may be liable in tort if such creditor was aware of the debtor's impending insolvency or of circumstances indicating such debtor's impending insolvency at the time such funding was provided or extended and/or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that such liability may arise if, for example, the creditor acted with the intent to detrimentally influence the position of the other creditors of the debtor in violation of the legal principle of bonos mores (*Sittenwidrigkeit*). Such intention could be presumed if the beneficiary of the transaction was aware of any circumstances indicating that the debtor was close to insolvency (*Zusammenbruch*) or had reason to enquire further with respect thereto.

Hardening periods and fraudulent transfer

In the event of insolvency proceedings with respect to a German Guarantor governed by the insolvency laws of Germany, the Notes Guarantee provided by that Guarantor could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) or, in case debtor in possession status has been granted, the custodian (*Sachwalter*) under the rules of contest

(*Insolvenzanfechtung*) as set out in the German Insolvency Code (*Insolvenzordnung*). If the validity or enforceability of a Notes Guarantee is contested successfully, beneficiaries of such Notes Guarantee may not be able to recover any amounts under the respective Notes Guarantee. If payments have already been made under the respective Notes Guarantee, the insolvency administrator may require that the recipients return the payment to the insolvency estate, and the recipients would then have only general unsecured claims without preference in the insolvency proceedings.

In particular, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*), which includes the granting of a guarantee, the provision of any other security and the repayment of debt, detrimental to the creditors of a debtor may be contested according to the German Insolvency Code in the following cases:

- any act granting a creditor, or enabling a creditor to obtain, security (including a guarantee) or satisfaction for a debt (*Befriedigung*) can be contested if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings against the debtor if at the time of the transaction the debtor was illiquid (*zahlungsunfähig*), which means such debtor was unable to pay its debts when due, and the creditor had knowledge thereof or knowledge of circumstances imperatively suggesting such illiquidity or (ii) after a petition for the opening of insolvency proceedings had been filed against the debtor if the creditor had knowledge thereof or of the debtor being illiquid or knowledge of circumstances imperatively suggesting such filing or illiquidity;

- any act granting a creditor, or enabling a creditor to obtain, security (including a guarantee) or satisfaction for a debt to which such creditor had no right, no right at the respective time or no right as to the respective manner, can be contested if the transaction was effected in the month prior to the filing of a petition for the opening of insolvency proceedings against the debtor or at any time after such filing; if the transaction was effected in the second and third month prior to the filing, it can be contested if at the time of the transaction (i) the debtor was illiquid or (ii) the creditor knew that the transaction would be detrimental to the creditors of the debtor (or had knowledge of circumstances imperatively suggesting such detrimental effect);

- any legal transaction effected by the debtor which is directly detrimental to the creditors of the debtor or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable can be contested if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings against the debtor if, at the time of the legal transaction, the debtor was insolvent and the other party to the legal transaction had knowledge thereof or (ii) after a petition for the opening of insolvency proceedings had been filed against the debtor if the other party to the legal transaction had knowledge thereof or of the debtor being illiquid;

- any act whereby a debtor grants security (including a guarantee) for a third-party debt and such security is regarded as having been granted gratuitously (*unentgeltlich*) can be contested unless it was effected earlier than four years prior to the filing of a petition for the opening of insolvency proceedings against the debtor;

- any act performed by the debtor during a period of ten years prior to the filing of a petition for the opening of insolvency proceedings against the debtor or at any time after such filing can be contested if the debtor acted with the intent to disadvantage its creditors, and the beneficiary of the transaction had knowledge of such intent at the time of the transaction, with such knowledge presumed if the beneficiary knew that the debtor's illiquidity was imminent and that the transaction disadvantaged the debtor's other creditors;

- any non-gratuitous contract between the debtor and an affiliated party that directly operates to the detriment of the debtor's other creditors can be contested unless such contract was concluded earlier than two years prior to the filing of a petition for the opening of insolvency proceedings against the debtor or the affiliated party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term "affiliated party" includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor and other persons that are spouses, relatives or members of the household of any of the foregoing persons;

- any act that provides security or satisfaction for a claim of a shareholder for repayment of a shareholder loan (*Gesellschafterdarlehen*) or an economically equivalent claim can be contested (i) in the event the debtor provided security, if the transaction was effected within the last ten years prior to the filing of a petition for the opening of insolvency proceedings against the debtor or thereafter or (ii) in the event the debtor provided satisfaction, if the transaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings against the debtor or thereafter; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party can be contested if the transaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings against the debtor or thereafter and a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*), in which case the shareholder has to compensate the debtor for the amounts paid, subject to further conditions.

For purposes of the above, the knowledge of circumstances from which an imperative conclusion regarding the debtor's insolvency or the filing of a petition for the opening of insolvency proceedings against the debtor can be drawn will be considered tantamount to actual knowledge of the debtor's insolvency or the filing of a petition for the opening of insolvency proceedings against the debtor. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's impending illiquidity and that the transaction prejudiced the debtor's creditors.

Apart from the examples of an insolvency administrator contesting transactions according to the German Insolvency Code described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could also contest any security right or payment performed under the relevant security right according to the German Act of Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites are similar but vary to a certain extent from the rules described above and the contest periods are calculated from the date when a creditor exercises its rights of contest in the courts.

Limitations on validity and enforceability of Notes Guarantees and security interests granted by any Italian subsidiaries

NH Italia S.p.A is incorporated under the laws of Italy (the "Italian Guarantor") and is subject to Italian laws governing creditors' rights and bankruptcy and restructuring proceedings. Under Italian Law the guarantee obligations under the Indenture of an Italian Guarantor are subject to compliance with, *inter alia*, the rules on corporate benefit and corporate authorization. If the guarantee is being provided in the context of an acquisition, group reorganization or restructuring, financial assistance issues may also be triggered.

An Italian company granting a guarantee must receive a real and adequate benefit in exchange for the guarantee. The concept of real and adequate benefit is not defined in the applicable legislation and is determined on a case- by-case basis. In particular, in case of upstream and cross-stream guarantees for the financial obligations of group companies, examples include financial consideration in the form of a guarantee fee or access to cash flows in the form of intercompany loans from other members of the Group.

The general rule is that the risk assumed by the Italian Guarantor must not be disproportionate to the direct or indirect economic benefit to the guarantor. To this extent, customary "limitation language" is usually inserted in indentures, credit agreements and guarantees for the purpose of limiting the amount guaranteed by the guarantor to an amount that is proportionate for the direct or indirect economic benefit to the guarantor derived from the transaction.

Absence of a real and adequate benefit could render the guarantee or the collateral *ultra vires* and potentially affected by conflict of interest. Thus, civil liabilities may be imposed on the directors of the guarantor if it is assessed that they did not act in the best interest of the guarantor and that the acts they carried out do not fall within the corporate purpose of the guarantor. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over the guarantor or having knowingly received an advantage or profit from such improper control. Moreover, the guarantee could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interests of the guarantor.

The rules on corporate benefit apply equally to security provided by subsidiaries in relation to the financial obligations of their parent or sister companies.

As to corporate authorizations and financial assistance, the granting of a guarantee or security by an Italian company must be permitted by the articles of association (*statuto*) of the Italian company and cannot include any liability that would result in unlawful financial assistance within the meaning of Article 2358 of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) for the acquisition of its own shares by a third party.

The guarantees created through pledges on unlisted securities cannot be immediately liquidated.

Under Article 2352 of the Italian Civil Code, in the case of a pledge on shares, the voting rights, unless agreed otherwise, belong the holder of the pledge and in the case of capital increase pursuant to Article 2442 of the Italian Civil Code, the pledge is extended to the newly issued shares.

Parallel Debt

There is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the Security Agent as agent or trustee for the holders of the Notes under security interests on Italian assets is debatable under Italian law.

The Intercreditor Agreement provides for the creation of a "parallel debt". Pursuant to the parallel debt and subject to the terms of the Intercreditor Agreement and to applicable law, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The Security Interests governed by Italian law will also secure the parallel debt. The parallel debt procedure has not been tested in Italian courts, and there is no certainty that it will eliminate or mitigate the risk of unenforceability posed by Italian law.

It is uncertain and untested in Italian courts whether, under Italian law, a security can be created and perfected in favor of creditors (such as the holders of the Notes) that are neither directly parties to the relevant security documents nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries and, therefore, the risk of unenforceability by the holders of the Notes of the Italian security documents posed by Italian law cannot be eliminated or mitigated.

Limitations on validity and enforceability of Notes Guarantees granted by any Luxembourg subsidiaries

Intra-group Guarantees

Entities incorporated in Luxembourg have granted guarantees in order to secure, inter alia, the obligations under the notes.

The granting of cross- or up-stream guarantees by a Luxembourg company in order to secure the obligations of other entities may raise some corporate benefit issues, in particular in relation to the corporate interest of the Luxembourg company having to provide such security interests/guarantees.

When a Luxembourg company grants guarantees, applicable corporate procedures normally entail that the decision be approved by a board resolution or by the decision of delegates that have been appointed for such purpose. In addition, the granting of the envisaged guarantees must comply with the Luxembourg company's corporate object.

The proposed action by the company must be "in the corporate interest of the company", which is a translation of the French "*intérêt social*", an equivalent term to the English legal concept of corporate benefit. The concept of "corporate interest" is not defined by law, but has been developed by doctrine and court precedents and may be described as being "the limit of acceptable corporate behavior". Whereas the previous discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit requires a subjective judgment. In a group context, the interest of the companies of the group taken individually is not entirely eliminated.

With respect to guarantors incorporated in Luxembourg, even if the Luxembourg law of August 10, 1915 on commercial companies, as amended (the "Companies Act"), does not provide for rules governing the ability of a Luxembourg company to guarantee the indebtedness of another entity of the same group, it is generally held that within a group of companies, in the context of a group of related companies, the existence of a group interest in granting upstream or cross-stream assistance under any form (including under the form of guarantee) to other group companies could constitute sufficient corporate benefit to enable a Luxembourg company to grant such guarantee, provided that the following conditions are met (and subject in any event to all the factual circumstances of the matter): (i) such guarantee must be given for the purpose of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group, (ii) the commitment to grant such guarantee must not be without consideration and such commitment must not be manifestly disproportionate in view of the obligations entered into by other group companies, and (iii) such guarantee granted or any other financial commitments must not exceed the financial capabilities of the committing company.

Although the existence of a corporate interest in the granting of a guarantee on a group level is certainly important, the mere existence of such a group interest does not compensate for a lack of corporate interest for one or more of the companies of the group taken individually. The concept of corporate benefit is of particular importance in the context of misuse of corporate assets provided by Article 171-1 of the Companies Act.

The failure to comply with the corporate benefit requirement will typically result in liability (personal and/or criminal) for the directors or managers of the guarantor concerned. The guarantees granted by a Luxembourg company could themselves be held void or unenforceable if their granting is contrary to Luxembourg public policy (*ordre public*). It should be stressed that, as is the case with all criminal offenses addressed by the Companies Act, a director or a manager of a company will in general be prosecuted for misuse of corporate assets only if someone has lodged a complaint with the public prosecutor. This person may be an interested third party, e.g., a creditor, a minority shareholder, a liquidator or an insolvency receiver. In addition, it cannot be excluded that the public prosecutor could act on its own initiative if the existence of such a misuse of corporate assets became known to him. If there is a misuse of corporate assets criminally sanctioned by court, then this could, under general principles of law, have the effect that contracts concluded in breach of Article 171-1 of the Companies Act will be held null and void. The criteria mentioned above have to be applied on a case-by-case basis, and a subjective, fact-based judgment is required to be made, by the directors or managers of the Luxembourg company. As a result of the above developments, the guarantees granted by a Luxembourg company will be subject to certain limitations, which will take the form of general limitation language (limiting the guarantee obligations of such Luxembourg company to a certain percentage of, *inter alia*, its net assets (*capitaux propres*)), which is inserted in the relevant finance document(s), indentures or guarantee agreements and which covers the aggregate obligations and exposure of the relevant Luxembourg company under all finance documents, indentures or guarantee agreements.

Limitations on validity and enforceability of Notes Guarantees and granted by any Mexican subsidiaries

Under Mexican law there are certain rules under which guarantees may be diminished in their enforceability or could be limited according to the procedures under which obligations could be limited in amount. Following is a brief summary of the main legal considerations by which Mexican law may adversely affect and or limit the validity and/or enforceability of guarantees:

- If, at any time prior or after the Offering, the Mexican Guarantor has breached its obligations and any of its creditors files a claim or initiates a trial before a Civil or Mercantile Court, and/or files a note and requests that such note is registered before the relevant Public Commerce Registry, its obligations as Guarantor under the Offering will be limited to the remaining balance of the Guarantor after such claims are filed.
- If any third party claims that the guarantee has been given in order to avoid obligations or to diminish the solvency of the Guarantor for a determined and proved reason, it could be considered as a fraudulent act which would limit the Guarantor obligations and its assets would be secured until the legal situation of the Guarantor is resolved, in which situation the Issuer will have no legal option to enforce the obligations of such entity as a Guarantor.
- The Commerce Code, the Civil Federal Code, the Local Civil Codes and the Mercantile Bankruptcy Law determine certain circumstances under which a third party will not be able to claim any obligations to the Guarantors.

Limitations on validity and enforceability of Notes Guarantees and security interests granted by any Dutch subsidiaries

Limitations on the Validity of the Notes Guarantees

Each Notes Guarantee given by a Dutch Guarantor and any security created by it shall be limited as follows:

(a) Pursuant to section 2:98(c) of the Dutch Civil Code, a Dutch Guarantor which is a limited liability company (*naamloze vennootschap*) may not provide collateral, guarantee the price, otherwise act as surety or otherwise bind itself jointly or severally with or for third parties, for the purpose of the subscription for or the acquisition of shares by third parties in its own capital or of depositary receipts therefor; this prohibition also applies to the subsidiaries of such a Guarantor, including most likely its foreign subsidiaries.

(b) The granting of Notes Guarantees by the Dutch Guarantors is furthermore subject to other rules of Dutch law relating to or affecting the enforcement of creditors' rights and remedies, including rules on ultra vires and fraudulent transfers. See "*—Limitations on Enforcement of the Notes Guarantees and Security Interests*" and "*—Fraudulent transfer provisions of general applicability including during bankruptcy—The Netherlands*".

Limitations on Enforcement of the Notes Guarantees and Security Interests

You may not be able to enforce, or recover any amounts under, the Notes Guarantees or the Collateral provided by the Guarantors incorporated in the Netherlands due to restrictions on the validity and enforceability of guarantees and security interests under Dutch law.

Under Dutch law, it is uncertain as to whether security interests can be granted to a party other than the creditor of the claim purported to be secured by such security interests. For that reason, the security documents pursuant to which a security interest will be granted in the assets of the Dutch subsidiaries use a parallel debt structure, whereby the Dutch subsidiaries undertake to pay to the Security Agent, as separate and independent obligations, amounts equal to the amounts due by them to the holders of the Notes offered hereby. Such parallel debt structure therefore creates a separate and independent claim of the Security Agent on behalf of the holders of the Notes offered hereby which can be secured by a security interest.

Consequently, the security interests are granted to the Security Agent, on behalf of the holders of the Notes offered hereby, in its own capacity as creditor acting in its own name, pursuant to the parallel debt and not as a representative (*vertegenwoordiger*) of the holders of the Notes. It is expressly agreed in such a parallel debt provision that the obligations of the debtor to the Security Agent on behalf of the holders of the Notes offered hereby shall be decreased to the extent that the corresponding principal obligations to the holders of the Notes are reduced and vice versa. However, such a parallel debt structure has never been tested before a Dutch court, and it cannot be assured that this parallel debt structure will mitigate or eliminate the risk of unenforceability posed by Dutch law.

Under Dutch law, receipt of any payment made by any Dutch subsidiary under a Notes Guarantee or security interest may be adversely affected by specific or general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such Notes Guarantee or security interest. The validity and enforceability of a Notes Guarantee of, or a security interest granted by or in, a Dutch subsidiary may also be successfully contested by the Dutch subsidiary, or its trustee in bankruptcy (*curator*), on the basis of an ultra vires claim. The validity and enforceability of the obligations of any of our Dutch subsidiaries under a Notes Guarantee or security interest may also be successfully contested by any creditor, or by a Dutch subsidiary's trustee in bankruptcy when the Dutch subsidiary is in bankruptcy proceedings, if such obligation is prejudicial to the interests of any other creditor and the other requirements for fraudulent transfer under the Dutch Civil Code and Dutch Bankruptcy Act (*Faillissementswet*) are met. As a result, the value of the Notes Guarantees and security interests provided by the Dutch subsidiary may be limited.

Foreclosure of Dutch security rights

Pursuant to the Dutch security documents, the Security Agent may enforce the Dutch law security rights in case of certain events, which include a Dutch bankruptcy (*faillissement*) or suspension of payments (*surseance van betaling*) in respect of the providers of Dutch security rights.

Enforcement of security rights in a Dutch court is subject to Dutch rules of civil procedure. In addition, foreclosure on Dutch law security rights (including allocation of the proceeds) is subject to Dutch law. Under Dutch law, security rights are in principle enforced through a public auction of the relevant assets in accordance with Dutch law. Shares in a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) may only be transferred upon foreclosure in accordance with Dutch law and the relevant pledged company's articles of association as they read at the time of foreclosure.

The Security Agent or the relevant security interest provider may request the competent court to approve a private sale of the security assets, except, in case of pledged assets if otherwise agreed. In case of pledged assets (but not mortgaged assets), the Security Agent and the security interest provider may agree to an alternative foreclosure procedure once the pledge has become enforceable. The Security Agent may also request the competent court to determine that the pledged assets shall accrue to it for a price determined by the court. In the case of a pledge, the right of the relevant security interest provider to request approval of a private sale may be excluded. In the case of a mortgage, there is no such possibility.

Limitations on validity and enforceability of Notes Guarantees granted by any Polish subsidiaries

Under Polish law, claims may become time-barred (being 10 years the general term established for claims and 3 years the term for claims pertaining to periodical performances and claims resulting from an economic activity) according to the Polish Civil Code (*Kodeks Cywilny*), or may be, or may become, subject to the defense of set-off or counterclaim.

In the case of tort claims under Article 442 (1) § 1 of the Polish Civil Code, the period of limitation is three years from the date on which the injured party becomes aware of the damage and of the person obliged to remedy it, however, the period cannot be longer than ten years from the date on which the said event causing the damage took place.

The term "enforceable" means that a claim right or agreement is of a type and in a form enforced by Polish courts. It does not mean that an obligation will be enforced in accordance with its terms in every circumstance in Poland; in particular, specific performance may not always be available as a remedy due to other legal implications such as force majeure, circumvention of law, abuse in the exercise of rights or misrepresentation.

In general terms, under Polish law, any guarantee must guarantee or secure another obligation to which it is ancillary, which must be clearly identified in the relevant guarantee or security agreement. Therefore, the guarantee or security interest follows the underlying obligation in such a way that nullity of the underlying obligation entails nullity of the guarantee or security and termination of the underlying obligation entails termination of the guarantee or security. However, an act in law performed by the original debtor with its creditor after issuance of the guarantee cannot increase the obligation of the guarantor without its consent.

If a guarantee given by the Polish Guarantors relates to future debts, then from the perspective of the Polish Civil Code the maximum amount of guaranteed debt should be specified in the guarantee document. The guarantee unlimited in time for a future debt may be revoked by the guarantor at any time before the debt arises.

In the event that the security providers are able to prove that there are no existing and valid guaranteed obligations, Polish courts may consider that the security providers' obligations under the relevant guarantees or securities are not enforceable.

Limitations on validity and enforceability of Notes Guarantees granted by any Portuguese subsidiaries

Under Portuguese law, claims may become time-barred (20 years being the general term established for obligations under Article 309 of the Portuguese Civil Code (*Código Civil*)) or may be or become subject to the defense of set-off or counterclaim.

Under Portuguese law, any guarantee must guarantee or secure a primary obligation to which it is ancillary. The primary obligation must be clearly identified in the guarantee or security agreement, and the nullification or termination of the primary obligation entails the nullification or termination of the ancillary guarantee or security. Consequently, if the primary obligation is deemed null and void, the ancillary guarantee or security interest will also be deemed null and void.

In the event that the security providers are able to prove that there are no existing and valid guaranteed obligations, Portuguese courts may consider that the security providers' obligations under the relevant guarantees or securities are not enforceable.

As a general rule under Portuguese Law (Article 6, No. 3 of the Portuguese Companies' Code) the granting of guarantees by companies to secure debts of other entities is inadmissible, as it is considered to fall outside the scope of a company's corporate purpose. This legal rule is based on the general principle that companies shall have the purpose of generating profit and shall not perform non-profitable or gratuitous acts. Consequently, Portuguese companies may issue guarantees and create security interests only in respect of their own debts, except under limited circumstances and exceptional terms.

The first requirement to allow the creation of security interests in respect of the performance of third-party debts is for the provider of such security interests to enjoy a justified self-interest in doing so, requiring the matter to be evaluated on the separate and independent positions and interests of each company. The law does not state nor imply what is considered justified self-interest, and therefore, such term is open to interpretation by each company and its management involved in such a transaction. It is common market practice in Portugal for a "justified own interest" to be expressly recognized by the guarantor's board of directors. It is also common for the financing banks to require that the shareholders also recognize the existence of "justified own interest" by means of a shareholders' general meeting, confirming the view of the board of directors.

In addition, the law provides that the issuance of security interests in respect of third party obligations is also admissible in cases where the third party is in a control or group relationship with the guarantor, recognizing "justified own interest" at a group level. However, the guaranteeing or financing of an acquisition by the target is highly restricted within the Portuguese legal framework, namely through Article 322 of the Portuguese Companies Code. In this regard, joint stock companies cannot issue loans or by any means grant capital or provide guarantees for the purpose of a third party underwriting or by any other means acquiring their shares.

Limitations on validity and enforceability of Notes Guarantees and security interests granted by any Romanian subsidiaries

Under Romanian law, corporate guarantees are personal guarantees (as opposed to real security), taking the form of either sureties (in Romanian, "*fidejusiune*"), or independent guarantees (in Romanian "*garantii autonone*").

Sureties

According to the Romanian Civil Code, under the sanction of absolute nullity, sureties have to be concluded in writing.

The agreement which ascertains the guarantee has to identify the object of the surety and, if the case, any limits for the surety, considering that these types of guarantees are limited to the obligations which are guaranteed through them. The Romanian Civil Code expressly states that in case the surety exceeds what is owed by the debtor or was contracted under more burdensome conditions, it is limited to what the debtor actually owes. Moreover, in lack of a contrary provision in the surety agreement, the obligation of the guarantor is extended to all accessories of the guaranteed obligation and the expenses incurred by the creditor related to the notification of the guarantor and the court expenses.

Sureties are ancillary to the obligation they guarantee. To this extent, the nullity of the obligation entails the nullity of the surety.

With respect to the enforcement of the surety, under Romanian law, the guarantor has the right to invoke against the creditor wishing to enforce the surety the following:

- The right of the guarantor to request the creditor to enforce first the assets of the debtor (in Romanian, *beneficiu de discutiune*). In order for this right to be effective, the following cumulative conditions have to be met:
    - the guarantor has not waived this right;
    - the benefit of discussion is invoked before the merits of the court;
    - the guarantor indicates to the creditor the goods of the debtor that can be enforced;
    - the guarantor pays to the creditor the sums necessary for such enforcement.
- The right of the guarantor to request the creditor, in case of several sureties, to divide its claim between all the guarantors (in Romanian, beneficiu de diviziune). In case a certain guarantor is insolvent, then the guarantor requesting the benefit of division will be proportionally liable for the respective insolvency, except for the situation where the insolvency results after the division of the claim;
- All defences that the debtor can invoke against the creditor, except those that are personal to the debtor or are excluded by the surety agreement.

Independent guarantees

Under the Romanian Civil Code independent guarantees can be provided, among others, as letters of guarantee (in Romanian, "*scrisoarea de garantie*").

A letter of guarantee is an irrevocable and unconditional commitment whereby the issuer must, at the request of a debtor, and in consideration, but independent, of, a pre-existing legal relationship pay an amount of money to a third party beneficiary in accordance with the terms of the guarantee document. Payment must be made at the first and simple request of the beneficiary, if the terms of the document do not provide otherwise.

The issuer cannot deny payment to the beneficiary on basis of arguments deriving from its pre-existing legal relationship with the debtor.

The issuer cannot be held to pay in the event of abuse or obvious fraud.

The issuer who made the payment under the guarantee has recourse against the debtor who has requested the provision of the guarantee.

Unless otherwise provided, the guarantee is not transferable upon the transmission of the rights and/or obligations in the preexisting legal relationship. But the beneficiary can transfer the right to request the payment under the guarantee, if so contractually agreed.

Unless the wording of the document provides otherwise, the guarantee is effective since issuance and terminates on the expiry date provided in the document, irrespective of the delivery of the original.

Limitations on validity and enforceability of Notes Guarantees and security interests granted by any Spanish subsidiaries

Under Spanish law, claims may become time-barred (15 years being the general term established for obligations in personam under Article 1,964 of the Spanish Civil Code (*Código Civil*)) or may be or become subject to the defense of set-off or counterclaim.

The terms "enforceable", "enforceability", "valid", "legal", "binding" and "effective" (or any combination thereof) mean that all of the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. Enforcement before the courts will in any event be subject to:

- the nature of the remedies available in the courts; and
- the availability of defenses such as (without limitation) set-off (unless validly waived), circumvention of law (*fraude de ley*), abuse in the exercise of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseen circumstances, undue influence, duress, abatement and counterclaim.

Under Spanish law, any guarantee or pledge generally must guarantee or secure a primary obligation to which it is ancillary. The primary obligation must be clearly identified in the guarantee or security agreement, and the nullity or termination of the primary obligation entails the nullity or termination of the ancillary guarantee or security. Consequently, if the primary obligation is deemed null and void, the ancillary guarantee or security interest will also be deemed null and void.

In the event that the guarantors are able to prove that there are no existing and valid guaranteed obligations, Spanish courts may consider that the obligations of the guarantors under the relevant guarantees or security agreements are not enforceable.

The obligations under the Notes Guarantees granted by the Guarantors:

- shall not extend to any use of the proceeds of the Notes for the purpose of acquiring shares representing the share capital of such Guarantor or shares representing the share capital of its holding company or the payment of any costs or transaction expenses related therein, or refinancing a previous debt incurred for the acquisition of shares representing the share capital of such Guarantor or shares representing the share capital of its holding company; and
- shall be deemed not to be undertaken or incurred by the Guarantor to the extent that the same would constitute unlawful financial assistance within the meaning of Article 150 of the Spanish Capital Companies Law, and, in that case, all provisions of such Notes Guarantee shall be construed accordingly in the sense that in no case can any Notes Guarantee or security given by the Guarantor secure repayment of the above-mentioned funds.

Limitations on validity and enforceability of Notes Guarantees granted by any Swiss subsidiaries

The granting of guarantees by the Swiss Guarantors is subject to certain restrictions under Swiss corporate law. Therefore, in order to enable the Swiss Guarantors to grant guarantees securing liabilities of the Issuer without the risk of violating such restrictions and protect management from personal liability, it is market practice for guarantees granted by a stock corporation (*Aktiengesellschaft*) or limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated in Switzerland to contain "limitation language". Pursuant to such limitation language, the enforcement of the Notes Guarantee granted by each of the Swiss Guarantors will be limited, reflecting the requirement that payments under a Notes Guarantee may not cause the Swiss Guarantor to incur a liability which would exceed its freely distributable equity at the time of enforcement of the Notes Guarantee. The freely distributable equity is equal to the maximum amount that the relevant Swiss Guarantor can distribute to its shareholders as a dividend payment under Swiss law. These limitations apply in relation to guarantees securing the performance of any obligations of any direct or indirect parent or sister company of the Swiss Guarantors.

Limitations on validity and enforceability of Notes Guarantees granted by any Uruguayan subsidiaries

Under Uruguayan law, there is a minor risk that the Notes Guarantee granted by the Uruguayan Guarantor would be deemed contrary to the corporate purpose of the Uruguayan Guarantor. Shareholder approval of the Notes Guarantee based upon the fact that it is part of a refinancing plan of the Group and therefore executed in the common interest of the both the Guarantor and the Issuer would significantly reduce this risk.

Under the Uruguayan Civil Code, guarantees of any kind, including mortgages, pledges or guarantees (*Fianza*), generally must guarantee or secure a primary obligation to which it is ancillary. Therefore, the nullification or termination of the primary obligation entails the nullification or termination of the ancillary guarantee or security. Consequently, if the primary obligation is deemed null and void, the ancillary guarantee or security interest will also be deemed null and void. Pledges, mortgages and guarantees are governed by different regulations.

Under Uruguay's new bankruptcy laws, a mortgage or registered pledge will be considered privileged in a bankruptcy or insolvency proceeding only if it is registered in the Registry before the date of declaration of insolvency or bankruptcy. A pledge under the Civil Code will be considered privileged only if it is granted in a public deed or private document and dated. Privileged security interests are nevertheless incorporated into an insolvency or bankruptcy proceeding against the debtor.

According to Uruguayan law, claims may become time barred. Generally, *in rem* actions are barred after 30 years, and actions seeking enforcement of personal rights are barred after 20 years.

Guarantees (Fianza)

Uruguayan conflict of law rules regarding guarantees consider guarantees to be accessory to the primary obligation, and as a consequence, the law governing the primary obligation will also govern the guarantee.

Under Uruguay's article 2102 of the Civil Code, a guarantee is a contract under which a third party assumes the obligation to pay on behalf of a debtor. To be valid, a guarantee must always be accessory to a primary obligation and must always be written. A guarantee cannot exceed the primary obligation, nor can a guarantee be executed under more onerous conditions regarding place, time, conditions, payment methods or penalties. If a guarantee is executed under more onerous conditions than those contained in the primary obligation, the guarantee will be governed by the terms of the primary obligation.

A guarantor is only jointly and severally liable with the debtor if this is expressly indicated in the guarantee agreement. Without prior consent from the creditor, this kind of guarantee cannot be exchanged for another guarantee, such as a pledge or mortgage. If the guarantor becomes insolvent or bankrupt, the debtor needs to offer the creditor another guarantee.

In order to enforce a guarantee, a creditor must show that it has executed all possible legal actions against the debtor to recover the debt (*Beneficio de Excusión*). A guarantor has no right to *Beneficio de Excusión* when: (i) the guarantor has expressly waived it, (ii) the guarantor is jointly and severally liable with the debtor, (iii) the debtor has become bankrupt or insolvent, (iv) the debtor cannot be sued in Uruguay, (v) the guarantee gives the creditor no right of enforcement (*obligación natural*) or (vi) the guarantee is judicial. In the case of the Notes, as the Guarantor is jointly and severally liable with the debtor, it has no right to benefit from the *Beneficio de Excusión*. In the case of judicial enforcement of a guarantee, a guarantor is entitled to allege all possible defenses regarding the primary obligation but may not allege the personal defenses of the Debtor.

A guarantee terminates when the primary obligation terminates and may also terminate due to compensation, waiver of recovery of the debt by the creditor, novation or confusion. If a guarantor is jointly and severally liable with the debtor, the guarantor cannot take the place of the creditor in its rights, privileges or mortgages against the debtor where the guarantor fulfills the debtor's obligations. Finally, if the term of the primary obligation is extended without the consent of the guarantor, the original guarantee terminates.

A guarantor may offset its obligation to a creditor with any debts the creditor owes the guarantor or any credits the debtor has against the creditor. Assignment of the primary obligation results in assignment of the accessory guarantee.

Applicable insolvency laws

European Union

Pursuant to Council Regulation (EC) No. 1346 2000 on insolvency proceedings (the "EU Insolvency Regulation"), the court that shall have jurisdiction to open insolvency proceedings in relation to the Issuer or any Guarantor whose "center of main interests" is located in a Member State (except for Denmark) will be the court of the Member State where the entity concerned has its "center of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where the Issuer or any Guarantor has its "center of main interests" would be a factual issue on which the courts of the different Member States may have differing and even conflicting views. It should also be noted that, even though certain decisions have been taken in cases that have been brought before the European Court of Justice, substantial uncertainty remains in relation to questions of interpretation or the effects of the EU Insolvency Regulation throughout the European Union. Furthermore, "center of main interests" is not a static concept and may change from time to time. Although under Article 3(1) of the EU Insolvency Regulation there is a rebuttable presumption that the Issuer or a Guarantor would have its "center of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. In that respect, factors such as the place in which the Issuer or a Guarantor holds board meetings or the place where the Issuer or a Guarantor conducts the majority of its business may all be relevant in the determination of the place where the Issuer or a Guarantor has its "center of main interests".

If the "center of main interests" of the Issuer or a Guarantor is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the Issuer or Guarantor under the EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "center of main interests" of a debtor is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) may only open "territorial proceedings" in the event that such debtor has an "establishment" in the territory of such other Member State. In the event that any of the Issuer, the Guarantors or any of their respective subsidiaries experience financial difficulties, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced or the outcome of such proceedings. Applicable insolvency laws may affect the validity and enforceability of the obligations of the Issuer and of the Guarantors, as well as the validity and enforceability of the Notes Guarantees and/or Collateral.

Argentine insolvency law

Argentine Law No. 24,522 (the "Argentine Bankruptcy Law"), contemplates two distinct forms of insolvency proceedings: (i) reorganization (*concurso preventivo*), aimed at restructuring the debtor's liabilities pursuant to a plan, and (ii) liquidation (*quiebra*), aimed at identifying the debtor's assets and liabilities, liquidating the assets and distributing the proceeds therefrom among the debtor's creditors.

A reorganization proceeding may only be commenced voluntarily by a debtor that becomes unable to meet debt payments regularly. The debtor must submit the reasons for its inability to pay his debts as they fall due as well as a description of his probable ability to reorganize, in this case the debtor will still be managed by its natural administrators with an oversight of a court delegate; in order to reorganize and restructure the debtor shall send a debt restructuring proposal to its creditors, which shall be submitted to the decision of the creditors, and approved by the relevant court.

Meanwhile, liquidation proceedings that did not begin as a reorganization may be commenced voluntarily by the debtor or involuntarily upon the filing of a petition by any of his creditors. If the proceeding is filed by a creditor, such creditor must submit evidence that the debtor qualifies for bankruptcy and that the debtor has ceased payment of its debts. In this case, the debtor company will be managed by a court delegate in order to liquidate the assets and dissolve the company.

The institution of reorganization and liquidation proceedings involving a mortgagor has consequences for a creditor with respect to certain aspects of a mortgage. Creditors whose debts are secured with a mortgage may foreclose on the assets underlying their security interest prior to the conclusion of the reorganization proceedings. In both a reorganization and a liquidation proceeding, a creditor who has the right to pursue non-judicial foreclosure proceedings may hold an auction of the underlying property; provided, however, that a report is submitted to the court within 20 days after the auction in which an accounting is set forth along with certain other information with the court. Similarly, judicial foreclosure proceedings may move ahead in both reorganization and liquidation proceedings upon receipt by the creditor of an order from the court permitting the continuation of the foreclosure proceeding. In a liquidation proceeding, an expedited procedure is available for creditors seeking to foreclose on property securing underlying debts.

The commencement of either reorganization or liquidation proceedings will not suspend accrual of interest on the debt underlying the mortgage, although such interest may only be paid from the proceeds of the sale of the assets or property subject to the mortgage.

Pursuant to the Argentine Bankruptcy Law, ordinary obligations are subordinated to certain statutory preferences. In the event of liquidation, such statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses, will have preference over any other claims, including claims by any investor in respect of the Notes.

Austrian insolvency law

The validity and enforceability of the Notes Guarantee provided by the Austrian Guarantor may be limited by laws relating to bankruptcy, insolvency, liquidation, arrangement, moratorium, reorganization or other laws relating to or affecting generally the enforcement of the rights of creditors. The enforcement of claims under a guarantee is generally not subject to set off but may be or become subject to counterclaims and standards of good faith, which may be applied by the court in relation to the exercise of certain rights and remedies available to the parties. According to Art 25b (2) of the Austrian Insolvency Code (IO) any agreement (except for, *inter alia*, interest rate swaps, forward rate agreements and similar contracts according to Annex II to Regulation (EU) No. 575/2013 ("CRR")) that stipulates the right of the other party to terminate an agreement solely due to the debtor's insolvency is not enforceable in relation to such termination right.

If the Austrian Guarantor becomes insolvent, an insolvency administrator may bring avoidance claims on behalf of the insolvency estate of the Austrian guarantor. A transaction may, *inter alia*, be avoided under the following circumstances as set out in the IO. The below is an enumeration of scenarios which are deemed potentially relevant in connection with the validity and enforceability of the Notes Guarantee granted by the Austrian Guarantor.

Intentional discrimination against creditors (Art 28 IO):

Under Art 28 (1) and (2) IO, an insolvency administrator is entitled to avoid transactions by a debtor if such transactions were (1) entered into by the debtor during the ten years prior to the opening of insolvency proceedings against the debtor with the intent (*Absicht*) to harm the debtor's creditors, provided that the other party was aware of the debtor's intent; or (2) entered into by the debtor during the two years prior to the opening of insolvency proceedings against the debtor if the counterparty must have had knowledge of such intent (*Absicht*) of the debtor at the time of the transaction. The insolvency administrator also is entitled to avoid purchase, swap, and distribution agreements, which were entered into by the debtor during the year prior to the opening of insolvency proceedings against the debtor if the other party realized or must have realized a dissipation of funds (Art 28 (4) IO)

Transactions for no consideration (Art 29 IO)

Under Art 29 (1) IO, the insolvency administrator is entitled to avoid transactions entered into by the debtor for no consideration if such transactions were entered into by the debtor during the two years prior to the opening of insolvency proceedings against the debtor.

Transactions favourable for one creditor (Art 30 IO)

Under Art 30 (1) IO, the insolvency administrator is entitled to avoid transactions made during the sixty days prior or after the insolvency of the debtor or during the sixty days prior or after the application for the opening of insolvency proceedings against the debtor; provided that such transactions gave or made possible to an insolvency creditor security or satisfaction to which such creditor had no right or no right to claim in such manner or at such time. Avoidance pursuant to this provision is not possible if the voidable transaction was made more than one year prior to the opening of insolvency proceedings against the debtor.

Knowledge of the insolvency (Art 31 IO)

Under Art 31 (2) IO, the insolvency administrator is entitled to avoid transactions (1) made after the debtor has become insolvent or after an application for the opening of insolvency proceedings has been filed against the debtor; provided that such transactions gave or made possible to an insolvency creditor security or satisfaction and (2) entered into by the debtor with any other person if the transactions are directly detrimental to the debtor and the counterparty had been aware or had been negligently unaware of the fact that the debtor was insolvent or an application for the opening of insolvency proceedings ha been filed against the debtor by the time of the transaction.

Under Art 31 (3) IO, the insolvency administrator is entitled to avoid transactions made after the debtor has become insolvent or after an application for the opening of insolvency proceedings against the debtor had been filed; provided that such transaction had been entered into by the debtor to the detriment of the creditors of the debtor and

- the counterparty had been aware or had been negligently unaware of the fact that the debtor was insolvent or an application for the opening of insolvency proceedings had been filed by the time of the transaction, and

- the detriment for or the damage to the insolvency estate was objectively foreseeable.

Avoidance of an agreement pursuant to this provision is not possible if the voidable transaction was made more than six months prior to the opening of insolvency proceedings against the debtor.

Belgian insolvency law

There are two types of insolvency procedures under Belgian law:

(a) the judicial reorganization procedure (*réorganisation judiciaire / gerechtelijke reorganisatie*) governed by the Law on the Continuity of Companies of January 31, 2009 (the "LCC"); and

(b) the bankruptcy procedure (*faillite/faillissement*) governed by the Law of August 8, 1997 on Bankruptcy (the "Bankruptcy Law").

Note that in addition, Belgian law allows for liquidation in deficit (*liquidation déficitaire/ deficitaire vereffening*). The latter proceedings will not be further discussed.

The judicial reorganization

The judicial reorganization organized by the LCC aims to foster the recovery of a business experiencing temporary financial difficulties by granting the business protection from its creditors. The directors of a company may apply for judicial reorganization but are not obligated to do so. The creditors of a company may not initiate such judicial reorganization on behalf of the company, except through a transfer under judicial supervision (as described below).

The directors of a company (and in limited circumstances, its creditors, interested third parties or the public prosecutor) may apply with the competent commercial court for a judicial reorganization if the continuity of the company is in danger (whether immediately or in the future). If the net assets of the company have fallen under 50% of the company's registered capital, the continuity of the company is presumed to be at risk. The court then appoints a deputy judge (*juge délégué/gedelegeerd rechter*) to supervise the company, ensure compliance with the law and report to the Court. As a general rule, the company retains management and disposal powers on its assets.

As from the filing of the petition and as long as the court overseeing a judicial reorganization has not issued a ruling thereon, the debtor cannot be declared bankrupt or wound up by court order. During the period between the filing of the petition and the court's decision, with a few exceptions, none of the debtor's assets may be disposed of by any of its creditors as a result of the enforcement of any security interests that such creditors may hold with respect to such assets.

Within a period of 14 days as from the filing of the petition and subject to the satisfaction of the filing conditions, the Court will declare the judicial reorganization procedure open, allowing a provisional suspension of payments (*moratorium*) for a maximum period of 6 months, which may be extended to 12 months and, in exceptional circumstances (such as due to the size of the business, the complexity of the case or the impact of the procedure on employment) if in the interest of the creditors, to 18 months.

The effects of this moratorium may be summarized as follows:

- the company cannot be declared bankrupt or wound up by court order until the end of the judicial reorganization;

- no enforcement measures with respect to pre-existing claims in the moratorium can be continued or initiated against any of the debtor's assets from the time that the moratorium is granted until the end of the period, with few exceptions;

- during the duration of the moratorium, no attachments can be made with regard to pre-existing claims;

- in principle, a company's contracts remain in force and any clauses providing for early termination or acceleration (and certain contractual terms such as default interest) for the sole reason of the initiation or opening of judicial reorganization shall have no effect. Subject to certain conditions, such enforcement prohibition does not apply to close-out netting provisions. A creditor may not terminate a contract on the basis of a debtor's default that occurred prior to the judicial reorganization procedure if the debtor remedies such default within a 15-day period following the notification of such default;

- the court may, depending on the circumstances, remove attachments;
- guarantees granted by third parties in favor of the debtor's creditors are not covered by the enforcement prohibition imposed by the debtor's moratorium, nor are the debts payable by co-debtors, subject to certain exceptions or qualifications in respect of guarantees granted by individuals;
- the company can voluntarily choose to pay some creditors if necessary for the continuity of its business activities;
- in principle, the judicial reorganization has no effect on interest but any interest that was already due and payable at the time of the granting of the judicial reorganization will be suspended. Interest accruing after the granting of the judicial reorganization will not be affected by the moratorium.

As an exception to the general rule of continuity of contracts, the debtor may cease performing a contract during the restructuring proceedings; provided that the debtor notifies the creditor and the decision is necessary for the debtor to be able to propose a reorganization plan to its creditors or to transfer all or part of the company or its assets. The exercise of this right does not prevent the creditor from suspending in turn the performance of its own obligations.

The Belgian Financial Collateral Law of December 15, 2004 (*Loi relative aux sûretés financières/ Wet betreffende financiële zekerheden*), implementing the Financial Collateral Directive (2002/47/EC), provides that the enforcement rights of creditors benefiting from certain types of financial collateral (including a pledge over financial instrumets, e.g., a share pledge) are not suspended during the moratorium if the agreement creating the financial collateral was signed before the start of the judicial reorganization. However, a court has decided to suspend the rights of the pledgee during a judicial reorganization, arguing that the enforcement of the pledge during the moratorium is abusive.

The company, the public prosecutor, the deputy judge or third parties with an interest may ask the court to terminate the reorganization early if the company is obviously no longer able to ensure the continuity of its activities or if the information provided to the court by the company was obviously inaccurate or incomplete.

During the provisional suspension of payments, the company facing difficulties may choose between three different options:

- *Amiable agreement (accord amiable/minnelijk akkoord).* Negotiate a debt restructuring agreement and enter into a voluntary agreement with some or all of its creditors;
- *Collective agreement (accord collectif/collectieve akkoord).* Hold a creditors' meeting to approve a global recovery plan; and/or
- *Transfer under judicial supervision (transfert sous autorité de justice/overdracht onder gerechtelik gezag).* Transfer its business, in whole or in part; such a transfer may also be ordered by the court under certain circumstances.

If, at any point in time, it appears that the debtor's first choice cannot be achieved, the debtor can select another option. The debtor may switch from an amicable agreement to a collective agreement or from an amicable or collective agreement to a transfer under judicial supervision.

Amicable agreement

The company can choose judicial reorganization by amicable agreement and use the moratorium period to negotiate a debt restructuring with two or more of its main creditors. Once agreed, the amicable agreement will be submitted to the court and the moratorium will cease. In case of an amicable agreement, only the parties to such amicable agreement will be bound by its terms. If the company fails to reach an amicable agreement with the relevant creditors, it may ask the court to force the relevant creditors to accept reasonable deferred payment terms, but not a debt waiver. If an amicable agreement is reached or imposed by the court, the reorganization and the suspension will cease. As long as the company complies with the terms of the amicable agreement, the relevant creditor is not entitled to force the sale of a pledged asset. If no amicable agreement is reached and the moratorium period has not yet lapsed either the company will choose another judicial reorganization option or file for bankruptcy. If the moratorium period has lapsed and the company has not yet reached an amicable agreement, the court will close the judicial reorganization. In the judgment closing the judicial reorganization, the court may declare the company bankrupt if the conditions thereto are met. If the company is not declared bankrupt, all creditors regain their full rights.

Collective agreement

The judicial reorganization by way of collective agreement starts with a verification of all claims to be included in the reorganization plan. On that basis, the debtor will prepare, during the moratorium period, a reorganization plan involving the creditors' rights following the restructuring. The reorganization plan must describe the measures contemplated to ensure the recovery of the business (e.g., debt waiver, conversion of debt into shares, modified payment terms, social restructuring (labor representatives to be consulted) or transfer of a branch of activity). As far as secured creditors are concerned, the proposed reorganization plan can only propose deferred payments for a period of up to 24 months (or 36 months under certain circumstances) from the start of the judicial reorganization, and any interest must continue to be paid according to the relevant contractual arrangement. The reorganization plan must be approved by more than half of the creditors representing more than half of the principal amount of the claims involved (double majority). If the plan is approved, the court will ratify it; provided the reorganization plan complies with public order and all formalities have been duly complied with, and the moratorium will cease. The company will have to implement and comply with the reorganization plan. If it fails to do so, the creditors may ask the court to terminate the reorganization plan, in which case, the bankruptcy of the company will, in most cases, follow suit.

Transfer under judicial supervision

The court can also order the transfer of all or a part of the company, with or without the company's consent, upon request of the company's creditors, interested third parties, or the public prosecutor if, *inter alia,* in the event the company is bankrupt or attempts to reach an amicable agreement or collective agreement have failed. The court will appoint a representative (*mandataire de justice / gerechtelijke mandataris)* who will manage the sale and transfer in the name and on behalf of company. During the sale and transfer process, the court's representative must give priority to the preservation of the company's business activities while taking into account the rights of the company's creditors. The price offered for all the company's assets should be equal to or higher than the price that could be obtained in bankruptcy or in liquidation for the sale of the company's assets by a bankruptcy receiver. If comparable offers are made, priority must be given to the preservation of employment. Once an offer has been selected, the court will hear the various stakeholders, including the secured creditors, and will approve or refuse the sale if the proposed price is lower than the price that could be obtained in bankruptcy or in liquidation.

The company's employment contracts will in principle be transferred with the business, with certain exceptions. Creditors benefiting from a special privilege on immovable property, such as mortgagees or pledgees in relation to a pledge on business, have the opportunity to ask the court to subject the sale of all or part of the company to some conditions, such as a minimum price. The court is free to accept or reject such conditions. Judicial reorganization by way of transfer under judicial supervision could be detrimental to such creditors as they lose control over the sale of pledged assets.

Following completion of the sale, creditors are entitled to exercise their rights on the sale proceeds, and the judicial reorganization is closed. Any remaining part of the business can then undergo other insolvency, reorganization or winding-up proceedings.

Bankruptcy

Under Belgian Bankruptcy Law, a company, which, on a sustained basis, has ceased to make payments (*cessation de paiements/staking van betaling*) and whose credit is impaired (*ébranlement de credit/wiens krediet geschokt is*), will be deemed to be in bankruptcy. Cessation of payment is generally accepted to mean that the debtor is not able to pay its debts as they fall due. Such situation must be persistent and not merely temporary.

A company must file for bankruptcy within one month after the cessation of payments, unless the company has filed for judicial reorganization as described above. Criminal sanctions are applicable to the directors if the company does not file for bankruptcy within the abovementioned period. Bankruptcy procedures may also be initiated by unpaid creditors, a public prosecutor, the provisional administrator of the debtor's assets or the liquidator of "main insolvency proceedings" opened in another EU Member State, except Denmark, according to the EU Insolvency Regulation. A bankruptcy filing must be made with the commercial court in the district where the company has its registered office. The period of time that runs between filing for bankruptcy and the court declaration of bankruptcy will depend upon a number of factors, including whether the filing was made by the debtor or creditors, whether the debtor has challenged the petition made by creditors, whether all appropriate documentation has been submitted on a timely basis or is incomplete, and the workload of the Court. If the Court deems the conditions of bankruptcy met, it declares the company bankrupted, establishes a date by which the creditor's claims must be submitted to the court for verification and appoints one or more bankruptcy receivers (*curateur/curator*), depending on the significance of the company's business activities. The bankruptcy receiver (i) manages the bankrupt estate in which all assets and liabilities of the bankrupt company are brought together and (ii) liquidates the assets to pay off the company's creditors. Upon the court declaration of bankruptcy, the company's management powers are suspended and transferred to the bankruptcy receiver.

The receiver must decide whether or not to continue performance under ongoing contracts (*i.e.,* contracts existing before the bankruptcy order). The receiver may elect to continue the business of the debtor; provided the receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an early termination or acceleration event; and

- *intuitu personae* contracts (i.e., contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment since the debtor is no longer responsible for the management of the company; parties can agree to continue to perform under such contracts.

The bankruptcy receiver may elect not to perform the obligations of the bankrupt party which are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy if such decision is necessary for the management and the liquidation of the bankrupt estate. The counterparty to that agreement may make a claim for damages in the bankruptcy and such claim will rank *pari passu* with claims of all other unsecured creditors and/or seek a court order to have the relevant contract dissolved. The counterparty may not seek injunctive relief or require specific performance of the contract.

The general principle of "no termination effect" is also established such that all agreements remain in force after the declaration of bankruptcy, unless there are contractual arrangements establishing the termination of a contract and/or entitling the relevant creditor to terminate it in the event of bankruptcy of the company. Agreements may always be terminated by decision of the bankruptcy receiver.

As a general rule, set-off after the bankruptcy judgment is prohibited unless the requirements for the set-off were satisfied prior to the bankruptcy declaration.

As of the day of bankruptcy, the interest due on debts that are unsecured or secured with a general privilege ceases to accrue. This suspension of interest accrual is however not applicable to secured debts; provided, however, that the proceeds deriving from the subsequent sale of the security securing such debts are sufficient to cover those post-bankruptcy interests.

The Belgian Bankruptcy Law distinguishes between two types of claims in respect of the bankrupt estate. The first type of claims includes, among others, claims arising after the bankruptcy declaration due to the continuation of the company's business activities and claims in relation to costs incurred with a view to protect the bankrupt estate. As a general rule, such claims are payable when due according to their own terms and, therefore, are paid before the claims of the second type, which relate to the period before the bankruptcy declaration. Assets subject to special privilege cannot be affected by the payment of claims of the first type.

Creditors are required to report their insolvency claims to the commercial court that declared the bankruptcy within one month from the date of the bankruptcy judgment, providing documentary evidence of such claims. Based on the documentation provided by the creditors and documentation held by the company, the bankruptcy receiver draws up a list of claims and categorizes them according to Belgian law:

- *Estate debts.* Costs and indebtedness incurred by the receiver during the bankruptcy proceedings ("estate debts") have a senior priority. In addition, if the receiver has contributed to the realization and enforcement of secured assets, such costs will be paid to the receiver in priority out of the proceeds of the realized assets before distributing the remainder to the secured creditors.

- *Claims benefiting from special privileges.* These claims are secured by a specific asset or right (in rem security), and the creditors holding these claims are entitled to enforce their privilege, subject only to certain restrictions, including the verification of their debt by the bankruptcy receiver and a waiting period (during the first debt verification process), which can take between 5 and 30 days from the bankruptcy declaration. The proceeds from the disposal of assets subject to a specific privilege do not form part of the bankruptcy estate. The creditors holding these claims are paid directly from the proceeds of the disposal of the collateral. If the proceeds from the disposal prove to be insufficient, these creditors are admitted as unsecured creditors for the remaining portion of their claims; provided that these claims were declared and accepted.

- *Claims benefiting from a general privilege.* These claims include, among others, specific labor claims up to a certain amount, claims for amounts relating to unpaid withholding taxes and social security contributions and claims for other amounts to be paid to the tax authorities and the social security authorities. During the liquidation process, claims benefiting from a general privilege are paid before ordinary claims, in accordance with the ranking established under the Belgian Mortgages Act (*loi hypothécaire / hypotheekwet*). Assets subject to a special privilege may not be used to pay general privilege claims, unless there is an excess after the payment of the claim subject to a special privilege.

- *Ordinary claims.* These claims are non-subordinated and non-privileged claims, rank *pari passu* and will be paid *pro rata*.
- *Subordinated claims.* These claims are those subordinated to all ordinary claims by virtue of an agreement or pursuant to law.

As of the date of bankruptcy, creditors lose the right to bring or pursue any legal proceedings against the bankrupt company. The rights of creditors in the process are limited to being informed of the course of the bankruptcy proceedings on a regular basis by the receiver, opposing the sale of assets by bringing an action before the court or requesting the temporary continued operation of the business. Attachment proceedings started prior to the bankruptcy cease to have any effect as of the bankruptcy, unless such proceedings have already reached their final stage (*i.e.*, the public sale) in which case, the proceeds of the sale will benefit the bankrupt estate. As explained, the rules concerning the attachment proceedings only apply to unsecured creditors and creditors benefiting from general liens. By contrast, creditors benefiting from specific security or liens on movable property are allowed to enforce their security or privilege once the procedure relating to the verification of claims has been completed. At the request of the bankruptcy receiver, the suspension period may be extended for up to one year from the bankruptcy judgment. Such extension requires a specific order of the court, which can only be made if the further suspension will allow for a realization of the assets in the interest of all creditors without prejudicing the secured creditors and provided that those secured creditors have been given the opportunity to be heard by the court. Nevertheless, the Belgian Financial Collateral Law of December 15, 2004 (*Loi relative aux sûretés financières/Wet betreffende financiële zekerheden*), implementing the Financial Collateral Directive (2002/47/EC), provides that the enforcement rights of creditors benefiting from financial collateral (*i.e.*, a pledge over shares) are not suspended as long as the agreement creating the financial collateral was executed before the date of the bankruptcy declaration or, if after, only to the extent that the creditor could not legitimately know that the company had filed for bankruptcy.

For creditors with claims secured by immovable assets, the intervention of the bankruptcy receiver is necessary to pursue the sale of the assets. The receiver will do so upon an order of the court, given either at its request or at the request of a mortgagee. A first-ranking mortgagee will generally be entitled to pursue the enforcement of its mortgage as soon as the report of claims has been finalized; the court may suspend such enforcement for a period of not more than one year from the date of the bankruptcy if the suspension will allow for a realization of the assets without prejudicing the mortgagee provided that the mortgagee has been given the opportunity to be heard by the court.

If a security, such as a pledge, has been granted over assets that, at the time of the opening of insolvency proceedings, are located in another EU Member State, the rights the creditor has under such security shall, in accordance with the EU Insolvency Regulation, not be affected by the opening of such insolvency proceedings.

As from the date of the bankruptcy judgment, no further interest accrues against the bankrupt debtor on its unsecured debt or debts secured by a general privilege, such as tax administration or social security.

Chilean insolvency law

Since October 2014 there is in Chile a new insolvency law: Law N° 20.270, which fully replaced in text and philosophy the previous insolvency law. The new insolvency law enacts a new chapter on restructuring procedures, titled “Bankruptcy Reorganization Procedures”. The new regulated procedure is organized around two types of reorganizations: (1) extra-judicial reorganization and (2) judicial reorganization. Additionally, two new key players are created by the law and designed to undertake prominent roles in a bankruptcy proceeding: the “Reorganization Supervisor” (*Veedor*, in Spanish) and the “Liquidator”.

A. Reorganization Supervisor and Liquidator. The debtor's three largest creditors, whether secured or unsecured, nominate the Reorganization Supervisor (the "Supervisor"), who must satisfy certain requirements. The Supervisor's main function is to facilitate the negotiations between debtors and creditors, with the goal of reaching a reorganization agreement. In addition, the Supervisor is tasked with, among other things, safeguarding the interests of the debtor and creditors alike, compiling information from the debtor, following restructuring procedures, and providing status reports and information regarding any debtor misconduct to the Superintendence. While responsible for overseeing many aspects of a reorganization proceeding, the Supervisor's most important task is to evaluate the validity of claims and determine the value of the debtor's assets. The Liquidator is the authority responsible for overseeing all aspects of a debtor's liquidation procedure. The Liquidator, like the Supervisor, represents the interests of the creditors and the debtor. The Liquidator's main responsibilities include: (1) making the inventory of the debtor's assets, (2) liquidating the debtor's assets, (3) distributing funds to creditors based on their priority, and (4) soliciting financing to cover the bankruptcy costs.

B. Extra-judicial Reorganization: Pre-packaged Plans Receive Judicial Protection. The law recognizes an extra-judicial reorganization procedure, whereby a court approves an Extra-judicial Reorganization Agreement that was developed outside of the bankruptcy court. The benefit of an extra- judicial reorganization is that it is generally more expeditious than, and does not involve many of the procedural hurdles associated with, a judicial reorganization, such as the appointment of a Supervisor. In order for an extra- judicial plan to be court-approved, two or more creditors whose claims represent at least 75 per cent of the total claims corresponding to their respective classes must accept the plan. While the bankruptcy court considers approval of the plan, the court stays creditor actions against the debtor, including solicitation of the debtor's forced liquidation. However, during this time, the debtor is prohibited from disposing of any of its assets, except those that are essential to the debtor's on going business activities. After approval, the extra-judicial plan has the same effect as a judicial reorganization plan in that it binds all creditors, regardless of whether they voted to accept the plan.

C. The Stay Period: A Moratorium on Actions Against the Debtor. The New insolvency law provides more protection to the debtor during the reorganization process, including the creation of a stay period (in Spanish "*Protección Financiera Concursal"*) (the "Stay Period"). During the Stay Period, creditors are prohibited from, among other things, initiating any actions against the debtor's assets and property on account of pre-bankruptcy filing defaults. The Stay Period also protects the debtor against the initiation of an involuntary liquidation action. Additionally, creditors are also prohibited from terminating their contracts with the debtor as a result of the debtor's insolvency. Any creditor that violates this rule will have its claims subordinated below unsecured and insider creditors. The Stay Period also protects the interests of creditors. This is predominately accomplished through the participation of the Supervisor, whom the debtor must co-operate with, into the debtor's business matters. During the Stay Period, a debtor is not allowed to dispose of any real estate assets, except those sold in the debtor's ordinary course of business. The debtor is also forbidden from modifying its bylaws without the authorization of the Supervisor. The Stay Period lasts for an initial 30 days, but can be extended up to a total of 90 days (an additional 30 days if the debtor garners the approval of creditors representing 30 per cent of its total debt, and another additional 30 days, for a total of 60 additional days, if the debtor garners the approval of creditors representing 50 per cent of its total debt).

D. Plan Approval Process The new insolvency law provides that a plan is approved if: (a) the debtor approves the plan (b) at least two-thirds in amount of the creditors present at the vote, accept the plan, and (c) such creditor acceptances represent at least two-thirds in value of the total claims entitled to vote in each respective class of claims. Firstly, no persons related or associated with the debtor may take part in the voting. Moreover, the claims of any "Related

Person" are not counted as part of the total claims for voting purposes. There are deadlines for complying with certain procedures, including challenging a proposed plan. Those creditors who wish to challenge a proposed plan are required to file their objections with the Supervisor within five (5) days of the plan's publishing in the Insolvency Bulletin (the "Challenge Period"). The court then has ten (10) days from the last day of the Challenge Period in which to hold a hearing to address all of the challenges. From there, the court has thirty (30) days to resolve the objections to the plan, and if said objections cannot be resolved, the debtor must propose a new plan within ten (10) days of receiving notice that the objection to the plan was sustained. Finally, if a reorganization plan fails to meet the required quorum, then it is considered rejected and the creditors can conduct a special vote to determine whether the debtor should be allowed to propose another plan or if the debtor should proceed to liquidation. If the creditors vote to allow the debtor to propose another plan, then the debtor is given ten (10) days to do so.

E. The Authorized Sale of Some or All of a Debtor's Assets. The law contains several provisions governing the sale of some or all of a debtor's assets during the pendency of a bankruptcy proceeding. Article 57(2)(b) provides that during the Stay Period, a debtor cannot consummate a sale of assets outside of the ordinary course of business, except in accordance with Article 74. Article 74 provides that a debtor can effect a sale of assets outside of the ordinary course of business so long as the value of the assets being sold does not exceed twenty per cent of the value of the debtor's fixed assets. The value of the debtor's assets is to be determined by the Reorganization Supervisor. Article 74 goes on to authorize a debtor to sell assets with a value in excess of 20% of the debtor's fixed assets, so long as such a sale has been approved by creditors representing at least 50% of the liabilities of the debtor. Similarly, the new insolvency law allows the sale of a debtor's assets in a liquidation as a going concern despite an objection by the debtor.

F. Authorizing Financing to Debtors. The law also incentivizes parties not only to continue doing business with, but also to lend to, a debtor during the pendency of the bankruptcy. For example, Article 72 provides an incentive for suppliers that continue doing business with the debtor. Specifically, Article 72 states that the claims belonging to those creditors that continue doing business with the debtor while in bankruptcy shall enjoy a priority of payment over other unsecured creditors. The one limitation under Article 72 is that such priority is limited to an amount not to exceed 20% of the total liabilities of the debtor. Article 74 permits a debtor to obtain post-filing financing during the Stay Period. The debtor may obtain new financing that does not exceed 20% of the amount of the debtor's total liabilities without the need of any creditor approval, and may also obtain new financing that exceeds the 20% threshold if creditors holding more than 50% of the total debt approve such transaction. Furthermore, Article 74 provides that any party that extends financing in accordance with Article 74 will enjoy a priority of payment for any such amounts, and that such amounts will not be included in the list of claims117. Article 73 states that any lender that provides financing to a debtor for the purpose of conducting business outside of Chile maintains a priority of payment over other creditors. This is the case so long as such a lender continues to service any existing lines of credit or extend new credit to the debtor in order to allow the debtor to continue its business outside of Chile.

G. Other Key Provisions. Equity Holders and Claims Purchasers. Article 67 of the new insolvency law provides that unless authorized by the debtor's creditors, shareholders and insiders are not allowed to receive a distribution under the plan unless allowed claims are paid in full. Similarly, Article 79 provides that related parties, shareholders, and owners do not have the right to vote on a plan of reorganization. Article 79 also provides that creditors who have purchased claims within 30 days prior to the bankruptcy filing are not allowed to participate in the meeting of creditors that will vote on the plan nor enjoy standing to challenge the plan. Nevertheless, Article 188 permits the purchase of claims once a reorganization filing has been recognized by the court. Under Article 188, a creditor may purchase a claim and all attendant voting rights, provided that he purchases the claim in full and does not later sell or transfer any portion of the claim or debt underlying such claim.

Czech insolvency law

Under the current Czech Act No. 182/2006 on Insolvency ("Czech Insolvency Act"), a debtor which is a legal entity is considered insolvent (*v úpadku*) when (i) it is unable to meet its monetary obligations (*platební neschopnost*) or (ii) it is over-indebted (*předlužen*).

A debtor is considered unable to meet its monetary obligations when it has more than one creditor, it has monetary obligations which are more than 30 days overdue, and is not able to meet those obligations. A debtor is deemed unable to meet its monetary obligations when either (a) it stopped payments or a substantial part of them or (b) it has not met its obligations within 3 calendar months after their due date or (c) it is not possible to satisfy any of its monetary obligations in enforcement proceedings or (d) it failed to fulfill its duty to file with the insolvency court the lists of its assets, obligations and employees after the insolvency petition is filed. A debtor which is a legal entity is also insolvent when it is over-indebted, which means that it has more than one creditor and its total debts are higher than the total value of its assets. The value of the assets is, for this purpose, estimated on a going-concern basis.

As a general rule, a debtor which is a legal entity must file for insolvency without undue delay after it finds out (or should have found out had it exercised due care) that it is insolvent. The obligation to file for insolvency spans also to the debtor's statutory body (*statutární orgán*), statutory representative (*zákonný zástupce*) and liquidator (*likvidátor*). Failure to file the insolvency petition may result in liability for damages (which, apart from the debtor, also spans to the statutory bodies, executives and liquidators of the debtor). A debtor may also voluntarily file for insolvency when it expects that it is in impeding insolvency (*hrozící úpadek*). An impeding insolvency occurs when it is reasonable to expect (taking all circumstances into account) that the debtor will not be able to fulfill a substantial part of its monetary obligations duly and in time. Under circumstances established by the Czech Insolvency Act, any creditor may file for insolvency.

The petition for declaration of insolvency must be filed with the insolvency court in the Czech Republic, which is a competent regional court (*krajský soud*). The filing of the petition with the competent court initiates the insolvency proceedings. Within 2 hours upon the filing of the petition, the insolvency court shall publish the petition in the Czech insolvency register (ISIR) maintained by the Ministry of Justice, which is publicly accessible online (no fee is required).

The time between the petition and the insolvency declaration by the insolvency court depends on a number of factors, including whether all appropriate documentation has been submitted duly and in time and the workload of the court. The court will appoint an insolvency administrator in the decision on declaration of insolvency. The court may appoint a preliminary insolvency administrator even before deciding on the debtor's insolvency. The court appoints the same insolvency administrator to the debtors within the same business group (*koncern*) unless any circumstances hinder such appointment.

Initiation of insolvency proceedings has several consequences for the rights of the creditors, stipulated in the Czech Insolvency Act. Above all, receivables and other rights relating to the assets of the debtor may not be claimed by way of a suit, to the extent they may be registered with the insolvency proceedings. The debtor is also required not to take any steps outside its regular scope of business and refrain from substantial changes of its assets.

Upon the insolvency ruling (if the insolvency is handled in bankruptcy), or by way of a preliminary injunction issued at any time before or after the insolvency ruling, the court may (upon a request or ex officio) also deprive the debtor from the right to dispose with the debtor's assets (in case of insolvency ruling, such deprivation is an automatic result of the ruling). In the same extent, such right automatically transfers to the insolvency administrator.

The Czech Insolvency Act establishes two procedures how to resolve insolvency for a debtor which is an entrepreneur, (i) bankruptcy (*konkurs*) and (ii) reorganization (*reorganizace*).

Upon declaration of bankruptcy, the right of the debtor to dispose with its assets (to the extent that such a right has not yet passed to the insolvency administrator) transfers to the insolvency administrator. The insolvency administrator attempts to convert these assets into money which could be distributed to the creditors. The administrator in particular performs/exercises shareholder's rights attached to shares of the debtor's subsidiaries and ensures the operation the debtor's business. Any disposals of the debtor's property made by the debtor's management are ineffective *vis-á-vis* the debtor's creditors.

A reorganization of a debtor is a special type of insolvency resolution aiming at settling the creditor's claims, while ensuring the ongoing existence and business activity of the debtor. Such procedure is applicable to certain debtors only and is governed by a reorganization plan approved by majority creditors and the court. Such plan may be proposed by a creditor or the debtor. Upon approval of a reorganization plan, generally all rights of the creditors against the debtor will be satisfied to the extent stipulated by the reorganization plan, and from that moment on, only those creditors listed in the reorganization plan are considered debtor's creditors.

Any prior transactions which could be challenged as ineffective (*neúčinný*) do not become ineffective automatically as a result of the initiation of insolvency proceedings. Instead, the insolvency administrator must (or another creditor or the debtor may) expressly challenge (*popřít*) those transactions before the insolvency court. Ineffective (*neúčinný*), for the purposes of the insolvency proceeding, are those legal acts by operation of which the debtor either (i) curtails the chance to satisfy its creditors, or (ii) prefers certain creditors to the detriment of other creditors. These acts may be of various natures, including a guarantee or creation of any type of *in rem* security interest. The ineffectiveness of such legal acts is established by virtue of a court decision on the basis of an insolvency administrator's petition contesting the effectiveness of such legal acts, which may be filed within one year after the court decided on the debtor's insolvency. No creditor may file such petition, but the creditor's committee may order the insolvency administrator to file the petition.

The legal acts which may be declared ineffective can be divided into three main groups recognized by the Czech Insolvency Act, comprising (i) legal acts without adequate consideration, (ii) preferential legal acts and (iii) acts intentionally curtailing satisfaction of creditors.

Firstly, a legal act is considered without adequate consideration if the debtor provided performance for free, or for consideration which is substantially lower than the consideration usual for such performance; provided, however, that such act was made when the debtor was already insolvent or such act directly led to the debtor's insolvency. An act without adequate consideration may be contested if it was made in the last year before initiation of the insolvency proceedings, or in the last three years if the counterparty was an affiliate (*osoba blízká*) or a member of the same holding (*koncern*), such as the Issuer. In the latter case, it is also presumed that the debtor was insolvent at the time of the legal act.

Secondly, a legal act is considered preferential if it causes a creditor to receive, to the detriment of other creditors, a higher performance than it would receive in bankruptcy proceedings; provided, however again that such act was made when the debtor was already insolvent, or such act directly led to the debtor's insolvency. The Czech Insolvency Act lists (by way of example) as preferential those acts by which the debtor (i) repaid a debt before its due date, (ii) agreed to amendment or replacement of an obligation to its own detriment, (iii) waived its own receivable or allowed an extinction or non-satisfaction of its own right or (iv) provided its asset as security for the debtor's obligation. A preferential act may be contested if it was made in the last year before the initiation of insolvency proceedings, or in the last 3 years if the counterparty was an affiliate (*osoba blízká*) or a member of the same holding (*koncern*), such as the Issuer. In the latter case, it is also presumed that the debtor was insolvent at the time of the legal act.

Third, an act can be challenged as intentionally curtailing satisfaction of a creditor; provided that the debtor's counterparty was aware of such intention (or should have been aware, taking all circumstances into account). Such act may be challenged if it took place in the last 5 years before initiation of the insolvency proceedings.

If the insolvency court declares a certain legal act ineffective, the person for whose benefit the ineffective legal act was made, or who benefited from such ineffective legal act, shall return into the insolvency estate everything the debtor performed under such ineffective legal act. If such return is impossible, that person shall supply an adequate compensation.

According to the same principle, the agreements to which a debtor is a party generally do not cease to exist upon the declaration of insolvency. As a general rule, set-off is prohibited. In certain cases a set-off is possible if the conditions for set-off arose before the decision on insolvency, or if the court permits so by way of a preliminary ruling. Claims will not accrue interest after the declaration of insolvency unless they are secured and meet the criteria of the Czech Insolvency Act, but any default interest never accrues.

A declaration of bankruptcy brings additional effects on the debtor's agreements and creditor's rights and claims. Certain contracts are rescinded automatically unless the insolvency administrator declares otherwise (generally contracts for mutual performance when the performance was not delivered). The security interests created after the decision on insolvency cease to be effective. Generally, all debts of the debtor become due and payable. Where there are claims subject to laws other than Czech laws, other rules may apply.

The current Czech Insolvency Law distinguishes between (i) claims against the insolvency estate (*pohledávky za majetkovou podstatou*), (ii) claims equal (*pari passu*) to the claims against the insolvency estate and (iii) claims which are being satisfied in the insolvency proceedings.

The first group includes claims which arose after initiation of the insolvency proceedings or declaration of moratorium, or even after declaration of insolvency, such as (by way of example only) certain costs and expenses of the insolvency proceedings, claims of creditors of loan facilities concluded during the insolvency proceedings or moratorium and claims which lawfully arose with approval of the person entitled to dispose with the insolvency estate. The claims *pari passu* to the first group include certain amounts of the employee payroll and certain amounts arising from obligations created by law or from the non-contractual liability of the debtor. The receivables which are, as a general rule, not satisfied in the insolvency proceedings above all, include interest and default interest, certain non-contractual sanctions and contractual penalties.

As a general rule, claims against the insolvency estate are payable after the court decides on insolvency and become payable upon request (which means they are payable before the general debt).

Creditors can voluntarily register their receivables immediately upon publication of the insolvency petition in the Czech insolvency register (ISIR) until the debtor is declared insolvent. If the insolvency court declares a debtor insolvent, it also invites the creditors to register their claims. The creditors must then register their receivables with the court within the period of two calendar months, attaching evidence of their claim. If a creditor does not register its claim in time, such claim generally cannot be satisfied in the insolvency proceedings. The only exception are foreign creditors (residing / having business seat within the EU) where the insolvency court shall individually notify them in writing on the declaration of insolvency, after it became aware of such creditors. The two months registration period for such creditors commences on the day, in which these creditors are served with the notification of the insolvency court.

Even claims subject to court dispute, claims adjudicated by a court decision and claims pending in enforcement proceedings are subject to registration, as well as any receivables not yet due and any conditional receivables. As stated above, the registered claims are reviewed by the insolvency administrator and may be challenged (*popřeny*) before the court.

If the insolvency is resolved by way of bankruptcy, the creditors are satisfied in the order which is generally set out below. The order of application in reorganization is similar, subject to the reorganization plan and specific nature of reorganization.

- Claims of secured creditors are satisfied from the proceeds of the sale of the things, rights, receivables or other assets which constituted security for such claims. In such case, certain limited part of the sale proceeds is applied to cover costs and expenses of the sale. Should there be more creditors secured by the same asset, their claims are satisfied successively according to the time order of creation of such security. A creditor is considered a secured creditor if it possesses a right of pledge, retention right, restriction of real estate transfer, security transfer of right or security assignment of receivable; in each case Czech law governed, or any similar security interest governed by foreign law. If the proceeds from the sale of the security are insufficient for satisfaction of the secured creditor's receivable, the unsatisfied portion of the receivable is then considered to be unsecured and satisfied among the other unsecured claims.
- The claims against insolvency estate and claims equal (*pari passu*) to the claims against the insolvency estate are satisfied continuously.
- Claims of unsecured ordinary creditors generally rank *pari passu* and are satisfied on a *pro rata* basis.
- Claims contractually subordinated *vis-à-vis* a certain creditor or all other credits of the debtors in accordance with the Czech Insolvency Act (including receivables from subordinated bonds issued in accordance with Czech law), certain conditional claims and shareholder claims are satisfied after the general creditors.

Applicable jurisdiction

The applicable jurisdiction to conduct an insolvency proceeding is the one in which the insolvent party has its "center of main interests". This "center of main interests" is deemed to be where the insolvent party conducts the administration of its interests on a regular basis and which may be recognized as such by third parties. Insolvency proceedings conducted by the court of the "center of main interests" are considered "the principal insolvency proceedings" and have universal reach, affecting all assets of the insolvent party worldwide. If the "center of main interests" is not in the Czech Republic, but the insolvent party has a permanent establishment in the Czech Republic, Czech courts will only have jurisdiction over the assets located in the Czech Republic (the "territorial insolvency proceedings").

In the event that any Guarantor becomes insolvent and it is determined that Czech courts have jurisdiction to handle their insolvency proceedings and that the current Czech Insolvency Law applies, the claim deriving from the Guarantee will be treated as ordinary debt unless it is subordinated by application of any of the criteria indicated above.

Note that the current Czech Insolvency Law only came into effect in January 2008 and, as such, there is only a very limited history of its application by Czech courts.

Dominican insolvency law

According to Dominican law, secured creditors may exercise rights and remedies on a defaulted loan or obligation, with respect to the collateral, prior to commencement of insolvency or bankruptcy proceedings. Unsecured creditors have the option to pursue provisional judicial lien or attachment to the debtor's properties and must file before the corresponding court the merits of their case in order to declare the lien or attachment definitive and become secured creditors.

The General Company Law Number 479-08 and its amendments, and Law No. 141-15: Restructuring and Liquidation of Entities, are the laws currently applicable to bankruptcy proceedings in the Dominican Republic. These bankruptcy provisions deal mainly with liquidation and do not contemplate the reorganization of the debtor (although a debt restructuring may be agreed upon at a preliminary stage of the proceedings in certain instances). Prior to permitting a creditor to institute a bankruptcy proceedings against the debtor, applicable law provides for a compulsory preliminary conciliation proceeding before the Chamber of Commerce. Bankruptcy cases often end at this stage. There is no organized insolvency for entities other than merchants or business organizations and there is no system of debtor relief or protection against over-indebtedness.

French insolvency law

One of the Guarantors is incorporated in France. Subject to the provisions of Council Regulation (EC) No. 1346/2000 on insolvency proceedings mentioned above, the French Guarantor will be subject to French laws and proceedings affecting creditors, including Article 1343-5 of the French Civil Code (Code civil), conciliation proceedings (*procédure de conciliation*), safeguard proceedings (*procédures de sauvegarde accélérée et sauvegarde financière accélérée*) and judicial reorganization or liquidation proceedings (*redressement or liquidation judiciaires*). The safeguard or judicial reorganization proceedings are intended to maintain the enterprise's activities and employment. The following is a general discussion of insolvency proceedings governed by French law for information purposes only and does not address all the French law considerations that may be relevant to creditors.

Grace periods

Pursuant to Article 1244-1 of the French Civil Code, French courts may, in any civil proceeding involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule a debtor's payment dates or payment obligations over a maximum period of two years. In addition, pursuant to Article 1244-1, French courts may decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate which is lower than the contractual rate, but not lower than the legal rate, or that payments made shall first be allocated to repayment of the principal. A court order under Article 1244-1 of the French Civil Code will suspend any pending enforcement measures, and any contractual interest or penalty for late payment will not accrue or be due during the period ordered by the court.

Conciliation proceedings

As mentioned above, French insolvency laws provide for different proceedings dealing with companies experiencing financial difficulties. Where a company faces financial difficulties, but remains able to pay its due debts, it may be eligible, on a voluntary basis, to the opening of conciliation proceedings.

A company may initiate conciliation proceedings (*procédure de conciliation*) with respect to itself; provided it (i) is able to pay its due debts out of its available assets or has been unable to pay its due debts out of its available assets for less than 45 days, and (ii) experiences legal, economic or financial difficulties. If the aforementioned conditions are met, a competent court will appoint a conciliator (*conciliateur*) to help the company reach an agreement with its creditors for reducing or rescheduling its indebtedness. This agreement may be either acknowledged (*constaté*) by the president of the court or approved (*homologué*) by the court. The acknowledged or approved agreement interrupts or forbids all suits and stops or forbids all actions filed by creditors individually relating to movable property as well as immovable property of the debtor for the payment of claims referred to in the agreement. Such acknowledged or approved agreement further interrupts, for the same period, the time limits within which creditors that are parties to the agreement should have acted against the debtor;

While the acknowledgement of the agreement by the president of the court does not entail any other specific consequences, the approval by the court will have the following consequences:

- creditors who provide new money or goods or services designed to ensure the continuation of the business of the distressed company (other than shareholders providing new equity) will enjoy a priority of payment over all pre-proceeding and post-proceeding claims (other than certain post-proceeding employment claims and procedural costs), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings;

- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of *cessation des paiements* cannot be fixed by the court as of a date earlier than the date of the approval of the agreement (see below the definition of the date of *cessation des paiements*); and

- joint debtors and persons who have granted a *cautionnement* or a first demand guarantee can benefit from provisions of the agreement.

Safeguard proceedings

French insolvency laws provide for a legal regime, the safeguard proceedings, which applies to companies that experience worse conditions than concialition proceedings' conditions, but do not reach the level of financial difficulty required to open judicial reorganization proceedings.

A company may initiate safeguard proceedings (*procédure de sauvegarde*) with respect to itself; provided it (i) is able to pay its debts as they fall due out of its available assets, and (ii) experiences difficulties which it is not able to overcome and which are likely to lead to a *cessation des paiements*.

If the aforementioned conditions are met, a court-appointed administrator investigates the business of the company during an initial observation period of six months, renewable once and on very few occasions, twice, and helps the company draft a safeguard plan (*projet de plan de sauvegarde*).

For large companies (with more than 150 employees or turnover greater than €20 million), two creditors' committees (one for credit institutions having a claim against the debtor and the other for each supplier having a claim that represents more than 3% of the total amount of claims of all the debtor's suppliers) will then be established. These committees will be consulted during the drafting of the safeguard plan by the debtor's management during the observation period. The committees must announce whether they approve or reject the safeguard plan within 20 to 30 days of its proposal. The plan must be approved by a super majority vote of each committee, representing at least two-thirds of the outstanding claims of the voting creditors of each committee. Following approval by the creditors and bondholders and verification by the court that the interests of all creditors are sufficiently safeguarded, the plan will be approved by the court. The safeguard plan then becomes binding on all members of the committees, including those who had voted against it.

With respect to creditors who are not members of the committees, or in the event no committees are established, proposals are made to each creditor individually. If there are any bondholders, they are presented with the plan during a general meeting of bondholders held for that purpose.

A company may, in its sole discretion, initiate a "rapid financial safeguard procedure" (*procédure de sauvegarde financière accélérée*) with respect to itself; provided it (i) is engaged in conciliation proceedings and (ii) has drafted a plan to ensure the sustainability of the company, which may garner enough support from credit institutions to be adopted quickly.

Judicial reorganization or liquidation proceedings

Judicial reorganization or liquidation proceedings (*redressement or liquidation judiciaires*) may be initiated against or by a company if the company cannot pay its debts as they fall due out of its available assets (*cessation des paiements*).

The company is required to petition for insolvency proceedings or for conciliation proceedings, as described above, within 45 days of falling into *cessation des paiements*. If it does not, de jure managers, including directors, and, as the case may be, de facto managers are subject to civil liability and may be subject to criminal sanctions.

The date of *cessation des paiements* is deemed to be the date of the court order commencing proceedings, unless the court sets an earlier date, which may be up to 18 months before the date of the court order. The date of the *cessation des paiements* marks the beginning of a "suspect" or "hardening" period *(période suspecte*), pursuant to which certain transactions entered into during such period may be void or voidable.

Void transactions include transactions or payments entered into during the suspect period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors or protective measures (*mesures conservatoires*). Voidable transactions include any transactions or payments made after the date of *cessation des paiements* if the party dealing with the company knew that the company was in a state of *cessation des paiements*. Transactions relating to the transfer of assets for no consideration are also voidable when realized during the six-month period prior to the beginning of the suspect period.

The court order commencing the proceedings may order either the liquidation or the reorganization of the company. In the event of reorganization, an administrator appointed by the court investigates the business of the company during an initial observation period, which lasts six months, renewable once and on very few occasions, twice, and makes proposals for either (i) the reorganization of the company by helping the debtor draft a reorganization plan, which is similar to a safeguard plan, as described above, (ii) the sale of the business or (iii) the liquidation of the company. Committees of creditors may be created under the same conditions as in safeguard proceedings, as described above. At any time during this observation period, the court can order the liquidation of the company. At the end of the observation period, the outcome of the proceedings is decided by the court.

Status of creditors during safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of the proceedings must file a claim with the creditors' representative within two months of the publication of the court order. This period is extended to four months for creditors domiciled outside France. Creditors who have not submitted their claims during the relevant period are barred from receiving distributions made in accordance with the proceedings. Employees are not subject to such limits and are preferential creditors under French law.

Subject to limited exceptions, from the date of the court order commencing the proceedings, the company is prohibited from paying debts outstanding prior to that date, and its creditors may not pursue any legal action against the company with respect to any claim arising prior to that date. Contractual provisions which would accelerate the payment of a company's obligations upon the occurrence of (i) the opening of judicial reorganization proceedings or (ii) a state of *cessation des paiements* are not enforceable under French law. The opening of liquidation proceedings, however, automatically accelerates the maturity of all of the company's obligations. The administrator may elect to terminate or continue executory contracts (*contrats en cours*). If the administrator chooses to continue an executory contract, the company must fully perform its post-petition contractual obligations.

If the court adopts a safeguard plan or a reorganization plan, claims of creditors who have accepted the plan will be paid according to the plan. With respect to creditors that have not accepted the proposals made by the administrator and the company, the court can decide to reschedule the payment of their claims over a maximum period of 10 years. In relation to the assets which are regarded as essential to the continuation of the debtor's business, the court can determine a period of time during which such essential assets may not be disposed of without the express authorization of the court. If the court adopts a "plan of sale of the business" (*plan de cession*), the proceeds of the sale will be allocated for the payment of creditors, according to their ranking. If the court decides to order the judicial liquidation of the company, the court will appoint a liquidator who shall sell the assets of the company and settle the relevant debts.

German insolvency law

Certain Guarantors, namely NH Central Europe GmbH & Co. KG, NH Hotelbetriebs- und Dienstleistungs GmbH, NH Hoteles Deutschland GmbH, NH Hotelbetriebs- und Entwicklungs GmbH and JOLLY HOTELS DEUTSCHLAND GmbH are incorporated under the laws of Germany in the legal form of either a limited liability company (*Gesellschaft mit beschränkter Haftung*) ("GmbH") or a limited partnership (*Kommanditgesellschaft*) ("KG") and have their registered seats and registered offices in Germany. In the event of insolvency, insolvency proceedings may, therefore, be initiated in Germany if any of the German Guarantors was held to have its center of main interests within the territory of Germany at the time the petition for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) was filed. German law would then govern those proceedings.

German insolvency laws and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to creditors as the insolvency laws of other jurisdictions, including in respect of priority of claims, the ability to obtain post-petition interest and the duration of the insolvency proceedings. Hence, German insolvency laws may limit the ability of holders of the Notes to receive payments due on the Notes Guarantees to an extent exceeding any limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, there is no group insolvency concept, which generally means that, despite the economic ties between various entities within one group of companies, there will be a separate insolvency proceeding for each group entity if and to the extent there exists an insolvency situation on the part of the relevant entity. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings, if any, within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and also no pooling of claims amongst the respective entities of a group.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio* but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). According to the German Insolvency Code, a debtor is over-indebted when its liabilities exceed the value of its assets based on liquidation value, unless a continuation of the debtor's business is predominantly likely (*positive Fortführungsprognose*). If a GmbH becomes illiquid or over-indebted, the managing director(s) of such company and, in certain circumstances its shareholders, are obliged to file for the opening of insolvency proceedings without delay but no later than three weeks after the mandatory insolvency situation, illiquidity or over-indebtedness, arose. Non-compliance with this obligation exposes management to both severe damage claims and sanctions under criminal law. The same principles apply to a limited partnership; provided that its general partner is not a natural person, but, as is the case with NH Central Europe GmbH & Co. KG, a limited liability company.

In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency situation under German law, which exists if a company currently is able to service its payment obligations but will presumably not be able to continue to do so at some point in the future. However, in case of imminent illiquidity, only the debtor, and not the creditors, is entitled but not obliged to file for the opening of insolvency proceedings.

The insolvency proceedings are administered by the competent insolvency court, which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary protective measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*).

The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. As part of such protective measures, the court may appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary insolvency administrator depend on the decision of the court. In particular, the duties may be to safeguard and preserve the debtor's property and the ability of the debtor to continue its business, to verify the existence of an insolvency situation and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. The court may also decide to pass the right to manage and dispose of the business and assets of the debtor to the preliminary insolvency administrator.

The court may order the preliminary proceedings to be run by the relevant debtor himself if the debtor has applied for debtor-in-possession proceedings (*Eigenverwaltung*), under which the debtor's management generally remains in charge of administering the debtor's operations under the supervision of a preliminary custodian (*Sachwalter*); provided that the application for debtor-in-possession proceedings is not obviously without merit. A debtor is only entitled to apply for debtor-in-possession proceedings if it faces over-indebtedness (*Überschuldung*) or imminent illiquidity (*drohende Zahlungsunfähigkeit*), not if it faces illiquidity (*Zahlungsunfähigkeit*). Such debtor-in-possession proceedings remain subject to review and may be repealed, in which case a preliminary insolvency administrator would be appointed.

Depending on the size of the debtor's business operations, the insolvency court may be obliged to appoint a preliminary creditors' committee (*vorläufiger Gläubigerausschuss*). The preliminary creditor's committee will be able to participate in certain important insolvency court decisions. It will have, for example, the power to influence the following decisions: the selection of a preliminary insolvency administrator or an insolvency administrator (*vorläufiger Insolvenzverwalter oder Insolvenzverwalter*), orders for "debtor in possession" proceedings (*Anordnung der Eigenverwaltung*), and appointments of a preliminary custodian (*Sachwalter*). If the members of the preliminary creditors' committee unanimously agree on a person to serve as preliminary insolvency administrator, insolvency administrator or custodian, the suggestion is binding on the court unless the suggested individual is not eligible (i.e., incompetent or not interested). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, the committee shall consist of representatives of the secured creditors, one for the large creditors and one for the small creditors, and a representative for the employees of the debtor.

The court orders the opening (*Eröffnungsbeschluss*) of main insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if (i) the debtor is facing imminent illiquidity, illiquidity or over-indebtedness and (ii) there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only order the opening of main insolvency proceedings if third parties, such as creditors, advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of main insolvency proceedings, the court usually appoints an insolvency administrator, usually the same person who acted as preliminary insolvency administrator, unless debtor-in-possession proceedings (*Eigenverwaltung*) have been ordered, as described above. In the absence of debtor-in-possession proceedings, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency administrator, and the debtor is no longer entitled to dispose of its assets. The insolvency creditors (*Insolvenzgläubiger*) are entitled to change the individual appointed as insolvency administrator at the first creditors' assembly (*erste Gläubigerversammlung*) only if (i) a simple majority of votes cast, by persons and amount of insolvency claims, has voted in favor of the proposed individual to become insolvency administrator and (ii) the proposed individual is eligible to be insolvency administrator (*i.e.*, sufficiently qualified, business-experienced and impartial). The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's operations. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the insolvency estate (*Masseverbindlichkeiten*), preferred over any insolvency claim of an unsecured creditor, including any residual claims of a secured insolvency creditor remaining after realization of the available collateral.

All creditors, whether secured or unsecured, wishing to assert claims against the insolvent debtor must participate in the insolvency proceedings unless they have a right to separate an asset from the insolvency estate (Aussonderungsrecht). Any judicial enforcement action (*Zwangsvollstreckung*) brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened and, if so ordered by the court, with respect to assets other than real estate, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence. If, during the final month preceding the date of filing for insolvency proceedings, a creditor acquires through execution (*Zwangsvollstreckung*) (i.e., attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon opening of the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can enforce them only in compliance with the restrictions of the German Insolvency Code. Accordingly, creditors only having a claim or guarantee but no asset security may file their claims in the insolvency proceedings and will be paid on a pro rata basis from the insolvency estate (to the extent sufficient assets are available). Creditors holding asset security are not entitled to enforce their security interest outside the insolvency proceedings to the extent the German Insolvency Code authorizes the insolvency administrator to dispose of the relevant collateral, but have only certain preferential rights (*Absonderungsrechte*) in the insolvency proceedings.

The insolvency administrator generally has the sole right to realize any moveable assets in the debtor's possession which are subject to preferential rights (e.g., liens over movable assets (*Mobiliarsicherungsrechte*) and security by title transfer (*Sicherungsübereignung*)) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). In the insolvency proceedings, however, creditors secured by asset security have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest, entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. If the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*), which, in the aggregate, usually add up to 9% of the gross enforcement proceeds, plus VAT (if any), are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims.

With the remaining unencumbered assets of the debtor, the insolvency administrator has to satisfy the creditors of the insolvency estate (*Massegläubiger*) first, including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings. Thereafter, all other insolvency claims (*Insolvenzforderungen*), including the claims of creditors not secured by asset security, will be satisfied on a *pro rata* basis if and to the extent there is cash remaining in the insolvency estate (*Insolvenzmasse*). Hence, the proceeds resulting from the realization of the insolvency estate of the debtor may not be sufficient to satisfy in full unsecured creditors of the debtor. In addition, it may take several years until insolvency proceeds, if any, are distributed to unsecured creditors.

Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors, including the unsecured insolvency claims, have been fully satisfied. The following subordinated claims shall be satisfied after non-subordinated claims in the following order and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as incidental legal consequences of a criminal or administrative offense binding the debtor to pay money; (iv) claims for a performance to be made gratuitously (*unentgeltliche Leistung) by the debtor and (v) claims for repayment of a shareholder loan or claims resulting from legal transactions corresponding in economic terms to such a loan.*

While in ordinary insolvency proceedings, the value of the debtor's assets is realized by a piecemeal sale or, as the case may be, by a bulk sale of the debtor's business as a going concern, a different approach aiming at the rehabilitation of the debtor can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and requires, among other things and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules. If the debtor is a corporate entity, the shares or membership rights in the debtor can be included in the insolvency plan. For example, the shares or membership rights in the debtor can be transferred to third-parties, including a transfer to creditors based on a debt-to-equity swap. In general, an insolvency plan is adopted only if all groups of creditors vote in favor of it. However, a group voting against the insolvency plan may nevertheless be disregarded if (i) the members of the dissenting group of creditors are not in a worse position under the insolvency plan than the position they would be in if there were no plan, (ii) they participate in an appropriate manner in the assets made available to the participants under the insolvency plan and (iii) the majority of all voting groups of creditors voted in favor of the plan.

Moreover, if the the debtor has applied for debtor-in-possession proceedings and can prove that a restructuring of its business is not obviously without merit, the court may grant a period of up to three months to prepare an insolvency plan under self-administration. During this period, creditors' rights to enforce security may, upon application of the filing debtor, be suspended (*Schutzschirm*). In these circumstances, the insolvency court has to appoint a preliminary custodian (*vorläufiger Sachwalter*) to supervise the process. The debtor is entitled to suggest an individual to be appointed as preliminary custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (*i.e.*, not competent or impartial). The three-month period for preparing an insolvency plan will be terminated if, for example, it becomes obvious that the proposed restructuring is without merit or if the preliminary creditors' committee applies to the court to bring it to an end.

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

Italian insolvency law

Insolvency

The following is a brief description of certain aspects of the insolvency laws of Italy.

Italian creditors' rights and insolvency laws are generally considered to be more favorable to debtors than the regimes of certain other jurisdictions. In Italy, the courts play a central role in the insolvency process; moreover, the enforcement of security interests by creditors in Italy can be time consuming. A recent reform of Italian insolvency laws provided for out-of-court reorganization proceedings.

Under Italian law, the state of insolvency (*insolvenza*) of a company is ascertained and declared by a court. Insolvency occurs at a time when a debtor is no longer able to regularly meet its obligations as they fall due. This must be a permanent, and not a temporary, status.

The following restructuring or insolvency remedies and proceedings are available under Italian law for companies facing financial difficulties or in a state of temporary crisis, and for insolvent companies: debt restructuring arrangements with creditors (*accordi di ristrutturazione dei debiti*) and reorganization plans (*piani di risanamento*); court-supervised prebankruptcy composition with creditors (*concordato preventivo*); extraordinary administration for large insolvent companies pursuant to Italian Legislative Decree No. 270/99 (*amministrazione straordinaria delle grandi imprese in crisi di cui alla Legge Prodi bis*); extraordinary administration proceedings for large insolvent companies pursuant to Italian Law Decree No. 347/2003, as amended (*amministrazione straodinaria delle grandi imprese in crisi di cui alla Legge Marzano*); bankruptcy (*fallimento*); and post-bankruptcy composition with creditors (*concordato fallimentare*).

During debt restructuring arrangements with creditors (*accordi di ristrutturazione dei debiti*) and court supervised pre-bankruptcy composition with creditors (*concordato preventivo*), activities of credit recovery are interrupted.

Bankruptcy

A request to declare a debtor bankrupt and to commence a bankruptcy proceeding (*fallimento*) for the judicial liquidation of a debtor can be made by the same debtor, one or more creditors and, in certain cases, by the public prosecutor. The bankruptcy is declared by a competent bankruptcy court. Upon the commencement of a bankruptcy proceeding:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period;
- the administration of the debtor and the management of its assets pass from the debtor to the receiver appointed by the competent bankruptcy court; and
- any act (including payments, pledges and issuances of guarantees) made by the debtor, other than those made through the receiver, after (and in certain cases before for a limited period of time) a declaration of bankruptcy with respect to the creditors is (or could be if made before) ineffective.

The bankruptcy proceeding is carried out and supervised by a court-appointed receiver, a deputy judge and a creditors' committee. The receiver is not a representative of the creditors and the creditors' committee, as specifically provided for by law, has in some cases authorization power over the receiver and, in general, consultation functions over the latter and vigilance authority over the bankruptcy proceedings. The receiver is responsible for the liquidation of the assets of the debtor for the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. Italian law provides for priority to the payment of certain preferential creditors, including the bankruptcy receiver, employees and the Italian judicial and social security authorities employees and the Italian judicial and social security authorities.

The statutory priority assigned to creditors under Italian law may be different from priorities in the United States and certain other European jurisdictions. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors (*crediti prededucibili*), which include the claims so defined by the law and all those arisen during, or for the purpose of, an insolvency procedure. The next priority is secured creditors with privileges (*crediti privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*crediti ipotecari*) and pledges (*crediti garantiti da pegno*) and then unsecured creditors (*crediti chirografari*). In particular, creditors with mortgages (*crediti ipotecari*) and pledges (*crediti garantiti da pegno*) have priority in the distribution of what has been eventually obtained from the liquidation of assets given as security.

Luxembourg insolvency law

Some of guarantors are incorporated under the laws of the Grand Duchy of Luxembourg and have their registered offices in the Grand Duchy of Luxembourg (together the "Luxembourg Obligors"). Accordingly, Luxembourg courts should have, in principle, jurisdiction to open main insolvency proceedings with respect to these Luxembourg Obligors, as entities having their registered office and central administration (*administration centrale*) and centre of main interest ("COMI"), as used in the EU Insolvency Regulation, in the Grand Duchy of Luxembourg, such proceedings to be governed by Luxembourg insolvency laws. According to the EU Insolvency Regulation, there is a rebuttable presumption that a company has its COMI in the jurisdiction in which it has the place of its registered office. As a result, there is a rebuttable presumption that the COMI of the Luxembourg Obligors is in the Grand Duchy of Luxembourg and consequently that any "main insolvency proceedings" (as defined in the EU Insolvency Regulation) would be opened by a Luxembourg court and be governed by Luxembourg law.

Under Luxembourg insolvency laws, the following types of proceedings (the "Insolvency Proceedings") may be opened against such Luxembourg Obligors:

- bankruptcy proceedings (*faillite*), the opening of which is initiated by the relevant guarantor, by any of its creditors or by Luxembourg courts *ex officio*. The managers/directors of the Luxembourg Obligors have the obligation to file for bankruptcy within one month in case they are in a state of cessation of payment (*cessation de paiement*).

Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings, if the relevant guarantor (i) is in default of payment (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*).

If a court finds that these conditions are satisfied, it may also open ex officio bankruptcy proceedings, absent a request made by the relevant Luxembourg Obligor.

The main effects of such proceedings are (i) the suspension of all measures of enforcement against the relevant Luxembourg Obligor, except, subject to certain limited exceptions, for secured creditors and (ii) the payment of the Luxembourg Obligor's creditors in accordance with their ranking upon the realization of the guarantor's assets:

- controlled management proceedings (*gestion controlée*), the opening of which may only be requested by the relevant Luxembourg Obligor and not by its creditors; and

- composition proceedings (*concordat préventif de la faillite*), the obtaining of which is requested by the relevant guarantor only after having received a prior consent from a majority of its creditors holding 75% at least of the claims against such Luxembourg Obligor.

The obtaining of such composition proceedings will trigger a provisional stay on enforcement of claims by creditors.

In addition to these proceedings, the ability of the holders of notes to receive payment on the notes may be affected by a decision of a Court to grant a stay on payments (*sursis de paiement*) or to put the relevant guarantor into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the commercial code or of the Companies Act. The management of such liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

The Luxembourg Obligors' liabilities in respect of the notes will, in the event of a liquidation of the guarantor following bankruptcy or judicial liquidation proceedings, rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those of the concerned obligor's debts that are entitled to priority under Luxembourg law. For example, preferential debts under Luxembourg law include, among others:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- remuneration owed to employees.

For the avoidance of doubt, the above list is not exhaustive.

Assets in the form of shares, accounts or receivables over which a security interest has been granted and perfected will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized), and subject to application of the relevant priority rule and liens and privileges arising mandatorily by law.

During insolvency proceedings, all enforcement measures by unsecured creditors are suspended. In the event of controlled management proceedings, the ability of secured creditors to enforce their security interest may also be limited, automatically causing the rights of secured creditors to be frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the relevant Luxembourg court subject to the exceptions under the Luxembourg law of August 5, 2005 on financial collateral arrangements (the "Luxembourg Collateral Law"). A reorganization order requires the prior approval of more than 50% of the creditors representing more than 50% of the relevant guarantor's liabilities in order to take effect. Furthermore, declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the guarantor during the period before bankruptcy, the so- called "suspect period" (*periode suspecte*), which is a maximum of six months, as from the date on which the Commercial Court formally adjudicates a person bankrupt, and, as for specific payments and transactions, during an additional period of ten days before the commencement of such period preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date, if the bankruptcy judgment was preceded by another insolvency proceedings (e.g., a suspension of payments or controlled management proceedings) under Luxembourg law.

In particular:

- pursuant to article 445 of the Luxembourg code of commerce, specified transactions (such as, in particular, the granting of a security interest for antecedent debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets or entering into transactions generally without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) will be set aside or declared null and void, if so requested by the insolvency receiver; article 445 does not apply for financial collateral arrangements and set- off arrangements subject to the Luxembourg Collateral Law, such as Luxembourg law pledges over shares, accounts or receivables.

- pursuant to article 446 of the Luxembourg code of commerce, payments made for matured debts for considerations, as well as other transactions concluded during the suspect period, are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt's cessation of payments; article 446 does not apply for financial collateral arrangements and set-off arrangements subject to the Collateral Law, such as Luxembourg law pledges over shares, accounts or receivables.

- regardless of the suspect period, article 448 of the Luxembourg Code of Commerce and article 1167 of the Luxembourg Civil Code (*action paulienne*) give any creditor the right to challenge any fraudulent payments and transactions made prior to the bankruptcy.

After having converted all available assets of the company into cash and after having determined all the company's liabilities, the insolvency receiver will distribute the proceeds of the sale to the creditors further to their priority ranking as set forth by law, after deduction of the receiver fees and the bankruptcy administration costs.

Any international aspects of Luxembourg bankruptcy, controlled management and composition proceedings may be subject to the EU Insolvency Regulation. Insolvency proceedings may hence have a material adverse effect on the Luxembourg Co-Issuer's obligations under the Notes.

Mexican insolvency law

The applicable Mexican insolvency law is the Mercantile Bankruptcy Law, which determines that an entity is deemed in bankruptcy where it has generally breached its payment obligations before two or more third parties, provided that such liabilities represent 35% or more of its total liabilities, and such liabilities have been due for over 30 days starting upon the date on which the claim has been filed, and the entity has no assets to secure at least 80% of such due liabilities.

Once a company has been declared in general payment violation to third parties, a board of visitors and experts is appointed to analyze its exact situation, following which bankruptcy could be claimed and filed by the entity or by its creditors before the District Judge.

Once such procedure is started, creditors shall have to file their claims and documents to provide proof of any the following: (i) claiming guarantee impounding the assets of the company; or (ii) claiming the insufficiency of assets to fulfill its obligations. In this case, if the company is found in bankruptcy, the shareholders of the company will be considered unlimitedly liable for all the company obligations.

Once the procedure is initiated, the judge will request an inspection order by the Ministry of Finance to determine that the information is equivalent to the one the Ministry has registered. If creditors are satisfied with the balance, the payments will be determined to each creditor according to its right of claim. Mexican insolvency law determines the following rank of creditors: (i) Secured creditors; (ii) Privileged creditors; (iii) Tax liabilities; and (iv) Common creditors.

Dutch insolvency law

Insolvency proceedings relating to any of the Guarantors and providers of Collateral that have their "center of main interest" in the Netherlands will be based on Dutch insolvency law. Under certain circumstances, insolvency proceedings may also be opened in the Netherlands in accordance with Dutch law against companies that have an "establishment" (*vestiging*) in the Netherlands. See "*—Center of main interests*" above for more information.

The following is a brief description of certain aspects of Dutch insolvency law.

There are two primary insolvency regimes under Dutch law applicable to persons generally. The first, suspension of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. In practice, however, suspension of payments often serves as a gateway to bankruptcy, and in bankruptcy, the trustee in bankruptcy (*curator*) may continue the activities of the enterprise (if any) of the person subject to the bankruptcy before selling the enterprise or parts of it. Both insolvency regimes are set forth in the Dutch Bankruptcy Act. A general description of the principles of both insolvency regimes is set out below.

An application for suspension of payments can be made when a debtor foresees that it will not be able to continue to pay its debts. The application can only be made by the debtor itself. Once the request for suspension of payments is filed, the court will immediately grant a provisional suspension of payments and appoint an administrator (*bewindvoerder*). A meeting of creditors is required to decide on the definitive suspension of payments. If a draft composition (*ontwerp akkoord*) is filed simultaneously with the application for suspension of payments, the court can order that the composition be processed before a decision regarding a definitive suspension of payments is made. If the composition is accepted and subsequently confirmed (*gehomologeerd*) by the court, the provisional suspension of payments ends as soon as the court's decision becomes final. The definitive suspension of payments will generally be granted unless a qualified minority (more than one-quarter in amount of claims held by creditors represented at the creditors' meeting or more than one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. If a definitive suspension of payments has been granted, a composition (*akkoord*) may be offered to creditors still. A composition will be generally binding on all unsecured and non-preferential creditors if it is (i) approved by a majority in number of creditors recognized and admitted at the creditors' meeting, representing at least 50% of the amount of claims that are admitted for voting purposes and (ii) subsequently confirmed (*gehomologeerd*) by the court. Under certain conditions, the court or the judge commissioner (*rechter commissaris*), as the case may be, may derogate from this procedure. As a result of the rules described above, the ability of the holders of the Notes to effect a restructuring may be precluded or inhibited. Also, a restructuring could involve a sale of assets that does not reflect the going concern value of the debtor. Interest payments that fall due after the date on which a suspension of payments is granted cannot be claimed in a composition. However, a suspension of payments is only effective with regard to unsecured non-preferential creditors. Secured creditors having the benefit of a Dutch law pledge (*pandrecht*) or mortgage (*hypotheek*) and preferential creditors (including tax and social security authorities) may enforce their rights against assets of a person subject to suspension of payments to satisfy their claims as if there were no suspension of payments, except that the competent court as a general rule set a period of up to four months during which a secured creditor may not, without the court's consent, (i) claim the asset subject to the security right if it is under the control of (*in de macht van*) the debtor subject to suspension of payments or (ii) seek recourse against the asset.

Under Dutch law, a debtor can be declared bankrupt when it is no longer able to pay its debts when due. The bankruptcy can be requested by the debtor itself or by a creditor; provided there is at least one claim that is due and payable but left unpaid and there is at least one other creditor. Bankruptcy can also be declared in certain circumstances when a debtor is subject to a suspension of payments. Simultaneously with the opening of the bankruptcy, the court will appoint a trustee in bankruptcy. As soon as a debtor is declared bankrupt, all pending executions of judgments against the debtor, as well as all attachments on the debtor's assets (other than summary executions with respect to secured creditors), will terminate by operation of law. If a bankruptcy is declared, the assets of the debtor subject to the bankruptcy are generally liquidated and the proceeds distributed to the debtor's creditors in accordance with the respective ranking of their claims. In principle, all creditors have an equal right to payment and the proceeds of the bankruptcy are distributed in proportion to the size of each creditor's claims. However, certain creditors, such as secured creditors and tax and social security authorities, have special rights that take priority over the rights of other creditors. The proceeds resulting from the liquidation of the bankrupt estate may not be sufficient to satisfy unsecured creditors, including secured creditors to the extent that their claims exceed the proceeds of enforcement of their security rights. Foreign creditors are, in general, not treated different from creditors that are incorporated or residing in the Netherlands.

The claim of a creditor, other than a claim to the extent that it is secured by Dutch law security, may be limited depending on the date the claim becomes due and payable in accordance with its terms. Claims (a) subject to a suspensive condition (*opschortende voorwaarde*), (b) with an uncertain due date or which entitles the claimant to periodic payments, and (c) which fall due more than one year after the date of the bankruptcy , will be valued for distribution purposes as per the date the bankruptcy was declared. Claims which become payable within one year after the bankruptcy was declared will be considered payable from the day that bankruptcy was declared. Interest payments that fall due after the date of the bankruptcy will not be taken into account. The existence, value and ranking of any claims may be challenged. Generally, in a creditors' meeting (*verificatievergadering*), the trustee in bankruptcy, the debtor subject to the bankruptcy and all creditors who have submitted claims may dispute the claims of other creditors. Creditors of claims disputed with regard to existence, value or ranking in the creditors' meeting may be referred to separate court proceedings (*renvooi procedure*). Depending on the outcome of the proceedings, the creditor may recover less than the principal amount of his claim or less than he could recover in foreign, including U.S., proceedings. Moreover, such procedures could also cause payments to the creditors to be delayed compared with creditors of undisputed claims, during which delay no interest can be claimed as compensation. As in suspension of payments proceedings, a composition may be offered to creditors in bankruptcy proceedings, which shall be binding on unsecured non-preferential creditors if it is (i) approved by a majority in number of creditors recognized and admitted at the creditors' meeting, representing at least 50% of the amount of the claims admitted for voting purposes and (ii) subsequently ratified (*gehomologeerd*) by the court. Under certain conditions, the judge commissioner (*rechter commissaris*) may derogate from this procedure. Contractual subordination may to a certain extent be given effect in Dutch insolvency proceedings. The actual effect depends largely on the way such subordination is construed.

In bankruptcy, secured creditors having the benefit of a Dutch law pledge (*pandrecht*) or mortgage (*hypotheek*) may enforce their rights as if there was no bankruptcy. This also applies to claims for interest payments that become due after the date of the bankruptcy to the extent that these claims can be satisfied out of the proceeds of enforcement of the security rights. The competent court may as a general rule set a period of up to four months during which a secured creditor may not, without the court's consent, (i) claim the asset subject to the security right if it is under the control of (*in de macht van*) the trustee in bankruptcy (*curator*) or (ii) seek recourse against the asset. In addition, the trustee in bankruptcy may (x) give the secured creditor a reasonable period to exercise his rights and (y) if the creditor fails to sell the asset within that period, claim the asset and sell it, without prejudice to the creditor's entitlement to the proceeds after deduction of a contribution to the bankruptcy costs and taking into account his rank. Excess proceeds of enforcement must be returned to the bankrupt estate. They may not be set-off against an unsecured claim which the secured creditor may have. Such set-off is allowed prior to the bankruptcy although a set-off prior to bankruptcy may be subject to claw back in the case of fraudulent transfer or bad faith when obtaining the claim or the debt subject to the set-off.

To the extent that Dutch law applies, a legal act performed by a debtor can be challenged in an insolvency proceeding or otherwise on the basis of fraudulent transfer. See "*—Fraudulent transfer provisions of general applicability including during bankruptcy—The Netherlands*".

Polish insolvency law

General issues

The validity and enforcement of the Notes Guarantee provided by the Polish Guarantor may be limited by the laws relating to bankruptcy, reorganisation or other laws relating to or affecting the enforcement of the rights of creditors in general.

Under article 11 of the Law on Bankruptcy dated February 28, 2003 (Journal of Laws 2015, item 233) (the "Bankruptcy Law"), there are two prerequisites for the declaration of bankruptcy. The basic prerequisite is insolvency of the debtor which remains for periods exceeding three months, meaning the debtor's failure to pay its debts or perform other pecuniary obligations as they fall due. With respect to debtors being legal persons and organisational units without legal personality yet enjoying legal capacity, a distinct prerequisite for the declaration of bankruptcy is excessive indebtedness which remains for period exceeding twenty four months, meaning that liabilities (due and not due) exceed the value of all the assets of such entity. Therefore, in order to enable the Polish Guarantors to grant guarantees securing liabilities of the Issuer without the risk of insolvency of the Polish Guarantor, the Notes Guarantee shall contain "limitation language" pursuant to which, the liability under the Notes Guarantee granted by the Polish Guarantor will be limited up to the value of all assets owned by the Polish Guarantor. The Law on Restructuring dated May 15, 2015 (Journal of Laws 2015, item 978) (the "Restructuring Law"), in terms of insolvency, refers to article 11 of the Bankruptcy Law.

Since January 1, 2016, the Bankruptcy Law only contains provisions on insolvency. The Bankruptcy Law is applicable only in case of bankruptcy connected with the liquidation of the assets of the debtor ("bankruptcy"). Following the Restructuring Law, it is possible that by means of an arrangement, creditors will be satisfied to a greater extent than as a result of bankruptcy, the debtor is declared bankrupt with the right to enter into an arrangement ("arrangement proceeding"). The declaration of bankruptcy gives rise to a number of consequences both for the bankrupt entity itself and its creditors. These consequences affect the bankrupt entity, its assets and liabilities, as well as any pending proceedings. The Restructuring Law introduces three new restructuring proceedings: proceeding for the approval of arrangement in which the debtor independently negotiates and enters into an arrangement with its creditors, subject to the court's approval (the "proceeding for the approval of arrangement"), accelerated arrangement proceeding in which the arrangement is concluded at the meeting of creditors called by the court (the "accelerated arrangement proceeding") and remedial proceeding aimed at advanced restructuring of the debtor's enterprise (the "remedial proceeding").

According to the Bankruptcy Law the provisions in agreements or contracts which stipulate that in the event of bankruptcy the legal relationship to which the bankrupt entity is a party is to be amended or terminated are legally invalid.

In case of declaration of bankruptcy of the Polish Guarantor, the arbitration clause provided for under the given guarantee may be rescined by the receiver with consent of the judge-commissioner if seeking the claim before the arbitration court impedes the liquidation of the bankruptcy estate, including without limitation where the condition of the bankruptcy estate renders impossible the covering of the costs of institution and conduct of the proceedings before the arbitration court. To be able to participate in bankruptcy proceedings, the bankrupt entity's creditors should file their claims against the bankrupt with the judge commissioner within the time limit set down in the declaration of bankruptcy. Only receivables under an employment relationship need not be submitted andare automatically (*ex officio*) placed on such a list. Upon the lapse of the time limit set for notification of claims, the receiver, court supervisor or administrator verifies the claims and draws up a list.

To be able to participate in bankruptcy proceedings, the bankrupt entity's creditors should file their claims against the bankrupt with the judge commissioner within the time limit set down in the declaration of bankruptcy. Only claims recorded in public registers are automatically (*ex officio*) placed on such a list. Upon the lapse of the time limit set for notification of claims, the receiver, court supervisor or administrator verifies the claims and draws up a list.

Under the Bankruptcy Law, any debt payable in a currency other than Polish zloty (e.g. euro or $) if being put on the list of debts must be converted into Polish zloty at the National Bank of Poland's average exchange rate prevailing on the date the bankruptcy court issues a decision on the debtor's bankruptcy. Accordingly, in the event of a bankruptcy of the Polish debtor, creditor may be subject to exchange rate risk between the date of bankruptcy and the date of receipt of any amounts following a bankruptcy proceeding.

After examining the objections, which may be lodged by the creditors, the judge commissioner approves the list of claims. The list of claims drawn up in accordance with the above-described procedure constitutes the basis for participation in the bankruptcy proceedings; an extract from the list serves as a writ of enforcement against the bankrupt entity upon discontinuance or completion of the bankruptcy proceedings.

Arrangement proceeding

Under the Restructuring Law, the arrangement bankruptcy generally covers all the claims against the bankrupt entity that arose prior to the date of announcing bankruptcy, save for, inter alia, pension and/or disability and sickness insurance contributions, claims arising out of employment relationships and claims secured by limited rights in property imposed on the bankrupt entity's assets unless the secured creditor has consented to having them included in the arrangement agreement.

The terms and conditions of restructuring the bankrupt entity's liabilities and obligations that are set down in the proposed arrangement agreements should be identical for all the creditors or, if the judge commissioner decides that voting on the arrangement is to take place in groups of creditors, identical for the creditors included in the same group, unless the creditor expressly consents to less favourable conditions. The Restructuring Law does not contain a limited list of methods of restructuring the bankrupt entity's liabilities and obligations. Among the examples of such methods is the extension of the deadline for performance of liabilities or obligations, consent to repay debts in instalments, reduction of debts, conversion of debts into shares, and modification of security. Arrangement proceedings may also be conducted through the liquidation of the bankrupt entity's assets, for example by the creditor taking over such assets. An arrangement agreement is approved by the creditors' meeting. The arrangement is adopted, as a matter of principle, if creditors holding jointly at least two-thirds of the total sum of the receivables giving the right to vote are in favour thereof. The approved arrangement agreement is then submitted for approval to the court. The decision the court issues in that respect is appealable. The execution of the arrangement agreement concludes the bankruptcy proceedings.

The arrangement agreement reached through this procedure is binding upon all the creditors whose claims arose prior to the declaration of bankruptcy, regardless of whether they have filed their claims in the bankruptcy proceedings, or not. This does not apply to the creditors to whom the bankrupt entity intentionally failed to disclose and who did not participate in the proceedings. In the event that no arrangement agreement is reached, the court discontinues the arrangement bankruptcy proceedings and initiates liquidation proceedings and appoints a receiver. Re-opening of the arrangement bankruptcy proceedings is not possible.

Bankruptcy

In the case of the declaration of the bankruptcy the creditors may be satisfied and repaid only according to the rules provided for under the Bankruptcy Law. The bankrupt entity's monetary liabilities that are not yet due become payable. Non-monetary financial liabilities are converted into monetary liabilities that become payable on the date bankruptcy is announced. However, in the case of the guarantee (*poręczenie*) the creditor will be entitled to receive any amount from the bankruptcy estate only if the underlying obligations are due and payable.

Within the bankruptcy creditors whose claims are secured by a limited right in property to an asset (*i.e.* mortgage, pledge) are treated in preferential way during the bankruptcy proceedings. The pledgee of a registered pledge established on an asset of the bankruptcy estate may satisfy its claims through takeover of such an asset or through sale by public auction, if the pledge agreement so provides. All the creditors whose claims are secured by a limited right in property to an asset included in the bankruptcy estate enjoy the right of priority in being satisfied from the amounts obtained from the liquidation of such assets irrespective of the plan of distribution of the funds of the bankruptcy estate. Any surplus that remains after such claims are satisfied is transferred to the funds in order to be distributed among the other shareholders.

The funds of the bankruptcy estate are composed of the amounts obtained from the liquidation of the bankruptcy estate or lease of the bankrupt business. Once the judge-commissioner approves the list of claims, the receiver prepares the plan of distribution of such funds. Then the plan is submitted to the judge- commissioner who can amend or supplement it. The plan can be objected to within two weeks from the date of its announcement. All objections are examined by the judge-commissioner whose decision in this respect can be objected to in the court. If no objections are made against the plan or if, upon the examination of the plan, it has been corrected, the plan is then executed. The creditors are divided into four categories and the claims under a subsequent category can be satisfied only after claims in the preceding category are fully satisfied. Generally, if it is not possible to satisfy all claims from a given category, they are satisfied in proportion to the amount of each one of them.

Invalidity of the bankrupt entity's actions

Under the Bankruptcy Law the following actions performed with respect to the bankrupt entity's assets are legally ineffective against the bankrupt entity:

- Legal actions performed by the bankrupt entity within one year prior to the filing for bankruptcy in relation to any use and/or disposal of the bankrupt entity's assets, both for consideration and free of charge, as long as the value of those actions performed by the bankrupt entity was substantially larger that the value of the actions of the counterparty;

- Securing and payment of undue debt by the bankrupt entity within two months preceding the date of filing for bankruptcy unless the beneficiary was unaware of there being any grounds for the declaration of bankruptcy; or

- Legal actions performed by the bankrupt entity on a fee basis, within six months preceding the date of filing a bankruptcy petition, with the bankrupt entity's related parties (*i.e.*, in the case of a bankrupt entity being an individual: with his/her family members; and in the case of a bankrupt entity being a company or a legal person: with its shareholders, commercial representatives or their spouses, its affiliated companies or their shareholders, commercial representatives or their spouses, its parent company or subsidiary company).

Additionally, under the Bankruptcy Law there are some actions which may be deemed to be legally ineffective by the judge commissioner at the request of the trustee, court supervisor or receiver if raised or made with respect to the bankrupt entity's estate. This especially relates to encumbering the bankrupt entity's estate with limited rights in property if the bankrupt entity was not a personal debtor and if such limited rights in property were imposed within one year preceding the date of filing of petition for bankruptcy declaration, and (i) in consideration for such encumbrance the bankrupt entity received no advantage, or (ii) if the value of advantage the bankrupt entity received is incommensurably small as compared with the value of the security. In the event the bankrupt entity's estate was encumbered to secure the debts of the bankrupt entity's relatives or associated companies, such encumbrance is legally ineffective regardless of the value of the consideration received by the bankrupt entity.

In respect of the above, an action to the court may be brought by the trustee, court supervisor or receiver.

Portuguese insolvency law

The Insolvency and Enterprise Rescue Code (the "CIRE") was approved by Decree-Law 53/2004, of March 18, and amended by Decree-Law 200/2004, of August 18, and by Decree-Law 16/2012, of April 20. The first version of the CIRE eliminated the previous two-part model that admitted two separate types of proceedings: enterprise or company rescue versus bankruptcy or liquidation. However, Decree-Law 16/2012 has created a preliminary phase (*Processo Especial de Revitalização*) ("PER") with the aim of reaching an agreement between the company and all or some of its creditors that will pave the way for a viable recovery.

Revitalization process (Processo Especial de Revitalização) ("PER")

The revitalization process is available only for companies that are experiencing economic difficulties (*i.e.*, imminent insolvency) and having serious difficulties fulfilling their obligations. The process is simplified, with short deadlines, and begins with acceptance of at least one of the debtor's creditors. If agreed between the company and the creditor, the action is presented to a judge. After the publication of the decision of the judge to order the action, all the debtor's creditors have a designated period of time during which to file their claim against the debtor. After publication of the list of claims, there is a short period for an appeal, after which period and after resolving any appeals, the judge publishes the final list.

The revitalization plan is approved if (i) the plan is voted by one third of the total claims entitled to vote, and a supermajority of two thirds of the total votes cast, more than half of which are not subordinated credits, not taking abstentions into account, approves the plan or (ii) the plan is approved by half of the total claims entitled to vote, more than half of which are not subordinated credits, not taking abstentions into account. The judge then has to approve the revitalization plan, which would apply to all creditors, including those who did not participate in the approval process.

With the application for the PER, any pending judicial procedures against the company are suspended immediately. Unless expressly agreed otherwise, with the approval of the revitalization plan, all judicial procedures against the company are canceled, and creditors are prohibited from initiating any new procedures against the company.

PER only came into effect in 2012 and, consequently, there is no strong, well-known jurisprudence on this specific type of proceeding.

Insolvency procedure

According to Portuguese law, a company is insolvent if it is unable to pay its debts as they fall due (cash flow test) or if the value of the company's assets is significantly less than the amount of its liabilities (balance sheet test).

A company can enter the insolvency process if it is insolvent or its insolvency is imminent. Under imminent insolvency, only the company can file for insolvency, not its creditors.

Requirements

Insolvency proceedings can be initiated when any of the following events occurs:

(a) general suspension of payment of debts due for settlement;

(b) failure to comply with one or more obligations which, by virtue of their size or the circumstances of the failure, show that the debtor is generally unable to meet its obligations as they fall due;

(c) the disappearance of the company's owner or the debtor's directors or the act of abandoning the head office or main center of activity as a result of the debtor's insolvency and without the designation of a suitable replacement;

(d) the dissipation, abandonment, hasty or grossly uneconomic liquidation of assets and the creation of fictitious claims;

(e) the lack of adequate assets to secure payment of the claimant's debt as adjudged in enforcement proceedings brought against the debtor;

(f) failure to comply with obligations contained in an insolvency or repayment plan approved by creditors in insolvency proceedings already under way;

(g) general failure, in the previous six months, to pay debts in respect of tax and social security payments and contributions; debts arising from an employment contract or from the breach or termination of such a contract or rental payments for any type of hire, including financial leases, installments of a purchase price or loan repayments secured by a mortgage on the debtor's business premises, head office or residence; or

(h) a clear excess of liabilities over assets in the latest approved balance sheet or a delay of more than nine months in approving and filing accounts, where a legal obligation to do so exists.

Portuguese law does not specifically provide for the situation of insolvency of a company within a group. There is no rule establishing any particular effect that a declaration of insolvency may have on an insolvent company's affiliate.

Accordingly, the declaration of insolvency will not, by itself and as a direct consequence, result in the declaration of insolvency of other companies that are in the same group as the insolvent company. Each company within the group of an insolvent company will be treated for insolvency purposes as a separate legal entity, and the declaration of insolvency of any other group company would only occur in the context of a separate insolvency proceeding, requiring assessment and made on an individual basis as to whether the assets of the company are sufficient to meet its liabilities.

Any creditor, the district attorney or any third party legally responsible for the company's debts can request the court to declare the insolvency of a company, based on facts that show the company is insolvent. When it is the company itself that files for insolvency, the court will declare the insolvency within three weekdays unless there is any formal insufficiency of the filing. When the insolvency is requested by a creditor, the company is summoned and may present its defense. The Court will decide, based on the evidence submitted by both parties, whether to declare the company insolvent.

The competent court for the insolvency procedure is the court of the head office of the company or the court of the location of the debtor's principal interests (*i.e.*, the location where the debtor administers the company, "habitually and recognizably by third parties").

Effects

Once insolvency is declared, the creditor that requested it cannot cancel its request. If the court deems the request as purposely filed despite the absence of any grounds, the requestor is liable for any damages caused to the company and its creditors.

Unless stipulated otherwise, the estate of an insolvent party comprises all the debtor's assets on the date of declaration of insolvency by the court, together with assets and rights acquired by the debtor while proceedings are pending. Non-attachable assets only form part of the estate if the debtor proffers them voluntarily and if their non-attachable quality is not absolute.

Prior to the insolvency declaration, a creditor may request the appointment of a provisional administrator in order to prevent any prejudicial acts to the company's assets. In the insolvency declaration, the judge will appoint an insolvency administrator, which will be responsible for the liquidation of the company's assets, unless an insolvency plan is approved that provides for the recovery of the company.

The declaration of insolvency causes all the obligations of the insolvent party which are not subject to a condition precedent to become due for settlement. Creditors cannot enforce their rights outside of the insolvency procedure. This means that any enforcement procedure that is ongoing at the start of the insolvency procedure will be stayed.

The law draws a distinction between the insolvency debts and the debts of the estate. The former are claims on the insolvent party which arose prior to the declaration of insolvency. Claims that the creditor can prove to have arisen during the procedure are treated in the same way. Debts of the estate are those created during the process, and include, for example, the cost of the proceedings and the administrator's remuneration.

The declaration of insolvency also deprives the debtor immediately, either directly or through his directors, of the power to administer and dispose of the assets making up the estate. With effect from the moment of the declaration of insolvency, those powers are vested in the administrator, who becomes the debtor's representative for all financial matters relating to the insolvency. As a rule, acts undertaken by the insolvent party in breach of this arrangement are ineffectual.

Creditors

The ranking of the creditors is as follows:

(1) Insolvency process expenses, including, for example, insolvency administrator remuneration and court fees and debts incurred after the insolvency declaration;

(2) Specific preferential claim, meaning those preferential claims that are specific to an asset; for example, employees' credits have a prevailing security over the real estate property where they work;

(3) Secured creditors;

(4) General preferential credits, meaning preferential credits that are not specific to an asset; for example, social security credits;

(5) Unsecured creditors;

(6) Subordinated creditors; and

(7) Shareholders.

Under the current Portuguese Insolvency Law, the beneficiaries of any guarantee given by a Portuguese company will be considered subordinated creditors.

Claw back

There is no claw back date by operation of law. The CIRE empowers the Insolvency Administrator to, in its discretion and for the benefit of the insolvent estate, pursue the invalidation of all acts undertaken or omitted within the four years prior to the date of the onset of the insolvency proceedings if they diminish, frustrate, hinder, threaten or delay the settlement of creditors' claims. In general, such transactions may be made void only if it is shown that they were prejudicial to the insolvency creditors and that the third parties acted in bad faith, meaning the third parties involved had knowledge that the company was insolvent or that the transaction was prejudicial to the company's creditors.

Some types of transactions can always be challenged, independently of any proof of bad faith of the third party involved. These include, for example:

- Gratuitous acts made in the two years prior to the commencement of the insolvency process;
- Transactions on terms where the company receives consideration that has a value significantly less than the value of the consideration provided by the insolvent company; and
- Security interests over the insolvent company's assets granted in the six months prior to the commencement of the insolvency process to secure pre-existing debts.

In Portugal, directors may be held liable (*i.e.*, civil liability, criminal liability or disqualification) for continuing to trade while a company is in financial difficulty.

Responsibility

The directors of a company that is insolvent are obliged to file for insolvency within 30 days of the date the insolvency situation arises. If the directors do not comply with such obligation, they may be considered responsible for the insolvency of the company and subject to:

- disqualification from administration of its own assets for a period of two to 10 years;
- disqualification from any type of commercial activity, including filling any type of office at any company for a period of two to 10 years;
- civil liability for damages the company suffered as a consequence of their actions; or
- criminal liability for fraudulent bankruptcy, which may be punished by up to five years' imprisonment.

Romanian insolvency law

Law no. 85/2014 regarding the procedures of insolvency prevention and the insolvency procedure ("the Romanian Insolvency Law") serves as the general legislation applicable to, *inter alios*, Romanian companies all economic operators on insolvency related matters. The legislation entered into force on June 28, 2014. It also contains provisions in the field of pre-insolvency proceedings as well as the cross- border insolvency.

Pre-insolvency proceedings

The Romanian legislation provides for two optional procedures for distressed undertakings by giving the opportunity to safeguard their activity by resorting to mechanisms and amiable procedures of renegotiating their debts outside the judicial insolvency procedure, namely the ad-hoc mandate and the compromise proceeding.

The ad-hoc mandate is an amicable settlement proceeding supervised by an ad-hoc proxy appointed by the court. The procedure is initiated by companies facing financial difficulties, without being insolvent. Distressed companies ask the court to appoint an ad-hoc proxy which has the task of making the debtor and one or more of its creditors reach an agreement with the view of overcoming the difficulties the debtor faces. It is a confidential and short procedure (lasting not more than 90 days). Its purpose is safeguarding the distressed undertaking with the view of maintaining its activity, the jobs and covering the debts of the respective undertaking.

The compromise proceeding is an amicable settlement proceeding which is to a certain extent similar to the reorganization during the insolvency procedure. The procedure is initiated by the undertakings facing financial difficulties, without being insolvent, which observe certain conditions related to their overall worthiness, some of these conditions being similar to the ones applicable in case of debtors for whom a reorganization plan may be proposed. Distressed undertaking asks the court to appoint a conciliator which collaborates with the debtor in order to elaborate a concordat offer, which includes a concordat project and a redressing plan. The conciliator may resort to the acknowledgement of the compromise by the syndic judge. As of the respective acknowledgement, all the forced execution procedures against the debtor are suspended while the compromise is in force and effect, no insolvency proceedings may be initiated against that debtor. Its purpose is also safeguarding the distressed undertaking with the view of maintaining its activity, preserving the jobs and covering the debts of the respective undertaking.

Insolvency proceedings (judicial procedures)

The insolvency procedure may be requested only by a creditor having a receivable that is certain, liquid in an amount exceeding 40,000 Lei (approximately EUR 9,000) and due for more than 60 days, or by the debtor which is under insolvency state for more than 30 days and its outstanding debts exceed 40,000 Lei. Failure of the debtor's representative to observe such an obligation, for more than 6 months as of the mentioned term is qualified as criminal offence. The purpose of the insolvency procedure is the settlement of insolvent debtor's liabilities (both through the debtor's reorganization or liquidation of its patrimony). Two types of proceedings may apply: insolvency proceeding or bankruptcy.

(a) *Implications of an insolvency proceeding against a Romanian company*

A judicial administrator shall be appointed by court and shall either manage the activity of the debtor (in case where the management right of the debtor was suppressed by court) or simply supervise the debtor's activity (in case where the debtor preserves the management power).

Upon the opening of insolvency procedure, the debtor, the judicial administrator or one or more creditor(s) holding at least 20% of the total value of the receivables against the insolvent company may propose a reorganization plan.

The plan shall be confirmed by the court in the following situations:

- In case there are 5 classes of receivables, the plan is considered approved if at least 3 classes of receivables accept the plan, with the condition that at least one of the disadvantaged classes receivables for which the plan provides one of the following modifications: (i) a reduction of the amount of the receivable and/or of the accessories to which the creditor is entitled or (ii) a reduction of securities or a rescheduling of payments without the creditor's express consent and the creditors representing at least 30% of the total amount of claims registered in the creditors' table accepts the plan;

- In the case there are 3 classes of creditors, the plan is considered accepted if at least 2 classes of receivables accept the plan, with the condition that at least one of the disadvantaged classes and the creditors representing at least 30% of the total amount of claims registered in the creditors' table accepts the plan;

- In case there are 2 or 4 classes of receivables, the plan is considered accepted if at least half of the half the number of classes accept the plan, with the condition that at least one of the disadvantaged classes and the creditors representing at least 30% of the total amount of claims registered in the creditors' table accepts the plan.

The maximum duration of the reorganization plan is 3 years, during which the activity of the debtor shall be managed by the debtor itself under the supervision of the judicial administrator.

(b) *Implications of a bankruptcy proceeding against a Romanian company*

Such a proceeding may be initiated by court in the case that (i) the reorganization plan is not successful, (ii) a reorganization plan was not submitted in court at all or although submitted it was not approved by creditors/confirmed by court, (iii) in case of specific situations (e.g., lack of headquarters, lack of legal representative etc.), at the request of the debtor/creditor or as assessed by court. A liquidator is appointed by court with the purpose to liquidate debtor's patrimony. Upon the liquidation the debtor shall be de-registered from the Trade Registry.

Other comments relevant for insolvency proceedings

As of the date of opening of the insolvency proceedings, any and all enforcement, legal or other proceedings for recovery of claims against the debtor or its assets, are suspended by law. The insolvency law provides for the possibility of a secured creditor whose enforcement actions have been suspended to ask the syndic judge to resume the foreclosure with respect to its receivables as well as immediate capitalization of the asset in the insolvency procedure.

Further to the opening of the insolvency proceedings, the judicial administrator generally has the power to decide continuation or termination of agreements made by a Romanian insolvent company, unless such agreement is regarded at that time as fully or substantially performed. Any contractual clause for termination, acceleration of term of current agreements or for the obligations becoming due before the date on which they would otherwise be due on the grounds of opening of the insolvency proceedings is null and void.

As the Romanian subsidiary (NH Management Black Sea S.R.L.) shall be a personal guarantor under the Notes, the 2019 Notes and the Senior Secured RCF, the creditors thereunder are unsecured creditors in the meaning of the Romanian Insolvency Law.

A guarantee granted by a Romanian company for the obligations of a third party company may be set aside under the Romanian Insolvency Law if:

(a) it was granted during the six months before the opening of the insolvency proceedings against that Romanian company and the Romanian court determines that the obligations assumed by that Romanian company manifestly exceeded the benefit it received; or

(b) it was granted during the two years before the opening of the insolvency proceedings against that Romanian company and the Romanian court determines that the parties' intention was to withhold assets from third party creditors or to impair in any other manner the rights of third party creditors.

In case of bankruptcy of a Romanian debtor, unsecured creditors rank in the order of payments of the claims against the bankrupt company, after procedural expenses, payments to creditors committee members (if applicable), employment claims, claims resulted from continuation of the debtor's activity after opening of the procedure, certain contracting parties, good faith third party acquirers of assets returned to the bankrupt estate, State budget claims, claims based on subsistence obligations, claims under bank loans (including interest and expenses), other claims resulting from product deliveries, service supplies or other works.

Foreign creditors benefit of the same rights as Romanian creditors with respect to opening and participating to insolvency proceedings governed by Romanian law.

Spanish insolvency law

The Issuer and some of the Guarantors are organized under the laws of Spain and will guarantee certain obligations under the Notes. Under the current law 22/2003, July 9, on insolvency (the "Spanish Insolvency Law"), a debtor is considered insolvent when it cannot comply with its due and payable obligations on a regular basis (*insolvencia actual*). A debtor must file for insolvency within two months of the date when such petitioner becomes aware, or should have become aware, of its insolvency (unless the company has made a pre-insolvency filing in accordance with Article 5.bis of the Spanish Insolvency Law, in which case the debtor will have three months additional grace period to reach an agreement with its creditors which enable it to overcome the insolvency, and one more to file for insolvency). A debtor may also file for insolvency when it expects that it will shortly be unable to comply with its due obligations on a regular and timely manner (*insolvencia inminente*). In addition, under certain circumstances established in the Spanish Insolvency Law, the declaration of insolvency of a debtor may be requested by any creditor thereof. If filed by the debtor, the insolvency is deemed "voluntary" (*concurso voluntario*) and, if filed by a third party, the insolvency is deemed "mandatory" (*concurso necesario*). The petition for declaration of insolvency shall be filed before the Commercial Court of the province where the debtor has its "center of main interest" in Spain. The time between the petition and the insolvency declaration by the court will depend upon a number of factors, including, among others, whether the filing has been made by the debtor or the creditor (and, in turn, whether the debtor has challenged the petition made by the creditor or certain grounds alleged by the creditor to file for the debtor's insolvency), whether all appropriate documentation has been submitted on a timely basis or is incomplete, and the workload of the court. Upon the declaration of the debtor's insolvency, the Court will appoint one insolvency administrator (*administrador concursal*) (among those proposed by the Spanish Stock Exchange Commision ("*Comisión Nacional del Mercado de Valores*") in case the debtor is subject to the supervision of the latter), although sometimes a second insolvency administrator can be also appointed if it is in the public interest.

Creditors may apply for a joint insolvency declaration of two or more of its debtors if either (i) there is a confusion of assets among them, or (ii) they form part of the same group of companies. Therefore, the request for the joint insolvency of two or more legal entities may only be filed by a common creditor of the relevant companies and each of the affected companies must in fact be separately insolvent. Joint insolvency may also be requested by the companies themselves; provided that they form part of the same group.

Any of the insolvent debtors, or any of the appointed insolvency administrators, as the case may be, may apply for the accumulation of insolvency proceedings already declared under certain circumstances (and, in particular, if the insolvent debtors form part of the same group of companies). In addition, creditors may apply for the accumulation of the insolvency proceedings of two or more of its debtors already declared if either (i) there is a confusion of assets among them, (ii) they form part of the same group of companies, or (iii) they are managers, shareholders, partners or members personally liable for the debts of the debtor if it is a legal entity; provided that a petition has not been submitted by any of the insolvent debtors or by the insolvency administrators.

Insolvency proceedings declared jointly or accumulated are processed in a coordinated manner, without consolidation of the estate of the insolvent debtors. As a result, and as a general rule, "group insolvency" does not lead to a commingling of the debtors' assets and creditors of such group. This means that the creditors of one company of the group will not have recourse against other companies of the same group (except where cross-guarantees exist). The current system is basically a procedural one, aimed at making the insolvency proceedings as time and cost efficient as possible as well as allowing for approval of the composition agreements hypothetically submitted to be reciprocally conditioned on the approval of the others. However, exceptionally, and for the purpose of the drafting of the insolvency report by the insolvency administrators, assets and liabilities amongst the companies declared insolvent may be consolidated where there is a confusion of estates, and the assets and liabilities belonging to each of the companies cannot be identified, without incurring on unjustified costs or delays.

The Spanish Insolvency Law establishes a single insolvency procedure (*concurso*), applied to any insolvent debtor, which includes a common phase (during which, among others, insolvency administrators are appointed, an inventory of the assets and a list of creditors is prepared and claims ranked) and two potential results: (i) a composition agreement between the creditors and the debtor ("CVA") or (ii) the debtor's liquidation.

In the case of voluntary insolvency, as a general rule unless the Court decides otherwise, the debtor retains the management and powers of disposal over its assets, although it is subject to the intervention (*intervención*) of the insolvency administrator, who consequently must approve any management or disposal decision. In the case of mandatory insolvency, as a general rule unless the Court decides otherwise, the debtor's management powers are suspended, and management's former powers, including the power to dispose of assets, are conferred solely upon the insolvency administrator (*sustitución*). This notwithstanding, as a general rule, any sale or encumbrance of the debtor's assets or rights before the approval of a CVA or the opening of the liquidation phase requires specific authorization from the Court. There are certain exceptions to this rule including, among other, transactions in the ordinary course of business, or transactions essential to assure the viability of the company or its treasury needs required by the continuation of the insolvency.

There is no automatic claw back date by operation of law. Therefore, there are no prior transactions that automatically become void as a result of the initiation of insolvency proceedings. Instead the insolvency administrator must expressly challenge those transactions, to the extent they were detrimental to the debtor's estate and were executed during the two years before the insolvency is declared. In addition, creditors who have applied to exercise any claw back action (stating the specific action they aim to contest or revoke and the grounds of their petition) shall be entitled to exercise such action if the insolvency administrator does not do so within the two months following their request. Under the current Spanish Insolvency Law, upon declaration of insolvency, acts detrimental (*perjudiciales*) to the debtor's estate carried out by the debtor during the two years prior to the date the insolvency is declared may be rescinded, even in the absence of fraudulent intent (transactions taking place earlier than two years before the declaration of insolvency may be challenged under the general applicable regime, under which fraud is required, among other things). Article 71.2 of the Spanish Insolvency Law contains an irrefutable presumption that those acts where no consideration is received for a disposed asset and acts that result in the early repayment or settlement of obligations which would have become due after the declaration of insolvency (unless such obligations were secured by means of an *in rem* security) are detrimental. In addition, unless the debtor or another affected party (such as a creditor) can prove otherwise to the Court's satisfaction, a disposal made in favor of "specially related parties" (as defined in the Spanish Insolvency Law) as well as the creation of a security interest securing a pre-existing obligation or a new obligation that replaces an existing one, and those payments or other acts extinguishing obligations that would have become due after the declaration of insolvency and which are secured by means of an *in rem* security, are presumed to be detrimental. In the case of acts not covered by the presumptions above, the burden of proof is on the person bringing the claw back action, who consequently must prove the detriment to the debtor's estate. Acts deriving from the debtor's ordinary course of business made at arm's length and certain refinancing arrangements (*acuerdos de refinanciación*) meeting the legal requirements set forth in Article 71 (bis), 4th Additional Provision or Article 231 and successive of the Spanish Insolvency Law, as well as the acts and payments made and the security created in connection therewith, may not be rescinded.

Accordingly, a Guarantor's acts of disposal with "specially related parties" (such as the Issuer), as defined in the Spanish Insolvency Law, are presumed to be detrimental unless proved otherwise.

If the action for rescission is successful, reciprocal restitution of the consideration will be ordered, along with any benefit and interest accrued. When it is no longer possible to return the item received, the cash equivalent of its value must be delivered. The obligation arising from the action for restoration is considered a credit against the insolvency estate (*créditos contra la masa*), unless the third party is held to have acted in bad faith, in which case the credit due to the restoration will be considered as subordinate.

The general principle of "no termination effect" is also established such that all agreements creating reciprocal obligations for both parties remain in force after the declaration of insolvency. Any contractual arrangements establishing the termination of such kinds of contracts and/or entitling the relevant counterparty to terminate it in the event of the declaration of insolvency of the debtor will be unenforceable. As a general rule. these kinds of agreements may be terminated, under certain circumstances, in the event of breach (although the Court is entitled to order the continuation of the contract to the extent all due obligations are paid against the debtor's estate) or, with the Court's approval, when the debtor or the insolvency administrator considers that the termination is in the interest of the insolvency estate. Some specific rules apply to certain contracts.

As a general rule, set-off is prohibited unless the requirements for the set-off were satisfied prior to the declaration of insolvency. Where there are claims subject to laws other than Spanish laws, other rules may apply.

Additionally, the declaration of insolvency suspends the accrual of interest on debts prior to the declaration of insolvency, except for (i) those on claims secured by an *in rem* right and subject to the limit of the value of the security and (ii) any wage credits in favor of employees which will accrue the legal interest set forth in the State Budget Law (*Ley de Presupuestos del Estado*).

The current Spanish Insolvency Law distinguishes between insolvency claims (*créditos concursales*) and claims against the insolvency estate (*créditos contra la masa*).

Claims against the insolvency estate, include, among others, (i) certain amounts of the employee payroll, (ii) certain costs and expenses of the insolvency proceedings, (iii) claims that arise after the declaration of insolvency due to the continuation of debtor's business activities, (iv) payments arising from agreements with outstanding reciprocal obligations surviving after the declaration of insolvency, and amounts due as a result of its termination, (v) claims arising in favor of a creditor subject to a claw back action (except if the creditor acted in bad faith), (vi) claims arising from obligations lawfully undertaken by the debtor with the approval of the insolvency administrators or by the insolvency administrators during the insolvency proceedings, (vii) certain amounts arising from obligations created by law or from the non-contractual liability of the insolvent debtor after the declaration of insolvency and until its conclusion, and (viii) in case of liquidation, the credit rights granted to the debtor under a Composition Agreement in accordance with article 100.5 of the Spanish Insolvency Law, (ix) 100% of the new funds lent under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.bis or the 4th Additional Provision of the Spanish Insolvency Law, provided that such arrangement has been entered into after March 9, 2014; and (x) 100% of the new funds lent by the debtor itself or by persons being in a special relationship with the debtor in the context of a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.bis or the 4th Additional Provision of the Spanish Insolvency Law; provided that such arrangement has been entered into after March 9, 2014; and provided further that such new funds do not result from a share capital increase. From October 2, 2016, only 50% of the new funds referred to in subsection a)(ix) will be considered as claims against the insolvency estate, and funds referred to in subsection a)(x) will no longer be considered as claims against the insolvency estate. As a general rule, claims against the insolvency estate are payable when due according to their own terms (and, therefore, are paid before general debts under insolvency proceedings), unless the debtor's estate is not sufficient to do so, applying in such a case specific ranking rules. Assets subject to special privilege cannot be affected by the payment of debts against the insolvency estate.

Creditors are required to report their insolvency claims to the insolvency administrator within one month from the publication of the Court order declaring the insolvency in the Official Gazette, providing documentation to justify such claims. Based upon the documentation provided by the creditors and documentation held by the debtor, the insolvency administrator draws up a list of acknowledged creditors/claims and classifies them according to the categories established in the Spanish Insolvency Law:

- Creditors benefiting from special privileges; in particular, with claims secured by a specific asset or right (essentially, *in rem* security). The scope of the privilege is established by reference to the value of the collateral (which, in turn, is calculated by reference to the fair value of the collateral). Thus, an objective distinction is being made between the portion of the debt that is really covered by the value of the collateral and the portion that is not. The portion of the debt not covered by the value of the collateral is given the same treatment as for unsecured claims and will be classified according to its nature. The value of the *in rem* security will be that resulting from deducting from nine-tenths of the fair value of the asset or right over which the security lies, any outstanding debts enjoying a preferential security over the same asset. The value cannot be less than zero or greater than the value of the privileged claim or the value of the maximum mortgage or pledge liability which might have been agreed. Fair value means: (i) for listed securities, the average weighted price at which they would have been traded on one or more regulated markets in the last quarter before the date of the declaration of insolvency, according to the certificate issued by the company governing the market in question; (ii) for real estate assets, that resulting from the appraisal report issued by an officially approved entity; and (iii) for other assets, that resulting from the report issued by an independent expert in accordance with the valuation principles and rules generally recognized for these assets. The reports established for the latter two cases will not be necessary when the value has been determined by an independent expert within six months before the date of the declaration of insolvency, or when the assets are cash, current credit accounts, electronic money or fixed-term deposits. These creditors may under certain circumstances initiate separate enforcement proceedings, though subject to certain restrictions, including a waiting period that may last up to one year. The insolvency administrator has the option to halt any enforcement of the securities provided that they pay the respective claim up to the value of the collateral. Specially privileged creditors are not subject to the CVA, except if they give their express support by voting in favor of the agreement or they are crammed down to the extent certain majority approval thresholds are reached, even though the respective creditors are in opposition. In the event of liquidation, they are the first to collect payment with proceeds obtained from the assets that secure their claim.

- Creditors benefiting from a general privilege, including, among others, specific labor claims up to a certain amount; claims for amounts relating to unpaid withholding taxes and social security contributions; claims for other amounts to be paid to the tax authorities and the social security authorities for half (50%) of their amount; claims held by the creditor applying for the corresponding insolvency proceedings, to the extent such application has been approved, for up to half (50%) of the amount of such claim; and the funds lent under a refinancing agreement entered into in compliance with the requirements set forth in Article 71 (bis) or in the 4th Additional Provision of the Spanish Insolvency Law in the amount not admitted as a claim against the insolvency estate. The holders of general privileges are not affected by a CVA if they do not vote in favor of the agreement or they are crammed down to the extent certain majority approval thresholds are reached, even though the respective creditors are in opposition. However, some specific content of the CVA cannot be imposed to dissenting public or labor claims. In the event of liquidation, claims benefiting from a special privilege are paid before ordinary claims, in accordance with the ranking established under the Spanish Insolvency Law. Assets subject to a special privilege may not be used to pay general privilege claims, unless there is an excess after the payment of the secured claim.

- Special and general privileged creditors must be also classified among one of the following classes: labour, public, financial and the remaining creditors. This classification is relevant to determine the majorities to approve a CVA and extend them to dissenting privileged creditors of the same class.

- Ordinary creditors (non-subordinated and non-privileged claims) rank *pari passu* and will be paid *pro rata*, including secured creditors for the amount of the claim which exceeds the value of the collateral, as determined under the Spanish Insolvency Law rules.

- Subordinated creditors (those subordinated to all ordinary creditors by virtue of an agreement or pursuant to law), include, among others, those with certain claims communicated late (outside the specific one-month period mentioned above); claims that are contractually subordinated *vis- à-vis* all other credits of the debtor; claims relating to surcharge and unpaid interest claims (including default interest) except for those claims secured with an *in rem* right up to the secured amount; fines; claims held by creditors that are "specially related parties" to the insolvent debtor, except for those credits that are regulated as debt against the insolvency estate (*crédito contra la masa*) in accordance with subsection (x) of the paragraph relating to claims against the insolvency estate above and until October 1, 2016; claims resulting from acts that were claw backed where the creditor was declared in the judgment to have acted in bad faith; and certain claims deriving from contracts with reciprocal obligations if the creditor attempts to prevent the fulfillment of the contract to the detriment of the insolvency interests. Subordinated creditors are second- level creditors; they do not have the right to vote at the creditors' meeting (whereby the CVA is approved or rejected) but are bound by the CVA, if approved, and are paid last, according to the ranking established by Spanish Insolvency Law. Moreover, securities granted to secure a subordinate claim shall be canceled.

In the case of individuals, the following shall be deemed to be "specially related parties": (i) debtor's relatives, (ii) legal entities controlled by the debtor or its relatives, (iii) legal entities belonging to the company group of the legal entities referred to in subsection (ii); and (iv) legal entities of which persons referred to in subsections (i), (ii) and (iii) are directors or de facto directors.

In the case of a legal entity, the following shall be deemed to be "specially related parties": (i) shareholders with unlimited liability; (ii) limited liability shareholders holding, directly or indirectly, 10% or more of the insolvent company's share capital (or 5% if the company is listed, as is the case of the Issuer) by the time the credit right under dispute in the insolvency scenario arises; (iii) directors (including shadow directors), liquidators and those holding general powers of attorney from the insolvent company, as well as such individuals holding such positions within two years prior to the declaration of insolvency; and (iv) companies pertaining to the same group as the debtor and their common shareholders provided such shareholders meet the minimum shareholding requirements set forth in (ii) above. Notwithstanding the above, creditors who have directly or indirectly capitalized their credit rights pursuant to a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.bis or the 4th Additional Provision of the Spanish Insolvency Law shall not be considered as being in a special relationship with the debtor, in respect of credits against the debtor, as a result of the financing granted under such refinancing arrangement. In addition, there is a rebuttable presumption, established in the Spanish Insolvency Law, that the assignees of the above are also "specially related persons" if the assignment has occurred within two years prior to the declaration of insolvency.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, in order to protect the interests of the debtor and creditors, as a general rule, the Spanish Insolvency Law extends the jurisdiction of the court dealing with insolvency proceedings, which is then legally authorized to handle enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor or administrative law).

Refinancing agreements

A recent amendment of the Spanish Insolvency Law excluded certain types of refinancing agreements from the scope of claw back actions, including the guarantees and security interest granted in execution of such agreements. There are two types of refinancing agreements that are ring-fenced against claw-back actions:

(i) Collective refinancing agreements are agreements providing for significant increase of the credit available to the debtor or the modification of the obligations of the debtor under the original financing agreement either by means of a payment deferral or by setting out new obligations in substitution of prior ones provided that, in addition, the following conditions are met: (a) the agreement is subscribed to by creditors holding claims amounting to at least 3⁄5 of the debtor's debt on the date of execution of the refinancing agreement (in case of a group of companies, such majority must be reached both on a consolidated and individual basis, excluding intragroup claims); (b) the 3⁄5 amount referred to in (a) is confirmed in a certificate issued by the auditor of the debtor (in case it does not have one, the Commercial Registry will appoint it); and (c) the agreement must be formalized in a public document. Refinancing agreements must be executed in the context of a viability plan designed to allow debtors to carry on their business activities in the short and medium term; and

(ii) Non-collective refinancing agreements that are those which do not fall within the scope of the collective refinancing agreements, but which will be immune to claw-back actions provided the following requirements are met: (a) the initial proportion of assets in relation to liabilities is increased; (b) the resulting current assets are equal to or greater than current liabilities; (c) the value of the resulting security granted in favor of the creditors who enter into the agreement does not exceed either 9⁄10 of the value of the outstanding debt owed to those creditors, or the proportion of security (calculated in accordance with the mechanism set forth in the 4th Additional Provision of the Spanish Insolvency Law) to the outstanding debt owed to such creditors prior to the agreement (this measure is intended to ensure that the secured percentage of debt is not increased in any way); (d) the interest rate in favor of the intervening creditors does not exceed in more than 1⁄3 the rate applicable to the debt before the refinancing; and (e) the agreement is formalized in a public document, with the intervention of all the affected parties, and includes a description of the reasons justifying its content from an economic point of view.

These kinds of refinancing agreements can be rescinded only if the insolvency administrator proves the requirements described above were not met. Unlike the general rule, creditors are not entitled to request the claw back of these kinds of refinancing agreements.

Refinancing agreements satisfying requirements referred to in (i) above (except for the majority referred to in (a)) may be also homologated (*homologado*) by the insolvency court if (i) they have been subscribed by creditors holding, at least, 51% of the debtor's financial liabilities whether or not subject to financial supervision (that is to say the Spanish Insolvency Law excludes public creditors and those of commercial transactions) at the date of the refinancing agreement; (ii) the debtor's auditor issues a certificate acknowledging that the 51% majority referred to above has been reached; and (iii) the agreement is formalized in a public instrument. Homologated refinancing agreements may not be subject to a claw- back action (and in fact, this is the only effect applicable to homologated refinancing agreements executed by creditors holding 51% to 59.99% of debtors' financial liabilities).

According to the latest reform of the Spanish Insolvency Law, if part of the financial liabilities include syndicated loans, all creditors holding an interest in the syndicated loan will be deemed to have adhered to the refinancing agreement if it is favorably voted upon by at least 75% of the liabilities represented by the loan, or a lower majority if so established in the syndicated loan agreement. The scope of this measure is not clear among Spanish scholars or courts and therefore it is not possible yet to ascertain what its practical effects will be. In addition, a recent court resolution (rendered by a first instance court) considers that dissenting creditors that should be considered "special privileged creditors" but who are not able to enforce their security on their own (because, for instance, their right to enforce is subject to the agreement of a majority of lenders which take part of a syndicated loan) cannot be considered "secured creditors" with regards to restructuring arrangement and its effects.

Specially preferred creditors who are bound by the refinancing arrangement (because they supported it or because its effects were extended to it) may start or resume separate enforcement of their collateral upon declaration of a breach of the arrangement, in which case they will keep the amount obtained by enforcement to the extent of the original debt, and any excess will be added to the insolvency estate. The following cramdown effects of homologated refinancing agreements may be imposed on (i) dissenting or non- participating unsecured creditors; or (ii) secured creditors to the extent of that part of their secured financial claim not covered by their security interest, as valued in accordance with the rules set out by the latest reform of the Spanish Insolvency Law:

(a) If the homologated refinancing agreement is supported by creditors representing at least 60% of the debtor's financial liabilities, maturity of the creditor's claims may be extended for up to five years or the debt converted into so-called profit participating loans (*préstamos participativos*) with a five-year maturity.

    Further, these effects may be extended to the amount of secured financial claims covered by the security interest of non-participating or dissenting creditors, when the agreement has been entered into by creditors holding secured claims covered by the security interest which represent 65% of the covered amount of the value of the secured claims covered by the security interest held by all the creditors holding financial liabilities.

(b) If the homologated refinancing agreement is supported by creditors representing at least 75% of the debtor's aggregate financial liabilities:

    (i) maturity extensions for up to 10 years;

    (ii) haircuts (note that a cap has not been established);

    (iii) capitalization of debt;

    (iv) conversion of debt into profit participation loans of up to 10 years, convertible obligations, subordinated loans, payment in kind facilities, or in any other financial instrument with a ranking, maturity and features different to the original debt; and

    (v) assignment of assets or rights as total or partial payment of the debt.

Further, these effects may be extended to the amount of secured financial claims covered by the security interest of non-participating or dissenting creditors, when the agreement has been entered into by creditors holding secured financial claims covered by the security interest which represent at least 80% of the value of the secured financial claims covered by the security interests held by all the creditors holding financial liabilities.

New CVA regime

Recently, the Spanish Insolvency Law has been amended in order to apply a similar regime than that of the refinancing agreements explained above to the CVA. The majorities applicable to the CVA depend on the kind of measures included in the CVA proposal to be voted on:

(i) a simple majority is required for (i) the full payment of ordinary claims with an extension not exceeding three years, or (ii) the prompt payment of ordinary claims but with haircuts not exceeding 20%;

(ii) the favourable vote of creditors representing at least 50% of ordinary claims is required for: (i) haircuts not exceeding 50%; (ii) extensions, of principal, interest or any other amount due, for a period not exceeding five years; or (iii) the conversion of claims into profit participating loans (*préstamos participativos*), excluding "public" and "labour" creditors, for a period not exceeding five years; and

(iii) the favourable vote of creditors representing at least 65% of ordinary claims is required for: (i) haircuts exceeding 50%; (ii) extensions, either of principal, interest or any other amount due, for a period between five and ten years; (iii) the conversion of claims into profit participating loans (*préstamos participativos*), excluding "public" and "labour" creditors, for a period between five and ten years; or (iv) any other measure established under article 100 of the Insolvency Law (such as debt-for-assets deals in relation to some assets and under certain circumstances).

If part of the financial liabilities includes syndicated loans, all creditors holding an interest in the syndicated loan will be deemed to have adhered to the CVA proposal if at least 75% of the liabilities represented by the loan, or a lower majority if so established in the syndicated loan agreement, vote in favour.

The effects of the duly approved CVA may be extended to privileged creditors (regardless of the kind of privilege) and even in relation to the amount of the claim not exceeding the secured claim value. Notwithstanding this, in order to implement the cramdown mechanism, a dual majority is required: (i) the CVA must be approved by the superior majority indicated below; and (ii) the CVA must also be approved by creditors of the relevant privileged class, according to the definition provided under the Spanish Insolvency Law.

The superior majorities required to extend the effects of the CVA to those privileged creditors who have not voted in favour of the proposal are the following:

(i) the favourable vote of creditors representing at least 60% of any privileged class will be required if the measures in the proposal include any of those indicated in section (ii) above; and

(ii) the favourable vote of creditors representing at least 75% of any privileged class will be required if the measures in the proposal include any of those indicated in section (iii) above.

Applicable jurisdiction

The applicable jurisdiction to conduct an insolvency proceeding is the one in which the insolvent party has its "center of main interests". This "center of main interests" is deemed to be where the insolvent party conducts the administration of its interests on a regular basis and which may be recognized as such by third parties. Insolvency proceedings conducted by the court of the "center of main interests" are considered "the principal insolvency proceedings" and have universal reach affecting all the assets of the insolvent party worldwide. If the "center of main interests" is not in Spain, but the insolvent party has a permanent establishment in Spain, Spanish courts will only have jurisdiction over the assets located in Spain (the "territorial insolvency proceedings").

In the event Spanish courts have jurisdiction to handle the Issuer's insolvency proceeding (upon a judicial consideration that the Issuer's "center of main interests" is in Spain), Article 87.6 of the current Spanish Insolvency Law would apply. Article 87.6 provides that creditors holding a third-party guarantee will be recognized in the insolvency proceedings in their full amount without any limitation and without prejudice to the fact that if the guarantor is subrogated in the creditor's place, when the guarantee is enforced, the claim of the guarantor will be classified in accordance with the ranking corresponding to the creditor or the guarantor, whatever is better for the insolvency estate interest.

In the event that any of the Guarantors becomes insolvent and it is determine that Spanish courts have jurisdiction to handle their insolvency proceedings and that the current Spanish Insolvency Law applies, the claim deriving from the Notes Guarantee will be treated as ordinary debt unless it is subordinated by application of any of the criteria indicated above.

In addition, under certain circumstances, directors (including shadow directors), liquidators and those holding general powers of attorney may be held liable for the payment of the claims that cannot be paid with the debtor's assets upon its liquidation; provided that a court determines that the insolvency was generated or aggravated due to their willful misconduct or gross negligence (*concurso culpable*). For such purposes, certain presumptions are established by the Spanish Insolvency Law.

Under the current Spanish Insolvency Law, the intercompany loans between the Spanish Guarantors and the Issuer would be treated as subordinated debt.

Moratorium

The current Spanish Insolvency Law imposes a moratorium on the enforcement of secured creditor's rights (*in rem* security) in the event of insolvency, to the extent the collateral can be deemed by the Insolvency Court to be an asset necessary for the continuity of the business. The moratorium would take effect following the declaration of insolvency until the earlier of (i) one year has elapsed since the declaration of the insolvency without liquidation proceedings being initiated, or (ii) the approval of a CVA that does not affect the exercise of the rights granted by the security interest. Enforcement will be stayed even if at the time of declaration of insolvency the notices announcing the public auction have been published. The moratorium may be lifted if the court determines that the asset is not used for the debtor's professional activities of the debtor's business. When it comes to determining which assets of the debtor are used for its professional or business activities, courts have generally embraced a broad interpretation and will likely include most of the debtor's assets. Even when the moratorium elapses, in case the creditors did not commence the enforcement before the insolvency declaration, it could lose its right to enforce separately within the insolvency proceeding, and thus its right to control the sale of the asset by the insolvency administrator. During the moratorium, the insolvency administrator is also entitled to repay the claim as a claim against the insolvency estate, up to the value of the collateral as determined under the Spanish Insolvency Law rules, as to avoid the enforcement.

In addition, there are certain rules applying to the assets securing claims in case they are sold in liquidation as part of the debtor business. Depending on the manner the asset is sold (i.e. with or without the security), such rules could imply a sale without the creditor's consent is required, in special and among others if the asset is sold over the value of the collateral, or also below if the secured creditor loses its right to enforce separately within the insolvency proceeding, or 75% of the special privileged creditors belonging to the same class with right to enforce consent so.

Insolvency proceedings may, normally (although the Spanish Insolvency Law foresees other (unusual) conclusions in Article 176), lead either to the restructuring of the business financing in place through the implementation of an agreement between the creditors and the debtor on the payment of debts or to the liquidation of the debtor's assets.

The current Spanish Insolvency Law only came into effect in September 2004, and as such, there is only a limited history of its application by Spanish courts.

Swiss insolvency law

In the event of insolvency of any one of the Swiss Guarantors, insolvency proceedings may be initiated in Switzerland, and Swiss insolvency law would govern the proceedings. The insolvency laws of Switzerland and, in particular, the provisions of the Swiss Federal Act on Debt Collection and Insolvency (*Bundesgesetz über Schuldbetreibung und Konkurs*) may be less favorable to the interests of creditors than the insolvency laws of other jurisdictions, including in respect of priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and therefore may limit the ability of the holders of the Notes to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

Certain parts of the relevant Swiss Federal Act on Debt Collection and Insolvency (*Bundesgesetz über Schuldbetreibung und Konkurs*), especially concerning the composition proceedings (*Nachlassverfahren*), have been amended. The amendments entered into force on January 1, 2014.

Under Swiss insolvency law, there is no group insolvency concept, which means there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In the case of a group of companies, each entity is, from an insolvency law point of view, dealt with separately. As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and *vis-à-vis* each entity are dealt with separately.

Under Swiss insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but rather require that the debtor or a creditor file a petition for the opening of insolvency proceedings based on an application for commencement of enforcement proceedings and the threat of insolvency, as discussed in the paragraphs below. Moreover, insolvency proceedings must be initiated by the debtor itself according to Swiss corporate law in the event of over-indebtedness (*Überschuldung*) or can be initiated by a creditor according to Swiss insolvency law in the event that the debtor has obviously and permanently stopped paying its debts as and when they fall due, has acted fraudulently or is attempting to act fraudulently to the detriment of its creditors. Furthermore, a debtor may also initiate insolvency proceedings if it declares itself insolvent (*zahlungsunfähig*) before court. Generally, pursuant to Swiss corporate law, a debtor is over-indebted when its liabilities exceed the value of its assets, which must be assessed pursuant to the accounting standards of the Swiss Code of Obligations and on the basis of a balance sheet to be drawn up (i) on the basis of the liquidation value of the debtor's assets and (ii) to the extent there is still a going-concern scenario, based upon the going-concern value. If the interim balance sheet shows that the creditors' claims are neither covered by assets valued at liquidation values nor at going-concern values, the debtor's board of directors must notify the court; provided that creditors of the debtor do not agree to subordinate their claims in the amount necessary to cover the over-indebtedness (Art. 725 Swiss Code of Obligations). The debtor's board of directors is obliged to file for insolvency without delay and non-compliance with this obligation exposes the board of directors to damage claims and, in extreme cases, to sanctions under criminal law. Under certain circumstances, the auditors of an over-indebted company are obliged to file for insolvency.

If a creditor wants to initiate insolvency proceedings, it has to file an application for commencement of enforcement proceedings (*Betreibungsbegehren*) with the competent debt collection office (*Betreibungsamt*). With respect to unsecured claims, the competent debt collection office is located where the debtor is registered or resident. The debt collection office will then serve the debtor with the writ of payment (*Zahlungsbefehl*). There is no material assessment of the claim at this stage. The debtor may within 10 days upon having been served with the writ of payment, file an objection (*Rechtsvorschlag*) to bring the procedure to a halt and obtain an individual stay of proceedings. No reasons need to be given for the objection. The collection office notifies the creditor of the objection.

For claims based on an enforceable judgment or an enforceable public deed or an order of a Swiss administrative authority, the creditor can, without any further delay, file an application to lift the stay with the court (*Rechtsöffnungsbegehren*). For other claims which are based on a certified or signed document evidencing the claim, the creditor can apply for provisional lifting of the stay in summary proceedings (*provisorische Rechtsöffnung*). In the event the objection is set aside in the summary proceedings, the debtor may within 20 days bring an action in ordinary court proceedings for negative declaration that the creditor's claim does not exist (*Aberkennungsklage*).

The creditor may then ask the debt collection office to issue a writ of continuation (*Fortsetzungsbegehren*) in relation to an existing writ of payment having full force and effect. The competent insolvency office delivers this writ of continuation to the debtor. The insolvency court may take preliminary measures to secure property of the debtor in case this is requested by a creditor and required to secure the creditor's rights. Within 20 days from receipt of the threat of insolvency (*Konkursandrohung*), the creditor may petition for the opening of insolvency proceedings. The competent insolvency court decides upon the insolvency without any delay; provided that there are no reasons which would lead to a suspension of the insolvency court's decision. In addition, the debtor has the right to file a request for a moratorium. The parties may file an appeal against any decision taken by the insolvency court.

The insolvency court orders the continuation of insolvency proceedings if certain requirements are met; in particular, if there are sufficient assets to cover at least the costs of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only order to continue insolvency proceedings if third parties, such as creditors, advance the costs of the insolvency proceedings themselves. In the absence of such advancement, the insolvency proceedings will be closed for insufficiency of assets (*Einstellung des Konkursverfahrens mangels Aktiven*). Alternatively, the insolvency office may request the insolvency court to resolve upon summary insolvency proceedings (*summarisches Konkursverfahren*) if the assets are not sufficient to cover the cost of ordinary insolvency proceedings and the actual facts of the case are not complicated. Also, in such case, creditors have the right to request ordinary insolvency proceedings.

Upon the opening of formal insolvency proceedings (*Konkurseröffnung*), the right to administer the business and dispose of the assets of the debtor passes to the insolvency office (*Konkursamt*). The insolvency office has full administrative and disposal authority over the debtor's estate (*Konkursmasse*); provided that certain acts require the approval of the insolvency court. The creditors' meeting may appoint a private insolvency administrator (*private Konkursverwaltung*) and, in addition, a creditors' committee (*Gläubigerausschuss*). In such case, the private insolvency administrator will be competent to maintain and liquidate the debtor's estate. The creditors' committee has additional competencies.

Insolvency results in the acceleration of all claims against a debtor, secured or unsecured, except for those secured by a mortgage on the debtor's real property, and the relevant claims become due upon insolvency. As a result of such acceleration, a creditor's bankruptcy claim consists of the principal amount of the debt (discounted at 5% if not interest bearing), interest accrued thereon until the date of insolvency and limited costs of enforcement. Upon insolvency, interest ceases to accrue. Only secured claims enjoy a preferential treatment insofar as interest that would have accrued until the collateral is realized will be honored if and to such extent as the proceeds of the collateral suffice to cover such interests.

All creditors, whether secured or unsecured, unless they have a segregation right (*Aussonderungsrecht*), wishing to assert claims against the debtor need to participate in the insolvency proceedings. Swiss insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims separately, but can instead only enforce them in compliance with the restrictions of Swiss insolvency laws. Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Vorzugsrechte*). Generally, entitlement to realize such security is vested with the insolvency administrator.

Realization proceedings are governed by Swiss insolvency laws which provide for a public auction, or, subject to certain conditions, a private sale. Proceeds from enforcement are used to cover (i) enforcement costs, (ii) the claims of the secured creditors and (iii) the claims of unsecured creditors, to the extent there are any excess proceeds.

Typically, liabilities resulting from acts of the insolvency administrator after commencement of formal insolvency proceedings constitute liabilities of the debtor's estate. Thereafter, all other insolvency claims (*Konkursforderungen*) of unsecured creditors will be satisfied pursuant to the distribution provisions of Swiss insolvency laws, which provide for certain privileged classes of creditors, such as a debtor's employees. Certain privileges can further result for the government and its subdivisions based on specific provisions of federal law. All other creditors will be satisfied on a *pro rata* basis if and to the extent there are funds remaining in the debtor's estate after the security interests and privileged claims have been settled and paid in full.

Swiss insolvency law also provides for reorganization procedures by composition with the debtor's creditors (*Nachlassverfahren*). Reorganization is initiated by a creditor's or the debtor's request to the competent court for a provisional stay (*provisorische Nachlassstundung*) or upon referral by the bankruptcy court. The provisional stay is followed by the ordinary stay (*ordentliche Nachlassstundung*), that shall last no longer than 24 months. During the stay, the debtor is under the supervision of an administrator (*Sachwalter*) and, for certain cases, of a creditors' committee and the court. The stay may be set aside in case of a successful reorganization of the debtor, if bankruptcy has to be opened, or if one of the several statutory types of composition agreement (*Nachlassvertrag*) has been negotiated with the creditors and confirmed by the competent court. A composition agreement with assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) has similar effects as a bankruptcy.

Uruguayan insolvency law

Law 18.387, on Judicial Declaration of Insolvency and Company Reorganization (the "Insolvency Law"), regulates the judicial declaration of insolvency against any debtor that cannot comply with his obligations.

Relative and Absolute Presumptions of Insolvency

The Insolvency Law defines certain scenarios in which a rebuttable presumptions of insolvency arises, including when (a) the debtor's liabilities exceed its assets; (b) there are two or more embargoes for executive actions or claims against the debtor for a total amount that exceeds half the value of its enforceable assets; (c) there are one or more obligations of the debtor that are three months past due; (d) the debtor omits the payment of its tax liability for more than a year; (e) the permanent closure of the debtor's headquarters; and (f) the Central Bank of Uruguay suspends or closes one or more of the debtor's bank accounts.

The Insolvency Law also establishes four cases in which an absolute presumption of insolvency arises, including when (a) the debtor requests its own insolvency declaration; (b) the debtor is declared insolvent by a competent judge of the country where the debtor is domiciled; (c) the debtor commits fraudulent acts to obtain credits or to remove assets from the reach of creditors; and (d) the debtor or its management hides or is permanently absent, without leaving a representative with authority and enough means to comply with the debtor's obligations.

The judicial declaration of insolvency may be requested by (a) the debtor in a voluntary insolvency or (b) any creditor, with or without an expired loan; (c) any of the administrators or liquidators of the debtor, or the members of the debtor's internal control body; (d) the partners personally responsible for the debts of the debtor; (e) joint debtors, bondholders or guarantors of the debtor; or (f) the stock exchanges or union members institutions in a compulsory insolvency. The debtor has the obligation to file for its own insolvency within thirty days of the date it knew or should have known it was insolvent.

Before a judicial declaration of insolvency, protective measures can be requested, such as an embargo of assets and rights of the debtor or an intervention in the debtor's business, to protect the debtor's assets. A declaration of insolvency results in the suspension or limitation of the debtor's legal standing, the appointment of a trustee and a controller, the calling of a meeting of creditors (*audience*) and the registration of the declaration of insolvency in the National Registry of Personal Acts and its publication in the Official Gazzette. The claims of all creditors of the debtor will become a part of the insolvency proceedings. The debtor or any person with a legitimate interest may appeal the insolvency declaration.

When a court determines the insolvency of the debtor, it is entitled to intervene in the communications of the debtor related to its professional activity. The judicial declaration of insolvency does not necessarily mean the debtor must cease its commercial activity, unless the judge orders it.

In a compulsory insolvency of a legal entity, the court may put an embargo on the assets of the entity's administrators, liquidators or members of the control body if the entity's assets are not enough to cover its liabilities. The court may also attach assets from former administrators, liquidators or members of the control body if such administrators, liquidators or control body members were aware of the entity's state of insolvency within the two years prior to the declaration of insolvency. Additionally, the debtor's legal standing is suspended and a trustee is appointed to administer the debtor's business and dispose of the debtor's assets.

In a voluntary insolvency, the debtor may maintain its legal standing, jointly managing its assets with an interventor, as long as the debtor's assets cover its liabilities and the judge finds it appropriate. Otherwise, the debtor's legal standing will be suspended, and a trustee will be appointed to administer the debtor's business and dispose of the debtor's assets.

The suspension of the debtor's legal standing has the following effects: (a) all the debtor's acts of administration and disposition of assets or rights that form the bankruptcy estate shall be invalid; (b) the only person authorized to take administration and disposition actions shall be the trustee; (c) the trustee shall substitute the debtor in every jurisdictional or administrative proceeding in which the debtor is party and (d) payments made to the debtor after the suspension of its legal standing shall not release creditors, except for payments made in good faith after the declaration but before the registration and publication of the debtor's insolvency. Where the debtor is a legal entity, the trustee shall have all the powers conferred by law to administrators and liquidators, and the debtor's internal control body shall be suspended from functioning.

The limitation of the debtor's legal standing determines that the debtor needs special authorization from the interventor to incur, modify or extinguish obligations; confer, modify or revoke powers; or take any legal act with respect to its assets out of the ordinary course of business. Any action that the debtor takes without authorization will be invalid. Its internal control bodies (if exist) shall continue to function in the ordinary course of business, but the convening of any special meeting of internal control bodies and any partners or shareholders meetings shall require the authorization of the interventor.

During any stage of the proceedings, certain majorities of unsecured creditors may designate an administrator of the debtor's business and assets during the insolvency. This administrator shall substitute the trustee or the debtor, as the case may be. Such majorities may also designate a Commission of Creditors to control the insolvency proceedings.

Temporary moratorium

The court that declared the insolvency of the debtor becomes the only competent court to hear the insolvency proceedings and to order precautionary measures over the debtor's assets. Once the insolvency is declared, all creditors claims shall be suspended and become a part of the insolvency proceedings. Therefore, the debtor's creditors will not be able to initiate enforcement against the debtor for any claims that arose prior to the declaration of insolvency outside of the insolvency proceedings, except claims with respect to labor or family without heritage content. Any court decision or award that (i) grants to a creditor a credit against the debtor; (ii), has the force o *res judicata*, national or foreign, that was decided prior to the declaration of insolvency, shall remain valid.

Creditors benefiting from pledges or mortgages are entitled to pursue enforcement of their claims with the judge overseeing the insolvency proceedings, beginning 120 days after the declaration of insolvency. Claims expressed in foreign currency shall be converted to the national currency of Uruguay based on the exchange rate on the date of the declaration of insolvency, and in accordance with Law 14.500, will continue to be adjusted.

Interest will not accrue on any claims against the debtor, except on claims benefiting from pledges or mortages or guarantees and labor claims.

Effects on contracts

Upon the declaration of insolvency of the debtor, the trustee or the debtor with authorization of the controller is entitled to terminate the debtor's contracts unilaterally, in which case the judge will determine compensation for the damages such termination causes to the other party. However, employment contracts shall not be terminated although the trustee or controller may request that the judge defer payment on any senior management claims.

The trustee or the debtor with the authorization of the interventor shall administer the debtor's bankruptcy estate for the satisfaction of the debtor's creditors. Until a resolution is passed either approving an agreement or stipulating the starting of the liquidation, the disposition or encumbrance of assets with a total value in excess of 5% of the total value of the bankruptcy estate shall require judicial authorization.

In the event the debtor's liabilities exceed its assets, the following acts shall be declared null and void: (i) any acts executed by the debtor free of charge or without reasonable compensation within the two years prior to the declaration of insolvency, not including ordinary gifts and other presents and remunerative donations to employees; (ii) any real guarantee for immature obligations or security over any asset of the debtor for a new obligation executed immediately after a previous obligation was cancelled, within the six months prior to the declaration of insolvency; (iii) any payment made by the debtor within the six months prior to declaration of insolvency for inmature obligations; and (iv) the cancellation of any contract within the six months prior to the declaration of insolvency. Any actions or omissions that the debtor takes to the detriment of its creditors are also revocable if they were executed within the two years prior to the declaration of insolvency and the debtor acted with fraudulent intent and the counterparty was aware or should have been aware of the debtor's insolvency. Notwithstanding the foregoing, actions taken in the debtor's ordinary course of business are not subject to revocation.

Claims against the bankruptcy estate include court fees related to the insolvency process; remuneration for the trustee or controller; costs related to maintenance, administration, valuation and liquidation of the bankruptcy estate; claims that arose before the declaration of insolvency; and other legal obligations of the debtor. These claims shall be paid at their maturity, outside the insolvency proceedings, with assets that are not mortgaged or pledged.

Creditors must file the appropriate documentation within 60 days from the date of declaration of insolvency in order to verify their claims. In the case of the Notes Guarantees, the verification requested by the Trustee shall benefit all the holders of the Notes. Creditors who fail to file the appropriate documentation within the time period specified must then verify their claims judicially and at their expense, losing their right to receive their share of the distributions already made.

Categories of Credits

Credits are classified into special and general preferential credits, common or unsecured credits and subordinated credits. Special preferential credits are those secured by pledges or mortgages. General preferential credits are (a) labor credits, with some exceptions; (b) Social Security Bank credits for the contributions of workers; (c) credits for national and municipal taxes; and (d) 50% of the unsecured credits of the creditor who filed for the declaration of insolvency, up to 10% of the credits against the bankruptcy estate. Subordinated credits include fines and other penalties and claims by persons related to the debtor, including family, administrators, liquidators, partners and related companies. Guarantee credits will be considered as a common credit without special privileges.

Procedure for verification

After the deadline for creditors to file for verification of their claims, the trustee or interventor must create a list of all creditors, their credits, guarantees, legal qualifications and other relevant information. This list will be made available in court so that any interested party may contest the inclusion or exclusion of certain claims, the amount of claims and the legal qualifications given.

Arrangement proposal

Before the start of the 60-day period prior to the celebration of the creditors meeting, the debtor may propose an arrangement proposal, with a plan of continuation or liquidation. The proposal can consist of acquittals, settlements, the transfer of assets to creditors, formation of a company with the unsecured creditors, capitalization of liabilities, creation of a fund and reorganization of the company, among others. The trustee or controller must issue a special report on the insolvency of the debtor, the debtor's heritage state and proposal arrangement (if any). In the creditors meeting, this special report will be discussed, the proposal agreement (if any) analyzed and the creditors committee named.

Before the proposal agreement can be approved, certain majorities of creditors, depending on the content of the proposal, must accept it. Once the judicial judgment approving the agreement is issued, the suspension or limitation of the legal standing of the debtor is terminated, unless the agreement states otherwise. Once the agreement is fully implemented, the debtor can request the conclusion of its insolvency.

If there is a breach of contract, any creditor can file for liquidation of the bankruptcy estate. Furthermore, the debtor's capacity to dispose and bound the bankruptcy estate shall be suspended, and precautionary measures can be used to protect the bankruptcy estate.

Liquidation of the bankruptcy estate

The judge shall order the liquidation of the bankruptcy estate in the following cases: a) when the debtor requests this in the initial requirement of declaration of insolvency; b) the agreement is not presented by the debtor or not accepted by the meeting of creditors; c) the agreement does not have judicial approval d) non compliance of the agreement; e) whenever the creditors, by reaching certain majority, request it at any time of the proceedings.

The Court's decision ordering the bankruptcy estate's liquidation shall have the following content: a) suspension of the debtor's ability to dispose and oblige the insolvency mass, naming the controller as a trustee, may it correspond; b) date for the public bidding in which the bulk sale of the ongoing Business shall take place, as well as a closed envelope containing the bidding's terms and conditions; c) declaration of dissolution of the corporation's legal entity, and termination of its administrators duty.

The liquidation of the bankruptcy estate produces the anticipated expiration of all debts previous to the Court's insolvency declaration, and also it allows and is reasonable cause for anticipated contract resolution.

Company Sale

A bulk sale of the company is preferred. However, no offers less than 50% of the appraisal value will be accepted. If a bulk sale is not achieved, a sale "by parts" will commence. Once all the bankruptcy estate has been liquidated and the proceeds from the sale have been paid to creditors, the trustee shall request a conclusion or suspension of insolvency.

Payment to creditors

Special preferential credits shall be paid with the proceeds from the sale of the relevant encumbered assets. Without prejudice to the payment of creditors with special preferential credits, the trustee shall pay with the proceeds from the sale of goods, in this order, creditors with general preferential claims, unsecured and common creditors and subordinated creditors.

If, after paying the creditors with special preferential claims, there are not enough assets to satisfy all the general preferential credits, payment shall be effected in the following order, pro-rata within each category: a) labor credits; b) credits from the Social Security Bank for the personal contributions of workers; c) credits for national and municipal taxes; and d) the 50% of unsecured credits of the creditor that requested the declaration of insolvency, up to 10% of the liability mass. The unsecured credits shall be satisfied pro-rata, jointly with the portion of the special preferential credits that had not been satisfied with the proceeds from the sale of the encumbered assets. Once the unsecured creditors are fully paid, payment to the subordinated creditors commences. If there is not enough to pay all the subordinated creditors, fines are covered first, then dissuasive sanctions and finally the claims held by people related to the debtor.

Qualification of the Insolvency

The insolvency is qualified as guilty or fortuitous. The insolvency would be considered guilty when the insolvency situation arose or was made worse due to fraud or gross negligence of the debtor, its administrators or liquidators in the case of legal entities. In all other cases, the insolvency would be considered fortuitous.

The law establishes some absolute presumptions of culpability, such as when a) before the declaration of insolvency, the debtor has unduly assets or rights of the debtor; b) the debtor has no accounting records, multiple accounting records or false accounting records and c) the debtor had attached false documentation to the filing for judicial declaration of insolvency.

There are also relative presumptions of culpability, including when a) the debtor has breached its duty to request a judicial declaration of insolvency; b) the debtor did not cooperate with the insolvency bodies, assist in providing the necessary information, or assist the creditors meeting.

If the insolvency is qualified as guilty, the judgment of qualification will a) express the cause in which it bases the guilty qualification; b) determine the people affected by the declaration, as well as any accomplices (i.e., those who cooperated with the debtor with intentional fault or serious misconduct); c) disqualify the debtor or the administrators, liquidators and members of the internal control body of the debtor to administer property or third-party assets for a period of five to 20 years; d) invalidate any right the accomplices had as insolvent creditors, reintegrating their share of the assets into the bankruptcy estate and making them liable for damages.

Suspension of the insolvency

The insolvency will be suspended in the case of inexistence or depletion of the bankruptcy estate without full satisfaction of the creditors. In the court order of suspension of the insolvency, the court can adopt the precautionary measures that it considers appropriate. The suspended insolvency can be restarted at any moment due to the request of the debtor or any creditor or if the debtor acquires new assets or rights.

The insolvency concludes if there is full compliance with the agreement, full satisfaction of the creditors or ten years have passed since the suspension of the insolvency.

Private agreement for reorganization

Before the judicial declaration of insolvency, the debtor may enter into a private agreement for reorganization with creditors that represent 75% of unsecured credits with the right to vote. The agreement can be implemented privately before a notary public or by the court by requesting judicial homologation. A private agreement shall be binding for all unsecured and subordinated creditors who are notified of the agreement and do not express their opposition.

If the debtor requests judicial homologation of the private agreement for reorganization and the judge accepts the agreement, the judge will order the inscription and publication of the writ of admission to notify the insolvency creditors and give them opportunity to oppose the agreement. This will have the following effects: a) the debtor shall need judicial authorization to incur, modify or extinguish obligations; grant or modify powers of attorney; or carry out any judicial act with regard to its heritage; b) the debtor's insolvency cannot be declared, except at his request; c) any executions and embargoes against the debtor with respect to claims that arose prior to the agreement shall be suspended; d) mortgages and pledges cannot be enforced for a period of 120 days starting from the date of the writ of admission, and any enforcement actions underway will be suspended for the same period of time; and e) the judge may adopt precautionary measures on the assets that compose the debtor's heritage. The unsecured or subordinated creditors, with the exception of those that had signed the agreement, may oppose the agreement. In case of opposition, the judge will designate a controller to control the debtor's activity and will give judgement homologating or rejecting the agreement.

Once all parties are in full compliance with the agreement, the debtor will request that the judge declare so and conclude the insolvency, if applicable. In the case of non-compliance, any creditor can request that the judge declare insolvency of the debtor.

International Jurisdiction for the Declaration of Insolvency

Uruguayan courts shall have the authority to declare insolvency when a) the address or effective center of activities of the debtor is in Uruguayan national territory; b) the debtor has or had its office, establishment or exploitation in Uruguayan national territory, even when its address or effective center of activity is situated overseas.

If the debtor had been declared insolvent or similar in another state where it had his address; effective center of activity; office, establishment or exploitation, the remaining assets or rights from the insolvency process of that State will be included in the insolvency proceedings in Uruguay.

Law applicable to the insolvency

Uruguayan law will govern all aspects of all declared insolvencies in Uruguay, with the exception of the effects of the declaration of insolvency on the debtor's concluded contracts, which will be governed by the provisions in the contract.

National and foreign creditors will be treated equally under the law, with the exception of labor claims, which are given general preferential treatment to charge assets located in Uruguay. If in the country of residence of the debtor, the Uruguayan creditors are not admitted on equal terms as the nationals of that state, the reciprocity principle arises, except with respect to pledges or mortgagees.

A foreign judgment of insolvency will be admitted in Uruguay if (a) it has been granted by a competent judge; (b) it is a final judgment; (c) the debtor has had opportunity to defend itself; (d) it is not contrary to the international public order; (e) it complies with the general requirements of articles 537 to 543 of the General Procedural Code. If the Uruguayan judge recognizes the foreign judgment, the Uruguayan judge may adopt any precautionary measures considered relevant to guaranteeing the heritage of the debtor in Uruguayan territory.

If the foreign declaration of insolvency pertains to a debtor with address, effective center of activities, office, establishment or exploitation in Uruguay, any of the legitimized may request the initiation of the insolvency in Uruguay.

If there are simultaneous insolvency proceedings in Uruguay and in other country, the Uruguayan judge and trustee or shall procure their actions with the same of the other country. The Insolvency Law shall apply in all respects as long as it does not contradict any international agreements signed by Uruguay.

Fraudulent transfer provisions of general applicability including during bankruptcy

Argentina

The Argentine Bankruptcy Law contemplates that, debt payments made prior to the scheduled maturity date by a person of Argentina to be declared bankrupt during the so-called "suspect period" are not valid against third parties and, therefore, are subject to be returned to the bankruptcy estate. The "suspect period" extends from the time the court determines that the debtor is in default until the date the judgment is issued the declaration of bankruptcy of the debtor; this period can not exceed two years. The cash payment is made canceling filed in outstanding debt insolvency process could be construed as a prepayment of principal, as in some cases is done prior to the scheduled maturity date of the debt to be.

The aforementioned suspect period, shall be the period that elapses between the date determined as the default default day and bankruptcy judgment. In that sense, the default date shall be.

Furthermore, some acts performed during such period are ineffective and void, in that sense:

- Donations;
- Prepayment of liabilities due under the title should occur on the day of the bankruptcy or after;
- Constitution of mortgage or pledge or any other preferences, for unexpired obligation that originally had no such guarantee.

The declaration of ineffectiveness is pronounced without action or request or expressed without processing. The order is appealable and incidental means of appeal.

Acts declared ineffective due to knowledge of default

Other acts detrimental to creditors granted in the "suspect period" may be declared ineffective with regard to creditors if, at the time of execution, those who carried out those acts with the bankrupted entity were aware of the debtor's bankrupt situation or if when granting such act there was a collusion between the relevant party and the bankrupted entity (or its controlling shareholder). The third party must prove that the act did not cause damage to the bankrupted entity (e.g. it was an arms' length transaction in market terms) and thereby to its unsecured creditors. The claim to have such act declared ineffective must be filed by the syndic, who is the individual (lawyer or chartered accountant) appointed by the Court in the bankruptcy proceeding to represent the creditors, within six months and is subject to prior approval of a simple majority of the verified unsecured creditors declared admissible by the court.

Austria

In addition to the claw back actions in the event of insolvency discussed under the Austrian Insolvency Law section above, under Austrian law any creditor having a due receivable against a debtor and having unsuccessfully enforced such receivable against this debtor may bring in an action to avoid transactions between this debtor and a third party in the event it has been performed or entered into to the detriment of creditors. Transactions may be avoided in particular in the following cases pursuant to the provisions of the Austrian Avidance Act (*Anfechtungsordnung—AnfO*):

(a) Intentional discrimination of creditors (Sec 2 AnfO):

- Creditors are entitled to avoid transactions performed by the debtor with the intent to harm its creditors

    (i) ten years prior to bringing in the claim for avoidance; provided that the other party was aware of the debtor's intent or

    (ii) two years prior to bringing in the claim for avoidance if the other party must have been aware of such intent at the time of the transaction.

- Creditors are also entitled to avoid purchase, swap, and distribution agreements entered into by the debtor in the last year prior to bringing in the claim for avoidance if the other party realized or must have realized a dissipation of funds.

(b) Transactions for no consideration (Sec 3 AnfO):

- Creditors are entitled to avoid transactions performed by the debtor for no consideration in the previous two years prior to bringing in the claim for avoidance.

Pursuant to Sec. 8 AnfO, all creditors of a debtor are entitled to challenge the validity of the debtor's transactions pursuant to the above provisions of the AnfO without regard to when their own claims originated; provided that

- their claims are enforceable against the debtor and
- the enforcement has not resulted in the creditor's claims being fully satisfied or it can be assumned that such enforcement will not result in a full satisfaction of the creditor's claims.

The creditor must bring such action against the person for whose benefit the transaction has been performed, or against the person which actually benefited from the transaction. The creditor may demand that its receivable is satisfied from the consideration which left the debtor's assets through the ineffective transaction. The beneficiary may discharge from the creditor's claim through its full payment to the creditor.

Belgium

Regardless of any declaration by the commercial court of a suspect period (see further under "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations—Applicable insolvency laws—Belgian insolvency law*"), transactions of which it can be demonstrated that they have been entered into with the fraudulent intention to cause prejudice to a third creditor, may be declared ineffective against third parties.

Chile

Fraudulent transfer provisions of general applicability including during bankruptcy

The new Law 20.720 on Insolvency abolished the old structure of *fortuitous, culpable or fraudulent bankruptcy* and assigned the matter to the criminal courts, under general criminal provisions established in the Criminal Code.

Of those provisions of the Criminal Code related to bankruptcy, the most relevant are the following:

- Article 463, punishing those that -within 2 years prior to the liquidation resolution- perform acts or agreements diminishing the value of their assets or increasing their debts without other economic or legal aim than that of damaging its creditors.
- Article 463 bis, punishes those that -within 2 years prior to the liquidation resolution-, fully or partially hide assets; use for their own benefit -or for another third parties- assets that should be included in the liquidation process; or after the liquidation resolution, transfer or encumber assets.
- Article 463 ter, punishing those that during the reorganisation or liquidation procedures deliver fake or incomplete information to the Supervisor, the Liquidator or the creditors; or that do not keep accountancy books in the legal manner; or hide, destroy or alter them.

The Czech Republic

Apart from challenging legal acts as being ineffective during the insolvency proceedings, which is discussed under Czech Insolvency Law section above, under Czech law, pursuant to Czech Act No. 89/2012, Civil Code ("Czech Civil Code") and under conditions stipulated therein, any creditor having a due receivable against the debtor may demand that a court declares a certain legal act (or legal acts) of the debtor, which curtail satisfaction of that creditor's receivable, as being ineffective against that creditor.

The legal acts which may be brought to an action must curtail a creditor's enforceable receivable (i.e. a receivable adjudicated by a court or subject to another enforceable title) and fall under one of the following types:

(a) legal acts which the debtor made in the last five years with the intention to curtail its creditors, provided that the debtor's counterparty in that legal act was aware of such intention;

(b) legal acts by which the debtor curtailed its creditors in the last two years, provided that the debtor's counterparty in that legal act must have been aware of the intention to curtail its creditors; or

(c) legal acts which led to curtailment of a creditor and were made between the debtor and its affiliate (*osoba blízká*) or for the benefit of a debtor's affiliate (*osoba blízká*) in the last two years, unless the debtor's counterparty in that legal act was not aware (or was not supposed to have been aware) of the debtor's intention to curtail its creditor at the moment of making such legal act;

(d) a contract on sale or contract on exchange concluded in the immediately previous year, provided that the debtor's counterparty must have recognized that by entering into such contract the debtor's property is being wasted to the detriment of the creditor's satisfaction;

(e) a legal act made by the debtor without any consideration (i.e. free of any payment) as being ineffective if it has occurred in the last two years. This does not apply in the case of (i) fulfilment of duties imposed by law; (ii) provision of common occasional gifts; (iii) donation of a reasonable amount provided for a publicly beneficial purpose; or (iv) a performance provided to satisfy a moral obligation or considerations of decency.

A creditor may, before its claim becomes enforceable, reserve the right to invoke ineffectiveness of a legal act by notifying the person against which it may invoke such ineffectiveness and make such reservation through a notary, private enforcement officer or a court. In such case, the time limit for the creditor to invoke ineffectiveness of a legal act commences only after the relevant claim becomes enforceable.

The creditor must bring the action against the debtor's counterparty or against the person which actually benefited from such legal act (or their successors). The creditor may demand that its receivable is satisfied from the consideration which left the debtor's assets through the ineffective legal act. If such satisfaction is impossible, the creditor may demand that the beneficiary of the ineffective legal act compensates for the benefit it received from the ineffective legal act.

If insolvency proceedings are initiated against the debtor before the court decides on ineffectiveness of a fraudulent legal act, the proceedings on the fraudulent legal act are halted by virtue of law. However, if the competent ordinary court decides that an act was fraudulent and such decision becomes legally effective before the debtor is declared insolvent, the creditor may still (notwithstanding the pending insolvency proceedings) demand that the beneficiary surrenders to the creditor the consideration the beneficiary received from the fraudulent legal act. Such consideration is not required to be included in the insolvency estate.

The Dominican Republic

The transfer of the assets prior to the bankruptcy order to be issued by the court could not be challenged by third parties or creditors of the failed business or company nor declared void by a court; provided that such transfer (a) has met the requirements set forth in Dominican law for the transfer of these assets depending on their type or nature; (b) have been made before the insolvency date, as fixed by the court; or (c) has been made after the insolvency date, but before the date of the bankruptcy order and the purchaser ignored that the company had become insolvent before the petition for bankruptcy.

Excluded Assets. Once a restructuring (bankruptcy) application is accepted, the assets and rights of the debtor considered constitute the "mass". Some assets can be excluded from this mass, such as: (i) the properties sold but not paid to the debtor; (ii) tax contributions retained by the debtor; (iii) assets and rights of third parties who are in property of the debtor, by deposit, lease, usufruct, trust, among others; (iv) essential assets for survival of the debtor when the debtor is an individual. Likewise, assets that belong to the spouse of the debtor provided it can be shown that they are not part of the community property of marriage, may be removed from the mass, as well as essential goods for their subsistence and basic tools.

The law 141-15 provides for imprisonment from two (2) years up to three (3) years and fines from 125 to 1250 minimum salaries for those persons who fraudulently distract assets either before or during procedures restructuring or bankruptcy, as well as for those who obstruct the work of Verifiers and Conciliators and to those who misuse the assets of the debtor companies. Similar penalties are imposed over third parties, who assist debtors in distraction, concealment or disguise of property or assets, to the detriment creditors, either before or during the restructuring or liquidation.

France

Article L.632-1-6° of the French Commercial Code (*Code de commerce*) provides that any security interest granted after the date on which the underlying debt it secures was incurred (*dettes antérieurement contractées*) and which is determined to have been granted during the hardening period is null and void. The hardening period is a period of time, the duration of which is determined by the bankruptcy judge upon the judgment recognizing that a cessation of payments of the insolvent company has occurred. The hardening period commences on the date of such judgment and extends for up to 18 months prior to the date of such judgment.

Furthermore, Article L.632-2, 1st paragraph, of the French Commercial Code (*Code de commerce*) provides that the bankruptcy court may declare void (i) any agreement involving consideration (*acte à titre onéreux*) entered into during the hardening period and (ii) payment of debt, which would mature during such period, if, in either case, the bankrupt debtor's contracting party knew that such debtor was insolvent (*cessation des paiements*).

Germany

Under the German Insolvency Code, during applicable contest periods, the insolvency administrator or, if debtor in possession status is granted, the custodian may contest (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the commencement of formal insolvency proceedings. Generally, if transactions, performances or other acts are successfully contested by the insolvency administrator, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvency estate. The administrator's right to contest transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings. Moreover, apart from the examples of an insolvency administrator contesting transactions according to the German Insolvency Code described above, under the German Act of Avoidance (*Anfechtungsgesetz*), a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also contest any security right or payment performed under the relevant security right outside formal insolvency proceedings. For further details concerning the pre-requisites for a contest of acts and legal transactions, please refer to "*Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency land considerations—Limitations—Limitations on validity and enforceability of Notes Guarantees granted by any German subsidiaries—Hardening periods and fraudulent transfer"*.

In addition, under German law, a creditor who is the beneficiary of a transaction effecting the repayment of the stated share capital of a debtor in the form of a GmbH or a GmbH & Co. KG or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor's impending insolvency or of circumstances indicating such debtor's impending insolvency at the time such funding was provided or extended and/or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that such liability may arise if, for example, the creditor acted with the intent to detrimentally influence the position of the other creditors of the debtor in violation of the legal principle of bonos mores (*Sittenwidrigkeit*). Such intention could be presumed if the beneficiary of the transaction was aware of any circumstances indicating that the debtor was close to insolvency (*Zusammenbruch*) or had reason to enquire further with respect thereto.

Italy

Upon the commencement of a bankruptcy, the following acts would be without effects (*privi di effetto*) as provided for by Articles 64 and 65 of Royal Decree March 16, 1942, n. 267 vis-à-vis the creditors:

- transactions entered into by the debtor, should they have been entered into in the two years preceding the declaration of bankruptcy and should they be deemed gratuitous acts (such as those, under certain circumstances, for the benefit of third parties); and

- payments, which fall due on the day of the declaration of bankruptcy or thereafter, made in the two years preceding the declaration of bankruptcy.

In addition, upon the commencement of a bankruptcy, the following acts could be revoked (*revocati*) pursuant to Article 67 of the above-mentioned Royal Decree (the result of which is a declaration of ineffectiveness as to the bankruptcy), unless the defendant in the related action proves that it was unaware of the state of insolvency of the debtor:

- non-gratuitous acts (including guarantees, agreements and payments), made within one year preceding the declaration of bankruptcy, if the value of the obligation performed or entered into by the debtor exceeds by more than one-quarter of the value of what has been given or promised in exchange to it;

- acts aimed to satisfy the requests of payment of creditors for past due debts, made by the debtor within one year preceding the declaration of bankruptcy, by non- ordinary means of payment;
- pledges and voluntary mortgages established within one year preceding the declaration of bankruptcy, for pre-existing and unmatured debts; and
- pledges and voluntary and judicial mortgages established within six months preceding the declaration of bankruptcy, for past due debts.

Moreover, should the receiver prove that the defendant in the related action was aware of the state of insolvency of the debtor, the payment of debts past due and payable, non-gratuitous acts, and acts establishing a pre- emption right for debt including those of third parties, contextually arisen, made within six months preceding the declaration of bankruptcy, could be revoked. In any case, the receiver—who is the individual deputed to bring the above actions—could always resort to the action described in the following paragraph (as provided for by Article 66 of the above-mentioned Royal Decree).

In addition, under Italian law, in certain circumstances, as well as in the ordinary course of business, an action can be brought by any creditor of a given debtor (even if the acting creditor owns a credit which is still under condition or term) within five years from the date in which the latter enters into a guarantee, an agreement and any other act by which it disposes of any of its assets, in order to seek a claw-back (*azione revocatoria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the said guarantee, agreement and other act only if it finds that, in addition to the ascertainment of the prejudice:

- the debtor was aware of the prejudice that the act would cause to the rights of the acting creditor or, if such act was prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; or
- in the case of non-gratuitous acts, the third party involved was aware of the said prejudice and, if the act was prior to the existence of the claim or credit, that the said third party participated in the fraudulent scheme.

Luxembourg

Under Luxembourg law, financial collateral arrangements within the meaning of the Luxembourg Collateral Law, may not be challenged by a bankruptcy receiver on the basis of insolvency regulations. Although the revocatory action specifically open to the bankruptcy receiver under bankruptcy rules where a transaction has defrauded the creditors of the bankrupt debtor has been clearly set aside by the Luxembourg Collateral Law, even if governed by a foreign law, the general revocatory action open to any creditor who is the victim of an act defrauding its rights, pursuant to article 1167 of the Luxembourg Civil Code (*actio pauliana*) and foreign revocatory actions not founded on insolvency regulations (to the extent applicable under conflict of laws rules), should remain available to such creditor.

Mexico

According to the Mexican Federal Civil Code, acts executed by a debtor in prejudice of his creditor may be declared void upon creditor petition, if those acts result in debtor's insolvency and the credit base of the claim is prior to such acts. Similarly, the Mexican Federal Bankruptcy Law considers acts in fraud of creditors those carried out prior the judicial declaration of insolvency, intentionally defrauding creditors if the third party in the act was aware of such fraud. Furthermore, the Mexican Federal Bankruptcy Law provided that execution took place within the "retroaction date" (270 natural days prior to the judicial declaration of insolvency, that could be increased up to 3 years), considers as acts in fraud of creditors: (i) acts carried out on gratuitous basis; (ii) acts and transfers in which a merchant pays a notoriously higher price or receives a notoriously lower payment in comparison to the consideration of his counterpart; (iii) operations carried out by a merchant in which terms and conditions agreed are significantly different to the prevailing market conditions, in the date of its execution, or from the merchant uses and practices; (iv) forgiveness of debt made by a merchant; (v) payments made by a merchant before they fall due; and (vi) discounts made by a merchant to its own merchandise beyond the "retroaction date".

The Netherlands

Dutch law contains specific provisions dealing with fraudulent transfer both in and outside of bankruptcy. Under these provisions, a legal act performed by a person, including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, additional agreements benefiting from existing security and any other legal act having similar effect, can be challenged in or outside bankruptcy of the relevant person and may be nullified by the bankruptcy trustee in a bankruptcy of the relevant person or by any of the creditors of the relevant person outside bankruptcy if (i) the person performed such acts without an obligation to do so (*onverplicht*), (ii) the creditor concerned, or in the case of the person's bankruptcy, any creditor, was prejudiced as a consequence of the act and (iii) at the time the act was or the acts were performed both the person and the counterparty to the transaction knew or should have known that the person's creditors, existing or future, would be prejudiced. In addition, in the case of a bankruptcy, the trustee in bankruptcy may nullify the debtor's performance of any due and payable obligation, including, without limitation, an obligation to provide security for any of its or a third party's obligations, if (i) the payee knew that a request for bankruptcy had been filed at the moment of payment or (ii) the performance of the obligation was the result of a consultation between the debtor and the payee with a view to give preference to the latter over the debtor's other creditors.

If a Dutch court found that the granting of the Notes Guarantees or the Collateral or any other transaction entered into by the Dutch Guarantors at any time in connection with the Notes, including the transactions contemplated by the Intercreditor Agreement, involved a fraudulent transfer as set out, then the granting of the Notes Guarantees or the Collateral or any other transaction entered into by the Dutch Guarantors could be nullified. In the case of successful challenge, holders of the Notes would not enjoy the benefit of the Notes Guarantees, the Collateral or other transaction. The value of any consideration that holders of the Notes received with respect to the Notes, whether upon enforcement of the Collateral or otherwise, also could be subject to recovery from such holders of the Notes and possibly from subsequent transferees, by prejudiced creditors of the Dutch Guarantors as a result of any fraudulent transfer. In addition holders of the Notes may be held liable for any damages incurred by such prejudiced creditors.

Poland

Under the Polish Civil Code there are specific provisions aimed at protecting the creditor against the detrimental actions of the debtor (so called Actio Pauliana). It provides the creditor with the right to appeal against the transaction performed by the debtor which is harmful to creditors. As a result, such a transaction may be considered to be ineffective towards the appellant.

There are the following prerequisites for using the institution:

- creditors' detriment if due to the legal transaction performed by the debtor a third party obtained a financial benefit,
- action of the debtor with the intent to inflict harm on the creditors, and

- knowledge of, or opportunity for, a third party exercising due diligence to find out that the debtor is acting with the intent to inflict harm on the creditors.

The creditor bears the burden of proof with respect to the aforementioned prerequisites.

The Polish Civil Code states that harm to the creditors occurs:

- due to actual (and not only potential) insolvency of the debtor as the result of a legal transaction it has performed, or
- when the level of the debtor's insolvency increases after a legal transaction in comparison to the level of insolvency prior to the transaction.

The debtor is aware that it is acting to the detriment of the creditor if it realizes that as the result of the transaction it may prevent satisfaction of the creditors' claims or reduce the scope of the debtor's insolvency. The debtor does not have to act with intent to inflict harm on the creditors. It is sufficient that the debtor sees the harm as being conceivable.

In two cases, however, facilitation of proof has been introduced (presumption) with respect to demonstration of awareness of the third party. One of them is a situation where the debtor remains in close relations with a third party and another is the case of an entrepreneur who is in close economic relations with the debtor.

The period in which a legal action may be instituted or accusations raised on the basis of Actio Pauliana is limited to a 5 years reckoned from the date of the transaction.

Portugal

Notwithstanding the ability of the Insolvency Administrator to challenge the transactions entered into during the four years prior to the judicial declaration of insolvency, as a general rule under Portuguese law, a claw back action (*impugnação pauliana*) pursuant to Article 610 of the Portuguese Civil Code can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, agreement or any other act by which it disposes of any of its assets. The claw back action results in a declaration of ineffectiveness with respect to the acting creditor of the said guarantee, agreement or other act that is purported to be prejudicial to the acting creditor's right of credit.

A Portuguese court could revoke said guarantee, agreement or other act only if the acting creditor's claim, in addition to being prejudiced as outlined above, fulfilled the following requirements:

- arose prior to the challenged act, or, if subsequent, the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim; and
- as a result of the act, would be impossible for the acting creditor to fully satisfy.

In the case of a non-gratuitous act, the debtor and the third party involved must have acted in bad faith, meaning the parties were aware of the prejudice caused to the rights of the acting creditor. In the case of a gratuitous act, the ineffectiveness of the act is declared even if such parties acted in good faith.

Romania

Under Romanian law, security interests and personal guarantees should be scrutinized, on a case by case basis, from the following legal perspectives:

Financial assistance

According to Law no. 31/1990 regarding companies ("Companies' Law"), under the sanction of absolute nullity, it is forbidden for a company to lend or advance money or set up guarantees for the purpose of the acquisition by a third party of that company's shares.

Corporate assets abuse and other restrictions

Under Companies' Law, it is a criminal offence the use, by the company's founder, administrator, director or legal representative, in bad faith, of the assets or credit worthiness of that company, for a purpose that is contrary to that company's interests, or for his/her own interest or for the purpose of favouring another company in which he/she holds a direct or indirect interest.

The Companies' Law forbids a company to guarantee (directly or indirectly) debts of its directors; the restriction also applies to companies where the guarantor's director is a director. Additionally, under the Companies' Law it is a criminal offence for the founder or administrator of a company to borrow, directly or indirectly, amounts from the company he/she manages, from a company controlled by the company he/she manages, or from a company who controls the company he/she manages or makes any such company grant security for his/her own debts.

Nullity of the guarantee for lack of capacity/cause

Under Romanian law, companies may only enter into those agreements that are related to their business objectives. Moreover, under Romanian law, a contract lacking a valid cause (i.e. a valid reason of the guarantor to establish the security) is null and void.

Actio pauliana

Romanian Civil Code allows the creditors of a person to exercise a legal action called *actio pauliana*, through which they request that any deed or act entered into by their debtor which is fraudulent towards them to be declared inapplicable towards them. As such, by using this type of legal action, a creditor of a guarantor that considers to have been prejudiced by the security, may request the inapplicability towards it of the respective security document.

Insolvency

Romanian Insolvency Law allows the judicial administrator/liquidator (or creditors committee/ the creditor owning over 50% of the total value of the receivables against the insolvent company, in certain cases) to request the cancellation of fraudulent acts or deeds entered into by the insolvent company detrimental to its creditors two years prior to the opening of the insolvency procedure or of transactions at an undervalue entered into by the insolvent company six months prior to the opening of the insolvency procedure..

Spain

Apart from the claw back action in the event of insolvency discussed above under the section "*Spanish insolvency law*", pursuant to articles 1,290-1,299 of the Spanish Civil Code, any creditor (as well as the insolvency administrator (*administrador concursal*) in the event that the debtor is declared insolvent, according to articles 71.6 and 72 of the Spanish Insolvency Law) may bring an action to rescind a contract or agreement (*acción rescisoria*) against its debtor and the third party which is a party to such contract or agreement; provided the same is performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed under the relevant contract or agreement in any other way. Although case law is not entirely consistent, it is broadly accepted that the following requirements must be met in order for a creditor to bring such action:

- the debtor owes the creditor an amount under a valid contract or agreement and the fraudulent action took place after such debt was created;
- the debtor has carried out an act that is detrimental to the creditor and beneficial to the third party;

- that such act was fraudulent: according to scholars and case law, the proof of fraud is objective, based on facts such as (i) the debtor is aware that his act caused a prejudice to the creditor and that there are no remaining assets with which to comply with its debts once the action to rescind has been carried out and (ii) the third party is also aware of the fraud (as construed above) or the third party is involved in such act;
- there is no other legal remedy available to the creditor to obtain compensation for the damages suffered; and
- the debtor's insolvency, construed as the situation where there has been a relevant decrease in the debtor's estate making it impossible or more difficult to collect the claim.

The existence of fraud (which must be evidenced by the creditor) is one of the essential requirements under article 1,291.3° of the Spanish Civil Code for the action to rescind to succeed. Pursuant to article 1,297 of the Spanish Civil Code: (i) agreements by virtue of which the debtor transfers assets for no consideration, and (ii) transfers for consideration carried out by parties who have been held liable by a court (*sentencia condenatoria*) or whose assets have been subject to a writ of attachment (*mandamiento de embargo*) will be considered fraudulent. The presumption referred to in (i) above is a *iuris et de iure* presumption (cannot be rebutted by evidence), unlike the presumption indicated in (ii) above, which is a *iuris tantum* presumption (a rebuttable presumption).

According to scholars, if the action were to be upheld the third party would be liable to return the consideration received under the contract in order to satisfy the debt owed to the creditor. Following that, the creditor would need to carry out the actions necessary to obtain the amount owed by the debtor. If the consideration received by the third party under the contract cannot be returned to the debtor, the third party must indemnify the creditor for such damages.

Pursuant to Article 1,299 of the Spanish Civil Code, the action to rescind the contract elapses after four years, beginning from the date in which the fraudulent act to be revoked took place (however, according to case law, such term begins on the date in which the creditor has had knowledge of the action).

Finally, in case of insolvency, the Spanish Insolvency Law establishes that claw back actions regulated in its Article 71 do not override the ability of the insolvency administrator (*administrador concursal*) or the creditor to bring any other action to rescind the contract or agreement (*acción rescisoria*), and that such action may be brought before the court handling the insolvency proceedings.

Switzerland

Under Swiss insolvency laws, the insolvency administrator or creditors may, under certain conditions, void transactions, such as, *inter alia*, the granting of or the payment under any guarantee or a payment already made under a guarantee, in which case the recipient of the payment would be required to return the amount received to the debtor's estate. In particular, a transaction, which includes the granting of a guarantee and the payment of debt, detrimental to the debtor's other creditors may be voided according to Swiss insolvency laws in the following cases if such acts result in damages to the other creditors:

- The debtor has gifted or disposed of assets without any consideration or received consideration of a significantly lower value than its own performance in a transaction, provided that the debtor executed such transaction within the year prior to the opening of formal insolvency proceedings (*Konkurseröffnung*) against the debtor or the granting of a provisional stay (provisorische Nachlassstundung).
- The following acts are voidable if performed by the debtor within the year prior to the opening of formal insolvency proceedings (*Konkurseröffnung*) against the debtor or the

granting of a provisional stay (provisorische Nachlassstundung); provided that the debtor was already over-indebted at the time of the act: (i) granting of security for existing claims; provided that the debtor was not previously obliged to grant such security; (ii) payment of a monetary obligation (*Geldschuld*) in any other way than by payment in cash (*Barschaft*) or other customary means of payment; and (iii) the payment of a debt not yet due. However, any voidance action is dismissed if the beneficiary of the transaction can prove that it was not aware of the debtor's over-indebtedness and, being diligent, could not know that the debtor had been over-indebted at the time of the act.

- Furthermore, any acts performed by the debtor within the five years prior to the opening of formal insolvency proceedings (*Konkurseröffnung*) against the debtor or the granting of a provisional stay (*provisorische Nachlassstundung*) with the intent to discriminate against some creditors or to favor some creditors are voidable if such intention was, or exercising the requisite due diligence, must have been known to the debtor's counterparty.

If the Notes Guarantee granted by the Swiss Guarantor is voided as summarized above or held unenforceable for any other reason, the holders of the Notes would cease to have any claim in respect of the Notes Guarantee and would have a claim solely under the Notes and the remaining Notes Guarantees, if any. Any amounts obtained from transactions that have been voided would have to be repaid.

Uruguay

In general and according to Uruguayan laws, any creditor may request that the court nullify or invalidate any contract that was executed with the intent to defraud, delay or hinder creditors. Furthermore, the Notes Guarantee granted by the Uruguayan Guarantor may also be considered null or void if it is shown that the Uruguayan Guarantor did not receive a fair value for the Notes Guarantee or that there was no reasonable purpose for the Notes Guarantee.

Additionally, according to Uruguay's Insolvency and Bankruptcy Law N° 18.387 article 82, upon a declaration of insolvency, a creditor is entitled to request the withdrawal of any act of the debtor executed in the two years prior to the insolvency declaration which hinders its claim if the debtor acted with fraudulent intent to harm the creditor's rights, and the contracting party was aware or should have been aware that the debtor was insolvent.

Furthermore, the courts may declare null and void the following acts executed by the debtor: (i) acts executed free of charge or without reasonable compensation within the two years prior to the declaration of insolvency by the court, not including ordinary gifts and other presents and remunerative donations to employees; (ii) any *in rem* guarantee over any asset of the debtor, executed within the six months prior to the declaration of insolvency, for claims not due or to secure a new obligation executed immediately after a previous obligation was cancelled; (iii) any payment made by the Debtor within the six months prior to the declaration of insolvency for claims not due; or (iv) the cancellation of any contract within the six months prior to the declaration of insolvency.

Finally, because guarantees are ancilliary to primary obligations, the nullification by the courts of a primary obligation results in the nullification of the relevant guarantee.

Service of process and enforcement of judgments

The Issuer and some of the Guarantors are incorporated under the laws of Spain and most of the directors and executive officers of the Issuer (or certain other persons named in this offering memorandum) and the Guarantors are non- residents of the United States.

Furthermore, a substantial portion of the assets of the Issuer and the Guarantors and a substantial portion of the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon those persons, the Issuer or the Guarantors, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws.

Argentina

Any final judgment obtained in Spain or abroad arising out of or in relation to the obligations of each Argentine subsidiary under the Notes Guarantees, would be enforced against each of the Argentine subsidiary in the courts of Argentina by means of an Exequatur process; provided that the following requirements of Section 517 of Argentine Law No. 17,454, as amended by Argentine Law No. 22,434 (National Code of Civil and Commercial Procedure) are satisfied: (i) the judgment, which must be final in the jurisdiction where rendered, was issued by a court competent in accordance with the Argentine conflict of laws principles regarding jurisdiction and resulted from a personal action, or an *in rem* action with respect to personal property which was transferred to Argentine territory during or after the prosecution of the foreign action; (ii) the defendant against whom enforcement of the final judgment is sought was personally served with the summons and, in accordance with due process of law, was given an opportunity to defend against the foreign action, (iii) the final judgment must be valid in the jurisdiction where rendered and its authenticity must be established in accordance with the requirements of Argentine law, (iv) the final judgment does not violate the principles of public policy of Argentine law and (v) the final judgment is not contrary to a prior or simultaneous final judgment of an Argentine court.

Austria

Recognition and enforcement of foreign legal titles (Non-EU member states)

A foreign legal title must be recognized under Austrian law in order to be declared enforceable. According to Section 79 of the Enforcement Act (*Exekutionsordnung*), the recognition of a foreign legal judgment in Austria requires a bilateral or multilateral agreement between Austria and the foreign state, confirming the reciprocity of recognition and enforcement of foreign titles, or any evidence that Austrian judgments are recognized and enforced on a reciprocal basis in the foreign jurisdiction.

There is neither a bilateral treaty in force between Austria and the United States nor a practice of reciprocal recognition of Austrian judgments in the United States. Accordingly, judgments rendered by a U.S. court against the Issuer or any of the Guarantors in the United States cannot be recognized and thus cannot be enforced in Austria. Such judgment may only be used as evidence in proceedings in Austria to enforce the claim already adjudicated in the United States. Such a trial in Austria is not barred on the grounds of the U.S. court's decision on the same matter.

Recognition and enforcement of foreign judgments of EU Member States

Any judgment obtained against the Issuer or any other Guarantors in one of the EU Member States, except Denmark, shall be enforced in Austria in accordance with the Council Regulation (EU) No 1215/2015 of December 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("Brussels Ia Regulation"). The Brussels I Regulation provides that a judgment given in an EU country is to be recognized and enforced in another EU country without special proceedings being required. "Judgment" means any judgment given by a court or tribunal of an EU Member State, whatever the judgment may be called, including "decree", "order", "decision" or "writ of execution". Under no circumstances will the substance of an EU foreign judgment be reviewed.

An EU foreign judgment will not be recognized if:

- such recognition is manifestly contrary to public policy in the EU county in which recognition is sought;
- the defendant was not served with the document that instituted the proceedings in sufficient time and in such way as to enable the defendant to arrange for his or her defense;
- it is irreconcilable with a judgment given in a dispute between the same parties in the EU country in which recognition is sought;
- it is irreconcilable with an earlier judgment given in another EU or non-EU country involving the same cause of action and the same parties;
- (i) the decision has been taken in violation of the provisions on the jurisdiction according to Article 10 to 23 of Brussels Ia Regulation and the defendant was an insurance holder, an insured, a beneficiary of the insurance contract, a consumer, an employee or a damaged third party or (ii) a court would have been exclusively competent according to Article 24 of Brussels Ia Regulation and the decision has been taken by another court.

According to prevalent doctrine, there is no option to close the gap on the currently impossible enforcement of U.S. judgments in Austria by having such judgment recognized in another EU Member State (EuGH Rs 129/92, Owens Bank/Bracco, Slg 1994, I-117). Third-country judgments, such as U.S. court judgments, will not be enforceable in Austria by way of taking a detour through the foreign judgment recognition system of another EU Member State.

Belgium

The recognition and enforceability in Belgium of foreign judgments depend first on the existence of bilateral or multilateral treaties with the state where the foreign judgment has been rendered, except for certain European countries (as described below). Such a treaty does not currently exist between Belgium and the United States.

If a foreign judgment has been rendered in a state that is a member of the European Union, recognition and enforcement of the judgment in Belgium is governed by Regulation (EU) No 1215/2012 of the European Parliament and of the Council of December 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

In the event a foreign judgment is ruled neither by a bilateral or multilateral treaty nor by a European regulation, such judgment obtained against a Belgian Guarantor or a Belgian security provider outside of Europe and, in particular, in the United States would be recognized and enforced in accordance with the Belgian Code of International Private Law, by the courts of Belgium, unless:

- the consequences of the recognition or enforcement of such foreign judgment would be manifestly contrary to the Belgian public order;
- the rights of defense have been violated;
- if in relation to matters for which parties cannot freely dispose of their rights, the decision has been sought with the sole purpose of escaping from the application of the laws applicable in accordance with Belgian conflict of law rules;

- without prejudice to Article 23.4 of the Belgian Code of International Private Law, the foreign judgment is not final or does not meet the requirements of authenticity pursuant to the laws of the State where the judgment was rendered or the applicable federal rules;
- the judgment is irreconcilable with a Belgian judgment or a foreign judgment previously rendered which could be recognized in Belgium;
- the foreign procedure had been started after the start of a procedure in Belgium between the same parties and with the same object;
- Belgian courts have exclusive jurisdiction to deal with the case;
- the jurisdiction of the foreign judge was based solely on the presence of the defendant or assets in such state without any further connection with the litigation in such state; or
- the foreign judgment is in conflict with the rules on the recognition and enforcement of court decisions in relation to insolvency proceedings or corporate standing.

Any party wishing to have a foreign judgment (not ruled by a bilateral or multilateral treaty nor by European regulation) recognized or enforced in Belgium must file an application seeking declaration of the recognition or enforceability of the foreign judgment (*exequatur*) with the relevant Belgian Court of First Instance in accordance with the procedure set out in articles 22 et seq. of the Belgian Code of International Private Law and must submit to the court the following documents, translated by a sworn translator, in French or Dutch as the case may be, and duly apostilled:

- an original copy of the judgment fulfilling all conditions required for its authentication according to the rules of the state where the judgment had been rendered;
- any document evidencing that, following the rules of the state where the judgment had been rendered, the judgment is enforceable and had been appropriately sent to the defendant; and
- if the judgment had been rendered by default, the original or a certified true copy of the document evidencing that the originating process has been served on the defendant in accordance with the applicable foreign law.

Chile

Any judgment obtained against the Issuer or any of the Guarantors outside of Chile will be recognized and enforced in accordance with the Chilean Civil Procedure Code ("CPC") by the courts of Chile once the Chilean Supreme Court has granted consent (e*xequatur*). Exequatur will be granted if the foreign judgment fulfills the following requisites:

(1) it has been granted according to the provisions of any applicable treaty;

(2) in the absence of any such treaty, it can be proven that the jurisdiction in which the foreign judgment was rendered recognizes Chilean judgments on a reciprocal basis;

(3) in the absence of any such treaty and where reciprocity has not been evidenced, the judgment would be enforced in Chile provided the following joint requirements are met in compliance with Article 245 of the CPC:

   (i) the judgment does not contradict Chilean laws; however, procedural laws will be disregarded for this purpose;

   (ii) the judgment does not oppose Chilean jurisdiction and the principles and laws that govern Chilean justice administration;

(iii) the party against whom the judgment is intended to be enforced has been properly served; and

(iv) the judgment is final, without the possibility of further appeals (*ejecutoriado*).

Once the exequatur has been granted, enforcement of the foreign ruling must be filed before the local court that would have been competent to deal with the case had the plaintiff sued in Chile.

The Czech Republic

Any judgment rendered against the Czech Guarantor outside of the Czech Republic would be recognized and enforced in accordance with Act No. 99/1963 Coll., The Act on Civil Procedure, as amended, by the Czech courts in the following three situations:

- according to the provisions of any applicable valid and effective bilateral treaty on the recognition and enforcement of foreign judgments with a particular state; there being none currently in existence between the Czech Republic and the United States for these purposes;
- according to the provisions of any applicable valid and effective multilateral treaty on the recognition and enforcement of foreign judgments, such as the Lugano Convention, applicable in respect of Iceland, Norway, Switzerland and Denmark;
- in the absence of any such treaty, the judgments of foreign courts may be recognized and enforced in accordance with Czech Act No. 91/2012 Coll., The Act on Private International Law, as amended ("Czech Act on PIL"); the investor may seek enforcement of a foreign judgment in the Czech Republic without having to undergo any special "recognition" procedure (no exequatur takes place). The Czech court ordering enforcement of a foreign judgment will, however, assess whether there is any circumstance preventing recognition of such foreign judgment. Under the Czech Act on PIL, the exceptions preventing recognition of a foreign judgment include the following situations:

  (i) the decided matter falls under the exclusive jurisdiction of the Czech courts or in cases where the proceedings would not be allowed to be conducted before a body of a state other than the Czech Republic, if the Czech provisions regarding jurisdiction were used to assess the jurisdiction of the foreign deciding body (unless the participant in the proceedings, against whom the judgment is made, has voluntarily submitted to the jurisdiction of the foreign authority);

  (ii) proceedings are pending before a Czech court with regard to the same legal relationship and if such proceedings commenced prior to the proceedings abroad, in which the judgement whose recognition has been proposed was issued;

  (iii) *res iudicata* (either a Czech court already decided in the same matter or recognized in another foreign judgment);

  (iv) a party to the proceedings, against which the decision is to be recognized, was prevented by a foreign authority from due participation in the foreign proceedings (in particular, it was not invited to the complaint, or the action against such party was not delivered "to its own hands");

  (v) *ordre public* (the recognition would be evidently contrary to the Czech public order);

  (vi) there is no reciprocity granted (which is currently the case in relation to the United States of America).

Enforcement within the EU Member States

Any judgment obtained by the Czech Guarantor in any country bound by the provisions of Council Regulation (EC) No. 1215/2012 of December 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("Brussels I bis Regulation") would be recognized and enforced in accordance with the terms set forth thereby. Brussels I bis Regulation is directly applicable.

According to Brussels I bis Regulation a judgment rendered and enforceable in any EU Member State shall be automatically recognized and enforced in the other EU Member States without any special procedure being required.

The Dominican Republic

Article 122 of Law 834 (Civil Procedure Code) provides that judgments rendered by foreign courts are enforceable in the territory of the Dominican Republic in the manner and in the cases provided by law.

As per ruling of the Dominican Supreme Court, "unless the existence of a treaty or agreemet between the country originator of the judgment and the country where execution is pursued, the procedure is governed by the treaty applicable in Dominican Jurisdiction".

In any case the applicable legislation is the International Treaty for Private Law, signed in 1928 and ratified by the National Congress of the Dominican Republic by Resolution No. 1055 of the same year and Law No 544-19 regarding International Private Law of the Dominican Republic. These Codes requires that foreign judgments to be executed in accordance with local jurisdiction the judgment must comply with the following conditions:

(i) The judgment must be issued by the court competent to hear the matter;

(ii) the defendant must be allowed to exercise its right to defense;

(iii) the judgment must not contravene the Dominican public order or public law of the Dominican Republic;

(iv) the judgment must be enforceable in the State in which it was issued;

(v) the judgement must be translated by an official or state official interpreter before execution if the language used is other than the official language of the Dominican Republic; and

(vi) the foreign judgment must meet the requirements to be considered authentic and enforceable in the State of the court that issued the ruling.

In accordance with Dominican Jurisprudence, the *exequatur* shall be granted or rejected, but cannot change the contents of the foreign judgment and its compliance must be aligned with Dominican Constitutional principles. Any party wishing to have a foreign ruling recognized or enforced in Dominican Republic must file an application seeking declaration of the enforceability of the foreign ruling (*exequatur*) which must be filed with the relevant court in the Dominican Republic.

France

The United States and France are not party to any bilateral treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France. A party in whose favor such judgment was rendered could initiate enforcement proceedings (*procédure d'exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*) having jurisdiction. Enforcement in France of such U.S. judgment can be obtained following adversary proceedings if the civil court is satisfied that the following conditions have been met, which conditions, under prevailing French case law, do not include a review by the French court on the merits of the foreign judgment:

- such U.S. judgment was rendered by a court having jurisdiction over the matter in accordance with French rules of international conflicts of jurisdiction, including, without limitation, whether the dispute is clearly connected to the United States, and the French courts did not have exclusive jurisdiction over the matter;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits (*i.e.,* fundamental principles of French law) and to the procedure of the case;
- such U.S. judgment is not tainted with fraud and the choice of jurisdiction is not fraudulent; and
- such U.S. judgment does not conflict with a French judgment or a foreign judgment which has become effective in France, and there are no proceedings pending before French courts at the time enforcement of the judgment is sought having the same or similar subject matter as such U.S. judgment.

In addition, the discovery process under actions filed in the United States could be affected by the reserves France inserted in its Act of Adherence, as amended on January 19, 1987, to the Hague Convention of March 18, 1970.

According to Articles 14 and 15 of the French Civil Code, in the event that a party brings an action outside France against a French national, either a company or an individual, French courts may still have non-exclusive jurisdiction over such French national, who has French citizenship at the time the suit is filed. In addition, a French national may decide to bring an action before the French courts, regardless of the nationality of the defendant. However, the French national may waive its right to bring an action before a French court against a non-French defendant.

Germany

Certain Guarantors, namely NH Central Europe GmbH & Co. KG, NH Hotelbetriebs- und Dienstleistungs GmbH, NH Hoteles Deutschland GmbH, NH Hotelbetriebs- und Entwicklungs GmbH and JOLLY HOTELS DEUTSCHLAND GmbH are incorporated under the laws of Germany and have their registered offices in Germany. Any judgment obtained against any of these Guarantors in an ordinary court outside Germany (and, in particular, in the United States) would not automatically be enforceable in Germany. However, a final judgment for payment rendered by a U.S. federal or state court based on civil liability may be recognized and enforced in Germany under the following circumstances:

- according to the provisions of any applicable treaty; please note, however, that the United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters other than arbitration awards; or
- in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*); in this kind of action, a German court generally would not reinvestigate or re-litigate the original matter decided by the foreign court, except as noted below; the recognition and enforcement of the foreign judgment by a German court, however, depends upon a number of prerequisites:
  - (i) the judgment is final under U.S. law;
  - (ii) the U.S. court had jurisdiction over the original proceeding pursuant to the principles of jurisdictional competence according to German law;

(iii) the document serving the proceedings was duly made known to the defendant in a timely fashion that allowed for adequate defense unless the defendant did appear in the proceedings and did not recourse to not being notified of the proceedings in a timely fashion that allowed for adequate defense;

(iv) the judgment of the U.S. court is not in contradiction to the judgment issued by a German court or any prior judgment of a foreign court which is to be recognized in Germany and the proceeding having led to the respective U.S. judgment is not in contradiction to any prior proceeding pending in Germany;

(v) the recognition of the judgment by the U.S. court is not in evident contradiction to German public policy, including the fundamental principles of German law, and in particular, the recognition is not in contradiction to the fundamental constitutional rights (*Grundrechte*) guaranteed by the German Constitutional Act (*Grundgesetz*); and

(vi) the reciprocity of recognition and enforcement of judgments is guaranteed.

Subject to the foregoing, judgments in civil and commercial matters awarding payment claims against Guarantors obtained from U.S. courts may be enforced in Germany. However, there is no guarantee that attempts to enforce judgments in Germany will be successful.

German courts usually refuse to recognize and enforce punitive damages awarded by a foreign court, including a state or federal court of the United States. Furthermore, a German court may reduce the amount of damages granted by a foreign court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure may differ substantially from civil procedure of other jurisdictions in a number of respects. In particular, as far as the production of evidence is concerned, the laws of certain other jurisdictions, including the laws of the United States, provide for pre-trial discovery, a process by which parties to the proceedings may request the production of documents by adverse or third parties and the deposition of witnesses prior to trial. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No equivalent pre-trial discovery process exists under German law.

"Enforceable", or "Enforce(d)" or other grammatical forms of these, as used above, mean that each obligation or document is of a type enforced (vollstreckt) by the German courts. It is not certain, however, that each obligation or document will be enforced in accordance with its terms in every circumstance, enforcement being subject to, inter alia, the nature of remedies available in the German courts, the acceptance by such court of jurisdiction, the discretion of the courts (within the limits of German law), the power of such courts to stay proceedings, the provisions of the German rules on civil procedure regarding remedies and enforcement measures available under German law. Also, if circumstances have arisen after the date on which such foreign judgment became res judicata, a defense against execution may arise. Enforcement may further be limited by general principles of equity and good faith. The success of enforcement is also affected by possible bankruptcy, insolvency, reorganization, liquidation or a moratorium as well as other similar legal circumstances affecting creditor's rights generally.

Italy

The following discussion with respect to the enforceability of certain U.S. court judgments in Italy is based upon advice provided to us by our Italian legal advisors. The United States and Italy currently do not have a bilateral treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters.

Notwithstanding the above, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon

U.S. federal securities laws, will be recognized by an Italian court without a re-trial, if the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint were appropriately served on the defendants in accordance with U.S. law and during the proceeding the essential rights of the defendants have not been violated;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of default by the defendants, the U.S. court declared such default in accordance with U.S. law;
- the U.S. judgment is not in conflict with any final judgment previously rendered by an Italian court;
- there is no action pending in the Republic of Italy among the same parties and arising from the same facts and circumstances which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy.

In addition, if an original action is brought before an Italian court, the Italian court may refuse to apply U.S. law provisions or to grant some of the remedies sought (e.g., punitive damages) if their application violates Italian public policy.

In cases of noncompliance with or objection to the recognition of a U.S. judgment, or when it is necessary to proceed with forceful execution, any interested person may apply to the court of appeals of the location of implementation for a determination of the existence of the recognition prerequisites above. The U.S. judgment, jointly with the decision allowing the application referred to above, constitutes entitlement to the implementation and forceful execution. If the objection to the U.S. judgment is raised in the context of other proceedings pending in Italy, the decision on the objection is made by the Italian judge with effects limited to those proceedings only.

The enforcement and, more generally, the use in court of guarantees (*fideiussioni*), which have been executed unilaterally by the guarantor or abroad, is currently subject to Italian registration tax (governed by Presidential Decree—D.P.R. April 26, 1986, n. 131) at the rate of the 0.5% of the guaranteed amount, unless such tax has already been previously paid.

In addition to the foregoing, the enforcement in Italy of a judgment issued by a foreign court, similar to judgments rendered by Italian courts, is currently subject to Italian registration tax at the following rates:

- 3% in the case of judgments ordering the payment of an amount of money, the performance of a service or the delivery of assets (provided that the payment or the performance of the service was not subject to Italian VAT according to the VAT vs. registration tax alternative principle). According to the VAT vs. registration tax alternative principle, registration tax is levied at the fixed amount of €200 if the performance of the service falls under the scope of Italian VAT in Italy. Performance of services are regarded as being under the scope of Italian VAT even though they are not subject to Italian VAT because they do not fulfill the territorial requirement.
- 1% in the case of judgments that ascertain rights having an economical value; and
- a fixed fee of approximately €200 in the case of judgments different from those indicated above or which declare any deed null or void, including judgments ordering the restitution of an amount of money or assets.

In original actions brought before Italian courts, there is doubt as to the enforceability of liabilities or remedies based solely on the U.S. federal securities laws. In addition, in original actions brought before Italian courts, Italian courts may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply U.S. law provisions if the relevant application violates Italian public policy.

Luxembourg

Enforcement of judgments

Although there is no treaty between Luxembourg and the United States regarding the reciprocal enforcement of judgments, a valid, final and conclusive judgment against a guarantor or a security grantor incorporated in Luxembourg obtained from a state or federal court of the United States, which judgment remains in full force and effect, may be enforced through a court of competent jurisdiction in Luxembourg, subject to compliance with the enforcement procedures (*exequatur*) as set out in the relevant provisions of the Luxembourg New Code of Civil Procedure and in the Luxembourg case law. Pursuant to Luxembourg case law, the granting of exequatur is subject to the following requirements:

- the foreign court must properly have had jurisdiction to hear and determine the matter, both according to its own laws and to the Luxembourg international private law conflict of jurisdiction rules;
- the foreign court must have applied the law which is designated by the Luxembourg conflict of laws rules or, at least, the order must not contravene the principles underlying those rules;
- the decision of the foreign court must be enforceable (*exécutoire*) in the jurisdiction in which it was rendered;
- the foreign court must have applied the proper law to the matter submitted to it and the foreign procedure must have been regular in light of the laws of the country of origin;
- the decision of the foreign court must not have been obtained by fraud, but in compliance with the rights of the defendant and in compliance with its own procedural laws; and
- the decisions and the considerations of the foreign court must not be contrary to Luxembourg international public policy rules or have been given in proceedings of a tax, penal or criminal nature (which would include awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, to the extent that the same would be classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)) or rendered subsequent to an evasion of Luxembourg law (*fraude à la loi*). Ordinarily an award of monetary damages would not be considered as a penalty, but if the monetary damages include punitive damages such punitive damages may be considered as a penalty).

If an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law (i) if the choice of such foreign law was not made bona fide or (ii) if the foreign law was not pleaded and proved or (iii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

In practice, Luxembourg courts now tend not to review the merits of a foreign judgment, although there is no clear statutory prohibition of such review.

In a judgment of the Luxembourg District Court, dated January 10, 2008, the Court differed slightly from the traditional rules for enforcing a judgment described above, and decided that, in order to enforce a foreign judgment in Luxembourg, a Luxembourg judge has to make sure that three conditions are fulfilled: (1) the "indirect" competence of the foreign judge based on the connection of the litigation with such judge, (2) the conformity with international public policy requirements, both substantive and procedural, and (3) the absence of fraud to the law. In the judgment, the District Court held that the Luxembourg judge does not need to verify that the (substantive) law applied by the foreign judge is the law which would have been applicable according to Luxembourg conflict of law rules.

Whether the District Court's opinion described above will develop into the prevailing position of Luxembourg case law cannot be forecast with certainty at this stage, especially considering that in the case at issue the matter was not appealed to the Court of Appeal and because, to the best of our knowledge and belief, having taken all reasonable care to ensure that such is the case, there has been no further case law on the issue since then. To the extent, however, that the District Court's decision endorsed the solution prevailing in French case law, its decision might, in the future, be endorsed by the Luxembourg courts in general.

Service of process

A contractual provision allowing the service of process against a guarantor or a security grantor incorporated in Luxembourg to any other party appointed to such effect could be overridden by Luxembourg statutory provisions allowing the valid service of process against such guarantor or a security grantor incorporated in Luxembourg in accordance with applicable laws at their registered office.

Registration in Luxembourg

The registration of the notes, the security interest agreements, the indentures, the guarantees and the transaction documents (and any document in connection therewith) with the *Administration de l'Enregistrement et des Domaines* in Luxembourg may be required in the case of legal proceedings before Luxembourg courts or in the case that the notes, the security interest agreements, the indentures, the guarantees and the transaction documents (and any document in connection therewith) must be produced before an official Luxembourg authority (*autorité constituée*). In such case, either a nominal registration duty or an ad valorem duty (or, for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered.

The Luxembourg courts or the official Luxembourg authority may require that the notes, the security interest agreements, the indentures, the guarantees and the transaction documents (and any document in connection therewith) and any judgment obtained in a foreign court be translated into French or German.

Mexico

Service of process in relation to claims processed in foreign courts on individuals domiciled in Mexico, should be requested by the foreign court and transmitted through authorized means (international treaties might apply). In any case, service of process shall be carried out by the Mexican court with jurisdiction in the defendant's domicile and according to Mexican rules of procedure.

Judgements rendered by courts of a foreign country might be recognized and enforced by Mexican courts under the rules of the Mexican Federal Procedure Code and/or applicable international treaties. In general terms, according to the Mexican Federal Procedure Code, for foreign judgment to be recognized and enforced in Mexico, it must fulfill the following requirements: (a) the foreign court had proper jurisdiction and venue; (b) defendant was personally served; (c) the judgement is final (*rex judicata*) pursuant to the applicable legal provisions of the jurisdiction in which it was passed; and (d) does not contravene matters of public policy in Mexico. Foreign judgments shall be subject to legal procedure in Mexico before enforcement.

The Netherlands

Service of process in U.S. proceedings on persons in the Netherlands is regulated by a multilateral treaty guaranteeing service of writs and other legal documents in civil cases if the current address of the defendant is known. A competent Dutch court will apply Dutch private international law to determine which law applies to any private law claim brought before it and apply that law to such claim. It is uncertain whether a Dutch court would apply or enforce the civil liability provisions of U.S. federal securities laws and U.S. civil law in general.

Any judgment obtained in a civil or commercial matter against the Issuer or any of the Guarantors by a U.S. court cannot be directly enforced in the Netherlands. However, if a person has obtained a final and conclusive judgment for the payment of money in such a matter rendered by a U.S. court which is enforceable in the United States and files a claim with the competent Dutch court, the Dutch court will generally give binding effect to the foreign judgment; provided that (a) the judgment has been rendered on grounds which are internationally acceptable, (b) proper legal procedures have been observed, (c) the foreign judgment does not contravene Dutch public policy and (d) the judgment is not irreconcilable with a judgment of a Dutch court or an earlier judgment of a foreign court that is capable of being recognised in the Netherlands.

The Dutch courts will express any judgment in respect of a claim against the Issuer or a Guarantor expressed in a currency other than euro, in the currency of the claim or in euro, at the option of the creditor of the claim.

Any judgment obtained against the Issuer or any of the Guarantors in any country bound by the provisions of EU Regulation number 44/2011 of the Council on jurisdiction and enforcement of judgments in civil and commercial matters will be recognized and enforced in the Netherlands in accordance with and subject to that regulation. A foreign judgment which is enforceable in the Netherlands and expressed in a currency other than euro may, at the option of the person enforcing the judgment, be enforced in euro.

Poland

Any judgment obtained against the Issuer or any of the Guarantors outside of Poland (and, in particular, in the United States) would be recognized and enforced in accordance with the Polish Civil Procedure Code in the courts of Poland. As a general rule of the Polish Civil Procedure Code, judgments of foreign courts in civil cases are recognized by virtue of law, however, a judgment cannot be recognized in Poland if

(1) it is not final and binding in the state where it was issued;

(2) it was reached in a case subject to exclusive jurisdiction of Polish courts;

(3) the defendant, who did not argue the merits of the case, was not duly and timely served with the court letter initiating the proceedings and consequently was unable to defend himself/herself/itself;

(4) a party to the proceedings was deprived of defense;

(5) the same matter between the same parties was pending in Poland earlier before a court of foreign jurisdiction;

(6) it contradicts an earlier valid judgment of a Polish court or an earlier valid judgment of a foreign court which meets the criteria for its recognition in Poland, reached in a case for the same claim between the same parties;

(7) its recognition would contradict the basic principles of the legal order of Poland (law and order clause).

Any party with a legal standing is entitled to file a motion with the relevant Polish District Court (*Sąd Okręgowy*) for conformation that a given judgment may or may not be recognized in Poland.

Any party wishing to have a U.S. judgment enforceable in Poland must file an application seeking declaration of enforceability of the U.S. judgment which must be filed with the relevant Polish Regional Court.

Any judgment obtained against the Issuer or any of the Guarantors in any country bound by the provisions of EU Regulation number 1215/2012 of the European Parliament and of the Council of 12 Decemeber 2015 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters would be recognized and enforced in accordance with the terms set forth thereby.

Portugal

Any judgment obtained against the Portuguese Guarantor outside of Portugal would be recognized and enforced in accordance with the Portuguese Code of Civil Procedure. The requirements for a foreign decision to be confirmed, defined in the Code of Civil Procedure, include the following:

(1) *Authenticity and propriety*. There must be no doubt about the authenticity of the document in which the foreign judgment is contained or about the propriety of the decision. According to the principle of *locus regit actum*, the authenticity of the document must be established in accordance with the law of its country of origin. The decision must be authenticated by a Portuguese consulate and then translated. The translation must be authenticated by a notary public or a Portuguese consulate.

(2) *Final judgment*. The judgment must be definitive and final under the law of the country in which it was issued (*i.e.,* it may not be subject to ordinary appeals). Although the party requesting recognition of the judgment does not need to prove that it is definitive, the court of review may ask the plaintiff to prove that the decision is final. If the court learns that the judgment is not definitive, the confirmation will be denied.

(3) *Proper jurisdiction.* The decision must have been issued by a court whose jurisdiction has not been provoked in *fraus legis*. The relevant rules establish that the international jurisdiction of Portuguese courts depends on the verification of several requirements, without prejudice to the rules provided in treaties, conventions, EC regulations and special laws.

(4) *Lis pendent and res judicata*. The judgment cannot be confirmed if the same action is pending before or already has been judged by Portuguese courts, unless the summons from the foreign court was given first. The judge will be able to deny exequatur only if the Portuguese court was the first to receive the suit.

(5) *Service of process*. The defendant must have been served process and, if the defendant did not present opposition, the process must have been served personally; otherwise, the judgment cannot be confirmed. It should be noted that even if the law of the country of the court of origin dispenses with these requirements for service of process, such dispensation is irrelevant for the purpose of determining whether the service was proper.

(6) *Public policy.* The foreign judgment may not contain any decisions that violate the principles of Portuguese public policy. In determining compliance with this requirement, the judge must evaluate the decision itself and not the grounds on which it is based.

(7) *Verification by the judge.* The court must verify *ex officio* whether conditions regarding authenticity and propriety, public policy and domestic private law are met. The court will deny confirmation if, during the examination of evidence during the proceedings, or

through knowledge derived through the performance of its judicial functions, it establishes the absence of jurisdiction, *lis pendens*, *res judicata*, service of process or the impossibility of the appeal of the judgment.

The competent court for the recognition of foreign decisions is the court of second instance (*Tribunal da Relação*) of the jurisdiction in which the Portuguese Guarantor's headquarters are located.

Romania

Recognition and enforcement of judgments issued in non-EU countries

Judgments against the Issuer or the Guarantors issued by courts of law of non-EU countries will be recognized and enforced in Romania on the basis of the provisions of Articles 1.093-1.109 of the Romanian Civil Procedure Code, except for the situation where between Romanian and the state issuing the decision a treaty is in force stating otherwise. Importantly, as between Romania and United States there is no treaty regulating the enforcement of judgments, the provisions of the Romanian Civil Procedure Code will apply.

(a) *Recognition of a U.S. decision*

According to the Romania Civil Procedure Code, in order for a judgment of a U.S. court of law to be recognized in Romania, the following cumulative conditions have to be met:

(i) the decision is final according to U.S. law;

(ii) the U.S. court of law issuing the decision had jurisdiction on the case under the respective U.S. law without the respective jurisdiction being established exclusively on the presence in the U.S. of the defendant or of his/her certain assets which have no direct link to the respective proceedings;

(iii) there is reciprocity in what regards the effects of court decisions between Romania and U.S.;

(iv) in case the decision was not issued in the presence of the party losing the case, the decision ascertains the fact that the respective party (x) was handed in due time the summons for the court hearing on the merits of the case and the document initiating the proceedings and (y) was given the opportunity to defend himself/herself/itself and to challenge the decisions; and

(v) there is no ground for refusal of the recognition of the decision in accordance with the Romanian Civil Procedure Code.

The grounds for refusal are the following:

- the decision is contrary to the public order of the Romanian international private law;
- the decisions pronounced in a mater in which a person cannot freely dispose of his/her rights was obtained with the exclusive purpose of eluding the applicable law established according to the Romanian international private law;
- a Romanian court of law already issued a decision or the proceedings are ongoing before a Romania court of law;
- the decision is incompatible with a decision previously pronounced by a foreign country and is susceptible of being recognized in Romania;
- the Romanian courts of law had exclusive jurisdiction in solving the proceedings;
- the right to defence was breached;

- the decision may be subject to an appeal in the U.S.

The request for the recognition of the U.S. decision will be solved by:

(i) the tribunal from the jurisdiction of the domicile or, as the case may be, headquarters of the person refusing to recognize of the U.S. decision; or

(ii) Bucharest Tribunal, in case the competent tribunal cannot be determined on the basis of the criteria from point (i) above.

(b) *Enforcement of a U.S. decision*

According to the Romanian Civil Procedure Code, in order for a judgment of a U.S. court of law to be enforced in Romania the following conditions have to be fulfilled:

(i) the decision must fulfil all the conditions provided by the Civil Procedure Code related to the recognition of foreign decisions, as mentioned above under points (i)–(v);

(ii) the decision to be enforceable according to U.S. law.

The request for the enforcement of a U.S. decision will be solved by the tribunal from the jurisdiction where the enforcement is going to take place. The tribunal will issue an enforcement decision on the basis of which the writ of execution will be obtained.

The amounts due according to a U.S decision will be converted by the Romanian court of law in local currency at the exchange rate from the day the U.S. decision become enforceable. The interest until conversion date will be governed by U.S. law.

Recognition and enforcement of judgments issued in EU countries

Judgments against the Issuer or the Guarantors issued by courts of law of EU countries will be enforced in Romania on the basis of Regulation no. 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

Spain

A final judgment obtained against the Issuer or any of the Guarantors outside of Spain (and, in particular, in the United States), other than in a country bound by the provisions of Regulation (EU) No. 1215/2012 of the European Parliament and of the European Council of December 12, 2012, on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, would be recognized and enforced in accordance with the Spanish Law of Civil Procedure 1/2000 of January 7, 2000 by the courts of Spain (unless such judgment contravenes principles of Spanish public policy) in the following three situations:

- according to the provisions of any applicable treaty, there being none currently in existence between Spain and the United States for these purposes;

- in the absence of any such treaty, if it could be proven that the jurisdiction in which the foreign judgment was rendered (in this case, in the United States) recognizes Spanish judgments on a reciprocal basis (positive reciprocity) and provided that certain minimum conditions are met, among others, that there is a final judgement not subject to appeal and that the matter does not infringe public policy and does not contradict a previous Spanish judgment. The standard of proof required by Spanish courts regarding positive reciprocity is very high. Therefore, positive reciprocity is very seldom recognized. However, if it could be proven (usually by the defendant) that the U.S. jurisdiction in which the judgment was obtained does not recognize judgments issued by Spanish courts, then the Spanish courts would not recognize the U.S. judgment in Spain (negative reciprocity); or

- in the absence of any such treaty and where negative reciprocity has not been evidenced (and, according to certain court precedents, even if positive reciprocity has been evidenced), the judgment would be enforced in Spain if it satisfies all of the following requirements in compliance with Article 954 of the Spanish Civil Procedure Law of 1881 as interpreted by case law,

(i) the judgment was issued in the exercise of an action *in personam* as opposed to an action *in rem*;

(ii) the documentation prepared for the purposes of requesting the enforcement meets all the legal requirements under the law of the jurisdiction in which the judgment was rendered in order to be considered an authentic judgment and it also meets all requirements under the laws of Spain to be admitted (the judgment is final, and a literal, authentic, sworn Spanish translation and apostilled copy is provided);

(iii) the judgment shall not be contrary to Spanish public policy;

(iv) there shall not be a pending proceeding between the same parties and in relation to the same issues in Spain;

(v) there shall not be a judgment rendered between the same parties and for the same cause of action in Spain or in another country provided that in this latter case the judgment has been recognized in Spain;

(vi) the request for recognition and enforcement must be lawful in the requesting country, and when rendering the judgment, the courts rendering it did not infringe an exclusive ground of jurisdiction provided for under Spanish law or based their jurisdiction on exorbitant grounds and the choice of court is not fraudulent;

(vii) the rights of defense of the defendant should have been protected where rendering the judgment, including, but not limited to, a proper service of process carried out with sufficient time for the defendant to prepare its defense; and

(viii)the obligation that the petitioner tries to execute has to be lawful in Spain.

Any party wishing to have a U.S. ruling recognized or enforced in Spain must file an application seeking declaration of the enforceability of the U.S. resolution (*exequatur*) which must be filed with the relevant Spanish First Instance Court (*Juzgado de Primera Instancia*) or Commercial Court (*Juzgado de lo Mercantil*).

The Spanish courts may express any such order in a currency other than euro in respect of the amount due and payable by the Issuer or Guarantors, but in case of enforcement in Spain, the court costs and interest will be payable in euro. Any judgment obtained against the Issuer or any of the Guarantors in any country bound by the provisions of EU Regulation number 1215/2012 of the European Parliament and of the European Council of December 12, 2012, on jurisdiction and enforcement of judgments in civil and commercial matters would be recognized and enforced in accordance with the terms set forth thereby.

The enforcement of any judgment in Spain entails, among others, the following actions and costs: (a) translation fees for documents in a language other than Spanish, which must be accompanied by a sworn translation into Spanish; (b) certain professional fees for the verification of the legal authority of a party litigating in Spain, if needed; (c) judicial tax and fees; and (d) the procedural acts of a party litigating in Spain must be directed by an attorney at law and the party must be represented by a court agent (*procurador*). In addition, Spanish civil proceedings rules cannot be amended by agreement of the parties and will therefore prevail notwithstanding any provision to the contrary in the Indenture or the Notes.

It has to be noted that Spain and the U.S. are part of the Hague Convention on the Service Abroad of Financial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965.

Switzerland

Judgments obtained against any of the Swiss Guarantors outside of Switzerland and, in particular, in the United States may be recognized in Switzerland before a court of competent jurisdiction through enforcement proceedings in accordance with the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*). Judgments obtained in any country bound by the provisions of the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (*Lugano-Übereinkommen*) would be recognized and enforced in accordance with the terms set forth in this convention. If the judgment concerns a monetary payment or a security (*Geldzahlung oder Sicherheitsleistung*), the enforcement proceedings are additionally governed by the Swiss Federal Act on Debt Collection and Insolvency (*Bundesgesetz über Schuldbetreibung und Konkurs*).

If a treaty concerning the recognition and enforcement of foreign judgments exists between Switzerland and the other country in question, the recognition and enforcement of the foreign judgment would primarily be subject to the provisions of such treaty. The United States and Switzerland currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Therefore, the recognition and enforcement of a judgement obtained against any of the Swiss Guarantors is likely to be governed by the Swiss Federal Act on International Private Law.

In a proceeding based on the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*) regarding the recognition and/or enforcement of a foreign judgment, a Swiss court generally would not reinvestigate the merits of the original matter decided by the foreign court. The recognition and enforcement of a foreign judgment by a Swiss court would be conditional upon a number of conditions including those set out in articles 25 et seqq. of the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*), which include:

- the foreign court having had jurisdiction over the original proceedings from a Swiss perspective;
- the judgment being final under the relevant foreign law, and no ordinary legal remedy being available against such judgment;
- the defendant having had the chance to defend herself or himself against any unduly or untimely served complaint, except for a defendant having unconditionally consented to the original proceeding before the respective court;
- the original proceeding not having been conducted under a violation of material principles of Swiss civil proceedings law, in particular the right to be heard;
- the matter (*Verfahren*) resulting in the judgment of the foreign court not being identical to a matter (*Verfahren*) pending before a Swiss court; provided such Swiss matter was pending before a Swiss court prior to the foreign court entering its proceedings;
- the matter (*Verfahren*) resulting in the judgement of the foreign court being identical to a matter (Verfahren) which has already been conclusively resolved by a court in Switzerland or by a court in a third country, whose decision is recognizable Switzerland; and
- the enforcement of the judgment by the foreign court not being manifestly incompatible with Swiss public policy (*schweizerischer Ordre public*).

Any judgment obtained against any of the Swiss Guarantors outside of Switzerland in any country bound by the provisions of the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (*Lugano-Übereinkommen*) would be recognized and enforced in accordance with the terms set forth in this convention.

Subject to the foregoing, purchasers of the Notes may be able to enforce judgments in civil and commercial matters obtained from foreign courts in Switzerland. It cannot, however, be assured that any attempts to enforce judgments in Switzerland will be successful.

The recognition and enforcement of punitive damage awards may be denied by Swiss courts as incompatible with Swiss public policy (*schweizerischer Ordre public*). Alternatively, a Swiss court may reduce the amount of damages granted by a foreign court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

Swiss civil procedure differs substantially from U.S. civil procedure in a number of respects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings, may compel the production of documents by adverse or third parties and the depositions of witnesses prior to trial. Evidence obtained in this manner may be decisive in the outcome of a proceeding. In Switzerland, no such pre-trial discovery process exists. Instead, a Swiss court would decide upon the claims for which evidence is required from the parties and the related burden of proof.

Uruguay

According to the Uruguayan General Procedure Code a foreign judgment will have in Uruguay imperative and evidential effects and would be enforceable if it fulfills the following requirements:

(1) The judgment must fulfill all the necessary formalities to be considered authentic in the country where it was rendered.

(2) The judgment and all the documents annexed to it must be duly legalized.

(3) The judgment and all the documents annexed to it must be duly translated if they are not written in Spanish.

(4) The court that rendered the judgment must have international jurisdiction to hear the case, according to the law of the country of that court, and the case must not be considered of exclusive jurisdiction of the Uruguayan courts.

(5) The defendant must have been duly notified of the case, according to the laws of the country in which the judgment was rendered.

(6) Due process must have been granted to the defendant.

(7) The judgment must be considered *res judicata* according to the laws of the country in which it was rendered.

(8) The judgment must not violate the Uruguayan International Public Order.

If all the abovementioned requirements are fulfilled, the foreign judgment would be enforceable in Uruguay and the national courts shall not analyze the merits of it.

The process starts with a filing to the Supreme Court of Justice, in which a party requests the enforceability of the foreign judgment. After this filing, the Court will notify the defendant, who will have 20 days to respond. The attorney who represents the government then will be heard before the court, and the court will render its decision. This decision is not appealable. If the Supreme Court admits the enforcement of the judgment and therefore grants the exequator then the case will be remitted to a competent court in Uruguay for enforcement of the judgment.

All these proceedings also apply to the enforcement of arbitration awards.

Legal matters

Certain legal matters in connection with this Offering will be passed upon for us by Cravath, Swaine & Moore LLP as to matters of United States federal and New York law and by Uría Menéndez Abogados, S.L.P. as to matters of Spanish law. Certain legal matters in connection with this Offering will be passed upon for the Initial Purchaser by Simpson, Thacher & Bartlett LLP as to matters of United States federal and New York law and by DLA Piper as to matters of Spanish, Dutch, Italian and Belgian law.

Independent auditors

The Issuer's consolidated financial statements as of December 31, 2014, 2015, and 2016 and for each of the three years in the period then ended, included in this offering memorandum, have been audited by Deloitte, S.L., independent auditors, as stated in their reports appearing herein. Deloitte, S.L. with registered office in Madrid, Spain, is registered under number S0692 in the register of official auditors.

Independent valuation expert

The references to the report (and the opinions contained therein) of Duff & Phelps, independent valuation experts located in Madrid, Spain, are made herein in reliance upon the authority of such firm as experts in respect of such matters.

Where you can find additional information

Each purchaser of the Notes from the Initial Purchaser will be furnished a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchaser or any person affiliated with the Initial Purchaser in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to paragraph (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchaser.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the U.S. Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act, upon the written request of any such holder or beneficial owner. We are not currently subject to the periodic reporting or other information requirements of the U.S. Exchange Act.

The additional documents and information specified in "*Listing and general information*" herein and not included in this offering memorandum will be available to be inspected and obtained by holders at the specified office of the listing agent in Luxembourg during normal business hours on any weekday.

Listing and general information

Listing

Application has been or will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF in accordance with the rules and regulations of that exchange. There are no assurances that the Notes will be admitted to trading on the Euro MTF.

The Notes are expected to be accepted for clearance through the facilities of Euroclear and Clearstream.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at the places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu) or by any other means considered equivalent by the Luxembourg Stock Exchange.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents may be obtained free of charge from the Issuer and will be available for inspection during normal business hours at specified office of the Luxembourg listing agent:

- the organizational documents of the Issuer and each of the Guarantors;
- the most recent annual consolidated financial statements, any interim financial statements and any other documents or reports to be published by the Issuer and furnished to holders of the Notes;
- the Indenture (which includes the form of the Notes);
- the Intercreditor Agreement;
- the Security Documents; and
- the Annual Valuation Report and any Interim Valuation Report and Supplemental Valuation Report furnished by the Company to the Trustee pursuant to the Indenture.

We have appointed BNP Paribas Securities Services, Luxembourg Branch as Transfer Agent, Registrar, Luxembourg listing agent and Paying Agent to make payments on, when applicable, and transfers of, the Notes. We reserve the right to vary such appointments in accordance with the terms of the Indenture.

Litigation

Except as disclosed in this offering memorandum, neither the Issuer nor any of the Guarantors is involved, or has been involved during the twelve months preceding the date of this offering memorandum, in any litigation, arbitration or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on their results of operations, condition (financial or other) or general affairs and, so far as each is aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

No material changes

Except as disclosed in this offering memorandum, there has been no material adverse change in the financial and trading position of the Issuer or any of the Guarantors and no material change in the capitalization of the Issuer and its subsidiaries since December 31, 2016 (being the last day of the period in respect of which the Issuer published its latest annual audited consolidated financial statements).

Clearing information

The Regulation S Original Notes and the Notes sold pursuant to Regulation S (the "Regulation S Notes") will initially have different identification numbers ("ISIN") and common codes. Once the Regulation S Notes have become freely tradeable, the Regulation S Notes and the Regulation S Original Notes will share the same ISIN and common code. The temporary common code for the Regulation S Notes is and the temporary ISIN for the Regulation S Notes is .

The 144A Original Notes and the Notes sold pursuant to Rule 144A (the "Rule 144A Notes") will initially have different ISINs and common codes. Once the Rule 144A Notes have become freely tradeable, the Rule 144A Notes and the Rule 144A Original Notes will share the same ISIN and common code. The temporary common code for the Rule 144A Notes is and the temporary ISIN for the Rule 144A Notes is .

The Notes have been accepted for clearance through Euroclear and Clearstream under permanent common code 149752773 for the Regulation S Notes and under permanent common code 149753265 for the Notes sold pursuant to Rule 144A. The permanent international securities identification number (the "ISIN") for the Regulation S Notes is XS1497527736 and the permanent ISIN for the Notes sold pursuant to Rule 144A is XS1497532652.

Legal information

The Issuer

The Issuer is a public limited company (*sociedad anónima*) incorporated on January 27, 1988 under the laws of Spain and is registered in the Commercial Register of Madrid. Its registered office is at Calle Santa Engracia 120, 28003 Madrid, Spain, and its telephone number at that address is (+34) 91 451 97 18. The Issuer's financial year ends on December 31. The Issuer changed its name from NH Hoteles, S.A. to NH Hotel Group, S.A. on June 30, 2014.

Pursuant to Article 2 of the Issuer's articles of association, the Issuer's object is the acquisition, holding and sale of all types of transferable securities and assets on its own account; the acquisition, operation and sale of all types of real estate and property rights; consultancy and management of business entities in which the Issuer directly or indirectly holds a shareholding; and, the operation of establishments relating to the hotel and catering industry.

The Guarantors

The subsidiaries of the Issuer that guarantee the Notes have the following corporate information:

(1) Latina de Gestión Hotelera, S.A. is a company established under the laws of Argentina and registered with the Public Registry of Commerce of the City of Buenos Aires under the registration number 4325. The registered office of Latina de Gestión Hotelera, S.A. is located at Av. Carlos Pellegrini 1069 Piso 10 (CP C 1009 ABU), Ciudad Autónoma de Buenos Aires, Argentina.

(2) Edificio Metro, S.A. is a company established under the laws of Argentina and registered with the Public Registry of Commerce of the City of Buenos Aires under the registration

number 3609. The registered office of Edificio Metro, S.A. is located at Av. Carlos Pellegrini 1069 Piso 10 (CP C 1009 ABU), Ciudad Autónoma de Buenos Aires, Argentina.

(3) Polis Corporation, S.A. is a company established under the laws of Argentina and registered with the Public Registry of Commerce of the City of Buenos Aires under the registration number 6801. The registered office of Polis Corporation, S.A. is located at Cerrito 156 (CP C 1010 AAV), Ciudad Autónoma de Buenos Aires, Argentina.

(4) NH Hoteles Austria GmbH is a company established under the laws of Austria and registered with the Commercial Court of Vienna under the registration number FN 128438 f. The registered office of NH Hoteles Austria, GmbH is located at Mariahilferstrasse 32-34, 1070 Vienna, Austria.

(5) Hotel Exploitatiemaatschappij Diegem N.V. is a company established under the laws of Belgium and registered with the RPR Brussel under the registration number 0471.530.361. The registered office of Hotel Exploitatiemaatschappij Diegem N.V. is located at De Kleetlaan 14, B-1831 Diegem, Belgium.

(6) Jolly Hotels Belgio SA is a company established under the laws of Belgium and registered with the RPR Brussel under the registration number 0420.681.179. The registered office of Jolly Hotels Belgio SA is located at rue Bodenbroek 2-4, B-1000 Bruxelles, Belgium.

(7) Immo Hotel BCC NV is a company established under the laws of Belgium and registered with the RPR Brussel under the registration number 0535.679.926. The registered office of Immo Hotel BCC NV is located at De Kleetlaan 14, B-1831 Diegem, Belgium.

(8) Immo Hotel Belfort NV is a company established under the laws of Belgium and registered with the RPR Brussel under the registration number 0535.668.741. The registered office of Immo Hotel Belfort NV is located at De Kleetlaan 14, B-1831 Diegem, Belgium.

(9) Immo Hotel Brugge NV is a company established under the laws of Belgium and registered with the RPR Brussel under the registration number 0535.709.818. The registered office of Immo Hotel Brugge NV is located at De Kleetlaan 14, B-1831 Diegem, Belgium.

(10) Immo Hotel Diegem NV is a company established under the laws of Belgium and registered with the RPR Brussel under the registration number 0535.679.134. The registered office of Immo Hotel Diegem NV is located at De Kleetlaan 14, B-1831 Diegem, Belgium.

(11) Immo Hotel Gent NV is a company established under the laws of Belgium and registered with the RPR Brussel under the registration number 0535.711.402. The registered office of Immo Hotel Gent NV is located at De Kleetlaan 14, B-1831 Diegem, Belgium.

(12) Immo Hotel GP NV is a company established under the laws of Belgium and registered with the RPR Brussel under the registration number 0535.667.949. The registered office of Immo Hotel GP NV is located at De Kleetlaan 14, B-1831 Diegem, Belgium.

(13) Immo Hotel Mechelen NV is a company established under the laws of Belgium and registered with the RPR Brussel under the registration number 0535.665.177. The registered office of Immo Hotel GP NV is located at De Kleetlaan 14, B-1831 Diegem, Belgium.

(14) Immo Hotel Stephanie NV is a company established under the laws of Belgium and registered with the RPR Brussel under the registration number 0535.670.820. The registered office of Immo Hotel Stephanie NV is located at De Kleetlaan 14, B-1831 Diegem, Belgium.

(15) Hotelera Chile, S.A. is a company established under the laws of Chile and registered with the Commercial Register Office of Santiago de Chile under the registration sheet 30.543, No. 24.373, year 1999. The registered office of Hotelera de Chile, S.A. is located at 11100 CP Santiago de Chile, Chile, Avda. Condell, 40.

(16) NH Hoteles Czechia s.r.o. is a company established under the laws of the Czech Republic and registered with the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 138645 under the registration number 28397495. The registered office of NH Hoteles Czechia s.r.o. is located at Praha 5-Smíchov, Radlická 3276/46, Postal Code 150 00, Czech Republic.

(17) NH Aguamarina Dominicana S.R.L. is a company established under the laws of the Dominican Republic and registered with the Public Registry of the City of Santo Domingo under the registration number 60183SD and Tax Registration Number, *RNC) 130507295. The registered office of NH Aguamarina S.R.L. is located at Av Pedro Henriquez Ureña No. 153, Santo Domingo, Dominican Republic.

(18) NH Hoteles France, S.A.S.U. is a company established under the laws of France and registered with the Trade and Companies Registry of Nice (*Registre du Commerce et des Sociétés de Nice*) under the registration number 497 604 769. The registered office of NH Hoteles France, S.A.S.U. is located at 2-4, Esplanade du Parvis de l'Europe, 06300 Nice, France.

(19) NH Hoteles Deutschland GmbH is a company established under the laws of Germany and registered with the Commercial Register (*Handelsregister*) of the local court (*Amtsgericht*) of Berlin-Charlottenburg under the registration number HRB 89131 B. The registered office of NH Hoteles Deutschland GmbH is located at Friedrichstr, 95, 10117- Berlin, Germany.

(20) NH Hotelbetriebs- und Dienstleistungs GmbH is a company established under the laws of Germany and registered with the Commercial Register (*Handelsregister*) of the local court (*Amtsgericht*) of Berlin-Charlottenburg under the registration number HRB 114378 B. The registered office of NH Hotelbetrieb- und Dienstleistungs GmbH is located at Friedrichstr, 95 10117 Berlin, Germany.

(21) NH Hotelbetriebs- und Entwicklungs GmbH is a company established under the laws of Germany and registered with the Commercial Register (*Handelsregister*) of the local court (*Amtsgericht*) of Berlin-Charlottenburg under the registration number HRB 107349 B. The registered office of NH Hotelbetriebs- und Entwicklungs GmbH is located at Friedrichstr, 95 10117 Berlin, Germany.

(22) NH Central Europe GmbH & Co. KG is a company established under the laws of Germany and registered with the Commercial Register (*Handelsregister*) of the local court (*Amtsgericht*) of Berlin-Charlottenburg under the registration number HRA 34144 B. The registered office of NH Central Europe GmbH & Co. KG is located at Friedrichstr, 95, 10117-Berlin, Germany.

(23) JOLLY HOTELS DEUTSCHLAND GmbH is a company established under the laws of Germany and is registered with the Commercial Register (*Handelsregister*) of the local court (*Amtsgericht*) of Berlin-Charlottenburg under the registration number HRB 122721 B. The registered office of JOLLY HOTELS DEUTSCHLAND GmbH is located at Friedrichstr. 95, 10117- Berlin, Germany.

(24) NH Italia S.p.A. is a company established under the laws of Italy and is registered with the Register of Enterprises (*Registro delle Imprese*) of the Chamber of Commerce of Milan under the registration number 04440220962. The registered office of NH Italia S.p.A. is located at Via Giovanni Battista Pergolesi 2/A, I-20124—Milan, Italy.

(25) NH Finance, S.A. is a public limited liability company (*société anonyme)* established under the laws of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under the registration number B 75694. The registered office of NH Finance, S.A. is located at 1, route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg.

(26) Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V. is a company established under the laws of Mexico and registered with the Public Property and Companies Register of Coatzacoalcos, State of Veracruz under the registration number 841, pages 5,518 to 5,538, volume IV, of the Companies Section. The registered office of Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V. is located at Av. De las Palmas No. 2, Col. Paraíso, Z.C. 96520, Coatzacoalcos, State of Veracruz, Mexico.

(27) Servicios Corporativos Hoteleros, S.A. de C.V. is a company established under the laws of Mexico and registered with the Public Registry of the City of Mexico, Federal District under the registration number 226,110. The registered office of Servicios Corporativos Hoteleros, S.A. de C.V. is located at Calle Liverpool No 155 Piso 2 Col. Juárez Del. Cuauhtemoc, Mexico.

(28) Hotelera de la Parra, S.A. de C.V. is a company established under the laws of Mexico and registered with the Public Property Register of the Federal District under the registration number 23, page 32, of volume 694, third book, of the Companies Section. The registered office of Hotelera de la Parra, S.A. de C.V. is located at Liverpool No. 155, Col. Juárez, Del Cuauhtémoc, Z.C. 06600, City of Mexico, Federal District, Mexico.

(29) Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.is a company established under the laws of Mexico and registered with the Public Registry of the City of Mexico, Federal District under the registration number 278,926. The registered office of Servicios Corporativos Krystal Zona Rosa, S.A. de C.V. is located at Liverpool No 155 A Col. Juárez Del. Cuahtemoc, Mexico.

(30) Grupo Hotelero Monterrey, S.A. de C.V. is a company established under the laws of Mexico and registered with Public Registry of the Federal District under the registration number 298,461. The registered office of Grupo Hotelero Monterrey, S.A. de C.V. is located at Avenida Jose Vasconcelos N. 402 Col. Valle de Santa Engracia Nuevo Leon, Mexico.

(31) Servicios Chartwell de Nuevo Laredo, S.A. de C.V. is a company established under the laws of Mexico and registered with the Public Registry of the Federal District under the registration number 287,034. The registered office of Servicios Chartwell de Nuevo Laredo, S.A. de C.V. is located at 06600 CP Mexico D.F. Calle Liverpool No 155 Piso 2 Col. Juárez Del. Cuauhtemoc, Mexico.

(32) NH Hoteles Polska sp. z o.o. is a company established under the laws of Poland and registered with the register of entrepreneurs of the National Court Register maintained by the District Court Poznań—Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register under the registration number KRS 0000297678. The registered office of NH Hoteles Polska sp. z o.o. is located at Św. Marcin 67, Poznań 61-806, Poland.

(33) NH Hotel Rallye Portugal, Unipessoal Lda. is a company established under the laws of Portugal and registered with the Commercial Register Office of Lisbon under the registration number 506 618 897. The registered office of NH Hotel Rallye Portugal, Lda. is located at Avenida da Liberdade, 180-B, Santo António, Lisbon, Portugal.

(34) NH Management Black Sea S.R.L. is a company established under the laws of Romania and registered with the Trade Register Office under the registration number J40/9352/2005. The registered office of NH Management Black Sea S.R.L. is located at 45 Tudor Vladimirescu Blvd., Ground Floor, Room 1, 5th District, Bucharest, Romania.

(35) NH Atardecer Caribeño, S.A.U. is a company established under the laws of Spain and registered with the Commercial Registry of Madrid under the registration number M385089. The registered office of NH Atardecer Caribeño, S.L.U. is located at 28003 CP Madrid, Spain, CL Santa Engracia 120.

(36) NH Central Reservation Office, S.A.U. is a company established under the laws of Spain and registered with the Commercial Registry of Madrid under the registration number

M142618. The registered office of NH Central Reservation Office, S.A.U. is located at Santa Engracia 120, 28003 Madrid, Spain.

(37) NH Hoteles España, S.A.U. is a company established under the laws of Spain and registered with the Commercial Registry of Barcelona under the registration number B34875. The registered office of NH Hoteles España, S.L.U. is located at 08028 CP Travessera de las Corts, 144, Barcelona, Spain.

(38) Nuevos Espacios Hoteleros, S.A.U. is a company established under the laws of Spain and registered with the Commercial Registry of Madrid under the registration number M259458. The registered office of Nuevos Espacios Hoteleros, S.L.U. is located at 28037 CP Alfonso Gomez 30-32, Madrid.

(39) NH Hoteles Switzerland GmbH is a company established under the laws of Switzerland and registered with the Handelsregisteramt des Kantons Freiburg under the registration number CHE-101.290.195. The registered office of NH Hoteles Switzerland GmbH is located at Grand Places 14, CH 1700, Fribourg, Switzerland.

(40) Hotel Houdstermaatschappij Jolly B.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 34374649. The registered office of Hotel Houdstermaatschappij Jolly B.V. is located at Vijzelstraat 2, 1017 HK, Amsterdam, the Netherlands.

(41) Hotel Exploitatiemaatschappij Vijzelstraat Amsterdam B.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 34374663. The registered office of Hotel Exploitatiemaatschappij Vijzelstraat Amsterdam B.V. is located at Vijzelstraat 2, 1017 HK, Amsterdam, the Netherlands.

(42) NH Private Equity B.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 34147293. The registered office of NH Private Equity B.V. is located at Kruisweg 577, 2132 NA Hoofddorp, the Netherlands.

(44) Palatium Amstelodamum N.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 33192197. The registered office of Palatium Amstelodamum N.V. is located at Prins Hendrikkade 59-72, 1012 AD, Amsterdam, the Netherlands.

(45) Hotelexploitatiemaatschappij Onderlangs Arnhem B.V. is a company established under the laws of the Netherlands, having its corporate seat at Arnhem, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32081515. The registered office of Hotelexploitatiemaatschappij Onderlangs Arnhem B.V. is located at Onderlangs 10, 6812 CG, Arnhem, the Netherlands.

(46) Hotelexploitatiemaatschappij Stadhouderskade Amsterdam B.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 33177298. The registered office of Hotelexploitatiemaatschappij Stadhouderskade Amsterdam B.V. is located at Stadhouderskade 7-9, 1054 ES, Amsterdam, the Netherlands.

(47) Hotelexploitatiemaatschappij Forum Maastricht B.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration

number 14623693. The registered office of Hotelexploitatiemaatschappij Forum Maastricht B.V. is located at Forum 110, 6229 GV, Maastricht, the Netherlands.

(48) Hotelexploitatiemaatschappij Capelle aan den IJssel B.V. is a company established under the laws of the Netherlands, having its corporate seat at Capelle aan den IJssel, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 24159435. The registered office of Hotelexploitatiemaatschappij Capelle aan den IJssel B.V. is located at Barbizonlaan 2, 2908 MA, Capelle aan den IJssel, the Netherlands.

(49) Hotelexploitatiemaatschappij Van Alphenstraat Zandvoort B.V. is a company established under the laws of the Netherlands, having its corporate seat at Hilversum, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32064213. The registered office of Hotelexploitatiemaatschappij Van Alphenstraat Zandvoort B.V. is located at Burgemeester van Alphenstraat 63, 2041 KG, Zandvoort, the Netherlands.

(50) Hotelexploitatiemaatschappij Atlanta Rotterdam B.V. is a company established under the laws of the Netherlands, having its corporate seat at Hilversum, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32061801. The registered office of Hotelexploitatiemaatschappij Atlanta Rotterdam B.V. is located at Aert van Nesstraat 4, 3012 CA, Rotterdam, the Netherlands.

(51) Hotelexploitatiemaatschappij Leijenberghlaan Amsterdam B.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 33135440. The registered office of Hotelexploitatiemaatschappij Leijenberghlaan Amsterdam B.V. is located at Van Leijenberghlaan 221, 1082 GG, Amsterdam, the Netherlands.

(52) Exploitatiemaatschappij Doelen Hotel B.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 33288589. The registered office of Exploitatiemaatschappij Doelen Hotel B.V. is located at Nieuwe Doelenstraat 24, 1012 CP, Amsterdam, the Netherlands.

(53) Exploitatiemaatschappij Schiller Hotel B.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 33288588. The registered office of Exploitatiemaatschappij Schiller Hotel B.V. is located at Rembrandtplein 26-36, 1017 CV, Amsterdam, the Netherlands.

(54) Hotelexploitatiemaatschappij Jaarbeursplein Utrecht B.V. is a company established under the laws of the Netherlands, having its corporate seat at Utrecht, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 30042670. The registered office of Hotelexploitatiemaatschappij Jaarbeursplein Utrecht B.V. is located at Jaarbeursplein 24, 3521 AR, Utrecht, the Netherlands.

(55) Hotelexploitatiemaatschappij Amsterdam Noord B.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 33074136. The registered office of Hotelexploitatiemaatschappij Amsterdam Noord B.V. is located at Distelkade 21, 1031 XP, Amsterdam, the Netherlands.

(56) Koningshof B.V. is a company established under the laws of the Netherlands, having its corporate seat at Veldhoven, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 17040752. The registered office of Koningshof B.V. is located at Locht 177, 5504 RM, Veldhoven, the Netherlands.

(57) Leeuwenhorst Congres Center B.V. is a company established under the laws of the Netherlands, having its corporate seat at Noordwijkerhout, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 28027391. The registered office of Leeuwenhorst Congres Center B.V. is located at Langelaan 3, 2211 XT, Noordwijkerhout, the Netherlands.

(58) Hotelexploitatiemaatschappij Spuistraat Amsterdam B.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 33250339. The registered office of Hotelexploitatiemaatschappij Spuistraat Amsterdam B.V. is located at Singel 347, 1012 WK, Amsterdam, the Netherlands.

(59) Hotelexploitatiemaatschappij Janskerkhof Utrecht B.V. is a company established under the laws of the Netherlands, having its corporate seat at Hilversum, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32059918. The registered office of Hotelexploitatiemaatschappij Janskerkhof Utrecht B.V. is located at Janskerkhof 10, 3512 BL, Utrecht, the Netherlands.

(60) Hotel de Ville B.V. is a company established under the laws of the Netherlands, having its corporate seat at Groningen, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 02057636. The registered office of Hotel de Ville B.V. is located at Oude Boteringestraat 43, 9712 GD, Groningen, the Netherlands.

(61) De Sparrenhorst B.V. is a company established under the laws of the Netherlands, having its corporate seat at Nunspeet, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 08078518. The registered office of De Sparrenhorst B.V. is located at Eperweg 46, 8072 DB, Nunspeet, the Netherlands.

(62) Olofskapel Monumenten B.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 33284325. The registered office of Olofskapel Monumenten B.V. is located at Prins Hendrikkade 59-72, 1012 AD, Amsterdam, The Netherlands.

(63) Onroerend Goed Beheer Maatschappij Maas Best B.V. is a company established under the laws of the Netherlands, having its corporate seat at Best, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32128730. The registered office of Onroerend Goed Beheer Maatschappij Maas Best B.V. is located at Kruisweg 577, 2132 NA Hoofddorp, The Netherlands.

(64) Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden B.V. is a company established under the laws of the Netherlands, having its corporate seat at Naarden, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32128728. The registered office of Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden B.V. is located at Kruisweg 577, 2132 NA Hoofddorp, The Netherlands.

(65) Onroerend Goed Beheer Maatschappij Atlanta Rotterdam B.V. is a company established under the laws of the Netherlands, having its corporate seat at Rotterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32128726. The registered office of Onroerend Goed Beheer Maatschappij Atlanta Rotterdam B.V. is located at Kruisweg 577, 2132 NA Hoofddorp, The Netherlands.

(66) Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer B.V. is a company established under the laws of the Netherlands, having its corporate seat at Zoetermeer, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under

the registration number 32128724. The registered office of Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer B.V. is located at Kruisweg 577, 2132 NA Hoofddorp, The Netherlands.

(67) Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam B.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32128723. The registered office of Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam B.V. is located at Kruisweg 577, 2132 NA Hoofddorp, The Netherlands.

(68) Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp B.V. is a company established under the laws of the Netherlands, having its corporate seat at Hoofddorp, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32128720. The registered office of Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp B.V. is located at Kruisweg 577, 2132 NA Hoofddorp, The Netherlands.

(69) Onroerend Goed Beheer Maatschappij Capelle aan den IJssel B.V. is a company established under the laws of the Netherlands, having its corporate seat at Capelle aan den IJssel, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32128719. The registered office of Onroerend Goed Beheer Maatschappij Capelle aan den IJssel B.V. is located at Kruisweg 577, 2132 NA Hoofddorp, The Netherlands.

(70) Onroerend Goed Beheer Maatschappij Bogardeind Geldrop B.V. is a company established under the laws of the Netherlands, having its corporate seat at Geldrop, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32128718. The registered office of Onroerend Goed Beheer Maatschappij Bogardeind Geldrop B.V. is located at Kruisweg 577, 2132 NA Hoofddorp, The Netherlands.

(71) Onroerend Goed Beheer Maatschappij Marquette Heemskerk B.V. is a company established under the laws of the Netherlands, having its corporate seat at Heemskerk, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32128715. The registered office of Onroerend Goed Beheer Maatschappij Marquette Heemskerk B.V. is located at Kruisweg 577, 2132 NA Hoofddorp, The Netherlands.

(72) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort B.V. is a company established under the laws of the Netherlands, having its corporate seat at Zandvoort, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32128713. The registered office of Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort B.V. is located at Kruisweg 577, 2132 NA Hoofddorp, The Netherlands.

(73) Hotelexploitatiemaatschappij Stationsstraat Amersfoort B.V. is a company established under the laws of the Netherlands, having its corporate seat at Amersfoort, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 34080447. The registered office of Hotelexploitatiemaatschappij Stationsstraat Amersfoort B.V. is located at Stationsstraat 75, 3811 MH, Amersfoort, The Netherlands.

(74) Jolly Hotels Holland N.V. is a company established under the laws of the Netherlands, having its corporate seat at Amsterdam, the Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 33185116. The registered office of Jolly Hotels Holland, N.V. is located at Vijzelstraat 2, 1017 HK, Amsterdam, The Netherlands.

(75) Jolly Hotels USA, Inc. is a Delaware corporation. The registered office of Jolly Hotels USA, Inc. is located at 22 East 38th Street, New York, NY 10016.

(76) Columbia Palace Hotel, S.A. is a company established under the laws of Uruguay and registered with the National Register of Commerce on March 25, 1958 with the number 41, page 265 of book 2. The registered office of Columbia Palace Hotel, S.A. is located at Montevideo, Uruguay, RB Rambla Gran Bretaña, 473.

General

The issuance of the Notes was authorized by resolutions of the boards of directors of the Issuer passed on March 16, 2017. The guarantees were authorized by resolutions of the boards of directors of each of the Guarantors passed on or about the same date.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

Audited consolidated financial statements of NH Hotel Group, S.A. as of and for the year ended December 31, 2016.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of NH Hotel Group, S.A.:

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of NH Hotel Group, S.A. ("the Parent") and subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other 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.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements, so that they present fairly the consolidated equity, consolidated financial position and consolidated results of NH Hotel Group, S.A. and subsidiaries, 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 in Spain, identified in Note 2.1 to the accompanying consolidated financial statements, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates

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.

made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of NH Hotel Group, S.A. and subsidiaries as at 31 December 2016, and their consolidated results and their consolidated cash flows for the year then ended 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 in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2016 contains the explanations which the Parent's directors consider appropriate about the situation of NH Hotel Group, S.A. and subsidiaries, 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 2016. 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 accounting records of NH Hotel Group, S.A. and Subsidiaries.

DELOITTE, S.L.

Registered in R.O.A.C. under no. S0692

Pilar Cerezo Sobrino

28 February 2017

NH Hotel Group, S.A. and subsidiaries

Consolidated balance sheets
at 31 December 2016 and 31 December 2015
(Thousands of euros)

Assets	Notes	31/12/2016	31/12/2015
Non-current assets:			
Goodwill	6	117,736	118,793
Intangible assets	7	126,453	119,282
Tangible fixed assetst	8	1,701,428	1,724,166
Investments accounted for using the equity method	9	10,646	16,678
Non-current financial investments-	10	91,056	160,776
Loans and accounts receivable not available for trading		*78,385*	*154,071*
Other non-current financial investments		*12,671*	*6,705*
Deferred tax assets	18	152,389	165,797
Other non-current assets		18,939	16,282
Total non-current assets		**2,218,647**	**2,321,774**

	Notes	31/12/2016	31/12/2015
Current assets:			
Non-current assets classified as held for sale	11	46,685	45,034
Inventories		9,870	9,508
Trade receivables	12	146,197	169,269
Non-trade receivables-		54,510	73,115
Tax receivables	*18*	*29,231*	*45,973*
Other non-trade debtors		*25,279*	*27,142*
Short-term financial investments		1,918	2,190
Cash and cash equivalents	13	136,733	77,699
Other current assets		12,677	12,298
Total current assets		**408,590**	**389,113**
Total assets		**2,627,237**	**2,710,887**

Notes 1 to 31 in the Consolidated Annual Report and Appendices I/II form an integral part of the Consolidated Balance Sheet at 31 December 2016.

The Consolidated Balance Sheet at 31 December 2015 is presented solely for the purposes of comparison.

NH Hotel Group, S.A. and subsidiaries

Consolidated balance sheets at 31 December 2016 and 31 December 2015 (continued) (Thousands of euros)

Net assets and liabilities	Notes	31/12/2016	31/12/2015
Equity:			
Share capital	14	700,544	700,544
Reserves of the parent company	14	412,827	499,972
Reserves of fully consolidated companies		137,512	48,480
Reserves of companies consolidated using the equity method		(23,206)	(21,135)
Other equity instruments		27,230	27,230
Currency translation difference		(133,765)	(130,347)
Treasury shares and shareholdings	14	(39,983)	(37,561)
Consolidated profit for the period		30,750	938
Equity attributable to the shareholders of the Parent Company		**1,111,909**	**1,088,121**
Non-controlling interests	14	43,967	37,963
Total equity		**1,155,876**	**1,126,084**

	Notes	31/12/2016	31/12/2015
Non-current liabilities			
Debt instruments and other marketable securities	15	763,637	471,871
Bank borrowings	15	72,720	336,165
Obligations under finance leases		1,435	2,377
Other non-current liabilities	16	34,037	99,180
Provisions for contingencies and charges	17	52,900	48,700
Deferred tax liabilities	18	174,987	196,711
Total non-current liabilities		**1,099,716**	**1,155,004**

	Notes	31/12/2016	31/12/2015
Current liabilities:			
Liabilities associated with non-current assets classified as held for sale	11	2,661	—
Debt instruments and other marketable securities	15	2,233	3,613
Bank borrowings	15	23,226	75,272
Obligations under finance leases		1,076	1,267
Trade and other payables	19	229,769	251,043
Tax payables	18	44,938	50,835
Provisions for contingencies and charges	17	11,462	5,330
Other current liabilities	21	56,280	42,439
Total current liabilities		**371,645**	**429,799**
TOTAL LIABILITIES		**2,627,237**	**2,710,887**

Notes 1 to 31 in the Consolidated Annual Report and Appendices IIII form an integral part of the Consolidated Balance Sheet at 31 December 2016.

The Consolidated Balance Sheet at 31 December 2015 is presented solely for the purposes of comparison.

NH Hotel Group, S.A. and subsidiaries

Consolidated comprehensive profit and loss statement for the years 2016 and 2015 (Thousands of euros)

	Notes	2016	2015
Revenues	24.1	1,447,903	1,376,634
Other operating income	24.1	7,687	1,207
Net gains on disposal of non-current assets	24.1	41,526	(843)
Procurements		(66,857)	(67,589)
Staff costs	24.3	(415,889)	(398,148)
Depreciation and amortisation charges	6, 7 and 8	(114,170)	(106,159)
Net Profits/(Losses) from asset impairment	7 and 8	(2,686)	30,859
Other operating expenses		(791,011)	(768,075)
Variation in the provision for onerous contracts	*17*	*4,163*	*19,014*
Other operating expenses	*24.4*	*(795,174)*	*(787,089)*
Gains on financial assets and liabilities and other		9,856	4,828
Profit (loss) from companies accounted for using the equity method	10	119	(663)
Finance income	24.2	3,310	5,154
Change in fair value of financial instruments	24.2	435	4,695
Finance costs	24.6	(72,304)	(73,715)
Net exchange differences (Income/(Expense))		(3,561)	2,135
PROFITS / (LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS		**44,358**	**10,320**
Income tax	18	(7,935)	(13,082)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR—CONTINUING		**36,423**	**(2,762)**
Profit (loss) for the year from discontinued operations net of tax	11	(2,274)	6,068
PROFIT FOR THE FINANCIAL YEAR		**34,149**	**3,306**
Currency translation difference		(3,203)	(31,439)
Income and expenses recognised directly in equity		**(3,203)**	**(31,439)**
TOTAL COMPREHENSIVE PROFIT / (LOSS)		**30,946**	**(28,133)**
Profits for the year attributable to:			
Parent Company Shareholders		*30,750*	*938*
Non-controlling interests		*3,399*	*2,368*
Comprehensive Profit / (Loss) attributable to:			
Parent Company Shareholders		*27,332*	*(26,750)*
Non-controlling interests	*14.4*	*3,614*	*(1,383)*
Profit per share in euros (basic)	5	**0.090**	**0.003**

Notes 1 to 31 in the Consolidated Annual Report and Appendices I/II form an integral part of the Consolidated Comprehensive Profit and Loss Statement for 2016. The Consolidated Comprehensive Profit and Loss Statement for 2015 is presented solely for the purposes of comparison.

NH Hotel Group, S.A. and subsidiaries

Consolidated statement of changes in shareholders' equity for 2016 and 2015 (Thousands of euros)

		Reserves of the parent company			Reserves in companies consolidated by								
	Share capital	Share premium	Legal reserve	Other reserves	Full consolidation	The equity method	Currency translation difference	Equity instruments	Treasury shares and shareholdings	Results attributable to Parent Company	Total	Non-controlling interests	Total Shareholders' Equity
Balances at 31 December 2014	**700,544**	**634,659**	**43,121**	**(53,210)**	**(68,636)**	**(19,794)**	**(102,659)**	**27,230**	**(38,805)**	**(9,550)**	**1,112,900**	**23,768**	**1,136,668**
Adjustments after the end of the year	—	—	—	—	—	—	—	—	—	(433)	(433)	433	—
Initial balance adjusted at 1 January 2015	**700,544**	**634,659**	**43,121**	**(53,210)**	**(68,636)**	**(19,794)**	**(102,659)**	**27,230**	**(38,805)**	**(9,983)**	**1,112,467**	**24,201**	**1,136,668**
Net profit (loss) for 2015	—	—	—	—	—	—	—	—	—	938	938	2,368	3,306
Currency translation difference	—	—	—	—	—	—	(27,688)	—	—	—	(27,688)	(3,751)	(31,439)
Recognised income and expenses for the period	—	—	—	—	—	—	(27,688)	—	—	938	(26,750)	(1,383)	(28,133)
Capital increase	—	—	—	—	—	—	—	—	—	—	—	—	—
Distribution of Profit (Loss) 2014-—To Reserves	—	—	—	(127,044)	118,402	(1,341)	—	—	—	9,983	—	—	—
Changes in treasury shares	—	—	—	—	—	—	—	—	1,244	—	1,244	—	1,244
Remuneration Scheme in shares	—	—	—	1,866	—	—	—	—	—	—	1,866	—	1,866
Business combination	—	—	—	—	—	—	—	—	—	—	—	14,646	14,646
Distribution of dividends	—	—	—	—	—	—	—	—	—	—	—	(1,374)	(1,374)
Other transactions with shareholders or owners	—	—	—	—	(714)	—	—	—	—	—	(714)	1,815	1,101
Other movements	—	—	—	580	(572)	—	—	—	—	—	8	58	66
Balances at 31 December 2015	**700,544**	**634,659**	**43,121**	**(177,808)**	**48,480**	**(21,135)**	**(130,347)**	**27,230**	**(37,561)**	**938**	**1,088,121**	**37,963**	**1,126,084**
Adjustments after the end of the year	—	—	—	—	—	—	—	—	—	—	—	—	—
Initial balance adjusted 01 January 2016	**700,544**	**634,659**	**43,121**	**(177,808)**	**48,480**	**(21,135)**	**(130,347)**	**27,230**	**(37,561)**	**938**	**1,088,121**	**37,963**	**1,126,084**
Net profit (loss) for 2016	—	—	—	—	—	—	—	—	—	30,750	30,750	3,399	34,149
Currency translation difference	—	—	—	—	—	—	(3,418)	—	—	—	(3,418)	215	(3,203)
Others	—	—	—	—	—	—	—	—	—	—	—	—	—
Recognised income and expenses for the period	—	—	—	—	—	—	(3,418)	—	—	30,750	27,332	3,614	30,946
Capital increase	—	—	—	—	—	—	—	—	—	—	—	—	—
Distribution of Profit (Loss) 2015-—To Reserves	—	—	—	(89,072)	90,673	(663)	—	—	—	(938)	—	—	—
Treasury shares and shareholdings	—	—	—	—	—	—	—	—	(2,422)	—	(2,422)	—	(2,422)
Remuneration Scheme in shares	—	—	—	1,927	—	—	—	—	—	—	1,927	—	1,927
Business combination (Notes 2.5.4 and 14.4)	—	—	—	—	1,483	(1,483)	—	—	—	—	—	2,589	2,589
Distribution of dividends (Note 14.4)	—	—	—	—	—	—	—	—	—	—	—	(1,056)	(1,056)
Other transactions with shareholders or owners	—	—	—	—	(782)	—	—	—	—	—	(782)	782	—
Other movements	—	—	—	—	(2,342)	75	—	—	—	—	(2,267)	75	(2,192)
Balances at 31 December 2016	**700,544**	**634,659**	**43,121**	**(264,953)**	**137,512**	**(23,206)**	**(133,765)**	**27,230**	**(39,983)**	**30,750**	**1,111,909**	**43,967**	**1,155,876**

Notes 1 to 31 described in the consolidated Record and Appendices IIII form an integral part of the statement of changes in consolidated assets for the year 2016. The statement of changes in consolidated assets for the year 2015 is presented for comparison only.

NH Hotel Group, S.A. and subsidiaries
Consolidated cash flow statements produced in the periods 2016 and 2015
(Thousands of euros)

	Note	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 (+)	**7 and 8**	114,171	106,159
Impairment losses (net) (+/−)	**6, 7 and 8**	2,685	(30,859)
Allocations for provisions (net) (+/−)	**17**	(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 (+/−)	**10**	(119)	663
Financial income (−)	**24.2**	(3,310)	(5,154)
Financial expenses and variation in fair value of financial instruments (+)	**24.2 and 24.6**	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 (+/−)	**24**	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	**21**	(23,478)	(17,809)
Increase/(Decrease) in provisions far contingencies and expenses	**17**	(7,710)	(470)
(Increase)/Decrease in non-current assets	**10.1**	291	(8,169)
Increase/(Decrease) in non-current liabilities	**16**	5,784	2,330
Income tax paid	**18**	(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	**a.2.1 and 9**	(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	**24.6**	(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 (+)	**15**	285,000	—
—Loans from credit institutions (+)	**15**	28,217	177,111
—Loans from credit institutions (−)	**15**	(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**

Notes 1 to 31 described in the consolidated Record and Appendices IIII form an integral part of the consolidated cash flow statement for the year 2016. The consolidated cash flow statement for the year 2015 is presented for comparison purposes only.

NH Hotel Group, S.A. and subsidiaries
Report on the consolidated financial statements for 2016

1. Activity and composition of the parent company

NH HOTEL GROUP, S.A. (hereinafter the Parent Company) was incorporated as a public limited company in Spain on 23 December 1981 under the trade name “Material para Ferrocarriles y Construcciones, S.A.”, which was subsequently changed to “Material y Construcciones, S.A.” (MACOSA) and later 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.

During the 1998 financial year, 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.

The General Shareholders’ Meeting of 21 June 2014 agreed to change the company’s name from “NH Hoteles, S.A.” to “NH Hotel Group, S.A.”

The Group entered into an agreement with Grupo Inversor Hesperia, S.A. (hereinafter “Hesperia”) in 2009 to merge their respective hotel management businesses. As a result, the Group now manages 49 hotels owned or operated by Hesperia. The Group currently manages 31 hotels belonging to Grupo Inversor Hesperia. Such agreement is under renegotiation (see Note 27.3).

The expansion strategy has led to acquisitions in recent years for the Group in diverse European and Latin American markets. In the year 2015 the acquisition of the Colombian hotel chain Hoteles Royal was completed (see Note 2.5.4). With the acquisition of the hotel group Hoteles Royal (see Note 2.5.4), which operated a portfolio of twenty hotels, fifteen in Colombia, four in Chile and one in Ecuador, NH expanded its presence in Latin America. The hotels located in Colombia and Ecuador are operated under a variable income lease, while of the hotels in Chile, three are operated as owners and as a variable lease, though the latter ceased operations in November 2015.

The Parent Company is the head of a group of subsidiaries engaged in the same activities and that constitute, together with NH Hotel Group, S.A., the NH Hotels Group (hereinafter the “Group”—see Appendices I and II).

At the end of 2016, the Group was operating hotels in 29 countries, with 379 hotels and 58,472 rooms, of which around 77% are located in Spain, Germany, Italy and the Benelux countries.

NH Hotel Group, 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 consolidated financial statements

The consolidated financial statements for 2016 were drawn up by the directors of NH Hotel Group, S.A. at the Board meeting held on 28 February 2016, in accordance with the regulatory reporting framework applicable to the Group, as established in the Code of Commerce and all other Spanish corporate law, and in the International Financial Reporting Standards ("IFRS") adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and in Law 62/2003, of 30 December, the Tax, Administrative, Labour and Social Security Measures Act, and as such give a true and fair presentation the Group's equity and financial position at 31 December 2016 and of the results of its operations, changes in equity and consolidated cash flows for the year then ended.

The consolidated financial statements for 2016 of the Group and the entities that it comprises 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 believe that said financial statements will be approved without any significant changes. The consolidated financial statements for 2015 were approved by the shareholders at the Annual General Meeting held on 21 June 2016 and filed with the Companies Registry of Madrid.

Since the accounting standards and valuation criteria applied in the preparation of the Group's consolidated financial statements for 2016 may differ from those used by some of its member companies, adjustments and reclassifications were used to standardise them and adapt them to IFRS as adopted by the European Union.

2.1.1 Standards and interpretations effective in this period

In 2016 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:

(1) New obligatory regulations, amendments and interpretations for the year commencing 01 January 2016.

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Approved for use in the European Union		
Amendment to IAS 19 Employee contributions to defined benefit plans (published in November 2013)	The amendment is issued to facilitate the possibility of deducting these contributions from the service cost in the same period they are paid if certain requirements are met.	01 February 2015(1)
Improvements to IFRS 2010-2012 Cycle (published in December 2013)	Minor amendments to a number of standards.	

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Amendments to IAS 16 and IAS 38: Acceptable methods of depreciation and amortisation (published in May 2014)	Clarifies the methods acceptable for depreciating and amortising property, plant and equipment and intangible assets, which do not include those based on income.	01 January 2016
Amendment to IFRS 11: Acquisitions of interests in joint operations (published in May 2014)	Specifies how to account for the acquisition of an interest in a joint venture whose activity constitutes a business.	
Amendments to IAS 16 and IAS 41: Bearer plants (published in June 2014)	Bearer plants will be measured at cost instead of fair value.	
Improvements to IFRS 2012-2014 Cycle (published in September 2014)	Minor amendments to a number of standards.	
Amendment to IAS 27 Equity Method in Separate Financial Statements (published in August 2014)	The equity method in individual financial statements of an investor will be allowed.	
Amendment to IAS 1 disclosure initiative (published in December 2014)	Various clarifications regarding the itemisations (materiality, aggregation, order of the notes, etc.).	
Awaiting approval for use in the European Union as of the date of publication of this document		
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities (published in December 2014)	Clarifications on the exception for consolidation of investment companies.	01 January 2016

(1) The initial commencement date for these regulations was from 1 July 2014.

These regulations and amendments have been applied to these consolidated financial statements without significant impacts on either the reported figures or the presentation and breakdown of the information, either because they do not entail relevant changes or because they refer to economic facts that do not affect the Group.

(2) New regulations, amendments and interpretations which will be obligatory in the years following the year commencing 1 January 2016

The following standards and interpretations had been published by the IASB on the date the consolidated financial statements 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 financial statements or because they had not yet been adopted by the European Union:

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Approved for use in the European Union		
IFRS 15—Revenue from Contracts with Customers (published in May 2014)	New standard on revenue recognition (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31)	01 January 2018
IFRS 9 Financial Instruments (published in July 2014).	Replaces the requirements for classification, valuation, recognition and derecognizing of financial assets and liabilities in accounts, hedge accounting and impairment of IAS 39.	
Awaiting approval for use in the European Union as of the date of publication of this document(1)		
New standards		
IFRS 15 improvements published in April 2016	They revolve around the identification of obligations in terms of performance, principal versus agent, licensing and its accrual at a point in time or over time, as well as some clarification of the transitional rules.	01 January 2018
IFRS 16 Leases (published in January 2016)	Replaces IAS 17 and associated interpretations. The main change hinges on the fact that the new standard proposes a single accounting model for lessees who will include all leases (with some exceptions) on the balance sheet with a similar impact to that of the current financial leases (the asset will depreciate due to the right of use and a financial expense for the cost of amortising the liability).	01 January 2019
Amendments and/or interpretations		
Amendment to IAS 27 disclosure initiative (published in January 2016)	Introduces additional disclosure requirements in order to improve information provided to users.	01 January 2017
Amendment to IAS 12: Deferred tax: recovery of underlying assets (published in January 2016)/	Classification of the principles set up in relation to deferred tax and recovery of underlying assets.	

New standards, amendments and interpretations		**Obligatory application in the years beginning on or after:**
Amendment to IFRS 2 Classification and measurement of share-based payment transactions (published in June 2016)	Narrow-scope amendments clarifying specific matters such as the effects of vesting and non-vesting conditions in cash-settled share-based payments, the classification of share-based payments where there are net settlement clauses and some aspects of the modifications to terms of a share-based payment.	01 January 2018
Amendment to IFRS 4 Insurance contracts (published in September 2016)	It allows entities within the scope of IFRS 4 the option of applying IFRS 9 ("overlay approach") or their temporary exemption	
Amendment to IAS 40 Reclassification of real estate investments (published in December 2016)	The amendment clarifies that the reclassification of an investment from or to real estate investment is only permitted when there is evidence of a change in its use.	
Improvements to IFRS 2014-2016 Cycle (published in December 2016)	Minor amendments to a number of standards (different effective dates).	
IFRIC 22 Transactions and advances in foreign currency (published in December 2016)	This interpretation establishes the "transaction date" for the purpose of determining the exchange rate applicable in transactions with foreign currency advances.	
Amendments to IFRS 10 and IAS 28 Sale or transfer of assets between an investor and their associate/ joint venture (published in September 2014)	Clarification on the result of these operations if dealing with businesses or assets.	No date set

(1) The approval status of the standards by the European Union can be consulted on the EFRAG website.

The Directors have assessed the potential future impacts of these standards and, in particular, the application of IFRS 16 Leases will entail a significant change in the Group's consolidated financial statements, with an increase in assets due to the recognition of the right to use the leased asset and an increase in liabilities due to the corresponding future payment commitments. In this regard, the scope of the transition to the application of the standard and the need for the adaptation of financial reporting systems are being assessed.

In relation to the other standards, amendments and interpretations, the Group is analysing all future impacts of the adoption of these standards and it is not possible to provide a reasonable estimate of their effects until that analysis is complete.

2.2. Information on 2015

As required by IAS 1, the information from 2015 contained in this consolidated annual report is presented solely for comparison with the information from 2016, and consequently does not in itself constitute the Group's consolidated annual accounts for 2015.

2.3. Currency of presentation

These consolidated financial statements are presented in euros. Any foreign currency transactions have been recognised in accordance with the criteria described in Note 4.9.

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 preparing the Group's consolidated financial statements to quantify some of the assets, liabilities, revenue, expenses and undertakings recognised. These estimates essentially refer to:

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

In spite of the fact that these estimates were carried out using the best information available at 31 December 2016 on events analysed, it is possible that events may take place in the future which compel their amendment (upwards or downwards) in years to come. This will be done in accordance with the provisions of IAS 8, prospectively recognising the effects of the change in estimate on the consolidated profit and loss statement.

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 ability to exercise control. This ability is shown when the Parent Company has the power to direct 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. If necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those used by the Group.

Stakes held by non-controlling shareholders in the Group's equity and results are respectively presented in the "Non-controlling 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 until to the effective date of disposal, as appropriate.

2.5.2 Associates (See Appendix II)

Associates are considered as any companies in which the Parent Company has the ability 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%.

Associates are valued in the consolidated financial statements using 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. In the case of transactions with an associated company, the corresponding losses or gains are eliminated in the percentage of the Group's stake in its capital.

The profit (loss) net of tax of the associate companies is included in the Group's consolidated comprehensive profit and loss statement, in the item "Profit (Loss) from entities valued through the equity method", according to the percentage of the Group's stake.

If, as a result of the losses incurred by an associate company, its equity were negative, in the Group's consolidated balance sheet it would be nil; unless there were an obligation on the part of the Group to support it financially.

2.5.3 Foreign currency translation

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 comprehensive profit and loss statement has been converted by applying the average exchange rate of the financial 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.

2.5.4 Changes in the scope of consolidation

The most significant changes in the scope of consolidation during 2016 and 2015 that affect the comparison between financial years were the following:

a.1 Changes in the scope of consolidation in 2016

a.1.1 Additions to the consolidation scope

On 27 December 2016, the Group acquired 47% of the share capital of Palacio de la Merced, S.A., for an amount of €2.069 million, of which €621 thousand euros are outstanding.

Up to the date of purchase, the Group held a minority shareholding of 25% in that Company which was consolidated using the equity method. Following the purchase, the Group now holds a 72% participating interest in the share capital, thereby acquiring control of the share capital and, therefore, becoming consolidated by the full consolidation method.

Said acquisition was regulated by the application of the stipulations of IFRS 3 Business Combinations. The effect of the acquisition of the aforementioned participating interest on the consolidated balance sheet at 31 December 2016 was as follows:

	Thousands of euros
Tangible fixed assets (Note 8)	16,813
Intangible fixed assets (Note 7)	2
Other non-current assets	2
Current assets	453
Bank borrowings (non-current)	(4,372)
Bank borrowings (current)	(566)
Deferred tax liabilities	(698)
Other non-current liabilities	(1,301)
Current liabilities	(1,094)
Non-controlling interests (Note 14.4)	(2,589)
Fair value of the acquired entity's net assets	**6,650**
Cost of the previous stake (Note 9)	(1,718)
Net Consideration	(2,069)
Profit of the transaction	**2,863**

In addition, the detail of the book value of the assets acquired and the revaluation carried out is as follows:

	Thousands of euros		
	Book value of the assets acquired	Revaluation carried out	Fair value of the assets acquired
Tangible fixed assets (Note 8)	14,021	2,792	16,813
Intangible fixed assets (Note 7)	2	—	2
Other non-current assets	2	—	2
Current assets	453	—	453
Bank borrowings (non-current)	(4,372)	—	(4,372)
Bank borrowings (current)	(566)	—	(566)
Deferred tax liabilities	—	(698)	(698)
Other non-current liabilities	(1,301)	—	(1,301)
Current liabilities	(1,094)	—	(1,094)
Non-controlling interests (Note 14.4)	—	(2,589)	(2,589)

The effect of the acquisition of the additional ownership interest in the Company brought a positive result of €2.863 million recorded in the "Gains on financial assets and liabilities and other" in the consolidated comprehensive profit and loss statements.

On 28 December 2016, the Group acquired 50% of the inactive company Capredo Investments Gmbh for €3.19 million, of which €3.15 million is still outstanding (see Note 16), now holding 100% of the share capital of this Company. In this regard, the Company owns a plot of land located in the Dominican Republic that does not have the consideration of business in accordance with IFRS 3. Following the acquisition, the Group acquired control of the company whose previous cost amounted to €6.764 million. The net assets associated with Capredo

Investments Gmbh are recorded as "Non-current assets classified as held for sale and discontinued operations" (see Note 11).

The effect of the acquisition has not had any effect on the consolidated comprehensive profit and loss statement.

a.1.2 Disposals

On 16 March 2016, the Group carried out the representative sale of a 4% stake in the company Varallo Comercial, S.A., in which it previously held a 14% stake. The net result of the transaction resulted in a consolidated profit of €194 thousand and a negative effect of €635 thousand owing to the conversion differences associated with the aforementioned shareholding, which is entered in the net exchange differences item of the consolidated comprehensive profit and loss statement. As a result of this sale, the Group has lost its significant influence on the aforementioned holding, ceasing to be considered as an associate company and now being recognised under the "Other non-current financial assets" heading at fair value amounting to €9,343 thousand euros (see Note 10.2).

a.2 Changes in the scope of consolidation in 2015

a.2.1 Additions to the consolidation scope

The companies which were incorporated into the scope of consolidation in 2015, along with method of consolidation employed were the following:

Company	**Consolidation method**	**Effective date of acquisition**
Hoteles Royal, S.A. and dependent companies (see Appendix I)	Full consolidation	04/03/2015
Beijing NH Grand China Hotel Management Co, Ltd	Equity method	09/09/2015
Hotel & Congress Technology, S.L.	Equity method	15/04/2015

On 4 March 2015, the Group acquired a shareholding of 97.47%, amounting to a total of 2,969,668 shares, in the share capital of Hoteles Royal, S.A., a Colombian company which is the parent of Hoteles Royal, the Latin American hotel management group. The amount of the remuneration was €94.8 million, with €77.1 million paid and €17.7 million pending payment (updated at the end of 2016 it amounted to €20.5 million, payable in March 2017), recorded under the "Other current liabilities" heading (see Note 21).

The effect of the business combination on the consolidated balance sheet at 31 December 2015 was as follows:

	Thousands of euros
Tangible fixed assets (Note 8)	63,923
Intangible fixed assets (Note 7)	43,295
Deferred tax assets	8,518
Other current assets	24,980
Bank borrowings	(24,965)
Deferred tax liabilities	(26,077)
Other current and non-current liabilities	(16,634)
Non-controlling interests	(14,646)
Net assets acquired	**58,394**
Net Consideration	(94,824)
First consolidation difference (Note 6)	**(36,430)**

In this respect, the detail of the book value acquired and the revaluation carried out is as shown below (in millions of euros):

	Book value of the assets acquired	Revaluation carried out	Fair value of the assets acquired
Tangible fixed assets	60.8	3.1	63.9
Operating rights of the hotels	—	36.7	36.7
Brand	—	6.6	6.6
Deferred tax assets	8.5	—	8.5
Other current assets	25.0	—	25.0
Bank borrowings	(25.0)	—	(25.0)
Other non-current liabilities	(2.1)	—	(2.1)
Deferred tax liabilities	(9.8)	(16.4)	(26.2)
Trade and other payables	(7.5)	—	(7.5)
Tax payables	(4.0)	—	(4.0)
Provisions for contingencies and charges	(0.7)	—	(0.7)
Other current liabilities	(2.2)	—	(2.2)
Non-controlling interests	(10.2)	(4.4)	(14.6)

On 9 September 2015, the Joint Venture with the shareholding group HNA Hospitality Group CO, LTD was formalised, creating a Chinese company in which the Group is a 49% shareholder. The company's capital increased to USD 20,000 and each part will make an initial payment corresponding to 50% of its shares, with the remaining amount to be paid over the following two years. At 31 December 2015, the Group had contributed USD 300,000. During 2016 it has been done an additional investment of 4,149 thousand euros in the company Beijing NH Grand China Hotel Management Co, Ltd., amounting to 3,060 thousand euros of net book value of the investment at the end of 2016.

On 15 April 2015, the contract for the Joint Venture between the Group and the company MDH Hologram, S.A. was formalised, in virtue of which 50% of the company Hotel & Congress Technology, S.L. was sold, resulting in a 50% shareholding for the NH Hotel Group. The company was incorporated into the consolidation upon commencing activity in 2015, having been previously inactive, with shares accounted for under the heading "Other non-current financial assets" in the year 2014.

a.2.2 Disposals

On 14 January 2015, the Group sold its subsidiary NH Parque de la 93, S.A. The net consideration received amounted to €23 million, of which €3.5 million were pending payment (updated at closing of 2015, it amounted to €3 million).

Part of the outstanding amount, amounting to €0.4 million, was to guarantee working capital in the transaction, and will be settled in the month of February 2016. The outstanding amount corresponds to the deductions made by the National Directorate of Taxes and Customs of Colombia at the time of the transaction, amounting to €3.1 million, whose payment was made effective in March 2016. These amounts were recorded under current assets on the consolidated balance sheet in the lines of commercial receivables "Other non-commercial receivables" and "Public administration receivables", respectively.

The Group earned a net gain of €4.7 million from this transaction.

The effect of the exit from the scope of that company on the consolidated balance sheet at 31 December 2015 was as follows:

	Thousands of euros
Tangible fixed assets	16,430
Working capital	1,956
Net assets disposed of	**18,386**
Net Consideration received	23,094
Consolidated benefit (Income)	**(4,708)**

There is also a negative effect of 620 thousand euros owing to the conversion differences associated with the aforementioned shareholding, which is entered in the net exchange difference item of the 2015 consolidated comprehensive results.

As of 31 July 2015, the Group had sold its affiliate Donnafugata Resort S.r.l., of which it had a 95.26% shareholding (see Note 11). The net remuneration received was one euro. The result of the transaction was as follows:

	Thousands of euros
Non-Current Assets	45,630
Long-term liabilities	(56,930)
Inter-company losses	3,406
Net assets disposed of	**(7,894)**
Net Consideration	1
Transaction costs	647
Profit of the transaction	**(7,246)**
Result until sale	(1,911)
Total Profit (Loss)	**(9,157)**

2.5.5 Intra-group eliminations

All accounts receivable and accounts payable, and transactions performed between subsidiaries, with associate companies and joint ventures, and among each other, have been eliminated in the consolidation process.

2.5.6 Valuation uniformity

The consolidation of the entities included in the scope of consolidation has been performed based on their individual financial statements, which are prepared in accordance with the Spanish General Accounting Plan for companies resident in Spain and in accordance with their own local regulations for foreign companies. All significant adjustments necessary to adapt them to International Financial Reporting Standards and/or homogenise them with the accounting principles of the parent company have been considered in the consolidation process.

3. Distribution of profits

The proposed distribution of the profit (loss) for the year prepared by the Parent Company's Directors and that will be submitted for approval by the Shareholders at the General Shareholders' Meeting is as follows (in thousands of euros):

	Financial year 2016
To legal reserve	12,896
To dividends (máximum amount to be distributed 0.05 gross euros per share, by the total number of outstanding shares) (*)	17,034
To offset of prior years' losses	99,034
Total	**128,964**

(*) The final amount to be distributed will be updated based on the number of outstanding and issued shares at the date of the General Meeting of Shareholders.

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 €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 re-valuing 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 recognised as increases in the 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.

Withdrawn assets and items, whether arising as a result of a modernisation process or due to any other cause, are accounted for by derecognising the balances presented in the corresponding cost and accumulated depreciation accounts.

The Group depreciates its tangible 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

These items are depreciated based on their estimated useful life or the remaining term of the lease, if this is less than the useful life.

The profit or loss resulting from the disposal or withdrawal of an asset is calculated as the difference between the profit from the sale and the asset's book value, and is recognised in the consolidated comprehensive profit and loss statement.

4.2 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 differences between the cost of interests in the capital of consolidated and associated entities and the corresponding theoretical carrying amounts 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 the market value of which is above their carrying amount 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 recognised as goodwill, which is assigned to one or more specific cash-generating units (in general hotels) which are expected to make a profit.

Goodwill is recognised only when it has been acquired for valuable consideration and represents, therefore, advance payments made by the acquirer of the future economic benefits derived from the assets of the acquired entity that are not individually and separately identifiable and recognisable.

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

At the time of the disposal of a subsidiary or jointly controlled entity, the amount attributable to the goodwill is included when determining the profits or losses arising from the disposal.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is valued in the functional currency of the acquired company, with the conversion to euros being made at the exchange rate prevailing at the balance sheet date.

Goodwill is not amortised. In this regard, at the end of every year, or whenever there are indications of a loss of value, the Group estimates, using the so-called "Impairment Test", the possible existence of permanent losses of value that would reduce the recoverable amount of goodwill to less than the net cost recognised. Should this be the case, it is written down in the consolidated comprehensive profit and loss statement. Any write-downs recognised cannot subsequently be reversed.

All goodwill is assigned to one or more cash-generating units in order to conduct the impairment test. The recoverable amount of each cash-generating unit is determined as the higher of the value in use and the fair value less sale costs.

The value in use is considered as the current value of expected 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.

As indicated in Note 6, the Group has recorded in its consolidated balance sheet goodwill relating to the subsidiaries NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH for an amount which, at 31 December 2015, totalled €85.18 million. This goodwill is allocated to leased hotels for the Group.

In 2016, the Group changed its estimate of the useful life of the aforementioned goodwill, previously classified as having an indefinite useful life (see Note 6). This change was caused by a re-estimation of the likelihood of renewal of the lease agreements, which is why it has been determined that the useful life of such goodwill coincides with the period of completion of each one of the lease agreements, which vary between 19 and 35 years. The effect of the change on the estimate has been recorded prospectively, an amortisation expense in the amount of €4.695 million euros corresponding to the period elapsed since the date of the change of estimate (1 January 2016) having been recognised in the consolidated comprehensive profit and loss statement for the year 2016. The effect on the consolidated comprehensive profit and loss statement of future years will consist of an amortisation expense based on the estimated useful life of each element of goodwill of the hotels managed by these companies.

4.3 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.

Intangible assets are initially recognised at acquisition or production cost and are subsequently measured at cost less, as appropriate, their accumulated amortisation and any impairment losses they have suffered.

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 "finite useful life".

Intangible assets with an indefinite useful life are not amortised and are hence subjected to the "impairment test" at least once a year (see Note 4.4).

Intangible assets with a finite useful life are amortised 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 recognised under the "Intangible assets" heading:

i) Hotel Operating Rights: this item reflects, on the one hand, the right to operate Hotel NH Plaza de Armas in Seville, acquired in 1994, amortisation of which is recognised in the consolidated comprehensive profit/loss over the 30-year term of the agreement at a rate which increases by 4% each year. On the other hand, as a consequence of entering into the consolidation Hoteles Royal, S.A., operating rights of the hotel portfolio for 35 years were recognised within this concept.

ii) "Rental agreement premiums" reflect the amounts paid as a condition to obtain certain hotel lease agreements. They are amortised 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 of the building where the Casino de Madrid is located. The amortisation 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. Furthermore, this item includes the brands of the Grupo Royal with a useful life of 20 years.

iv) The "Software Applications" include the costs incurred by the Group Companies in the acquisition and development of various computer programs acquired by the different consolidated companies. The amortisation of software applications is performed using the straight-line method at a rate of 20-25% per year.

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

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

The recoverable amount is determined as the value in use, with the sole exception of one case, not significant in the context of the assets as a whole, in which the valuation of an independent third party was used as the recoverable amount. The value in use is calculated from the estimated future cash flows, discounted at a discount rate after tax that reflects the current market valuation with respect to the value of money and the specific risks associated with the asset, covering a five-year period and a perpetual value, except in the case of leased hotels that correspond to the lease period, a perpetual value therefore not being considered in the latter.

As a general rule, the Group has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

In the case of Hoteles Royal, S.A. which was purchased in 2015 (see Note 2.5.4), the cash-generating unit corresponds to the Group as a whole (Colombian, Chilean and Ecuadorian market).

For each CGU (hotel or Royal Group) the operating result is obtained at the end of the year without taking into account non-recurring results (if any) or financial results.

Once the operating result is obtained for each CGU, the impairment test is performed for those for which there are indications of impairment. Among others, the Group considers that a CGU has indications of impairment if it meets the following conditions: it has negative operating results and its business is stable (that is to say, they are not recently opened hotels until, generally speaking, they have been open for 3 years).

In addition, for all those CGUs in which impairment was recognised in previous years, an individual analysis and, therefore, an impairment test is performed for them.

For the estimation of future cash flows, the baseline information is the result of the year approved by the Group’s Management and the historical information relating to at least five previous years. The first projected year corresponds to the budget approved by the Board of Directors for the year following the impairment test. The projections for the following years are consistent with the macroeconomic information from external information sources and the knowledge of the business by the Group’s Operations Department.

There are a number of factors that are considered by the Group’s Management to make the projections, which are:

- Estimate of GDP (Gross Domestic Product) growth issued by the International Monetary Fund (IMF) in its report published in October of each year for the next five years.
- Knowledge of the business/asset/local situation of the local Management of each Business Unit to which each CGU belongs.
- Historical results obtained by the CGUs.
- Repositioning investments in the CGUs.

These factors are reflected in the flows through the following operating assumptions used to obtain the projections:

- Revenue from accommodation is projected as the product of the percentage occupancy, the average room rate (ADR) and the total number of rooms available per year.

- The other revenues are projected based on the average of the relationship between the revenue from accommodation and those revenues.
- Staff costs are calculated based on the average staff costs with a growth in the inflation index (CPI).
- For its part, tax is calculated from the tax rates applicable in each country.
- Direct expenses are directly associated with each of the revenues and are projected on the basis of an average ratio, while undistributed expenses are projected based on the average ratio between these and direct expenses.

The discount rates after tax used by the Group for these purposes range in Europe from 5.8% to 8.2%, and in Latin America from 9.8% to 13.4%, depending on the different risks associated with each specific asset. In this regard, just as the cash flows resulting from the impairment tests were also calculated after tax. On the other hand, the book value with which the value in use is compared does not include any deferred tax liability that could be associated with the assets.

For the calculation of the discount rate the Weighted Average Cost of Capital (CPPC) methodology has been applied: Weighted Average Cost of Capital, as follows:

$$WACC=Ke*E/(E+D) + Kd*(1-T)*D/(E+D)$$

Where:

Ke: Cost of Equity
Kd: Cost of Debt
E: Own Funds
D: Debt Amount
T: Tax rate

The Capital Asset Pricing Model (CAPM) is used to estimate the cost of equity (ke).

The main variables used to calculate the discount rate are as follows:

- Risk-free rate: the average of the last 12 months of the long-term interest rates, 10-year bond, has been used for each country in the local currency.
- Market risk premium: defined as 6%, based on market reports.
- Beta or systemic risk: Using as external information sources, this information is obtained from independent databases and represents the relationship between companies' risk and global market risk. The re-leveraged beta coefficient has been estimated on the basis of 70% unleveraged betas, the debt structure of comparable companies (Debt / (Debt + Equity) of 32%) and the corresponding tax rate in each country.
- Market value of debt, amounting to 5%.
- Premium by size: based on recent expert reports.

Using a post-tax discount rate and post-tax cash flows is consistent with paragraph 51 of IAS 36, which states that "estimated future cash flows will reflect assumptions that are consistent with the manner of determining the discount rate". In addition, the result of the post-tax flows updated at a post-tax discount rate would obtain the same result with respect to the impairment test if a pre-tax rate were used and, therefore, the impairment and reversion accounting records would be the same.

Below are the pre-tax discount rates of the major countries:

	discount rate before taxes				
	Germany	Netherlands	Italy	Spain	Mexico
2016	7.87%	8.17%	9.35%	9.00%	15.53%
2015	7.89%	8.81%	9.77%	9.17%	13.71%

If the recoverable amount of an asset is estimated to be lower than its carrying amount, the latter is reduced to the recoverable amount by recognising the corresponding reduction through the consolidated comprehensive profit and loss statement.

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

The evolution of the key assumptions in hotels with indications of impairment in the major countries in local currency was as follows:

	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Germany		Netherlands		Italy		Spain		Mexico	
Post-tax WACC	6.16%	6.45%	6.43%	6.79%	7.04%	7.31%	7.14%	7.38%	11.34%	10.50%
Growth rate	1.98%	2.00%	1.27%	2.00%	1.00%	2.00%	1.56%	2.00%	2.00%	2.00%
Average ADR	€ 64.8	€ 81.1	€ 202.0	€103.60	€114.70	€108.40	€ 81.50	€ 77.50	1,926.4 Mex. P	1,430.0 Mex. P
Occupancy level	66.8%	65.3%	68.8%	67.9%	68.8%	67.6%	67.7%	64.4%	70.0%	68.0%

"Average Daily Rate" (ADR): is the quotient of total room revenue for a specific period divided by the rooms sold in that specific period. This indicator is used to compare with companies in the sector the average prices per room of the hotels.

As regards the ADR, the changes are affected by the type of the hotel that shows signs of impairment in each year.

4.5 Lease rentals

Leases are classified as financial leases whenever the terms of the lease assume that substantially all the risks and benefits inherent in ownership of the leased asset are assumed by the lessee. All other leases are classified as operating leases.

The Group generally classifies all leases as operating leases. Under IAS 17, whether a lease is financial or operating depends on the economic background and nature of the transaction, rather than the mere form of the lease agreement.

The arguments used to classify the leases as operative are as follows:

- The ownership of the asset is transferred to the lessor at the end of the lease;
- There is no option to acquire the asset at the end of the lease;
- The term of the lease does not exceed the economic life of the asset
- The present value of the minimum lease payments does not substantially cover the market value of the underlying asset;
- The duration of leases is always much shorter than the economic useful life of the underlying asset;
- In the event that it is decided to extend the duration of the lease, the terms of the new lease should be renegotiated;

- The group can unilaterally terminate the lease without a penalty being imposed as a consequence;
- The increases or decreases in the residual value of the underlying asset are not borne by the Group, but by the lessor.

4.5.1 Operating leases

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

When the Group acts as the lessor, it recognises the income from operating leases using the straight-line method according to the terms of the agreements signed. These assets are recorded at the acquisition cost of the leased assets under "Tangible fixed assets "and are depreciated in accordance with the policies adopted for similar own-use tangible assets. When the Group acts as the lessee, the leasing costs are charged on a straight-line basis to its comprehensive consolidated income statement, the resulting asset or liability being recognised under "other non-current liabilities" and "other non-current assets" or "other current liabilities" and "other current assets".

4.5.2 Finance leases

The Group recognises finance 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 present value of the minimum lease instalments, should the latter be lower. The interest rate established in the agreement is used to calculate the present value of the lease instalments.

The cost of assets acquired under finance leases is presented in the consolidated balance sheet, according to the nature of the leased asset being depreciated in accordance with the policies adopted for similar own-use tangible assets or, where these are shorter, during the relevant lease term.

The financial expenses are distributed over the period of the lease in accordance with a financial criterion. Contingent rent is recognised as an expense for the year in which it is incurred.

4.6 Financial Instruments

4.6.1 Financial assets

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

Negotiable 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 hedges.

Held to maturity assets: these are assets subject to a fixed or determinable redemption amount with a fixed maturity date. The Group declares its intention and its capacity to keep these in its power from the date of acquisition to their maturity date.

Loans and accounts receivable originating in the company itself: these are financial assets generated by the companies in exchange for deliveries of cash or the supply of goods or services.

Negotiable financial assets are valued after their acquisition at fair value, any changes in which are recognised through profit or loss for the 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.

Held to maturity financial assets and loans and accounts receivable originated by the Group are valued at their amortised cost and accrued interest is recognised in the consolidated comprehensive profit and loss statement on the basis of their effective interest rate. Amortised cost is construed as the initial cost minus any collections or amortisation 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 more than 180 days overdue.

The Group derecognises financial assets when the cash flow rights of the corresponding financial asset have expired or have been transferred and the risks and rewards incidental to its ownership have been substantially all transferred.

Conversely, the Group does not derecognise financial assets and recognises a financial liability for an amount equal to the consideration received in the transfers of financial assets in which the risks and rewards inherent in its ownership are substantially all retained.

4.6.2. Cash and cash equivalents

"Cash and Cash Equivalents" in the consolidated balance sheet 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.

4.6.3 Financial liabilities

Issues of bonds and other securities

Debt issues are initially recognised 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, whereas those with a maturity date of less than twelve months are included in current liabilities.

Convertible bond issues are recognised 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

Loans received from banking institutions are recognised at the amount received, net of costs incurred in the transaction. They are subsequently valued at amortised cost. These costs incurred in the transaction and the financial expenses are recognised 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 and other payables

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

Derivatives and hedge accounting

Derivatives used to hedge the risks to which the Group's operations are exposed, 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 recognised 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 recognised in the equity item "Equity valuation adjustments" and not recognised as results until the losses or gains of the hedged element are recognised 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 recognised 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 derivatives which fail to meet hedge accounting criteria are recognised in the consolidated comprehensive profit and loss statement as they arise.

Derivatives embedded in other financial instruments or in other main contracts are recognised separately as derivatives only when their risks and characteristics are not closely related to those of the main contract and providing such main contracts are not valued at fair value with changes through consolidated comprehensive profit and loss.

Valuation techniques and assumptions applying 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 volatilities 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 indexed 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).

In 2015, the Group took out several exchange rate insurance contracts of which one remained in place at the end of 2015, for an amount of USD 16 million. In January 2016, a part of the nominal established was purchased for an amount of USD 5 million at a fixed rate of 1.27964. The remaining nominal of USD 11 million expired in December 2016, having been renegotiated until 1 March 2017 at a rate of 1.2938.

The change in fair value as of 31 December 2016 of these hedges has had a positive effect concerning the 2016 consolidated comprehensive profit and loss statement of €435 thousand (€4,530 thousand in 2015).

These derivative instruments have not been treated as hedging instruments.

4.6.4. 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 recognised in equity for the amount received, net of the issue expenses.

4.7 Non-current assets and associated liabilities held for sale and discontinued operations

Assets and liabilities the carrying amount of which is recovered through a sale and not from continued use are classified as non-current assets held for sale and liabilities associated with non-current assets held for sale. This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its current state, and it is estimated that the sale will be completed within one year from the date of classification.

Non-current assets and associated liabilities classified as held for sale are valued at their historical cost, which in all cases is less than their fair value less selling expenses. For the measurement of fair value, the investment book value plus the amount of the existing unrealised gains of the assets owned by these companies, supported by valuations carried out by independent experts, have been taken into account.

Discontinued operations represent components of the Group which will be disposed of. These components are activities and cash flows that can be clearly distinguished from the rest of the Group, both operationally and for the purposes of financial reporting, and represent lines of business or geographical areas which can be considered as separate from the rest.

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 (see Appendix II). The carrying amount 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. In the case of the other companies, discounted cash flow valuations were performed internally, similar to those described in Note 4.4.

4.9 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 recognised 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 profit and loss statement. Any gains or losses thus revealed are recognised directly in consolidated comprehensive profit and loss.

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

In the attached consolidated balance sheet, financial assets and debts are classified on the basis of their maturity; in other words, those with a maturity date equivalent to or less than twelve months are classified as current and those with a maturity date exceeding this are non-current.

4.11 Income and expenses

Income and expenses are recognised 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 deriving from them arise.

More specifically, income is calculated at the fair value of the consideration to be received and represents the amounts to be collected 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 received or paid and the effective interest rate that applies.

4.12 Official subsidies

Group companies follow the criteria set out below in recognising official subsidies:

- Non-reimbursable capital subsidies (connected with assets) are valued at the amount granted, recognised as deferred income and taken into profit and loss in proportion to the depreciation of the assets financed by such subsidies during the financial year.
- Operating subsidies are recognised as income at the moment of their accrual.

4.13 Corporate income tax

The cost of the year's income tax is calculated through the sum of the current tax resulting from applying the tax rate to the taxable income for the year and then applying the relevant tax adjustments according to the law plus any changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities include temporary differences, being any amounts expected to be payable or recoverable due to differences between the carrying amounts of the assets and liabilities and their tax value, as well as tax loss carry-forwards and any credits resulting from unapplied tax deductions. Said amounts are recognised 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 Parent's Directors, 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 amortisation of which is not tax-deductible 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 are recognised only if it is deemed probable that the consolidated entities will make sufficient tax profits in the future to realise them 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 assets (tax loss carry-forwards and tax credits) are recognised only if it is likely that the consolidated companies will make sufficient tax profits in the future to be able to apply them.

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.

4.14 Obligations to employees

Spanish hotel companies are obliged to make a specific number of monthly salary payments to those employees who leave the company due to retirement, permanent disability or upon reaching a certain age and having a certain number of years of service and fulfilling certain pre-established requirements.

In this regard and in compliance with Royal Decree-Law 16/2005, the Group has outsourced its pension obligations for its employees' pension plans.

Also, in accordance with Italian law, employees of Italian companies have the right to compensation if they resign or are dismissed.

Its obligations to personnel also include those arising from contracting pension funds for certain employees, which in the Group, mainly affects the business units of Italy and the Netherlands.

Therefore, to provide for these obligations to future payments to personnel, the Group has recognised a liability under "Provisions for Risks and Charges" (See Note 17).

4.15 Onerous contracts

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 methodology, assumptions and discount rates used to calculate any necessary provisions are applied in accordance with the criteria described in Note 4.4.

4.16 Share-based Remuneration Schemes

These schemes, which are settled in shares, 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 assumptions made concerning the financial year.

In accordance with IFRS 2, the above-mentioned valuation is recognised in profit or loss under personnel expenses during the period established as a requirement for the employee to remain in the company before exercising the option. Said value is recognised on a straight-line basis in the consolidated comprehensive profit and loss statement from the date the option is granted until the date on which it is exercised.

Plans settled in shares

The expense for the year is recognised directly in equity. On each subsequent closing date, the Group reviews the estimates regarding the number of options expected to be exercisable, adjusting the equity figure if necessary.

4.17 Treasury shares

Pursuant to IAS 32, treasury shares are presented by reducing the Group's equity. Treasury shares are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in the consolidated comprehensive profit and loss statement.

4.18 Provisions

The Group follows the policy of provisioning for the estimated amounts arising from ongoing litigation, indemnities or obligations, as well as for any sureties or guarantees granted by Group companies which could involve the Group in a payment obligation (either legal or implicit), provided the amount can be reliably estimated.

Provisions are quantified based on the best information available on the position and evolution of the events that cause them and are reestimated at the end of each reporting period, being totally or partially reversed when these obligations cease to exist or decrease.

Contingent liabilities, except in business combinations, are not recognised in the consolidated financial statements, but are reported in the notes to the financial statements, in accordance with the requirements of IAS 37.

4.19 Termination benefits

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 recognised expenses of €13.432 million for this item in 2016 (€4.688 million in 2015).

The consolidated financial statement of 31 December 2016 includes, pursuant to IFRS regulations (IAS 37), a provision in this regard amounting to €6,387 thousand (€1,002 thousand at 31 December 2015).

4.20 Business combinations

Business combinations whereby 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 non-controlling 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, income is recognised in the consolidated comprehensive profit and loss statement.

In the case of business combinations carried out in stages, goodwill is measured and recognised only once control of a business has been acquired. To do this, previous holdings are re-measured at fair value and the corresponding gain or loss is recognised.

4.21 Environmental policy

Investments arising from environmental activities are valued at their original cost and capitalised as increases in the cost of fixed assets or inventory in the financial year in which they are incurred.

Any expenses arising from environmental protection and improvement are recognised in profit or loss for the year in which they are incurred, irrespective of the moment when the cash or financial flows deriving 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 established at the time the liability or obligation linked to the indemnities or payment arises.

4.22 Consolidated cash flow statements

The following terms with their corresponding explanation are used in the consolidated cash flow statement prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operational activities: the typical activities of the entities forming the consolidated group, along with other activities that cannot be classified as investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

5. Earnings per share

Basic earnings per share (EPS) are 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:

	31/12/2016	31/12/2015
Net profit for the year (thousands of euros)	30,750	938
Weighted average number of shares in circulation (in thousands)	341,042	341,229
Basic earnings per share in euros	**0.090**	**0.003**

Diluted earnings per share are established on a similar basis to basic earnings per share; however, the weighted average number of shares outstanding is increased by the maximum number of shares to be issued by the convertible bonds: 50,823,338 shares (see Note 15).

	31/12/2016	31/12/2015
Net profit for the year (thousands of euros)	30,750	938
Weighted average number of shares with dilutive effect (in thousands)	391,865	392,052
Diluted earnings per share in euros	**0.078**	**0.002**

6. Goodwill

The balance included under this item corresponds to the net goodwill arising from the acquisition of certain companies, and breaks down as follows (thousand of euros):

	2016	2015
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	80,485	85,180
Hoteles Royal, S.A.	32,719	29,651
Others	4,532	3,962
	117,736	**118,793**

The movements in this heading of the consolidated balance sheet in 2016 and 2015 were as follows (in thousand of euros):

Company	Goodwill 31/12/2015	Translation differences	Amortisation	Goodwill 31/12/2016
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH (Note 4.4)	85,180	—	(4,695)	80,485
Hoteles Royal, S.A.	29,651	3,068	—	32,719
Others	3,962	570	—	4,532
Total	**118,793**	**3,638**	**(4,695)**	**117,736**

Company	Goodwill 31/12/2014	Additions	Translation differences	Impairment	Goodwill 31/12/2015
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	89,945	—	—	(4,765)	85,180
Hoteles Royal, S.A.	—	36,430	(6,779)	—	29,651
Others	3,978	—	(16)	—	3,962
Total	**93,923**	**36,430**	**(6,795)**	**(4,765)**	**118,793**

In 2015 the acquisition of Hoteles Royal, S.A. gave a first consolidation negative difference of €36.4 million. This difference constituted the goodwill of Royal Hotel, S.A. and it emerged as the difference between the purchase price of €94.8 million, and the value of net assets acquired, amounting to €58.4 million, and was recorded according to the report "Purchase Price Allocation "drawn up by an independent third party.

In addition, the valuation of the net assets acquired was carried at fair value, in compliance with IFRS 3 "Business Combinations" and IFRS 13 "Fair Value Measurement", based on appraisal reports of independent experts on material fixed assets and the methodologies "Multi-Period Earnings Method" for the assessment of hotel operating rights, and "Relief from Royalty" for the registration of Hoteles Royal trademarks.

The discount rates after tax used in the projections for the valuation of intangible assets of Hoteles Royal were 10.77% for hotels in Colombia and Ecuador, and 11% for hotels in Chile.

As at 31 December 2016, the goodwill generated by the acquisition of Grupo Royal had been tested for impairment and there was no indication of impairment.

The recoverable amounts of the remaining goodwill are allocated to each cash-generating unit, lease agreements, mainly using projections relating to results, investments and working capital, according to the duration of the contracts (see Note 4.4).

Details of the cash-generating units to which such goodwill arising on consolidation has been allocated is shown below:

	Thousands of euros	
	2016	**2015**
Grupo Royal CGUs	32,719	29,651
CGU 6	15,113	15,934
CGU 21	9,929	10,392
CGU 22	7,711	7,977
CGU 12	7,042	7,400
CGU 5	6,107	6,456
CGU 13	5,625	5,916
CGU 2	5,027	5,276
CGUs with goodwill allocated individually < €4 M	28,463	29,791
	117,736	**118,793**

The basic assumptions used to estimate future cash flows of the CGUs mentioned above are detailed below:

- After tax discount rate: 6.16% and 6.49% for CGUs subject to the same risks (German and Austrian market); and for Grupo Royal CGUs, rates of 13.44% (Colombian and Ecuadorian markets) and 9.84% (Chilean market).
- Terminal value growth rate (g): 1.98% and 2% for Germany and Austria and 3% for Grupo Royal CGUs.

Additionally, and considering the assumption implied in the preceding paragraph, the Group has conducted a sensitivity analysis of the result of the impairment test to changes in the following situations:

NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH

	Average values		
	Impairment test	**Scenario 1**	**Scenario 2**
Discount rate (after tax)	6.16% - 6.49%	7.16% - 7.49%	5.16% - 5.49%
Growth rate	1.98% - 2%	0.98% - 1%	2.98% - 3%
Occupancy level	75.61%	71.07%	80.14%
Average ADR	109.2	102.7	115.8

Hoteles Royal, S.A.

	Average values		
	Impairment test	**Scenario 1**	**Scenario 2**
Discount rate (after tax)	9.84% - 13.44%	10.84% - 14.44%	8.84% - 12.44%
Growth rate	3%	2%	4%
Occupancy level	60.45%	56.83%	64.08%
Average ADR	267.1	251.1	283.2

"Average Daily Rate" (ADR): is the quotient of total room revenue for a specific period divided by the rooms sold in that specific period. This indicator is used to compare with companies in the sector the average prices per room of the hotels.

In the case of scenario 2, it would not have been fitting to record impairment in 2016 and, on the other hand, scenario 1 is an extremely negative and unlikely scenario where the discount rate is sensitised 1 bp above the rate used in the test and a growth rate lower than 1 bp, that is to say with a minimum growth, and with occupancy and average ADR falls of 6%, which would lead to an additional impairment to the one recorded in 2016, amounting to approximately €21 million.

7. Intangible assets

The breakdown and movements under this heading during 2016 and 2015 were as follows (in thousand of euros):

	Balance at 31/12/2014	Change in consolidation boundary	Currency translation difference	Inclusions/ allowances	Retirements	Transfers	Balance at 31/12/2015	Change in scope of consolidation (see note 2.5.4)	Currency translation difference	Inclusions/ allowances	Retirements	Transfers to other items	Balance at 31/12/2016
COST													
Hotel operating rights	30,610	36,660	(6,826)	99	(150)	—	60,393	—	3,078	4,835	(131)	—	68,175
Rental agreement premiums	67,669	—	—	627	—	—	68,296	—	—	—	(1,256)	—	67,040
Concessions, patents and trademarks	32,600	6,635	(1,111)	107	(129)	—	38,102	—	555	305	(2)	65	39,025
Software applications	86,969	—	(13)	18,481	(243)	—	105,194	7	(10)	15,100	(3,631)	10	116,670
	217,848	**43,295**	**(7,949)**	**19,314**	**(522)**	**—**	**271,985**	**7**	**3,623**	**20,240**	**(5,020)**	**75**	**290,910**
CUMULATIVE DEPRECIATION													
Hotel operating rights	(18,914)	—	134	(2,339)	149	13,902	(7,068)	—	(154)	(2,973)	138	(80)	(10,137)
Rental agreement premiums	(8,645)	—	113	(2,012)	—	(728)	(11,272)	—	—	(2,014)	871	(4,725)	(17,140)
Concessions, patents and trademarks	(15,728)	—	36	(794)	28	—	(16,458)	—	(49)	(841)	2	13,689	(3,657)
Software applications	(73,275)	—	105	(9,646)	223	(13,175)	(95,768)	(5)	236	(11,091)	2,271	(8,962)	(113,319)
	(116,562)	**—**	**388**	**(14,792)**	**400**	**—**	**(130,566)**	**(5)**	**33**	**(16,919)**	**3,282**	**(78)**	**(144,253)**
Impairment	**(22,444)**	**—**	**—**	**—**	**307**	**—**	**(22,137)**	**—**	**1**	**(2,303)**	**1,495**	**2,740**	**(20,204)**
NET BOOK VALUE	**78,842**						**119,282**						**126,453**

7.1 Hotel operating rights

The increase in hotel rights in the current year comes from the investment made in improvements under the management contract of the hotel NH Collection Grand Hotel Krasnapolsky. This investment will be allocated to the consolidated comprehensive profit and loss statement over 12.5 years according to the average useful life of the assets making it up, during which period it is estimated that the investment made will be recovered.

In 2015 additions to the rights of use in the current year in the column of changes in the scope of consolidation amounting to €36.7 million arise from the purchase of Hoteles Royal.

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. paid RENFE the amount of 30.20 million euros in accordance with a payment schedule which concluded in 2014. The Group has reflected the entire amount agreed upon as the transaction's price in the "Hotel operating rights" item. In order to correctly accrue this price, the result of spreading out the cost over the thirty-year term of the agreement was assigned to the consolidated comprehensive profit and loss statement in accordance with an increasing instalment with a percentage annual growth of 4%.

7.2 Concessions, patents and trademarks

In 2015, as a result of the entry into the scope of consolidation of Grupo Hoteles Royal, brands operated by the Royal Hotel Group with a useful life of 20 years have been recognised under this heading.

7.3 Software applications

The most significant inclusions in the current year were in Spain, as a result of the investments made to develop the corporate WEBSITE and implement front office systems of the hotels and IT transformation plan projects.

Additionally, there were reductions in computer applications amounting to €1,372 thousand, which have been registered under the heading "Net result on disposal of non-current assets" in the 2016 consolidated comprehensive profit and loss statement.

8. Property, plant & equipment

The breakdown and movements under this heading during 2016 and 2015 were as follows (in thousand of euros):

	Balance at 31/12/2014	Change in consolidation boundary	Currency translation difference	Additions	Retirements	Transfers	Balance at 31/12/2015	Changes in scope of consolidation (see note 2.5.4)	Currency translation difference	Additions	Retirements	Transfers to other items	Balance at 31/12/2016
COST													
Land and buildings	**1,658,675**	49,415	(20,215)	23,817	(11,755)	1,627	**1,701,564**	17,210	(2,215)	22,699	(49,831)	6,429	**1,695,856**
Plant and machinery	**758,408**	383	(1,818)	62,925	(35,630)	1,619	**785,887**	7,421	(1,492)	48,046	(52,083)	7,490	**795,269**
Other plant, fixtures and furniture	**470,520**	3,657	2,069	48,187	(56,270)	1,585	**469,748**	1,966	(898)	30,914	(46,559)	2,816	**457,987**
Other fixed assets	**342**	363	(75)	189	(96)	12	**735**	—	—	612	(548)	(5)	**794**
Assets under construction	**18,012**	699	(1,242)	25,805	(191)	(4,843)	**38,240**	—	(334)	16,335	(11,760)	(16,768)	**25,713**
	2,905,957	54,517	(21,281)	160,923	(103,942)	—	**2,996,174**	26,597	(4,939)	118,606	(160,781)	(38)	**2,975,619**
ACCUMUATED AMORTISATION													
Buildings	**(298,952)**	(3,852)	1,938	(21,744)	6,731	—	**(315,879)**	(2,942)	1,311	(24,399)	15,897	(740)	**(326,752)**
Plant and machinery	**(511,011)**	39	909	(40,427)	29,733	—	**(520,757)**	(5,034)	565	(41,845)	35,342	(1,006)	**(532,735)**
Other plant, fixtures and furniture	**(385,678)**	(2,841)	(2,900)	(29,054)	54,195	—	**(366,278)**	(1,808)	308	(26,258)	43,596	(304)	**(350,744)**
Other fixed assets	**(340)**	(370)	58	(142)	128	—	**(666)**	—	—	(55)	314	(27)	**(434)**
	(1,195,981)	(7,024)	5	(91,367)	90,787	—	**(1,203,580)**	(9,784)	2,184	(92,557)	95,149	(2,077)	**(1,210,665)**
Impairment	**(103,616)**	—	(129)	(14,418)	49,735	—	**(68,428)**	—	7	(13,221)	18,283	(167)	**(63,526)**
NET BOOK VALUE	**1,606,360**						**1,724,166**						**1,701,428**

The net additions in the year in the column "Changes in the scope of consolidation" come from the purchase of 47% of the company Palacio de la Merced, S.A. (see Note 2.5.4).

In 2015 the net additions in the year in the column "Changes in the scope of consolidation" come from the purchase of Hoteles Royal, depreciated due to the departure of NH Parque de la 93, S.A. (see Note 2.5.4).

The main additions and reductions in 2016 are due to the repositioning plan carried out by the Group, with refurbishments in all Business Units. The main reforms have been made in hotels such as NH Collection Colón Madrid, NH Collection Barcelona Podium, NH Collection Liberdade, NH Collection Barcelona Gran Hotel Calderón and NH Nacional (Spain), NH Collection Nuremberg City, NH Hamburg Mitte, NH Weinheim and NH Erlangen (Germany), NH Collection Palazzo Cinquecento, NH Milano Congress Centre and NH Genova Centro (Italy), NH Barbizon Palace, NH Doelen, NH Schiphol Airport, NH Conference Centre Leeuwenhorst and NH Hotel du Grand Sablon (Benelux) and Mexico City (Latin America).

At 31 December 2016, there were tangible fixed asset elements with a net book value of 344 million euros (697 million euros in 2015) to guarantee several mortgage loans (see Note 15).

The breakdown of impairment by country is as follows (in thousands of euros):

	2016	2015
Spain	14,415	21,440
Italy	46,463	42,756
Germany	1,675	2,614
Others	973	1,618
Total impairment	**63,526**	**68,428**

Impairment write-offs include €6.939 million corresponding to the impairment allocated to hotels transferred.

Impairment amounting to €13.221 million has been recognised for certain assets due to the worsening of future expectations of cash flows for different reasons, including the opening of competitors' hotels or the loss of an important customer.

Also, impairment write-offs included €4.627 million as a result of the Group's criterion of continuing to depreciate fixed assets with allocated impairment.

Lastly, asset disposals occurred due to works carried out in the hotels by repositioning in the amount of €10.383 million which has been registered under the heading "Net result on disposal of assets" of the 2016 consolidated comprehensive profit and loss statement.

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 46.4 million euros at 31 December 2016. These investments will be made between 2017 and 2019.

The recoverable amount of the CGUs subject to impairment or reversal (not the entire portfolio of the Group) is as follows:

Million euros	**2016 Recoverable amount**	**2015 Recoverable amount**
CGU A	93.9	90.9
CGU B	43.4	48.3
CGU C	37.1	38.7
CGU D	30.0	32.3
CGU E	25.3	31.8
CGU F	24.3	28.4
CGU G	18.3	26.6
CGU H	16.1	18.1
CGU I	13.8	14.4
CGU J	12.6	13.2
Top Ten	**314.8**	**342.7**
Italy	76.3	92.3
Spain	79.5	49.0
Benelux	2.6	1.7
Rest of Europe	(1.1)	0.4
Germany	4.8	(1.7)
Other CGUs	**162.1**	**141.7**
Total	**476.9**	**484.4**

9. Investments valued using the equity method

The movements under this heading of the consolidated balance sheet during 2016 and 2015 were as follows (in thousands of euros):

Company	Net Balance at 31/12/2015	Additions	Other movements	Profit (loss) 2016	Translation differences	Changes in scope of consolidation (note 2.5.4)	Net balance at 31/12/2016
Varallo Comercial, S.A. (Note 2.5.4)	7,186	—	—	—	2,246	(9,432)	—
Inmobiliaria 3 Poniente, S.A. de C.V.	1,968	—	—	295	(327)	—	1,936
Palacio de la Merced, S.A. (Note 2.5.4)	1,542	—	—	176	—	(1,718)	—
Mil Novecientos Doce, S.A. de C.V.	1,935	—	—	149	(295)	—	1,789
Consorcio Grupo Hotelero T2, S.A. de C.V.	837	—	—	280	(144)	—	973
Hotelera del Mar, S.A.	1,717	—	—	(37)	(213)	—	1,467
Borokay Beach, S.L.	1,420	—	—	(12)	—	—	1,408
Beijing NH Grand China Hotel Management Co, Ltd	—	4,149	(412)	(672)	(5)	—	3,060
Hotel & Congress Technology, S.L.	73	—	—	(60)	—	—	13
Total	**16,678**	**4,149**	**(412)**	**119**	**1,262**	**(11,150)**	**10,646**

Company	Net balance at 31/12/2014	Additions	Profit (loss) 2015	Translation differences	Net balance at 31/12/2015
Varallo Comercial, S.A.	7,412	—	(1,107)	881	7,186
Inmobiliaria 3 Poniente, S.A. de C.V.	2,179	—	186	(397)	1,968
Palacio de la Merced, S.A.	1,448	—	94	—	1,542
Mil Novecientos Doce, S.A. de C.V.	2,082	—	91	(238)	1,935
Consorcio Grupo Hotelero T2, S.A. de C.V.	877	—	158	(198)	837
Hotelera del Mar, S.A.	2,384	—	133	(800)	1,717
Borokay Beach, S.L.	1,434	—	(14)	—	1,420
Beijing NH Grand China Hotel Management Co, Ltd	—	270	(276)	6	—
Hotel & Congress Technology, S.L.	—	1	72	—	73
Total	**17,816**	**271**	**(663)**	**(746)**	**16,678**

During 2016 an additional contribution of €4.149 million was made in the company Beijing NH Grand China Hotel Management Co, Ltd.

The Group's policy on holdings in associated companies consists of ceasing to book losses in these companies if the associated company's consolidated losses attributable to the Group are equivalent to or exceed the cost of its holding in them, provided there are no additional contingencies or guarantees connected with existing losses. This is the situation of the stake in Losan Investment, Ltd.

10. Non-current financial investments

10.1 Loans and accounts receivable not available for trading

The breakdown of this item at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Subordinated loans to companies owning hotels operated by the Group through leases(*)	43,085	41,879
Accounts receivable in respect of put option for Sotocaribe	—	58,250
Other collection rights	16,395	16,395
Other loans	—	18,212
Lease advance payments	3,122	3,279
Loans to associates (Note 25)	244	672
Long-term deposits and sureties	13,984	13,396
Others	1,555	1,988
Total	**78,385**	**154,071**

* These loans accrue a fixed annual interest rate of 3%.

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.

The main features of these agreements are as follows:

- Hotel rentals 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 (2.31 million euros in 2016 and 2.40 million euros in the preceding year).
- Lease 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 lease agreements has been analysed and independent experts consider them to be operating leases.

In 2014 an agreement was reached for the complete transfer of the real estate business segment located in Cádiz (Spain) of Sotogrande, S.A., the ownership of the shares in the international assets, which included the shares in the company Sotocaribe, S.L. (a company 35.5% owned by the NH Group), being excluded from the transaction.

The formalisation of the sale of Sotogrande, S.A. involved the transfer of ownership of the Sotocaribe, S.L. shares, despite not being included in the scope of consolidation subject to the transaction. The price agreed for the transfer of the Sotocaribe shares amounted to €58 million, to be paid within a maximum period of 5 years. As a consequence, the consolidated financial statements for the year 2015 reflected a long-term loan for this amount. In addition, in the same act, a "put and call option agreement" was entered into by and between Sotogrande, S.A. and NH Hotel Group, S.A., under which, within a maximum period of 5 years from the signing of this agreement, NH Hotel Group, S.A. had the option to purchase the Sotocaribe, S.L. shares for €58 million and Sotogrande, S.A. is under the obligation to sell these shares. After 5 years, if the call option has not been executed by NH Hotel Group, S.A., Sotogrande, S.A. has the option to sell to NH Hotel Group, S.A. the Sotocaribe, S.L. shares, and NH Hotel Group, S.A. is under the obligation to buy for a period of 30 days. Given the certainty that once 5 years have elapsed at the most and by virtue of the cross-purchase options, NH Hotel Group, S.A. will acquire title to the Sotocaribe, S.L. shares, and will assume the risks and rewards during the 5 years, the Parent Company's directors opted to maintain the holding in Sotocaribe, S.L. in the consolidated balance sheet at its pre-transaction book value and classification (see Note 11) and recognise the non-current financial liability at the option exercise price, i.e. €58 million (see Note 16).

However, according to the prospective interpretation by the Group of the agreement and that of IAS 32, in which a financial asset and a financial liability may be offset, meaning that their net amount is recognised in the consolidated balance sheet, given that the entity currently has the legally enforceable right to offset the amounts recognised and intends to settle at the net amount, the account receivable and the liability related to the call option described in Note 10 have been offset because it is considered that the requirements for offset have been met. Likewise, based on the analysis of IAS 39 it has not been considered necessary to record any derivative instruments linked to call and put options.

The "Other collection rights" item reflects the claim filed against the insurance company that underwrote the ten-year construction insurance. The amount claimed corresponds to the repairs made and pending in the Los Cortijos de Sotogrande housing development.

"Other Loans" included 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%, which was collected in 2016.

The "Lease advance payments" item consists of advance payments made to the owners of certain hotels operated under a lease arrangement for the purchase of decoration and furniture; these are discounted from future rental payments.

As regards the fair value of financial assets, it does not differ significantly from its book value.

10.2 Other non-current financial investments

This heading of the consolidated balance sheet comprised, at 31 December 2016 and 2015, the following equity interests, valued at cost:

	Thousands of euros	
	2016	**2015**
Varallo Comercial, S.A. (Note 2.5.4)	9,343	—
NH Panamá	3,767	3,767
Other investments	679	3,200
Provisions (Note 2.5.4)	(1,118)	(262)
Total	**12,671**	**6,705**

As regards the fair value of financial assets, it does not differ significantly from its book value.

11. Non-current assets held for sale, liabilities linked to non-current assets held for sale and discontinued operations

In accordance with IFRS 5, Non-current assets classified as held for sale and discontinued operations (see Note 4.7), the group has classified non-strategic assets under this heading which, pursuant to the Strategic Plan, are undergoing divestment with committed sales plans.

The assets classified as held for sale, after deducting their liabilities, were measured at the lower of their carrying amount and the expected sales price minus costs.

In 2015, the Group classified as discontinued operations the companies Donnafugata Resort, S.R.L., Sotocaribe, S.L. and Capredo Investments, GmbH; these companies represented the Group's entire real estate activity.

Subsequently, as of 31 July 2015, the Group formalised the sale of its affiliate Donnafugata Resort S.r.l., of which it has a 95.26% shareholding (see Note 2.5.4).

At 31 December 2015, only Sotocaribe, S.L. (see Note 10.1) and Capredo Investments, GmbH remained classified as discontinued operations.

On 28 December 2016, the Group acquired 50% of the company Capredo Investments Gmbh (see Note 2.5.4.).

The sections below detail, by type, the various income and balance sheet items relating to assets and liabilities classified as held for sale and discontinued operations.

Consolidated balance sheets. Headings of Non-current assets and liabilities classified as held for sale

A movement by balance headings of the assets and liabilities presented under the corresponding Held for Sale headings at 31 December 2016 and 2015 is shown below (in thousands of euros):

	31.12.2015	**Net variation**	**Change in the scope of consolidation (see Note 2)**	**31.12.2016**
Property, plant and equipment	—	—	12,113	12,113
Intangible assets	—	—	—	—
Investment property	—	—	—	—
Financial assets	45,034	(3,714)	(6,764)	34,556
Investments accounted for using the equity method	*45,034*	*(3,714)*	*(6,764)*	*34,556*
Other non-current financial investments	—	—	—	—
Deferred tax assets	—	—	—	—
Inventories	—	—	—	—
Accounts receivable for sales and services and trade receivables	—	—	—	—
Tax receivables	—	—	—	—
Other current financial assets	—	—	—	—
Cash	—	—	2	2
Other current assets	—	—	14	14
Non-current assets classified as held for sale	**45,034**	**(3,714)**	**5,365**	**46,685**
Bank borrowings (non-current)	—	—	—	—
Obligations under finance lease	—	—	—	—
Other non-current liabilities	—	—	615	615
Capital subsidies	—	—	—	—
Other liabilities	—	—	*615*	*615*
Provisions for contingencies and charges	—	—	—	—
Deferred tax liabilities	—	—	—	—
Bank borrowings (current)	—	—	—	—
Trade payables	—	—	376	376
Tax receivables	—	—	1,670	1,670
Other current liabilities	—	—	—	—
Liabilities associated with assets classified as held for sale	**—**	**—**	**2,661**	**2,661**

	31.12.2014	Net variation	Change in the scope of consolidation (see Note 2)	31.12.2015
Property, plant and equipment	38,783	(793)	(37,990)	—
Intangible assets	15	—	(15)	—
Investment property	—	—	—	—
Financial assets	46,988	(1,954)	—	45,034
Investments accounted for using the equity method	*46,956*	*(1,922)*	—	*45,034*
Other non-current financial investments	*32*	*(32)*	—	—
Deferred tax assets	293	—	(293)	—
Inventories	669	(496)	(173)	—
Accounts receivable for sales and services and trade receivables	1,749	1,035	(2,784)	—
Tax receivables	535	(501)	(34)	—
Other current financial assets	—	—	—	—
Cash	6,022	(2,030)	(3,992)	—
Other current assets	139	210	(349)	—
Non-current assets classified as held for sale	**95,193**	**(4,529)**	**(45,630)**	**45,034**
Bank borrowings (non-current)	—	—	—	—
Obligations under finance lease	—	—	—	—
Other non-current liabilities	15,781	—	(15,781)	—
Capital subsidies	*15,781*	—	*(15,781)*	—
Other liabilities	—	—	—	—
Provisions for contingencies and charges	469	355	(824)	—
Deferred tax liabilities	286	—	(286)	—
Bank borrowings (current)	28,212	427	(28,639)	—
Trade payables	3,642	489	(4,131)	—
Tax receivables	306	(323)	17	—
Other current liabilities	7,379	(93)	(7,286)	—
Liabilities associated with assets classified as held for sale	**56,075**	**855**	**(56,930)**	**—**

The net changes column includes impairments associated with investments accounted for using the equity method.

Consolidated comprehensive profit and loss statements

The profit and loss of the discontinued operations shown in the accompanying consolidated comprehensive profit and loss statement is broken down by company as follows (in thousands of euros):

	Capredo investments, GmbH	**Sotocaribe, S.L.**	**Donnafugata resort, S.R.L**	**Total**
2016				
Profit (loss) before tax	(159)	(2,115)	—	(2,274)
Profit (loss) for the year from discontinued operations net of tax	(159)	(2,115)	—	(2,274)
2015				
Net turnover and other operating income	—	—	3,382	3,382
Operating expenses	—	—	(4,238)	(4,238)
Operating profit (loss)	—	—	(856)	(856)
Profit (loss) before tax	(101)	(1,077)	(1,911)	(3,089)
Profit (loss) for the year from discontinued operations net of tax	(101)	(1,077)	(1,911)	(3,089)

Consolidated cash flow statements

The consolidated cash flow statements for the fully consolidated companies in 2016 and 2015 are detailed below (in thousands of euros):

	Capredo investments, GmbH
2016	
Operating activities:	
Profit (loss) before tax	—
Adjustments	—
Net variation in assets and liabilities	—
Total net cash flow from operating activities I	—
Finance income	—
Disinvestment	—
Non-current financial investments	—
Total net cash flow from investment activities II	—
Financing activities	—
Interest paid on debts	—
Variation in:	—
Bank borrowings	—
Total net cash flow from financing activities III	—
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	—
Effect of variations in the scope of consolidation (IV)	**2**
Cash and cash equivalents at the start of the financial year	—
Cash and cash equivalents at end of year	2

	Donnafugata resort, S.R.L,
2015	
Operating activities:	
Profit (loss) before tax	(2,005)
Adjustments	846
Net variation in assets and liabilities	(4,862)
Total net cash flow from operating activities I	**(6,021)**
Finance income	208
Disinvestment	—
Non-current financial investments	—
Total net cash flow from investment activities II	**208**
Financing activities	—
Interest paid on debts	(208)
Variation in:	—
Bank borrowings	—
Total net cash flow from financing activities III	**(208)**
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**(6,021)**
Cash and cash equivalents at the start of the financial year	6,022
Cash and cash equivalents at end of year	1

12. Trade receivables

This item reflects different accounts receivable from the Group's operations. The breakdown at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Trade receivables for services provided	159,885	181,523
Provision for bad debts	(13,688)	(12,254)
Total	**146,197**	**169,269**

As a general rule, these receivables do not accrue interest and are due at less than 90 days with no restrictions on how they may be availed.

Movements in the provision for bad debts during the years ending 31 December 2016 and 2015 were as follows:

	Thousands of euros	
	2016	**2015**
Balance at 1 January	12,254	13,042
Changes in scope	58	73
Currency translation difference	(7)	(88)
Additions	2,830	2,605
Applications	(1,447)	(3,378)
Balance at 31 December	**13,688**	**12,254**

The analysis of the ageing of financial assets in arrears but not considered impaired at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Less than 30 days	18,380	21,786
From 31 to 60 days	11,488	11,034
More than 60 days	32,122	41,881
Total	**61,990**	**74,701**

13. 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 2016 and 2015 was a variable Euribor-indexed rate. These assets are recognised at their fair value.

There are no restrictions on cash withdrawals, except for €1.275 million reserved in accordance with a firm commitment with the co-owners of Hoteles Royal for future investments in the hotels and €2.445 million reserved in accordance with a commitment acquired with the owner of a hotel in Italy to undertake repositioning investments.

As at 31 December 2016, there were no restrictions on the receipt of dividends distributed by the companies in which the Parent Company holds a direct or indirect minority shareholding.

As a result of the enactment of Royal Decree 1558/2012 of 15 November, of Article 42 bis 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 Hotel Group S.A. Board of Directors have the right, as representatives or authorised officials, to dispose 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 Hotel Group S.A. holds other accounting documents, namely the consolidated annual accounts, from which sufficient data can be extracted in relation to the aforementioned accounts.

14. Equity

14.1 Subscribed share capital

NH Hotel Group, S.A. share capital at the end of 2016 comprised 350,271,788 fully subscribed and paid up bearer shares with a par value of € 2 each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish 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 shareholders with shareholdings above 3% at 31 December 2016 and 2015 were as follows:

	2016	2015
HNA Group Co Limited	29.50%*	29.50%
Oceanwood Capital Management LLP	11.97%	7.58%
Hesperia Group	9.27%**	9.23%
Henderson Global Investors LTD	4.19%***	4.19%

* Although at 31/12/2016 the shareholding of HNA Group Co Limited amounted to 29.50%, on 27/02/2017 this company reported that its shareholding fell to 29.34%.

** The shareholding of Hesperia Group consists of the direct shareholding held by Grupo Inversor Hesperia, S.A. (9.10%) and Eurofondo (0.17%).

*** Although at 31/12/2016 the shareholding of Henderson Global Investors Ltd amounted to 4.19%, on 31/01/2017 this company reported that its shareholding had fallen to 2.98%.

At year-end 2016 and 2015, members of the Board of Directors were the holders or proxies of shareholdings representing approximately 21.28% and 46.34% of the share capital, respectively.

The main aims of the Group's capital management are to ensure short-term and long-term financial stability, a positive trend for NH Hotel Group, S.A. share prices, and suitable funding for investments and 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.

During recent years, the evolution of the business has allowed to reduce the ratio of accounting financial leverage from 0.72x to 0.63x. The ratios of accounting financial leverage at 31 December 2016 and 2015 are the following:

	Thousands of euros	
	2016	2015
Bonds and other marketable securities (Note 15)	765,870	475,484
Bank borrowings and other financial liabilities (Note 15)	95,946	411,437
Gross accounting debt	**861,816**	**886,921**
Cash and cash equivalents (Note 13)	136,733	77,699
Liquid assets	**136,733**	**77,699**
Total net accounting debt	**725,083**	**809,222**
Total Equity	1,155,876	1,126,084
Accounting financial leverage	**0.63x**	**0.72x**

14.2 Parent company reserves

i) Legal reserve

In accordance with the Consolidated Text of the Corporate Enterprises 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 be used only to offset losses, provided no other reserves are available for this purpose.

ii) Share premium

The Consolidated Text of the Corporate Enterprises Act expressly allows the balance of this reserve to be used to increase capital and imposes no restrictions on its availability.

14.3 Treasury shares and shareholdings

At the end of the year, NH Hotel Group, S.A. had 9,600,000 treasury shares in its balance sheet, broken down as follows:

- Loan of securities linked to the convertible bond issue dated 8 November 2013: On 4 November 2013, the Spanish National Securities Market Commission (CNMV) was notified of the loan of 9,000,000 treasury shares to the three financial institutions involved in the placement of the bonds convertible to or exchangeable for shares of NH Hotel Group S.A. amounting to €250 million. The purpose of this loan was to allow said financial entities to offer the shares to the subscribers to the convertible bonds requesting them (see Note 15).

  At 31 December 2016, of those 9,000,000 shares, 6,930,886 had been returned by the financial institutions and are therefore currently held by NH Hotel Group S.A. However, according to the terms of the securities loan, they remain available to the financial institutions, who may borrow them at any time until the convertible bonds have been cancelled or amortised.

  - In August, the Parent Company purchased 600,000 treasury shares.

14.4 Non-controlling interests

The movements in this heading in 2016 and 2015 are summarised below:

	Thousands of euros	
	2016	**2015**
Opening balance	**37,963**	**24,201**
Comprehensive profit (loss) attributable to non-controlling interests	3,614	(1,383)
Percentage changes in purchases/sales (Note 2.5.4)	2,589	16,461
Dividends paid to non-controlling interests	(1,056)	(1,374)
Other movements	857	58
Closing balance	**43,967**	**37,963**

The "Dividends paid to non-controlling interests" item basically reflects the dividends paid out in 2016 to the following companies: NH Marín, S.A., for €250 thousand, Hoteles Royal, S.A., for €307 thousand, NH Las Palmas, S.A., for €100 thousand, and Latinoamericana de Gestión Hotelera, S.A., for €399 thousand.

15. Debt in respect of bond issues and bank borrowings

The balances of the "Bonds and other negotiable securities" and "Debts with credit institutions" items at 31 December 2016 and 2015 were as follows:

	Thousands of euros			
	2016		**2015**	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Convertible bonds	238,724	—	233,251	—
Guaranteed senior notes maturing in 2019	250,000	—	250,000	—
Guaranteed senior notes maturing in 2023	285,000	—	—	—
Borrowing costs	—	6,248	—	3,613
Arrangement expenses	(10,087)	(4,015)	(11,380)	
Debt instruments and other marketable securities	**763,637**	**2,233**	**471,871**	**3,613**
Syndicated loans	—	—	221,600	21,200
Mortgages	33,078	4,325	32,262	13,183
Unsecured loans	2,158	9,072	11,736	3,596
Subordinated loans	40,000	—	75,000	—
Credit lines	—	9,944	—	36,861
Arrangement expenses	(2,516)	(1,015)	(4,433)	(1,060)
Borrowing costs	—	900	—	1,492
Bank borrowings	**72,720**	**23,226**	**336,165**	**75,272**
Total	**836,357**	**25,459**	**808,036**	**78,885**

The current fair value of the guaranteed senior notes maturing in 2019 and the convertible bonds, bearing in mind that the reference interest rate would be the one applied to the bonds issued during 2016, would mean such bonds amounting to €224 million and €232 million, respectively. With regard to financial liabilities tied to a variable interest rate, because of their variable configuration, their fair value does not differ from their book value.

Convertible bonds

On 31 October 2013, the Parent Company placed convertible bonds among institutional investors, for a total of €250 million, with the following characteristics:

Amount of the issue	€250,000,000
Nominal value of the bond	€100,000
Maturity	5 years
Rank of debt	Unguaranteed senior
Issue price	100%
Coupon	4%
Exchange 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 €27.23 million.

As is commonplace for this type of issue, and in order to enhance the liquidity of the instrument on the secondary market, NH Hotel Group, S.A. signed a security loan agreement with the placing entities for up to 9,000,000 treasury shares. This loan bears interest at 0.5% and was drawn to the extent of 2,069,114 shares at 31 December 2016 (see Note 14.3).

Guaranteed senior notes maturing in 2019

On 30 October 2013 the Parent Company placed guaranteed senior notes, which mature in 2019, at the nominal value of €250 million. The nominal yearly interest rate for said issuance of notes is 6.875%.

Guaranteed senior notes maturing in 2023

On 23 September 2016 the Parent Company placed guaranteed senior notes, which mature in 2023, at the nominal value of €285 million. The nominal yearly interest rate for said issuance of notes is 3.75%.

The Parent Company used the proceeds from this issuance to repay the following loans in advance and to pay the issuance expenses:

- Secured syndicated loan with final maturity in November 2018 arranged between NH Finance, S.A. and a group of financial institutions amounting to €200 million. This syndicated loan comprised two tranches:
    - Tranche A: via a commercial loan for €133,333 thousand; The outstanding balance settled was €104,833 thousand.
    - Tranche B: via a revolving commercial credit for €66,667 thousand; The drawn down balance settled was €43,000 thousand.
- Mortgage loan with final maturity in November 2017 arranged between the Parent Company and a group of financial institutions on 13 February 2015 to refinance mortgage debt in Italy for €40,000,000. The outstanding balance settled was €32,000 thousand.
- Mortgage loan with final maturity in October 2018 arranged between the Parent Company and a group of financial institutions on 26 June 2015 to refinance mortgage debt in Germany for €36,000 thousand million. The outstanding balance settled was €33,000 thousand.

- Secured loan arranged between NH Europa, S.L.U and a group of financial institutions in December 2014 as part of the restructuring of the financial debt of Donnafugata in the amount of €7,000 thousand. The outstanding balance settled was €5,900 thousand.
- Subordinated loan arranged on 26 September 2007 between the Parent Company and a credit institution. The outstanding balance settled was €35,000 thousand.
- Bilateral credits arranged between the Parent Company, NH Italia S.p.a. and various financial institutions. The drawn down balance cancelled was €23,667 thousand.

Secured credit line

On 22 September 2016, the Parent Company and NH Finance, S.A. entered into a revolving business credit with credit institutions amounting to €250,000 thousand ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior bonds maturing in 2019. As at 31 December 2016, this financing had not been drawn down.

Obligations under the senior bond contracts maturing in 2019 and 2023 and those arising from the syndicated credit line

The senior bonds maturing in 2019, the senior bonds maturing in 2023 and the syndicated credit line require the fulfilment of a series of obligations and limitations of essentially homogeneous content as regards the assumption of additional borrowing or provision of guarantees in favour of third parties, the granting of real guarantees on assets, the sale of assets, investments that are permitted, restricted payments (including the distribution of dividends to shareholders), transactions between related parties, corporate transactions and disclosure obligations. These obligations are detailed in the issue prospectuses for the aforementioned bonds, as well as in the credit agreement of the syndicated credit line. In addition, the syndicated credit line requires compliance with financial ratios; in particular (i) an interest coverage ratio of > 2.00x, (ii) a debt coverage ratio of < 5.50x and (iii) a Loan to Value ratio of < 55% up to the maturity or refinancing date of the bonds maturing in 2019. At the maturity or refinancing date of the aforementioned bonds, the Loan to Value ratio must be <70% and, as from that date, the applicable Loan to Value ratio will depend on the level of NH's indebtedness at any given time, as indicated below:

- Debt-to-income ratio > 4.00x: LTV Ratio = 70%
- Debt-to-income ratio ≤ 4.00x: LTV Ratio = 85%
- Debt-to-income ratio ≤ 3.50x: LTV Ratio = 100%

At 31 December 2016 aforementioned ratios are fully met.

Package of guaranteed senior bonds maturing in 2019 and 2023 and syndicated credit line

The guaranteed senior bonds maturing in 2019 and 2023 and the syndicated credit line (undrawn at 31 December 2016) share the following guarantees, in part already granted as collateral for the guaranteed senior bonds maturing in 2019 and the syndicated loan settled through the issuance of the guaranteed senior bonds maturing in 2023: (i) pledge of shares: 100% of the share capital of (A) Diegem, (B) Immo Hotel BCC NV, (C) Immo Hotel Belfort NV, (D) Immo Hotel Brugge NV, (E) Immo Hotel Diegem NV, (F) Immo Hotel Gent NV, (G) Immo Hotel GP NV, (H) Immo Hotel Mechelen NV, (I) Immo Hotel Stephanie NV, (J) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V. and (K) NH Italia, S.p.A. (ii) first-tier mortgage guarantee on the following hotels located in the Netherlands: NH Conference Centre Koningshof, owned by Koningshof, B.V.; NH Conference Centre Leeuwenhorst, owned by Leeuwenhorst Congres Center, B.V.; NH Schiphol Airport, owned by Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.; NH Zoetermeer, owned by Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.; NH Conference Centre Sparrenhorst, owned by Sparrenhorst, B.V.; NH Barbizon Palace, owned by Onroerend Goed Beheer Maatschappij Prins

Hendrikkade Amsterdam, B.V.; NH Best, owned by Onroerend Goed Beheer Maatschappij Maas Best, B.V.; NH Capelle, owned by Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.; NH Geldrop, owned by Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V.; NH Marquette, owned by Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.; and NH Naarden, owned by Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V. and the joint guarantee on first demand of the main operating companies in the group wholly owned by the Parent Company.

Limitation on the distribution of dividends

The guaranteed senior bonds maturing in 2019 and 2023 and the syndicated credit line described above contain clauses limiting the distribution of dividends.

In the case of the senior bonds maturing in 2019 and 2023, the distribution of dividends is generally permitted provided that (a) the interest coverage ratio is > 2.0x and (b) the sum of restricted payments from 8 November 2013 is less than the sum of, essentially, 50% of NH's consolidated net income (but 100% of consolidated losses) from 1 July 2013 to the date of the last quarterly accounts available (this is what is known as the CNI Builder) and 100% of the net contributions to NH's capital from 8 November 2013.

Additionally, being alternative and without a requirement to be concurrent with the previous provision:

(i) in the case of bonds maturing in 2019: NH may distribute dividends for an annual amount equivalent to 5% of NH's market capitalisation, provided that (a) NH's free float percentage exceeds 20% and (b) the leverage ratio (debt/EBITDA) is not greater than 4.5x; and

(ii) in the case of bonds maturing in 2023, NH may distribute dividends provided that the leverage ratio (gross debt/EBITDA) does not exceed 4.5x.

Finally, and also as an additional alternative and without a requirement of concurrency with the previous provisions, the guaranteed senior bonds maturing in 2019 and 2023 include a basket of 25.000.000 Eur for restricted payments (including dividends) starting from November 2013.

In the case of the syndicated credit line, the distribution of a percentage of the NH Group's consolidated net profit from the previous year is allowed, provided that there has been no breach of the financing agreement and the Net Debt (adjusted proforma by the amount of the dividend payment)/ EBITDA Ratio is less than 4.0x. The maximum percentage of the consolidated net profit to be distributed will depend on the Net Debt (adjusted proforma by the amount of the dividend payment)/ / EBITDA Ratio, according to the following breakdown:

- Net Debt / EBITDA ≤ 4.0x: Percentage of consolidated net profit: 75%
- Net Debt / EBITDA ≤ 3.5x: Percentage of consolidated net profit: 100%
- Net Debt / EBITDA ≤ 3.0x: Percentage of consolidated net profit: without limitation

Syndicated loans

All the syndicated loans were settled with funds from the issuance of guaranteed senior bonds amounting to €285,000,000 maturing in 2023.

Mortgages

The detail of the mortgage loans and credits is as follows (in thousand of euros):

	Mortgaged asset	Fixed rate	Variable Interest	Total	Net value value mortgaged asset
Spain	NH Lagasca	—	5,440	5,440	17,488
	NH Palacio de la Merced	—	4,938	4,938	16,811
Total Spain		**—**	**10,378**	**10,378**	**34,299**
Mexico	NH Querétaro	—	1,634	1,634	4,558
	NH Santa Fe	—	1,284	1,284	7,122
Total Mexico		**—**	**2,918**	**2,918**	**11,680**
Netherlands	NH Groningen	—	1,098	1,098	6,788
Total Netherlands		**—**	**1,098**	**1,098**	**6,788**
Italy	NH Villa San Mauro	—	2,051	2,051	1,063
Total Italy		**—**	**2,051**	**2,051**	**1,063**
Chile	NH Antofagasta and NH Plaza de Santiago	20,958	—	20,958	26,335
Total Chile		**20,958**	**—**	**20,958**	**26,335**
Total		20,958	16,445	37,403	80,165

The NH Palacio de La Merced mortgage loan of €4,938 thousand has been fully consolidated since December 2016, the month in which the Parent Company through its subsidiary NH Hoteles España, S.A. acquired an additional 49% in the company that owns that hotel, thereby obtaining a total indirect shareholding of 72%.

On 29 July 2016, Inmobiliaria Royal, S.A. signed a mortgage for €20,958 thousand with final maturity in July 2036 with partial repayments to refinance the mortgage debt in Chile and to finance the repositioning investment of the NH Plaza de Santiago hotel.

Assets granted as mortgage security against the syndicated credit line of €250 million (undrawn at 31 December 2016) and guaranteed senior bonds in the joint amount of €535 million, maturing in 2019 and 2023, can be broken down as follows (thousands of euros):

	Mortgaged asset	Net value value mortgaged asset
	NH Barbizon Palace	70,860
	NH Conference Centre Leeuwenhorst	53,630
	NH Conference Centre Koningshof	38,959
	NH Schiphol Airport	42,128
	NH Conference Centre Sparrenhorst	17,007
	NH Zoetermeer	7,775
	NH Naarden	10,996
	NH Capelle	6,394
	NH Geldrop	7,217
	NH Best	4,713
	NH Marquette	4,227
Total		263,906
Net value of assets assigned as mortgage collateral		**263,906**
Value of guaranteed debt		**535,000**
Fixed interest		**535,000**
Variable interest (amount of the syndicated credit line undrawn)		**250,000**

There are also companies whose shares are pledged as collateral for said lines of financing.

Subordinated loan

A loan amounting to €40 million fully drawn at 31 December 2016 and with a single maturity and repayment in 2037, are included in this item. The interest rate of these loans is the 3-month Euribor plus a differential.

Credit lines

At 31 December 2016, the balances under this item include the amount drawn down from several loan agreements and credit facilities. The joint limit of these loan agreements and credit facilities at 31 December 2016 amounted to €68.852 million, of which €9.944 million had been drawn down at that date. Additionally, at 31 December 2016, the Parent Company had a guaranteed syndicated long-term credit line amounting to €250 million.

Detail of current and non-current payables

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**	**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**

16. Other non-current liabilities

The breakdown of the "Other non-current liabilities" item in the accompanying consolidated balance sheets, at 31 December 2016 and 2015, is as follows:

	Thousands of euros	
	2016	**2015**
At amortised cost:		
Purchase option on Sotocaribe, S.L. (Note 10)	—	58,250
Linearisation of revenue	16,122	14,946
Capital subsidies	10,285	2,715
Acquisition of Capredo Investment GmbH (Note 2.5.4)	3,150	—
Acquisition of Hoteles Royal, S.A. (Note 21)	—	19,238
Loans from shareholders	550	550
Other liabilities	3,930	3,481
	34,037	**99,180**

At 31 December 2016, "Capital subsidies" basically included subsidies received for hotel renovations, broken down by country as follows:

	Thousands of euros	
	2016	**2015**
Germany	6,866	2,467
Spain	1,832	—
Portugal	1,124	—
Others	463	248
	10,285	**2,715**

At 31 December 2016, 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.

17. Provisions for risks and charges

The breakdown of "Provisions for risks and charges" at 31 December 2016 and 2015, together with the main movements recognised in those years were as follows:

	Thousands of euros				
	Balance at 31/12/2014	**Additions**	**Applications/ reversals**	**Transfers**	**Balance at 31/12/2015**
Provisions for contingencies and extraordinary costs:					
Onerous contracts	26,986	12,993	(19,258)	(4,174)	16,547
Provision for pensions and similar obligations	13,797	1,792	(1,387)	—	14,202
Other claims (Note 22)	16,147	4,959	(4,486)	1,331	17,951
	56,930	**19,744**	**(25,131)**	**(2,843)**	**48,700**
Provisions for contingencies and current expenses:					
Onerous contracts	10,114	—	(10,114)	4,793	4,793
Provision for restructuring and other	4,721	—	(4,184)	—	537
	14,835	**—**	**(14,298)**	**4,793**	**5,330**
Total	**71,765**	**19,744**	**(39,429)**	**1,950**	**54,030**

	Thousands of euros				
	Balance at 31/12/2015	**Additions**	**Applications/ reversals**	**Transfers and other changes**	**Balance at 31/12/2016**
Provisions for contingencies and extraordinary costs:					
Onerous contracts	16,547	6,390	(4,121)	(4,022)	14,794
Provision for pensions and similar obligations	14,202	3,502	(1,451)	432	16,685
Other claims (Note 22)	17,951	8,070	(3,756)	(844)	21,421
	48,700	**17,962**	**(9,328)**	**(4,434)**	**52,900**
Provisions for contingencies and current expenses:					
Onerous contracts	4,793	—	(4,995)	4,477	4,275
Provision for restructuring and other (Note 22)	537	8,349	(1,699)	—	7,187
	5,330	8,349	(6,694)	4,477	11,462
Total	**54,030**	**26,311**	**(16,022)**	**43**	**64,362**

Onerous contracts

The Group considers onerous agreements to be those in which the inevitable costs of fulfilling the obligations that such agreements entail exceed the economic benefits expected from them.

The Group records as a provision for onerous contracts the present value of the net losses derived from the contract or the compensation foreseen for abandonment of the contract, if such were decided. These provisions are reversed at the time that either of the above two events is fulfilled.

The reversal of the provision for onerous contracts for the year includes, on the one hand, the amount of the provision overdue during the year, and on the other, the re-estimation of the necessary provision at the end of the year. The part of the provision overdue in the year corresponds to the losses recorded by the CGUs in the income statements, while the re-estimation of the provision is due to the improvement in the activity of the CGUs.

The methodology, assumptions and discount rates used to make such estimates follow the same criteria as described in Note 4.4.

The reconciliation between the amount recorded in the income statement and the changes in the provision for onerous contracts for the years ended 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Reversal of provision for realised losses	(4,995)	(10,114)
Reversal	(4,121)	(19,258)
Total reversals	**(9,116)**	**(29,372)**
Allowances	4,953	10,359
Allowance for financial effect provision update	1,379	2,609
Exchange rate effect	58	25
Total allowances	**6,390**	**12,993**
Net effect on the income statement	**(2,726)**	**(16,379)**

Provision 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, and the T.F.R. "Trattamento di fine rapporto" in Italy, an amount paid to all workers in Italy at the moment they leave the company for any reason. This is another remuneration element, whose payment is deferred and annually allocated 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 2016, the liabilities entered against this item were of €16,685,000 (€14,202,000 at 31 December 2015).

The breakdown of the main assumptions used to calculate actuarial liabilities is as follows:

	2016		2015	
	Netherlands	Italy	Netherlands	Italy
Discount rates	1.80%	0.13%	2.70%	0.15%
Expected annual rate of salary rise	2.50%	1.25%	2.50%	1.90%
Expected return from assets allocated to the plan	1.80%	2.02%	2.70%	2.18%

Other claims

The "Other claims" item includes provisions for disputes and risks that the Group considers likely to occur. Among the most significant are the provisions created on the basis of the action brought in the proceedings claiming breach of contract in a property development, as well as other claims received in relation to the termination of certain leases where certain amounts are claimed. No decision on these claims is expected in the short term (see Note 22).

Provision for restructuring and other

The provision for restructuring and other arises due to the reorganisation in the Group in previous years and departures of members of the management team. At the end of 2016, the Group's provisions amounted to €7,187,000.

18. Tax note

Tax consolidation scheme

The Group operates in many countries and is therefore subject to the regulations of different tax jurisdictions regarding taxation and corporate income tax.

NH Hotel Group, S.A. and another 15 companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2016 tax period are subject to the tax consolidation scheme governed by Title VII, Chapter VI of Law 27/2014 on Corporate Income Tax.

The companies belonging to the tax group have signed an agreement to share 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.

The companies that make up the tax consolidation group are the following:

NH Hotel Group, S.A.
Latinoamericana de Gestión Hotelera, S.L.
NH Central Reservation Office, S.L.
NH Hoteles España, S.A.
NH Hotel Ciutat de Reus, S.A.
Gran Círculo de Madrid, S.A.
NH Logroño, S.A.
Iberinterbrokers, S.L.
NH Europa, S.L.
Atardecer Caribeño, S.L.
Hoteles Hesperia, S.A.
Nuevos Espacios Hoteleros, S.A.
Coperama Holding, S.L.
Coperama Spain, S.L.
NH Las Palmas, S.A.
NH Lagasca, S.A.

As a result of the reorganisation carried out during 2016, the following companies were excluded from the Spanish tax consolidation group: Fast Good Peninsula Ibérica, S.L., Resorts Europa, S.L., NH Establecimientos Complementarios Hoteleros, S.A., Cofir, S.L., Inversores y Gestores Asociados, S.A., Grupo Financiero de Intermediación y Estudios, S.A. and Fashion Tapas, S.L.

Corporation tax is calculated on the financial 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.

In 2016, Spanish companies pay taxes at the general tax rate of 25% irrespective of whether they apply the consolidated or separate taxation schemes. The foreign companies are subject to the prevailing tax rate in the countries where they are domiciled. In addition, taxes are recognised in some countries at the estimated minimum profit on a complementary basis to Corporation Tax.

The prevailing income tax rates in the different jurisdictions where the Group has significant operations are as follows:

Country	Nominal Rate	Country	Nominal Rate
Argentina(1)	35.0%	Romania	16.0%
Colombia(1)	34.0%	Poland	19.0%
Chile	22.5%	Switzerland	8.5%
Belgium	33.9%	Czech Republic	19.0%
Panama	25.0%	Luxembourg	19.0%
Brazil	34.0%	Italy	24.0%
Mexico	30.0%	Netherlands	25.0%
Uruguay	25.0%	France	33.3%
Dominican Republic	28.0%	Portugal	21.0%
Germany	30.0%		

(1) Jurisdictions in which there is a minimum taxable income.

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	2014 and 2015
VAT	2014, 2015 and 2016
IRPF (personal income tax)	2014, 2015 and 2016
Non-resident Income Tax	2014, 2015 and 2016

During the fiscal year 2016, in Spain there were no open tax inspections in progress.

In Germany, an inspection procedure has been opened which is reviewing the amount of negative tax bases still to be offset by the companies in Germany. The Group's Directors do not expect any significant contingencies to arise from the inspection result.

Regarding the financial years open to inspection in the rest of the group, contingent liabilities not susceptible to objective quantification may exist, which are not significant in the opinion of the Group's Directors.

Balances with Public Administrations

The composition of the debit balances with Public Administrations at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Deferred tax assets		
Tax credits	108,515	114,452
Tax assets due to asset impairment	31,744	30,987
Tax withholdings of workforce	2,581	2,185
Other prepaid taxes	9,549	18,173
	152,389	**165,797**

	Thousands of euros	
	2016	2015
Short-term taxes receivable		
Income tax	9,303	11,296
Value Added Tax	12,538	26,789
Other tax receivables	7,390	7,888
Total	**29,231**	**45,973**

The movements of the "Deferred tax assets" item in 2016 and 2015 were as follows:

	Thousands of euros	
	2016	2015
Opening balance	**165,797**	**157,858**
Asset impairment	757	(4,366)
Generation of assets due to tax losses	12,305	9,107
Settlements of assets due to tax losses	(16,760)	(11,370)
Activation of deductions	865	11,267
Settlement of deductions	(2,346)	—
Derecognition of tax credits due to a change in tax rate	—	(1,104)
Changes due to the entry into the scope of consolidation	—	8,518
Others	(8,229)	(4,113)
Total	**152,389**	**165,797**

The recognition of assets was mainly due to the recognition of tax losses in Spain in the amount of €7.377 million as a result of the favourable resolution of the Directors regarding the deductibility of an additional tax loss in the sale of Sotogrande carried out in 2014 and the recognition of tax losses in Germany in the amount of €3.001 million as a result of the expected positive results in future years.

The settlement of assets was mainly due to the settlement of tax losses in Spain in the amount of €15.36 million. Of this amount, €8.701 million related to the derecognition of tax credits arising from tax losses as a result of the aforementioned reorganisation carried out in Spain, and a further €6.086 million corresponded to the settlement of tax losses as a result of the adjustment of the Tax for 2015 after the final settlement was presented in 2016.

As mentioned in the previous paragraph, the reorganisation in Spain entailed the derecognition of tax credits amounting to €8.701 million. However, the effect of that derecognition of tax credits was offset by a reduction of the Tax Group's current expenditure by €11.694 million due to the fact that, as a consequence of the merger, a tax loss of €46.775 million was generated in Spain.

At 31 December 2016, the Group had assets resulting from tax losses and deductions amounting to €108.515 million (€114.452 million in 2015). At 31 December 2016, the tax credit recovery plan that supports the recognition of these tax credits had been updated based on the Group's business plan. Given that the results of the tax credit recovery plan are satisfactory, the Parent Company's Directors have decided to maintain the tax credits recognised in the consolidated balance sheet.

At 31 December 2016, the Group had tax loss carryforwards worth €566.518 million (€577.458 million at 31 December 2015) and deductions amounting to €29.637 million (€30.068 million in 2015) that had not been entered in the accompanying consolidated balance sheet because the Directors considered they did not meet accounting standard requirements. These assets are grouped as follows (base amount):

	Thousands of euros	
	2016	**2015**
Finance costs and negative tax bases		
Non-deductible financial expenses in Spain	223,095	180,467
Non-deductible financial expenses in Italy	6,424	17,243
Non-deductible financial expenses in Germany	5,366	12,900
Negative tax bases generated by the Spanish entities before consolidation	106,325	108,750
Negative tax bases generated in Austria	24,449	23,400
Negative tax bases generated in Latin America	4,175	2,765
Negative tax bases generated in Luxembourg	53,231	53,231
Negative tax bases generated in Spain	—	—
Negative tax bases generated in Italy	1,797	13,801
Negative tax bases generated in Germany	141,656	164,900
Total	**566,518**	**577,458**
Deductions		
Deductions generated in Spain	29,637	30,068
Total	**29,637**	**30,068**
Total	**596,155**	**607,525**

Finance costs, which are not considered deductible in the Spanish corporate income tax when exceeding 30% of the operating revenue of the tax group calculated in accordance with Article 16 of Law 27/2014 of 27 December, on Corporate Income Tax, amount to €223,095,000 in 2016 (€180,467,000 in 2015). There is no deadline for offsetting non-deductible finance costs. Regarding Italian and German Corporate Income Tax, tax regulations in those countries are similar to those of Spain on the deductibility limit of financial expenses. In accordance with Italian and German legislation, there is no deadline for offsetting non-deductible finance costs.

The changes in non-recorded credits in 2016 were mainly due to the fact that in Spain no finance costs were deducted owing to the application of the aforementioned regulations, and losses and deductions were offset against the profit generated in the year. In Italy losses were offset and finance costs generated were deducted, and in Germany finance costs were deducted and losses which had passed the tax credit recovery test were recognised.

The composition of the credit balances with Public Administrations at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Deferred tax liabilities		
Revaluation of assets and other valuation differences	174,987	196,711
Total	**174,987**	**196,711**

	Thousands of euros	
	2016	2015
Short-term taxes payable		
Income tax	12,454	15,545
Value Added Tax	3,042	8,509
Personal Income Tax	6,687	7,010
Tax on Income from Capital	2,100	217
Social Security	7,045	7,568
Others	13,610	11,986
Total	**44,938**	**50,835**

The movements in deferred tax liabilities during 2016 are as follows:

	Thousands of euros	
	2016	2015
Opening balance	**196,711**	**179,730**
Derecognition of liabilities due to change in tax rate	—	(10,309)
Addition of liabilities due to entry into scope (Note 2.5.4)	698	26,077
Others	(22,422)	1,213
Closing balance	**174,987**	**196,711**

The decrease in deferred tax liabilities is mainly due to the combined effect of the entry in the consolidation scope of the Palacio de la Merced and the reversal of impairment of revalued assets. The detail, by country and item, of these deferred taxes is as follows:

	Thousands of euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	99,738	22,202	121,940	37,527
Benelux	1,927	1	1,928	1,157
Italy	3,114	10,558	13,672	110,198
Germany	3,001	1,180	4,181	589
Others	735	9,933	10,668	25,516
TOTAL	**108,515**	**43,874**	**152,389**	**174,987**

Reconciliation of the accounting result to the tax result

The reconciliation between the consolidated comprehensive profit or loss statements, the corporation tax base, current and deferred tax for the year, is as follows:

	2016													2015	
	Thousand euros													Thousand euros	
	Spain	Italy	Germany	Netherlands(1)	Latin America(2)	Luxembourg	Romania	Switzerland	Czech R	Poland	Portugal	Others	TOTAL	Spanish entities	Other entities
Profits/(losses) from continuing operations	**(14.054)**	**12.030**	**5.964**	**23.538**	**15.721**	**2.638**	**174**	**(2.931)**	**432**	**(4)**	**5**	**845**	**44.358**	**(65.135)**	**81.524**
Profit (loss) for the year from discontinued operations net of tax	(2.274)	—	—	—	—	—	—	—	—	—	—	—	(2.274)	—	—
Consolidated Profit before taxes	**(16.328)**	**12.030**	**5.964**	**23.538**	**15.721**	**2.638**	**174**	**(2.931)**	**432**	**(4)**	**5**	**845**	**42.084**	**(65.135)**	**81.524**
Adjustments to the consolidated result:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Consolidation adjustments	2.889	—	4.695	—	—	—	—	—	—	—	—	—	7,584	(14.378)	4.765
Permanent differences	2.934	(1.155)	(5.556)	(4.835)	(3.512)	(2.508)	344	3.500	(432)	65	75	(808)	(11.888)	45.163	245
Temporary differences	12.546	6.282	(2.816)	2.489	5.542	—	—	—	—	—	—	—	24.043	(16.116)	(17.379)
Tax base (Taxable profit/loss)	**2.041**	**17.157**	**2.286**	**21.191**	**17.750**	**131**	**517**	**569**	**—**	**61**	**80**	**38**	**61.821**	**(50.467)**	**69.157**
Total current tax income / (expense)	(535)	(1.685)	(685)	(5.354)	(5.150)	(25)	(83)	(48)	—	(12)	(17)	(11)	(13.605)	11.455	(23.773)
Total deferred tax income / (expense)	3.427	1.706	1.940	768	1.692	—	—	—	—	—	—	—	9.533	(4.029)	(5.939)
Total other income / (expense)	(205)	(2.101)	(32)	(315)	(1.224)	—	—	11	—	—	—	—	(3.866)	—	9.204
Total Corporate Tax income / (expense)	**2.687**	**(2.080)**	**1.223**	**(4.901)**	**(4.682)**	**(25)**	**(83)**	**(37)**	**—**	**(12)**	**(17)**	**(11)**	**(7.938)**	**7.426**	**(20.508)**
Current income tax to be refunded /(to pay)	818	220	192	(489)	3.957	—	(11)	—	—	(1)	26	44	**4.756**	**1.004**	**10.291**

(1) The Netherlands business area includes Belgium and France.

(2) 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.

Specifically for the case of Spain, Royal Decree-Law 3/2016, of 2 December, has introduced a series of amendments with effect from 1 January 2016, the main ones that have affected the Group being the following:

- Limitation of the offset of negative tax bases for companies with a net turnover of more than €60 million to 25%. This fact has been taken into account in the tax credit recovery plan related to the aforementioned negative tax bases.
- Limitation on the application of deductions to avoid double taxation to 50% of the quota.
- The reversal of impairments of shareholdings that were tax deductible in tax periods prior to 2013 and which as from 1 January are no longer tax deductible and, therefore, must be included in corporate income tax for a minimum annual amount using the straight-line method for five years. Accordingly, the Group has included approximately €31 million in the tax assessments of the related Spanish companies in 2016.

Deductions generated by the consolidated tax group of the Parent Company

At 31 December 2016, the Tax Group held the following tax credit carry-forward (Thousand of euros):

Year Origin	Deduction pending application	Amount
2002 to 2010	Investment in export activity	28,605
2009 to 2015	Tax deduction to avoid double taxation	8,921
2002 to 2015	Other	1,897
		39,423

19. Commercial creditors and other accounts payable

The breakdown of this item in the consolidated balance sheet at 31 December 2016 and 2015 is as follows (Thousand of euros):

	Thousands of euros	
	2016	2015
Trade and other payables	205,357	227,128
Advance payments from customers	24,412	23,915
	229,769	**251,043**

The heading "Commercial Creditors and Other Accounts Payable" covers the accounts payable derived from commercial activity typical of the Group.

The "Advance payments from customers" item mainly includes customer deposits arising from the Group's hotel businesses.

20. Information on deferred payments to suppliers. third additional provision. "duty to report" of act 11/2013 of 26 July

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified according to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

	2016	2015
	Days	Days
Average period for payment to suppliers	**79**	**70**
Ratio of paid transactions	81	68
Ratio of transactions pending payment	38	85
	Amount (thousand of euros)	Amount (thousand of euros)
Total payments made	322,308	263,703
Total payments pending	18,785	28,747

The above information on payments to suppliers of Spanish companies refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Commercial Creditors and Other Accounts Payable" item in current liabilities of the attached consolidated balance sheet at 31 December 2016 and 2015.

The average period for payment to suppliers has been calculated, as stated in the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, using the weighted average of the two ratios explained below:

- Ratio of paid transactions: average payment period of transactions paid in 2016 weighted by the amount of each transaction.
- Ratio of transactions pending payment: average period between the invoice date and the end of the year weighted by the amount of each transaction.

21. Other current liabilities

At 31 December 2016 and 2015, this item is broken down as follows:

	Thousands of euros	
	2016	**2015**
Outstanding remuneration	32,526	27,928
Acquisition of Hoteles Royal, S.A. (Notes 2.5.4 and 16)	21,523	—
Linearisation of revenue	742	1,371
Liabilities from contract termination	470	667
Put option for Donnafugata Resort, S.r.l.	—	10,335
Other creditors	1,019	2,138
	56,280	**42,439**

The heading "Acquisition of Hoteles Royal, S.A." reflects the liability corresponding to the part of the consideration paid for the acquisition in March 2015 of the stake equivalent to 97.47% of the share capital of Hoteles Royal, S.A., which remained outstanding for an amount of €17.7 million, which as at 31 December 2016 amounted to €21.5 million (€19.2 million in the previous year). The evolution with respect to the previous year is due to the updating of the value and the effect of the exchange rate. Payment of this debt will foreseeably be made effective in March 2017.

In 2016 the liability arising from the put option for Donnafugata Resort, S.r.l. was settled by means of a reverse factoring solution issued on 22 October 2015.

22. Third-party guarantees and claims in progress

As at 31 December 2016, NH had a total of €30.062 million euros in economic or financial bank guarantees issued by various banks.

Of these, €12,150 thousand euros guarantee obligations related to cash pooling contracts or centralised treasury management with several banks and, therefore, their execution would be linked to breach by NH of those contractual obligations.

Of the remainder, €15.671 million guarantee leasing contract obligations in various countries, and €2.241 million guarantee tax and other obligations vis-à-vis public bodies in Italy.

At 31 December 2016, the Group had taken out insurance policies to cover risks arising from damage to material goods, loss of profits and third party liability. The capital insured sufficiently covers the assets and risks mentioned above.

Commitments to third parties

- The Company currently acts as co-guarantor for a syndicated loan granted by two banks to the associate Sotocaribe, S.L. which at 31 December 2016 had an outstanding principal of €22.469 million (equivalent to USD 23.685 million at 31 December 2015) and final maturity on 05 April 2017.

- On 10 March 2006, NH Europa, S.A. and Losan Hoteles, S.L. (now Carey Property, S.L.) signed a shareholders' agreement on Losan Investments Ltd. (the owner of the Kensington Hotel), by means of which, should Losan Investments Ltd. receive an offer to purchase 100% of its shares at a price deemed to be a market price, Losan Hoteles, S.L. (now Carey Property, S.L.) may require NH Europa, S.A. to transfer its shares to the third party who made the offer and the latter will be obliged to accept. However, NH Europa, S.A. will have preferential acquisition rights over shares held by Losan Hoteles, S.L. (now Carey Property, S.L.) in Losan Investments Ltd.

- Under the agreements reached between the NH Group and HNA Group regarding the joint venture, a right of "Tag-along" is recognised, in the sense that if one of the partners receives a takeover bid by a third party for 100% of the shares in the company, the other partner has the option to exercise their right of first refusal or may communicate its irrevocable offer to sell the shares it holds the aforementioned joint venture, and under the conditions of sale supplied by the third party; if the third party does not accept the offer of the other partner to sell the rest of the shares in the company, the other partner is not allowed to sell its shares to the third party.
- Within the framework of new development projects in the normal course of business, in which the NH Group subsidiaries act as lessees or operators, the Group's parent company gives personal guarantees in favour of third parties to secure its contractual obligations.
- Within the framework of the Group's financing, personal and real guarantees have been granted to fulfil the obligations guaranteed under the financing agreements (see Note 15).
- A Group company in which NH has an ownership interest granted to the other shareholders a call option on shares owned by NH in that company, in a sufficient number so that those shareholders, adding the shares to those which now belong to them, could acquire shares representing, in total, up to a maximum of 50% of the share capital. To this end, it was acknowledged to the optionees that natural or legal persons related to the other opting shareholders could take over their position as opting parties without needing the consent of the other optionee or NH.
- Within the framework of the sale of a hotel, NH as a seller agreed to undertake the extension of the aforementioned hotel, and agreed with the buyer a put option in favour of the buyer, NH being obliged to accept the exercise of that option provided that certain conditions are met and for a price agreed between both parties.

Claims in progress

The Group's main contingent assets and liabilities on the date these consolidated financial statements were drawn up, are set out below:

- NH Group has appeared in the insolvency proceedings of Viajes Marsans, S.A. and Tiempo Libre, S.A., from the unsettled estate of Gonzalo Pascual Arias and Gerardo Díaz Ferrán, and in the voluntary insolvency proceedings against María Angeles de la Riva Zorrilla, in order to claim outstanding amounts. The Group also appears in the voluntary bankruptcy proceedings of Transhotel and Orizonia. Said balances were provisioned in consolidated financial statements in the amounts deemed not recoverable.
- The owner of four hotels in the Netherlands has claimed in court the payment of €2,723 thousand plus interest and costs to a Dutch subsidiary because there was allegedly a change of the control situation in the year 2014, which supposedly entitles him to claim a fine, according to the lease. The Court of First Instance dismissed in its entirety the claim brought by the owner. However, the owner has filed an appeal, the subsidiary has submitted its allegations and the proceedings are ongoing in the aforementioned court pending a decision. .
- The owner of a hotel has filed a suit against a Group company, demanding compliance with certain contractual obligations. Following notification of the dismissal of the appeal, an appeal for review due to breach of procedure and an appeal in cassation were lodged, which have still not been resolved.
- The NH Group filed an arbitration claim requesting the validity of the declaration of resolution to sell practised at fifteen premises in San Roque, the decision on which was in favour of the NH Group. However, an application for annulment of the award has been filed and the proceedings are still pending a decision.

- The NH Group has filed an arbitration claim requesting the validity of the resolution of the leasing contract of a Hotel urged by the Group in 2015, with the claim for damages. The award, among other pronouncements, states the contractual and legal obligations of the sublessor to have been partially breached and states that the termination of the sublease agreement is unlawful and that it therefore remains in force.

- Two companies have lodged claims against two NH Group companies in Germany due to the termination of two lease agreements and claiming specific amounts, including damages.

- A claim has been filed against two of the Group's companies seeking payment of unpaid instalments from 1 January 2008 to 31 May 2013, in addition to an unspecified amount corresponding to the period thereafter until a judgement is issued, plus interest and costs. In its ruling on the case the Court of First Instance established an amount lower than that claimed. However, the NH Group companies have filed an appeal.

- On the occasion of the agreements reached in 2014 for the sale of the shares held by NH Hotel Group, S.A in the company Sotogrande, S.A., NH Group agreed to subrogate to the position of Sotogrande, S.A. for certain disputes assuming all rights and obligations relating thereto, and are summarised as follows:

  - Plaintiff in the proceedings against construction agents for construction defects in twenty-five homes and contractual liability, as well as a claim against the insurer.

  - Defendant in the claim process for contractual breaches by a property developer.

- A shareholder of the NH Group has requested that certain of the resolutions adopted at the General Shareholders' Meeting be annulled.

- The Company could be subject to claims for amounts assumed under a share purchase agreement.

- There are amounts related to possible compensation for the termination of a certain service contract, which are under discussion and whose maximum amounts have been fully provisioned.

The Directors of the Parent Company consider that the hypothetical loss incurred by the Group as a result of such actions would not significantly affect the equity of the Group.

23. Long-term incentive plan

On 25 June 2013, the Company's General Shareholders Meeting approved a long-term share-based incentive plan ("the plan") for the NH Hotel Group SA's executives and employees, as follows:

The plan will consist of the grant of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of the fixed salary, according to 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 the performance of NH Hotel Group, SA shares with the following indices:

  - IBEX Medium Cap

  - Dow Jones Euro STOXX Travel & Leisure

- EBITDA, 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 CEO, 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 01/01/2014 with delivery of shares in 2017.
- The second cycle commences on 01/01/2015 with delivery of shares in 2018.
- The third cycle commences on 1/1/16 with delivery of shares in 2019.

The first cycle of the Plan (01/01/2014–31/12/2016) is being settled, the number of shares to be delivered to each beneficiary will be that obtained by multiplying the number of shares promised by the degree of compliance with the objectives (internal and external metrics), after this compliance is approved by the Board of Directors. Once approved, the delivery of the shares to the beneficiaries will take place during the first week of March.

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. At 31 December 2016, all the cycles had been approved by the Board of Directors.

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: €6,170,000
- Second cycle: EUR 5,830,000
- Third cycle: EUR 4,440,000
- Total: €16,440,000

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 EBITDA thresholds must be reached.

The effect of this item on the consolidated comprehensive profit and loss statement for 2016 was €1.701 million (€1.415 million in 2015).

24. Income and expenses

24.1 Income

The breakdown of these headings in the consolidated comprehensive profit and loss statements for 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Hotel occupancy	1.014.179	954.218
Catering	312.561	310.391
Meeting rooms and others	75.060	69.502
Rentals and other services	46.103	42.523
Revenues	**1.447.903**	**1.376.634**
Operating subsidies	1	11
Other operating income	7,686	1,196
Other operating income	**7,687**	**1,207**
Net gain (loss) on disposal of assets	**41,526**	**(843)**

"Rentals and Other Services" includes the income from fees invoiced to hotels operated on a management basis and the services provided by the NH Group to third parties.

The breakdown of net turnover by geographical markets in 2016 and 2015 was as follows:

	Thousands of euros	
	2016	2015
Spain	361,380	325,515
Germany	307,668	288,288
Benelux	276,102	263,749
Italy	266,412	266,965
Rest of Europe	99,085	93,536
Latin America	137,256	138,581
	1,447,903	**1,376,634**

24.2 Financial income and changes in the fair value of financial instruments

The breakdown of the amount of financial income is:

	Thousands of euros	
	2016	2015
Dividend income	884	1,130
Income from marketable securities	142	525
Interest income	1,738	3,092
Other financial income	546	407
	3,310	**5,154**

The breakdown of the amount of changes in the fair value of financial instruments

	Thousands of euros	
	2016	2015
Foreign exchange derivative financial instruments (Note 4.6.3)	(435)	(4,530)
Put option for Donnafugata Resort, S.r.l.	—	(165)
Total change in fair value of financial instruments	**(435)**	**(4,695)**

24.3 Personnel expenses

This item in the consolidated comprehensive profit and loss statement is broken down as follows:

	Thousands of euros	
	2016	2015
Wages, salaries and similar	307,123	299,033
Social security contributions	75,202	74,341
Indemnifications	13,432	4,688
Contributions to pension plans and similar	8,581	8,645
Other social expenses	11,551	11,441
	415,889	**398,148**

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in 2016 and 2015 broken down by professional categories was as follows:

	2016	2015
Group's general management	7	7
Managers and heads of department	1,494	1,426
Technical staff	966	899
Sales representatives	784	748
Administrative staff	214	231
Rest of workforce	10,521	10,548
	13,986	**13,859**

The breakdown of the personnel at 31 December 2016 and 2015, by gender and professional category, is as follows:

	31-12-2016		31-12-2015	
	Males	Females	Males	Females
Group's general management	6	1	6	1
Managers and heads of department	872	621	785	558
Technical staff	536	430	456	380
Sales representatives	237	540	177	519
Administrative staff	94	131	64	126
Rest of workforce	4,992	5,272	4,890	5,285
	6,737	**6,995**	**6,378**	**6,869**

The average number of people with disabilities equivalent to or greater than 33%, directly employed by the Parent Company and fully consolidated companies in Spain in 2016, broken down by professional categories, is as follows:

	2016	2015
Managers and heads of department	5	3
Technical staff	14	12
Administrative staff	5	5
Rest of workforce	91	78
	115	**98**

The average age of the Group's workforce was approximately 38.9 and average seniority in the Group was 9 years.

24.4 Other operating expenses

The detail of "Other Operating Expenses" of the consolidated statement of comprehensive income for 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Lease rentals	287,951	282,597
External services	503,247	503,244
Others	3,976	1,248
	795,174	**787,089**

Shown below is a breakdown of the items included in "External services":

	Thousands of euros	
	2016	**2015**
Outsourcing of services	111,261	107,022
Commissions and bonuses for customers	80,445	58,207
Supplies	45,542	50,253
Maintenance and cleaning	40,913	40,352
Laundry and related costs	36,141	35,196
Costs associated with information technologies	32,396	32,317
Marketing and merchandising	26,154	26,876
Other external services	130,395	153,021
	503,247	**503,244**

In 2016, the Group experienced a higher level of activity in its hotel business, which led to an increase in some operational expenses directly related to the level of activity, such as the outsourcing of certain services, maintenance and cleaning of the hotels and laundry service, among others. Also, the increase recorded in revenue per available room explains the increase in associated agency commission expenses. However, savings were achieved in other items such as supplies and marketing and merchandising, among others.

During 2016 and 2015, the fees for account auditing and other services provided by the auditor of the Group's consolidated annual accounts, Deloitte, S.L., and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	Thousands of euros	
	2016	2015
Auditing services	478	472
Other verification services	426	263
Total auditing and related services	904	735
Tax consulting services	598	471
Other services	202	398
Total other services	800	869
Total professional services	**1,704**	**1,604**

Additionally, entities associated with the Deloitte international network have invoiced the Group for the following services:

	Thousands of euros	
	2016	2015
Auditing services	1,149	1,208
Other verification services	24	20
Total auditing and related services	1,173	1,228
Tax consulting services	115	131
Other services	6	3
Total other services	121	134
Total	**1,294**	**1,362**

During 2016, other audit firms different from Deloitte, S.L. or entities linked to Deloitte, S.L. by means of control, common ownership or management, have provided with accounting audit services to the companies part of the Group amounting to 83 thousand euros (130 thousand euros during 2015). Additionally, the fees accrued during 2016 by such firms related to tax advisory services have been 384 thousand euros (221 thousand euros during 2015) and other services amounting to 461 thousand euros (372 thousand euros during 2015).

24.5 Operating Leases

At 31 December 2016 and 2015, the Group had made undertakings concerning future minimal rental payments by virtue of non-cancellable operating lease agreements, which expire as set out in the table below.

The current value of the rental payments has been calculated by applying a post-tax discount rate in keeping with the cost of capital of each of the countries and includes the commitments which the Group estimates will have to be met in the future to guarantee a fixed income or minimum return from hotels operated under a management agreement.

Thousands of euros	Present value 2016	Present value 2015
Less than one year	259,112	272,870
Between two and five years	867,428	900,908
More than five years	1,151,056	1,056,344
Total	**2,277,596**	**2,230,122**

The term of the operating lease agreements signed by the Group ranges from 5 to 40 years. Agreements likewise include several methods to determine the rent to be paid. Basically, the methods for determining rentals can be summarised as fixed rentals indexed to a consumer price index; fixed rentals complemented by a variable part, indexed to the property's operating profits; or completely variable rentals, determined by business performance during the year. In some cases, variable rentals are set with a minimum profitability threshold for the owners of the property under operation.

The breakdown by business unit of the current value of the rental instalments at 31 December 2016 is as follows (thousands of euros):

	Less than one year	Between two and five years	More than five years	Total
Spain	68,901	207,625	140,106	416,632
Germany and Central Europe	99,513	326,638	390,595	816,745
Italy	40,286	138,940	135,279	314,505
Benelux	46,217	185,801	480,494	712,513
Latin America	4,195	8,424	4,582	17,202
Total	**259,112**	**867,428**	**1,151,056**	**2,277,597**

The breakdown by business unit of the current value of the rental instalments at 31 December 2015 is as follows (thousands of euros):

	Less than one year	Between two and five years	More than five years	Total
Spain	75,521	248,127	193,219	516,867
Germany and Central Europe	104,970	355,749	418,190	878,909
Italy	43,858	114,397	77,936	236,191
Benelux	45,559	178,986	364,851	589,396
Latin America	2,962	3,649	2,148	8,759
Total	**272,870**	**900,908**	**1,056,344**	**2,230,122**

24.6 Finance costs

The detailed balance of this chapter of the consolidated statement of comprehensive income for 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Expenses for interest	45,892	46,011
Financial expenses for means of payment	14,472	13,111
Financial effect relating to restatement of provisions and other financial liabilities	2,775	3,868
Amortisation of debt arrangement expenses	7,833	5,404
Financial effect of exit of NH Alcalá	—	4,394
Other financial expenses	1,332	927
Total financial expenses	**72,304**	**73,715**

"Financial effect relating to restatement of provisions and other financial liabilities" includes in the year 2016 the result of the restatement of the provision for the lease agreements of hotels classified as onerous and the part of the consideration for the acquisition of 97.47% of the share capital of Hoteles Royal, S.A. which remained outstanding until March 2017.

In 2016, the Parent Company amortised in advance the arrangement expenses corresponding to those lines of financing that were settled with the funds from the issuance of guaranteed senior bonds which were placed on 23 September 2016.

25. Related party transactions

In addition to its subsidiaries, associates and joint ventures, the Group's "related parties" are considered to be the "key management personnel" of the Parent Company (Board Members and Directors, along with their immediate relatives), as well as organisations over which key management personnel may exert significant influence or control.

Transactions carried out by the Group with its related parties during 2016 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 of the related-party transactions are equivalent to those of transactions carried out under market conditions:

	Thousands of euros			
	31/12/2016			
Income and Expenses	**Significant shareholders**	**Directors and Executives**	**Associates or companies of the Group**	**Total**
Expenses:				
Finance costs	—	—	—	—
Management or cooperation agreements	—	—	—	—
R&D transfers and licence agreements	—	—	277	277
Lease rentals	—	—	—	—
Reception of services	—	—	—	—
Purchase of goods (finished or in-progress)	—	—	—	—
Write-downs for bad debts and doubtful accounts	—	—	—	—
Losses on retirement or disposal of assets	—	—	—	—
Other expenses	—	—	—	—
	—	**—**	**277**	**277**
Income:				
Finance income	—	—	22	22
Management or cooperation agreements	7,454	—	3,237	10,691
R&D transfers and licence agreements	—	—	—	—
Dividends received	—	—	—	—
Lease rentals	—	—	—	—
Provision of services	—	—	—	—
Sale of goods (finished or in-progress)	—	—	—	—
Gains on retirement or disposal of assets	—	—	—	—
Other income	—	—	—	—
	7,454	**—**	**3,259**	**10,713**

Income and Expenses	Thousands of euros			
	31/12/2015			
	Significant shareholders	Directors and Executives	Associates or companies of the Group	Total
Expenses:				
Finance costs	1,167	—	—	1,167
Management or cooperation agreements	—	—	—	—
R&D transfers and licence agreements	—	—	550	550
Lease rentals	—	—	—	—
Reception of services	—	—	—	—
Purchase of goods (finished or in-progress)	—	—	—	—
Write-downs for bad debts and doubtful accounts	—	—	—	—
Losses on retirement or disposal of assets	—	—	—	—
Other expenses	—	—	—	—
	1,167	**—**	**550**	**1,717**
Income:				
Finance income	—	—	437	437
Management or cooperation agreements	6,244	—	2,641	8,885
R&D transfers and licence agreements	—	—	—	—
Dividends received	—	—	—	—
Lease rentals	—	—	—	—
Provision of services	—	—	—	—
Sale of goods (finished or in-progress)	—	—	—	—
Gains on retirement or disposal of assets	—	273	—	273
Other income	—	—	—	—
	6,244	**273**	**3,078**	**9,595**

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 2016 and 2015 by virtue of the hotel management agreement signed with Grupo Inversor Hesperia, S.A. It also states earned income reflected in contracts with partners.

Other Financing agreements:

	Thousands of euros	
	2016	**2015**
Loans to associates		
Consorcio Grupo Hotelero T2, S.A. de C.V. (Note 10.1)	244	672
Sotocaribe, S.L.	5,955	4,820
Total	**6,199**	**5,492**

Other operations

By virtue of the contractual relationship entered into with Grupo Inversor Hesperia, S.A., at 31 December 2016 EUR 1.88 million had not yet been received for various reasons, of which €0.21 million were due on said date. At 31 December 2016, the net balance recognised in relation to Grupo Inversor Hesperia, S.A. came to €0.81 million (€2 million at 31 December 2015).

26. Information by segments

The Group divides its activity into the real estate (see Note 11) and hotel segments. Additionally, within the hotel segment, sub-segments are identified by geographic area, which are included in the breakdowns reflected in the consolidated financial statements for information purposes.

The factors taken into account when defining the segments were as follows:

a) They carry on business activities from which they can earn income from ordinary activities and incur expenses (including income from ordinary activities and expenses for transactions with other components of the Group).

b) They obtain operating results that are regularly reviewed by the entity's highest decision-making authority to decide on the resources to be allocated to the segment and to evaluate its performance.

c) They have different financial information.

The Management Committee is the body responsible for making decisions regarding the Group's segments. Accordingly, it analyses the Group's results distinguishing between the aforementioned subsegments.

The breakdown of the segment information required by IFRS 8 is as follows:

	Thousand Euros													
	Hotel													
	2016							2015						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and others	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and others
OTHER INFORMATION														
Fixed assets Additions	**138,846**	44,674	45,811	24,190	15,220	8,752	199	**180,236**	66,152	31,806	36,877	27,421	17,268	712
Amortizations	**(114,170)**	(36,512)	(19,047)	(24,894)	(23,017)	(8,007)	(2,693)	**(106,159)**	(36,779)	(17,174)	(24.245)	(17,415)	(7,567)	(2,979)
Net impairment losses	**(2,686)**	(951)	666	(3,367)	925	—	41	**30,859**	(15,688)	(759)	(1,510)	4,907	(17,998)	189
BALANCE SHEET														
ASSETS														
Assets by segments	**2,604,463**	735,232	646,955	486,445	303,609	422,179	10,643	**2,694,209**	780,871	623,844	534,084	319,005	397,344	39,061
Equity method investments	**(23,911)**	4,467	—	—	—	(28,391)	13	**(28,356)**	2,961	—	—	—	(24,744)	(6,573)
Total consolidated assets	**2,580,552**	**739,699**	**646,955**	**486,445**	**303,009**	**393,788**	**10,656**	**2,665,853**	**783,832**	**623,844**	**534,084**	**319,005**	**372,600**	**32,488**
LIABILITIES														
Equity and liabilities by segments	**2,580,552**	739,699	646,955	486,445	303,009	393,788	10,656	**2,665,853**	783,832	623,844	534,084	319,005	372,600	32,488
Total consolidated Liabilities and Net Equity	**2,580,552**	**739,699**	**646,955**	**486,445**	**303,009**	**393,788**	**10,656**	**2,665,853**	**783,832**	**623,844**	**534,084**	**319,005**	**372,600**	**32,488**

	Thousand Euros													
	Real Estate													
	2016							2015						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and others	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and others
OTHER INFORMATION														
Fixed assets Additions	**—**	—	—	—	—	—	—	**—**	—	—	—	—	—	—
Amortizations	**—**	—	—	—	—	—	—	**—**	—	—	—	—	—	—
Net impairment losses	**—**	—	—	—	—	—	—	**—**	—	—	—	—	—	—
BALANCE SHEET														
ASSETS														
Assets by segments	**12,129**	—	—	—	—	—	12,129	**—**	—	—	—	—	—	—
Equity method investments	**34,556**	—	—	—	—	34,556	—	**45,034**	—	—	—	—	38,387	6,647
Total consolidated assets	**46,685**	**—**	**—**	**—**	**—**	**34,556**	**12,129**	**45,034**	**—**	**—**	**—**	**—**	**38,387**	**6,647**
LIABILITIES														
Equity and liabilities by segments	**46,685**	—	—	—	—	34,556	12,129	**45,034**	—	—	—	—	38,387	6,647
Total consolidated Liabilities and Net Equity	**46,685**	**—**	**—**	**—**	**—**	**34,556**	**12,129**	**45,034**	**—**	**—**	**—**	**—**	**38,387**	**6,647**

	Thousand Euros													
	Total													
	2016							2015						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and others	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and others
OTHER INFORMATION														
Fixed assets Additions	**138,846**	44,674	45,811	24,190	15,220	8,752	199	**180,236**	66,152	31,806	36,877	27,421	17,268	712
Amortizations	**(114,170)**	(36,512)	(19,047)	(24,894)	(23,017)	(8,007)	(2,693)	**(106,159)**	(36,779)	(17,174)	(24,245)	(17,415)	(7,567)	(2,979)
Net impairment losses	**(2,686)**	(951)	666	(3,367)	925	—	41	**30,859**	(15,688)	(759)	(1,510)	4,907	(17,998)	189
BALANCE SHEET														
ASSETS														
Assets by segments	**2,616,591**	735,232	646,954	486,445	303,009	422,179	22,772	**2,694,209**	780,871	623,844	534,084	319,005	397,344	39,061
Equity method investments	**10,646**	4,468	—	—	—	6,165	13	**16,678**	2,962	—	—	—	13,643	74
Total consolidated assets	**2,627,237**	**739,700**	**646,954**	**486,445**	**303,009**	**428,344**	**22,785**	**2,710,887**	**783,833**	**623,844**	**534,084**	**319,005**	**410,987**	**39,135**
LIABILITIES														
Equity and liabilities by segments	**2,627,237**	739,700	646,954	486,445	303,009	428,344	22,785	**2,710,887**	783,833	623,844	534,084	319,005	410,987	39,135
Total consolidated Liabilities and Net Equity	**2,627,237**	**739,700**	**646,954**	**486,445**	**303,009**	**428,344**	**22,785**	**2,710,887**	**783,833**	**623,844**	**534,084**	**319,005**	**410,987**	**39,135**

26.2 Information on sub-segments

The following table shows the breakdown of certain Group consolidated balances in accordance with the geographical distribution of the entities giving rise to them:

Significant information of the profit and loss statement by geographic area	2016 (Miles de Euros) España	Benelux	Italia	Alemania	Latinoamérica	Resto de Europa	Total
Revenues	361,380	276,102	266,412	307,668	137,256	99,085	**1,447,903**
Amortizations	(41,206)	(19,047)	(24,894)	(18,323)	(8,007)	(2,693)	**(114,170)**
Financial expenses	(55,445)	1,044	(4,810)	(6,365)	(5,039)	(1,689)	**(72,304)**
Profit (loss) from companies accounted for using the equity method	208	—	—	—	687	(776)	**119**
Onerous provision variation	4,862	—	840	477	—	(2,016)	**4,163**
Income tax	489	(6,433)	1,478	1,649	(4,906)	(212)	**(7,935)**
Profit (loss) for the year from discontinued operations net of tax	—	—		—	(2,115)	(159)	**(2,274)**

Significant information of the profit and loss statement by geographic area	2015 (Miles de Euros) España	Benelux	Italia	Alemania	Latinoaméfica	Resto de Europa	Total
Revenues	325,515	263,749	266,965	288,288	138,581	93,536	**1,376,634**
Amortizations	(36,779)	(17,174)	(24,245)	(17,415)	(7,567)	(2,979)	**(106,159)**
Financial expenses	(54,563)	(249)	(6,908)	(6,685)	(3,968)	(1,342)	**(73,715)**
Profit (loss) from companies accounted for using the equity method	79	—	—	—	(539)	(203)	**(663)**
Onerous provision variation	21,612	—	278	847	—	(3,723)	**19,014**
Income tax	4,274	(8,446)	3,158	(1,192)	(10,394)	(482)	**(13,082)**
Profit (loss) for the year from discontinued operations net of tax	—	—	7,246	—	(1,077)	(101)	**6,068**

27. Remuneration and other statements made by the board of directors and senior management

In June 2016, the shareholder HNA and the CEO ceased to be members of the Board of Directors. Taking into account this fact, the composition of the main bodies at 31 December 2016 was as follows:

- Board of Directors: 11 members in 2016 (13 in 2015),
- Executive Committee: 4 members in 2016 (6 in 2015),
- Audit and Control Committee 5 members in 2016 (6 in 2015) and
- Appointments and Remuneration Committee: 6 members in 2016 (7 in 2015).

The amount accrued during 2016 and 2015 by the members of the Parent Company's Board of Directors, taking into account the aforementioned fact affecting the 2016 fiscal year, in relation to the remuneration of the CEO, bylaw stipulated directors' fees and attendance fees, is as shown in the following notes.

27.1 Remuneration of the Board of Directors

Remuneration item	Thousands of euros 2016	2015
Fixed remuneration	451	1,100
Variable remuneration	—	466
Parent Company: allowances	274	139
Parent Company: attendance allowances	509	493
Options on shares and other financial instruments	—	1,452
Indemnifications/other	10	5
Life insurance premiums	4	76
Total	**1,248**	**3,731**

Of the 11 members of the Board of Directors, at 31 December 2016, 2 were women and 9 were men (12 people in 2015: one woman and eleven men).

In relation to the chapter "Share transactions and/or other financial instruments", both in the case of the CEO and of the members of Senior Management, the objective remuneration earned has been taken into account.

The premiums paid in 2016 for the liability insurance of Directors and Executives amounted to €103 thousand.

27.2 Remuneration of senior management

The remuneration of members of the Management Committee at 31 December 2016 and 2015, excluding those who simultaneously held office as members of the Board of Directors (whose remuneration has been set out above), is detailed below:

	Thousands of euros 2016	2015
Pecuniary remuneration	2,617	2,830
Remuneration in kind	161	65
Others	890	620
Total	**3,668**	**3,515**

There were seven members of Senior Management at 31 December 2016.

The accrued part of the variable remuneration is included within the remuneration of Senior Management, excluding the CEO.

The two conditions that must be met simultaneously to be considered Senior Management are, on the one hand, forming part of the Management Committee and, on the other, reporting directly to the Delegate Committee or an Executive Managing Director.

27.3 Information on conflicts of interest on the part of Directors

At year-end 2016, the members of the Board of Directors of NH Hotel Group, S.A. have indicated that they are not in any situation of conflict, direct or indirect, that they or persons related to them, as defined in the Act, may have with the interests of the Company, except the GIHSA representative directors, who have reported:

- An agreement has been entered into between NH Hotel Group, S.A and Grupo Inversor Hesperia, S.A. for the billing of sales generated for the GIHSA hotels through the "Web Media Expenses" website. The agreement was signed, following information and deliberation by the Audit Committee and the Board of Directors, on 24 and 25 February 2016.

- On 5 December 2016, following information and deliberation in previous meetings by the Audit Committee and the Board of Directors, NH Hotel Group, S.A. and Grupo Inversor Hesperia, S.A. entered into a non-binding agreement of intent with the objective of establishing a new framework for management by NH of 28 hotels in the portfolio of hotels owned by the GIHSA group. The terms and conditions of the Agreement of Intent were unanimously approved by NH's Board of Directors, following a favourable report from its Audit and Control Committee.

During the aforementioned Board meetings, both were absent and abstained from taking decisions.

28. Events after the reporting period

On 9 February 2017, the Group disposed of an asset for a price of 23 million euros, generating a capital gain of €9.2 million before tax.

29. Information on environmental policy

The NH Group had not allocated any provisions for environmental contingencies and claims at year-end 2016.

The NH Group has no activities which require specific information to be shown in the environmental policy.

NH Group is certified by leading international standards such as ISO 50001, which certifies the efficiency of the hotel network's energy management on an international scale, and ISO 14001, which certifies environmental management.

The NH Group reports its climate-change commitment and strategy to the Carbon Disclosure Project (CDP). The valuation of CDP places NH Hotels Group among the companies in the hotel sector that are taking new measures to effectively reduce emissions, which indicates more advanced environmental management.

NH Hotel Group forms part of FTSE4 Good, an index on the London Stock Exchange which recognises the socially responsible behaviour of companies worldwide.

30. Exposure to risk

The Group 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's main financial assets include cash and cash equivalents (see Note 13), as well as trade and other accounts receivable (see Note 12). In general terms, the Group holds its cash and cash equivalents in entities with a high credit rating and part of its trade and other accounts receivable are guaranteed by deposits, bank guarantees 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, which 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 2016, approximately 91% of the gross 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.

Through the sensitivity analysis, taking as a reference the outstanding amount of that financing that has variable interest, we estimated the increase in the interest that would arise in the event of a rise in the reference interest rates.

In the event that the increase in interest rates were 0.25%, the financial expense would increase by €191 thousand plus interest.

In the event that the increase in interest rates were 0.5%, the financial expense would increase by €382 thousand plus interest.

In the event that the increase in interest rates were 1%, the financial expense would increase by €764 thousand plus interest.

The results in equity would be similar to those recorded in the income statement but taking into account their tax effect, if any.

Lastly, the long-term financial assets set out in Note 10 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, Colombia, Chile, Ecuador, the Dominican Republic, Panama and the United States).
- Transactions made by Group companies operating in countries whose currency is other than the euro (essentially Mexico, Argentina, Colombia, Chile, Ecuador, the Dominican Republic, Venezuela, the United States and the United Kingdom).

In this respect, the detail of the effect on the currency translation difference of the main currencies in 2016 was as follows:

	Thousands of euros	
	Currency translation difference	**Changes with respect to 2015**
US dollar	4,481	408
Argentine peso	(90,694)	(5,746)
Mexican peso	(16,969)	(6,155)
Colombian peso	(7,675)	7,725

The changes in the currency translation difference of the above currencies was mainly due to the movements in exchange rates between 31 December 2015 and 31 December 2016:

Year-end euro reference exchange rate	31/12/2016	31/12/2015	Change
US dollar	0.948680	0.918530	3.28%
Argentine peso	0.059910	0.071110	(15.75)%
Mexican peso	0.045930	0.052870	(13.13)%
Colombian peso	0.000320	0.000290	10.34%

As can be observed in the table, the movements in the exchange rate of the currencies with respect to the end of the previous year is in line with the changes in equity associated with these currencies.

Below is a detail of the movements in the average exchange rate between 2015 and 2016 of the aforementioned currencies:

Average euro reference exchange rate in the year	2016	2015	Change
US dollar	0.903420	0.901630	0.20%
Argentine peso	0.061180	0.097330	(37.14)%
Mexican peso	0.048390	0.056770	(14.76)%
Colombian peso	0.000300	0.000330	(9.09)%

For these currencies an analysis was carried out to determine if it would be better to apply a monthly average or cumulative average exchange rate, and no significant difference resulted from this analysis.

In addition, 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:

	Thousands of euros		
	Revenues	Equity	Net Profit (Loss)
US dollar	(580)	(833)	519
Argentine peso	(1,638)	(1,393)	29
Mexican peso	(1,657)	(2,320)	(148)
Colombian peso	(2,628)	(2,699)	31

The Group does not have investments in any country with a currency declared hyperinflationary. Nevertheless, if we consider Venezuela as a hyperinflationary market the contribution of this market is irrelevant since it represents only 0.025% of sales and 0.016% of assets with respect to the Group’s total.

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 forecast cash needs to be met.

The Group's liquidity position in 2016 is based on the following points:

- The group had cash and cash equivalents amounting to €136,733 thousand at 31 December 2016.
- Available undrawn credit lines amounting to €308.908 million at 31 December 2016, of which €250 million represent credit lines not drawn down in the medium term.

The Group's business units have the capacity to generate cash flow from their operations. Cash flow from operations in 2016 amounted to €201.108 million, calculated as adjusted income collected in the Cash Flow Statement of €197.362 thousand plus/minus the following changes in working capital: increase in inventories of €290 thousand, increased commercial debits and other accounts receivable of €28.622 million and increased commercial credits of €24.586 thousand.

- The Group's capacity to increase its financial borrowing; given that it has non-collateralised assets and meet the financial ratios required by the financing agreements.

Lastly, the Group makes cash flow forecasts on a systematic basis for each business unit and geographical area in order to assess their needs. This Group liquidity policy 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.

31. Translation

Translation of 2016 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.

Appendix I: Subsidiaries

The data on the Parent company's subsidiaries at 31 December 2016 are presented below:

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
Airport Hotel Frankfurt-Raunheim, GmbH & Co.	Munich	Real estate	94%	100%
Artos Beteiligungs, GmbH	Munich	Holding company	94%	100%
Astron Immobilien, GmbH	Munich	Holding company	100%	100%
Astron Kestrell Ltd.	Plettenberg Bay	Hotel Business	100%	100%
Atlantic Hotel Exploitatie B.V.	The Hague	Hotel Business	100%	100%
Blacom, S.A.	Buenos Aires	Investment	100%	100%
Chartwell de México, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.	Coatzacoalcos	Hotel Business	100%	100%
City Hotel, S.A.	Buenos Aires	Hotel Business	50%	50%
Columbia Palace Hotel, S.A.	Montevideo	Hotel Business	100%	100%
Grupo Hotelero Queretaro, S.A.	Querétaro	Hotel Business	69%	100%
Coperama Servicios a la Hosteleria, S.L.	Barcelona	Procurement network	100%	100%
DAM 9 B.V.	Amsterdam	Holding company	100%	100%
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	100%	100%
Desarrollo Inmobiliario Santa Fe, S.A. de C.V.	Mexico City	Hotel Business	50%	50%
Edificio Metro, S.A.	Buenos Aires	Hotel Business	100%	100%
Expl. Mij Grand Hotel Krasnapolsky B.V.	Amsterdam	Hotel Business	100%	100%
Expl. Mij Hotel Best B.V.	Best	Hotel Business	100%	100%
Expi. Mij Hotel Doelen B.V.	Amsterdam	Hotel Business	100%	100%
Expl. Mij Hotel Naarden B.V.	Naarden	Hotel Business	100%	100%
Expl. Mij Hotel Schiller B.V.	Amsterdam	Hotel Business	100%	100%
Exploitatiemaatschappj Caransa Hotel, B.V.	Amsterdam	Without activity	100%	100%
Exploitatie Mij. Tropenhotel B.V.	Hilversum	Hotel Business	100%	100%
Fast Good Islas Canarias, S.A.	Las Palmas	Catering	100%	100%
Franquicias Lodge, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Gran Circulo de Madrid, S.A.	Madrid	Catering	99%	99%
Grupo Hotelero Monterrey, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Grupo Hotelero Querétaro, S.A. de C.V.	Querétaro	Hotel Business	69%	69%
Heiner Gossen Hotelbetrieb, GmbH	Mannheim	Hotel Business	100%	100%
HEM Atlanta Rotterdam B.V.	Hilversum	Hotel Business	100%	100%
HEM Epen Zuid Limburg B.V.	Wittem	Hotel Business	100%	100%
HEM Forum Maastricht B.V.	Maastricht	Hotel Business	100%	100%
HEM Jaarbeursplein Utrecht B.V.	Utrecht	Hotel Business	100%	100%
HEM Janskerkhof Utrecht B.V.	Hilversum	Hotel Business	100%	100%
HEM Marquette Heemskerk B.V.	Hilversum	Hotel Business	100%	100%
HEM Onderlangs Arnhem B.V.	Arnhem	Hotel Business	100%	100%
HEM Spuistraat Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
HEM Stadhouderskade Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
BEM Van Alphenstraat Zandvoort B.V.	Hilversum	Hotel Business	100%	100%
Hesperia Enterprises de Venezuela, S.A.	Margarita Island	Hotel Business	100%	100%
Highmark Geldrop B.V.	Geldrop	Hotel Business	100%	100%
Highmark Hoofddorp B.V.	Hoofddorp	Hotel Business	100%	100%
Hispana Santa Fe, S.A. de C.V.	Mexico City	Hotel Business	50%	50%
Hotel Aukamm Wiesbaden, GmbH & Co.	Munich	Real estate	94%	100%
Hotel de Ville B.V.	Groningen	Hotel Business	100%	100%
Hotel Expl. Mij. Amsterdam Noord B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij. Leijenberghlaan Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij. Capelle a/d Ijssel, B.V.	Capelle a/d Ijssel	Hotel Business	100%	100%
Hotel Expl. Mij. Danny Kayelaan Zoetermeer B.V.	Hilversum	Hotel Business	100%	100%
Hotel Expl. Mij. Stationsstraat Amersfoort B.V.	Amersfoort	Hotel Business	100%	100%
Hotel Holding Onroerend Goed d'Vijff Vlieghen B.V.	Hilversum	Hotel Business	100%	100%
Hotel Houdstermaatschappj Jolly, B.V.	Amsterdam	Holding company	100%	100%
Hoteleira Brasil, Ltda.	Brazil	Hotel Business	100%	100%
Hotelera de la Parra, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Hotelera Lancaster, S.A.	Buenos Aires	Hotel Business	50%	50%
Hotelera de Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Hote les Hesperia, S.A.	Barcelona	Hotel Business	100%	100%
Hotelexploitatiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotels Bingen & Viernheim, GmbH & Co.	Munich	Real estate	94%	94%
Inmobiliaria y Financiera Aconcagua, S.A.	Buenos Aires	Hotel Business	100%	100%
Inmobiliaria y fmanciera Chile S.A.	Santiago de Chile	Real estate	100%	100%
Jan Tabak N.V.	Bussum	Hotel Business	81%	81%

All companies end the year on 31/12/2015

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
JH Belgium, S.A.	Brussels	Hotel Business	100%	100%
JH Deutschland, GmbH	Cologne	Hotel Business	100%	100%
J1-1 Holland N.V.	Amsterdam	Hotel Business	100%	100%
ill USA, Inc.	Wilmington	Hotel Business	100%	100%
Koningshof B.V.	Veldhoven	Hotel Business	100%	100%
Krasnapolsky Belgian Shares B.V.	Hilversum	Holding company	100%	100%
COPERAMA Benelux, B.V.	Amsterdam	Procurement network	100%	100%
Krasnapolsky H&R Onroerend Goed B.V.	Amsterdam	Real estate	100%	100%
Krasnapolsky Hotels & Restaurants N.V.	Amsterdam	Holding company	100%	100%
Krasnapolsky Hotels Ltd.	Somerset West	Hotel Business	100%	100%
Krasnapolsky ICT B.V.	Hilversum	Without activity	100%	100%
Krasnapolsky International Holding B.V.	Amsterdam	Holding company	100%	100%
Latina Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Latina de Gestión Hotelera, S.A.	Buenos Aires	Hotel Business	100%	100%
Latinoamericana de Gestión Hotelera, S.L.	Madrid	Holding company	100%	100%
Leeuwenhorst Congres Center B.V.	Noordwijkerhout	Hotel Business	100%	100%
Liberation Exploitatie B.V.	Sprang Capelle	Hotel Business	100%	100%
Marquette Beheer B.V.	Hilversum	Real estate	100%	100%
Museum Quarter B.V.	Hilversum	Hotel Business	100%	100%
Nacional Hispana de Hoteles, S.A.	Mexico City	Hotel Business	100%	100%
Aguamarina S.A.	Dominican Republic	Corporate services	100%	100%
NH Atardecer Canbeño, S.A.	Madrid	Corporate services	100%	100%
NH Belgium, cvba	Diegem	Holding company	100%	100%
NH Canbbean Management B.V.	Hilversum	Management	100%	100%
NH Central Europe Management GmbH	Berlin	Hotel Business	100%	100%
NH Central Europe GmbH & Co. KG	Berlin	Hotel Business	100%	100%
NH Central Reservation Office, S.A.	Madrid	Call Centre	100%	100%
NH FINANCE, S.A.	Luxembourg	Financial company	100%	100%
NH Financing Services S.a r.l.	Luxembourg	Financial company	100%	100%
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel Business	90%	90%
NH Europa, S.A.	Barcelona	Hotel Business	100%	100%
NH Hotelbetriebs.-u. Dienstleistungs, GmbH	Berlin	Hotel Business	100%	100%
NH Hotelbetriebs-u Entwicldungs, GmbH	Berlin	Hotel Business	100%	100%
NH Hoteles Austria GmbH	Vienna	Hotel Business	100%	100%
NH Hoteles Deutschland, GmbH	Berlin	Hotel Business	100%	100%
NH Hoteles España, S.A.	Barcelona	Hotel Business	100%	100%
NH Hoteles France S.A.S.U.	France	Hotel Business	100%	100%
NH Hoteles Switzerland GmbH	Fnbourg	Hotel Business	100%	100%
NH Hotels Czequia, s.r.o.	Prague	Hotel Business	100%	100%
NH Hotels Polska, Sp. Zo.o.	Poland	Hotel Business	100%	100%
NH Hotels USA Inc.	Houston	Hotel Business	100%	100%
NH Hungary Hotel Management, Ltd.	Budapest	Hotel Business	100%	100%
NH Lagasca, S.A.	Madrid	Hotel Business	75%	75%
NH Las Palmas, S.A.	Gran Canaria	Hotel Business	75%	75%
NH Logroño, S.A.	Logrofio	Hotel Business	76%	76%
NH Marin, S.A.	Barcelona	Hotel Business	50%	50%
NH Private Equity, B.V.	Luxembourg	Hotel Business	100%	100%
NH Hotel Rallye Portugal, Lda.	Portugal	Hotel Business	100%	100%
NH The Netherlands B.V. (formerly GTI B.V.)	Hilversum	Holding company	100%	100%
Nhow Rotterdam, B.V.	The Hague	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Diegem N.V	Diegem	Hotel Business	100%	100%
Noorderweb, B.V.	Hilversum	Hotel	100%	100%
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	100%	100%
Objekt Leipzig Messe, GmbH & Co.	Munich	Real estate	94%	100%
Olofskapel Monumenten B.V.	Amsterdam	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V.	Geldrop	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Capelle aan den Ijssel, B.V.	Capelle a/d Ijssel	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Ijsselmeerweg Naarden, B.V.	Naarden	Real estate	100%	100%

All companies end the year on 31/12/2016

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company's % stake in investee	% of voting rights controlled by parent
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Maas Best, B.V.	Best	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Prins Hendnickade Amsterdam, B.V.	Amsterdam	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real estate	100%	100%
Operadora Nacional Hispana, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Palatium Amstelodamum N.V.	Amsterdam	Hotel Business	100%	100%
Polis Corporation, S.A.	Buenos Aires	Hotel Business	100%	100%
Restaurant D'Vijff Vlieghen B.V.	Amsterdam	Catering	100%	100%
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Servicios Corporativos Chartwell Monterrey, S.A. de C.V.	Monterrey	Hotel Business	100%	100%
Servicios Corporativos Hoteleros, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Servicios de Operación Turística, S.A. de C.V.	Guadalajara	Hotel Business	100%	100%
Servicios Hoteleros Tlalnepantla, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Nhow Amsterdam, B.V.	Utrecht	Without activity	100%	100%
Toralo, S.A.	Montevideo	Hotel Business	100%	100%
VSOP VIII B.V.	Groningen	Hotel Business	50%	50%
Coperama Spain, S.L.	Spain	Procurement network	100%	100%
Hoteles Royal, S.A.	Bogota	Holding company	97%	100%
Eurotels Chile S.A.	Chile	Holding company	97%	100%
Hotel Andino Royal S.A.S.	Bogota	Hotel Business	97%	100%
Hotel Hacienda Royal Ltda	Bogota	Hotel Business	97%	100%
Hotel La Boheme Ltda	Bogota	Hotel Business	97%	100%
Hotel Medellin Royal Ltda	Medellin	Hotel Business	97%	100%
Hotel Pacifico Royal Ltda	Cali	Hotel Business	97%	100%
Hotel Parque Royal S.A.S.	Bogota	Hotel Business	97%	100%
Hotel Pavillon Royal Ltda.	Bogota	Hotel Business	97%	100%
Hotelera Norte Sur S.A	Chile	Real estate	97%	100%
Hoteles Royal del Ecuador S.A. Horodelsa	Quito	Hotel Business	54%	55%
HR Quantica SAS	Bogota	Hotel Business	50%	51%
Inmobiliaria Royal S.A	Chile	Real estate	66%	67%
Inversiones SHCI	Bogota	Real estate	97%	100%
Promotora Royal S.A.	Bogota	Real estate	97%	100%
Royal Hotels Inc.	USA	Hotel Business	97%	100%
Royal Hotels International Latin America Inc	USA	Hotel Business	97%	100%
Royal Santiago Hotel S.A.	Chile	Hotel Business	66%	67%
Soc. Operadora Barranquilla Royal SAS	Barranquilla	Hotel Business	97%	100%
Soc. Operadora Cartagena Royal SAS	Cartagena	Hotel Business	97%	100%
Soc. Operadora Calle 100 Royal SAS	Bogota	Hotel Business	97%	100%
Soc. Operadora Urban Royal Calle 26 SAS	Bogota	Hotel Business	97%	100%
Soc. Operadora Urban Royal Calle 93 SAS	Bogota	Hotel Business	97%	100%
Sociedad Hotelera Calle 7A Ltda	Bogota	Hotel Business	97%	100%
Sociedad Hotelera Cien Internacional S.A.	Bogota	Hotel Business	62%	64%
Sociedad Hotelera Cotopaxi S.A.	Quito	Hotel Business	54%	55%
Sociedad Operadora Nh Royal Panama S.A.	Ciudad de Panama	Hotel Business	100%	100%
NH Italia, S.p.A.	Milan	Hotel Business	100%	100%
Immo Hotel Bcc N.V.	Diegem	Real estate	100%	100%
Immo Hotel Belfort N.V.	Diegem	Real estate	100%	100%
Immo Hotel Brugge N.V.	Diegem	Real estate	100%	100%
Immo Hotel Diegem N.V.	Diegem	Real estate	100%	100%
Immo Hotel Gent N.V.	Diegem	Real estate	100%	100%
Immo Hotel Gp N.V.	Diegem	Real estate	100%	100%
Immo Hotel Stephanie N.V.	Diegem	Real estate	100%	100%
Immo Hotel Mechelen N.V.	Diegem	Real estate	100%	100%
NH Management Black Sea Srl	Bucharest	Hotel Business	100%	100%
NH Brasil Abrasil Administraçao De Hoteis E Participadas Ltda.	Villa Olimpica	Hotel Business	100%	100%
Capredo Investments GmbH(*)	Switzerland	Holding company	100%	100%
Palacio de la Merced, S.A.(*)	Burgos	Hotel Business	72%	100%
Latinoamericana Curitiba Administracao De Hoteis Ltda(*)	Curitiba	Hotel Business	100%	100%
Coperama Italia S.R.L.(*)	Milan	Procurement network	100%	100%

All companies end the year on 31/12/2016

(*) Additions to the scope 2016

Appendix II: Associates

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
Borokay Beach, S L.	Madrid	Hotel Business	50%	50%
Consorcio Grupo Hotelero T2, S.A. de C.V.	Mexico City	Hotel Business	10%	10%
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel Business	27%	27%
Mil Novecientos Doce, S.A. de C.V.	Mexico	Hotel Business	25%	25%
Losan Investment Ltd.	London	Hotel Business	30%	30%
Sotocaribe, S.L.	Madrid	Holding company	36%	36%
Hotelera del Mar, S.A.	Mar de Plata	Hotel Business	20%	20%
Hotel & Congress Technology, S.L.	Madrid	R+D services	50%	50%
Beijing NH Grand China Hotel Management Co, Ltd	Beijing	Hotel Business	49%	49%

All companies end the year on 31/12/2016

NH Hotel Group, S.A.
and Subsidiaries

Audited consolidated financial statements of NH Hotel Group, S.A. as of and for the year ended December 31, 2015

Independent auditors' report on consolidated financial statements

Deloitte.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of NH Hotel Group, S.A.;

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of NH Hotel Group, S.A. ("the Parent") and subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive results, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements, so that they present fairly the consolidated equity, consolidated financial position and consolidated results of NH Hotel Group, S.A. and subsidiaries, 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 in Spain , identified in Note 2.1 to the accompanying consolidated financial statements, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are

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Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of NH Hotel Group, S.A. and subsidiaries as at 31 December 2015, and their consolidated results and their consolidated cash flows for the year then ended 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 in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2015 contains the explanations which the Parent's directors consider appropriate about the situation of NH Hotel Group, S.A. and subsidiaries, 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 2015. 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 accounting records of NH Hotel Group, S.A. and Subsidiaries.

DELOITTE, S.L.

Registered to R.O.A.C. under no. S0692

Pilar Cerezo Sobrino

25 February 2016

NH Hotel Group, S.A. and subsidiaries

Consolidated balance sheets at 31 December 2015 and 31 December 2014 (Thousand of euros)

Assets	Note	31/12/2015	31/12/2014
Non-current assets:			
Property, plant and equipment	**8**	1,724,166	1,606,360
Goodwill	**6**	118,793	93,923
Intangible assets	**7**	119,282	78,842
Investments accounted for using the equity method	**9**	16,678	17,816
Non-current financial investments-	**10**	160,776	165,564
Loans and accounts receivable not available for trading		*154,071*	*158,859*
Other non-current financial investments		*6,705*	*6,705*
Deferred tax assets	**18**	165,797	157,858
Other non-current assets		16,282	11,085
Total non-current assets		**2,321,774**	**2,131,448**

	Note	31/12/2015	31/12/2014
Current assets:			
Non-current assets classified as held for sale	**11**	45,034	95,193
Inventories		9,508	8,226
Trade receivables	**12**	169,269	136,012
Non-trade receivables-		73,115	69,789
Tax receivables	**18**	*45,973*	*35,123*
Other non-trade debtors		*27,142*	*34,666*
Short-term financial investments		2,190	2,787
Cash and cash equivalents	**13**	77,699	200,103
Other current assets		12,298	17,441
Total current assets		**389,113**	**529,551**
Total assets		**2,710,887**	**2,660,999**

Notes 1 to 30 in the Consolidated Annual Report and Annexes I/III form an integral part of the Consolidated Balance Sheet at 31 December 2015.

The Consolidated Balance Sheet at 31 December 2014 is presented solely for the purposes of comparison.

NH Hotel Group, S.A. and subsidiaries

Consolidated balance sheets at 31 December 2015 and 31 December 2014 (continued) (Thousand of euros)

Liabilities and shareholders' equity	Note	31/12/2015	31/12/2014
Equity:			
Share capital	14	700,544	700,544
Reserves of the parent	14	499,972	624,570
Reserves of fully consolidated companies		48,480	(68,636)
Reserves of companies consolidated using the equity method		(21,135)	(19,794)
Other equity instruments		27,230	27,230
Exchange differences		(130,347)	(102,659)
Treasury shares	14	(37,561)	(38,805)
Consolidated Profit/(Loss) for the financial year		938	(9,983)
Equity attributable to the shareholders of the Parent Company		**1,088,121**	**1,112,467**
Non-controlling interests	14	37,963	24,201
Total equity		**1,126,084**	**1,136,668**

	Note	31/12/2015	31/12/2014
Non-current liabilities			
Debt instruments and other marketable securities	15	471,871	463,982
Bank borrowings	15	336,165	268,944
Obligations under finance leases		2,377	2,782
Other non-current liabilities	16	99,180	88,484
Provisions for contingencies and charges	17	48,700	56,930
Deferred tax liabilities	18	196,711	179,730
Total non-current liabilities		**1,155,004**	**1,060,852**

	Note	31/12/2015	31/12/2014
Current liabilities:			
Liabilities associated with non-current assets classified as held for sale	11	—	56,075
Debt instruments and other marketable securities	15	3,613	3,517
Bank borrowings	15	75,272	70,911
Obligations under finance leases		1,267	1,056
Trade and other payables	19	251,043	231,427
Tax payables	18	50,835	40,094
Provisions for contingencies and charges	17	5,330	14,835
Other current liabilities	21	42,439	45,564
Total current liabilities		**429,799**	**463,479**
Total shareholders' equity and liabilities		**2,710,887**	**2,660,999**

Notes 1 to 30 in the Consolidated Annual Report and Annexes I/III form an integral part of the Consolidated Balance Sheet at 31 December 2015. The Consolidated Balance Sheet at 31 December 2014 is presented solely for the purposes of comparison.

NH Hotel Group, S.A. and subsidiaries

Consolidated comprehensive profit and loss statement for the years 2015 and 2014 (Thousand of euros)

	Note	2015	2014
Revenues	**24.1**	1,376,634	1,246,954
Other operating income	**24.1**	1,207	3,299
Net gains on disposal of non-current assets	**5, 6 and 24.1**	(843)	(1,005)
Procurements		(67,589)	(67,321)
Staff costs	**24.3**	(398,148)	(373,793)
Depreciation and amortisation charges	**7 and 8**	(106,159)	(98,516)
Net impairment losses	**6, 7 and 8**	30,859	12,810
Other operating expenses		(768,075)	(705,296)
Variation in the provision for onerous contracts	*22*	19,074	14,721
Other operating expenses	*24.4*	(787,089)	(720,017)
Profit (loss) on disposal of financial investments		4,828	17,278
Profit (loss) from companies accounted for using the		—	—
equity method	**10**	(663)	(1,341)
Finance income	**24.2**	5,154	7,368
Change in fair value of financial instruments	**24.2**	4,695	2,016
Finance costs	**24.6**	(73,715)	(68,829)
Net exchange differences (Income/(Expense))		2,135	38
PROFITS / (LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS		**10,320**	**(26,338)**
Income tax	**18**	(13,082)	(15,611)
PROFIT / LOSS FOR THE FINANCIAL YEAR—CONTINUING		**(2,762)**	**(41,949)**
Profit (loss) for the year from discontinued operations net of tax	**11**	6,068	31,509
PROFIT / LOSS FOR THE FINANCIAL YEAR		**3,306**	**(10,440)**
Exchange differences		(31,439)	1,330
Arising from the measurement of financial instruments		—	(4,321)
Income and expenses recognised directly in equity		**(31,439)**	**(2,991)**
TOTAL COMPREHENSIVE LOSS		**(28,133)**	**(13,431)**
Profit / Loss for the year attributable to:			
Parent Company Shareholders		*938*	*(9,983)*
Non-controlling interests		*2,368*	*(190)*
Non-controlling interests in discontinued operations		—	*(267)*
Comprehensive loss attributable to:			
Parent Company Shareholders		*(26,750)*	*(12,873)*
Non-controlling interests	*14.4*	*(1,383)*	*(558)*
Profit / (Loss) per share in euros (basic and diluted)	5	**0.003**	**(0.03)**

Notes 1 to 30 in the Consolidated Annual Report and Annexes I/II form an integral part of the Consolidated Comprehensive Profit and Loss Statement for 2015. The Consolidated Comprehensive Profit and Loss Statement for 2014 is presented solely for the purposes of comparison.

NH Hotel Group, S.A. and subsidiaries

Consolidated statement of changes in shareholders' equity for 2015 and 2014 (Thousand of euros)

		Parent company's reserves			Reserves in companies consolidated by								
	Share capital capital	Share premium	Legal reserve	Other reserves	Full consolidation	The equity method	Currency translation differences	translation equity net	Treasury shares	Profit (loss) attributable to the company company	Total	Non-controlling interests	Total equity
Balances at 31 December 2013	**616,544**	**521,259**	**43,121**	**93,420**	**(106,071)**	**(11,699)**	**(103,657)**	**27,230**	**(38,115)**	**(39,818)**	**1,002,214**	**153,001**	**1,155,215**
Adjustments after the end of the year	—	—	—	—	(510)	—	—	—	—	(1,821)	(2,331)	587	(1,744)
Initial balance adjusted 1 January 2014	**616,544**	**521,259**	**43,121**	**93,420**	**(106,581)**	**(11,699)**	**(103,657)**	**27,230**	**(38,115)**	**(41,639)**	**999,883**	**153,588**	**1,153,471**
Net profit (loss) for 2013	—	—	—	—	—	—	—	—	—	(9,550)	(9,550)	(890)	(10,440)
Exchange differences	—	—	—	—	—	—	998	—	—	—	998	332	1,330
Cash flow hedges	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	(4,321)	—	—	—	—	—	(4,321)	—	(4,321)
Recognised income and expenses for the period	—	—	—	—	***(4,321)***	—	***998***	—	—	***(9,550)***	***(12,873)***	***(558)***	***(13,431)***
Capital increase	84,000	113,400	—	(75,289)	—	—	—	—	—	—	122,111	(123,055)	(944)
Distribution of Profit (Loss) 2013													
—To Reserves	—	—	—	(71,647)	38,103	(8,095)	—	—	—	41,639	—	—	—
Changes in treasury shares	—	—	—	—	—	—	—	—	(690)	—	(690)	—	(690)
Remuneration Scheme in shares	—	—	—	1,167	—	—	—	—	—	—	1,167	—	1,167
Distribution of dividends	—	—	—	—	325	—	—	—	—	—	325	(765)	(440)
Convertible bonds	—	—	—	—	—	—	—	—	—	—	—	(4,626)	(4,626)
Other movements	—	—	—	(861)	3,838	—	—	—	—	—	2,977	(816)	2,161
Balances at 31 December 2014	**700,544**	**634,659**	**43,121**	**(53,210)**	**(68,636)**	**(19,794)**	**(102,659)**	**27,230**	**(38,805)**	**(9,550)**	**1,112,900**	**23,768**	**1,136,668**
Auditing adjustments record	—	—	—	—	—	—	—	—	—	(433)	(433)	433	—
Initial balance adjusted 01 January 2015	**700,544**	**634,659**	**43,121**	**(53,210)**	**(68,636)**	**(19,794)**	**(102,659)**	**27,230**	**(38,805)**	**(9,983)**	**1,112,467**	**24,201**	**1,136,668**
Net profit (loss) for 2015	—	—	—	—	—	—	—	—	—	938	938	2,368	3,306
Exchange differences	—	—	—	—	—	—	(27,688)	—	—	—	(27,688)	(3,751)	(31,439)
Recognised income and expenses for the period	—	—	—	—	—	—	***(27,688)***	—	—	***938***	***(26,750)***	***(1,383)***	***(28,133)***
Distribution of Profit (Loss) 2014													
—To Reserves	—	—	—	(127,044)	118,402	(1,341)	—	—	—	9,983	—	—	—
Changes in treasury shares	—	—	—	—	—	—	—	—	1,244	—	1,244	—	1,244
Remuneration Scheme in shares	—	—	—	1,866	—	—	—	—	—	—	1,866	—	1,866
Business combination	—	—	—	—	—	—	—	—	—	—	—	14,646	14,646
Distribution of dividends	—	—	—	—	—	—	—	—	—	—	—	(1,374)	(1,374)
Other transactions with shareholders or owners	—	—	—	—	(714)	—	—	—	—	—	(714)	1,815	1,101
Other movements	—	—	—	580	(572)	—	—	—	—	—	8	58	66
Balances at 31 December 2015	**700,544**	**634,659**	**43,121**	**(177,808)**	**48,480**	**(21,135)**	**(130,347)**	**27,230**	**(37,561)**	**938**	**1,088,121**	**37,963**	**1,126,084**

Notes 1 to 30 described in the consolidated Record and Appendices IIII form an integral part of the statement of changes in consolidated assets for the year 2015. The statement of changes in consolidated assets for the year 2014 is only presented for comparative purposes.

NH Hotel Group, S.A. and subsidiaries

Condensed consolidated cash flow statements produced in the twleve-month periods ending 31 December 2015 (Thousand of euros)

	Note	31/12/2015	31/12/2014
1. Operating activities			
Consolidated profit (loss) before tax:		**10,320**	**(26,338)**
Adjustments:			
Depreciation of tangible and amortisation of intangible assets (+)	**7 and 8**	106,159	98,516
Impairment losses (net) (+/−)	**6, 7 and 8**	(30,859)	(12,810)
Allocations for provisions (net) (+/−)	**17**	(19,014)	(14,721)
Gains/Losses on the sale of tangible and intangible assets (+/−)		843	1,005
Gains/Losses on investments valued using the equity method (+/−)	**10**	663	1,341
Financial income (−)	**24.2 and 24.6**	(5,154)	(7,368)
Financial expenses and variation in fair value of financial instruments (+)		69,020	66,813
Net exchange differences (Income/(Expense))		(2,135)	(38)
Profit (loss) on disposal of financial investments		(4,828)	(17,278)
Other non-monetary items (+/−)		1,141	4,108
Adjusted profit (loss)		**126,156**	**93,230**
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		(801)	361
(Increase)/Decrease in trade debtors and other accounts receivable		(17,937)	(41,500)
(Increase)/Decrease in other current assets		6,353	(8,897)
Increase/(Decrease) in trade payables		10,352	3,674
Increase/(Decrease) in other current liabilities		(17,809)	(3,847)
Increase/(Decrease) in provisions for contingencies and expenses		(470)	(7,158)
Increase/(Decrease) in other non-current assets and liabilities		(5,839)	—
Income tax paid		(9,707)	(3,750)
Total net cash flow from operating activities (I)		**90,298**	**32,113**
2. Investment activities			
Finance income		4,806	7,289
Investments (−):			
Group companies, joint ventures and associates		(273)	—
Tangible and intangible assets and investments in property		(176,083)	(109,892)
Non-current assets classified as held for sale		—	(4,256)
Non-current financial investments		(77,725)	(370)
		(254,081)	**(114,518)**
Disinvestment (+):			
Group companies, joint ventures and associates		19,643	58,278
Tangible and intangible assets and investments in property		12,804	6,449
Non-current assets classified as held for sale			
Non-current financial investments		—	4,247
		32,447	**68,974**
Total net cash flow from investment activities (II)		**(216,828)**	**(38,255)**
3. Financing activities			
Dividends paid out (−)			
Interest paid on debts (−)		(56,750)	(59,952)
Variations in (+/−):			
—Non-controlling interests			
Treasury shares		1,244	(692)
—Equity components of convertible bonds			
Debt instruments:			
—Bonds and other tradable securities (+)			
—Loans from credit institutions (+)		177,111	10,000
—Loans from credit institutions (−)		(125,617)	(37,227)
—Finance leases		(275)	
—Other financial liabilities (+/−)		(2,509)	(15,911)
Total net cash flow from financing activities (III)		**(6,796)**	**(103,782)**
4. Gross increase/decrease in cash and cash equivalents (I+II+III)		(133,326)	(109,924)
5. Effect of exchange rate variations on cash and cash equivalents (IV)		3,064	(254)
6. Effect of variations in the scope of consolidation (V)		7,858	176,412
7. Net increase/decrease in cash and cash equivalents (I+II+III-IV+VI)		(122,404)	66,234
8. Cash and cash equivalents at the start of the financial year		**200,103**	**133,869**
9. Cash and cash equivalents at the end of the financial year (7+8)		**77,699**	**200,103**

NH Hotel Group, S.A.
(Formerly NH Hoteles S.A) and subsidiaries
Report on the consolidated financial statements for 2015

1. Activity and composition of the parent company

NH HOTEL GROUP, 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 later 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.

During the 1998 financial year, (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 take-over 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%.

In the year 2000, an expansion strategy was launched in order to create a strong global brand in the urban hotel sector.

This strategy has led to acquisitions in recent years for the Group in diverse European and Latin American markets. In the year 2015 it completed the acquisition of the Colombian hotel chain Hoteles Royal (see Note 2.5.4).

Furthermore, the Group entered into an agreement with Grupo Inversor Hesperia, S.A. (hereinafter “Hesperia”) in 2009 to merge their respective hotel management businesses, subsequently managing 49 hotels formerly owned or operated by Hesperia. The Group currently manages 32 hotels belonging to Grupo Inversor Hesperia.

In 2015 the Group expanded its presence in Latin America with the acquisition of the Hoteles Royal hotel group, which operates a portfolio of twenty hotels: fifteen in Colombia, four in Chile and one in Ecuador. The hotels located in Colombia and Ecuador are operated under a variable income lease, while of the hotels in Chile, three are operated as owners and as a variable lease, though the latter has ceased operations in the November 2015.

The Parent Company is the head of a group of subsidiaries engaged in the same activities and that constitute, together with NH Hotel Group, S.A., the NH Hotels Group (hereinafter the “Group”—see Appendices I and II).

At the end of 2015, the Group was operating hotels in 33 countries, with 378 hotels and 58,655 rooms, of which around 73% are located in Spain, Germany, Italy and the Benelux countries.

The General Shareholders’ Meeting of 29 June 2014 agreed to change the company’s name from “NH Hoteles, S.A.” to “NH Hotel Group, S.A.”

NH Hotel Group, 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 2015 were drawn up by the directors of NH Hotel Group, S.A. at the Board meeting held on 25 February 2016, in accordance with the regulatory reporting framework applicable to the Group, as established in the Code of Commerce and all other Spanish corporate law, and in the International Financial Reporting Standards ("IFRS") adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and in Law 62/2003, of 30 December, the Tax, Administrative, Labour and Social Security Measures Act, and as such give a true and fair presentation the Group's equity and financial position at 31 December 2015 and of the results of its operations, changes in equity and consolidated cash flows for the year then ended.

The consolidated financial statements for 2015 of the Group and the entities that it comprises 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 believe that said financial statements will be approved without any significant changes. The consolidated financial statements for 2014 were approved by the shareholders at the Annual General Meeting held on 29 June 2015 and filed with the Companies Registry of Madrid.

Since the accounting standards and valuation criteria applied in the preparation of the Group's consolidated financial statements for 2015 may differ from those used by some of its member companies, adjustments and reclassifications were used to standardise them and adapt them to IFRS as adopted by the European Union.

2.1.1 Standards and interpretations effective in this period

In 2015 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:

(1) New obligatory regulations, amendments and interpretations for the year commencing 1 January 2015.

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Approved for use in the European Union		
IFRIC 21 Levies (published in May 2013)	Interpretation on when to recognise a liability to pay a levy	17 June 2014(1)
Improvement to IFRS 2011-2013 Cycle (published in December 2013)	Minor amendments to a series of standards	01 January 2015(2)

(1) The European Union endorsed IFRIC 21 (EU Gazette, 14 June 2014), amending the original commencement date set out by the IASB (1 January 2014) to 17 June 2014.

(2) The IASB commencement date for these regulations was from 1 July 2014.

(2) New obligatory regulations, amendments and interpretations in years subsequent to the calendar year which commenced on 1 January 2015 (applicable from 2015 onwards)

The following standards and interpretations had been published by the IASB on the date the consolidated financial statements 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 financial statements or because they had not yet been adopted by the European Union:

New standards, amendments and interpretations		**Obligatory application in the years beginning on or after:**
Approved for use in the European Union		
Amendment to IAS 19 Employee contributions to defined benefit plans (published in November 2013)	The amendment is issued to facilitate the possibility of deducting these contributions from the service cost in the same period they are paid if certain requirements are met.	01 February 2015[(1)]
Improvements to IFRS 2010-2012 Cycle (published in December 2013)	Minor amendments to a number of standards.	
Amendment to IAS 16 and IAS 38 Acceptable methods of depreciation and amortisation (published in May 2014)	Clarifies the methods acceptable for depreciating and amortising property , plant and equipment and intangible assets, which do not include those based on income.	
Amendments to IFRS 11 Accounting for acquisitions of shares in joint ventures (published in May 2014)	Specifies how to account for the acquisition of an interest in a joint venture whose activity constitutes a business.	
Amendments to IAS 16 and IAS 41: Bearer plants (published in June 2014)	Bearer plants will be measured at cost instead of fair value.	01 January 2016
Improvements to IFRS 2012-2014 Cycle (published in September 2014)	Minor amendments to a number of standards.	

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Amendment to IAS 27 Equity Method in Separate Financial Statements (published in August 2014)	The equity method in individual financial statements of an investor will be allowed.	
Amendment to IAS 1: Disclosures initiative (December 2014)	Various clarifications regarding the itemisations (materiality, aggregation, order of the notes, etc.).	
Not yet approved for use in the European Union at the date of this communication(2)		
New standards		
IFRS 15—Revenue from Contracts with Customers (published in May 2014)	New income recognition standard (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31).	
IFRS 9 Financial Instruments (last phase published in July 2014)	It replaces the requirements for classification, valuation, recognition and derecognition of financial assets and liabilities in accounts, hedge accounting and impairment of IAS 39.	01 January 2018
IFRS 16 Leases (published in January 2016)	New standard on leases that replaces IAS 17. Lessees will include all leases on the balance sheet as if they were fin ancial purchases.	01 January 2019
Amendments and/or interpretations		
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities (December 2014)	Clarifications on the exception for consolidation of investment companies	01 January 2016
Amendments to IFRS 10 and IAS 28 Sale or transfer of assets between an investor and their associate/joint venture (published in September 2014)	Clarification on the result of these operations if dealing with businesses or assets.	No date set

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Amendment to IAS 12 Recognition of deferred asset taxes for unrealised losses (published in January 19, 2016)	It refers to the DTA of available items for the sale of debt with fair value less than the cost	01 January 2017
Amendment to IAS 7 Initiative of itemisations (published in January 29, 2016)	Reconciliation of changes in liabilities in the balance sheet with flows from financing activities.	01 January 2017

(1) The IASB commencement date for these regulations was from 1 July 2014.

(2) It is recommended to update the approval status of the standards by the European Union through the EFRAG website.

The Directors have assessed the potential future impacts of these standards, and consider that their entry into force will not have a significant impact on the consolidated annual accounts, except for those entering into force after 2016, whose impact is being analysed.

2.2 Information on 2014

As required by IAS 1, the information from 2014 contained in this consolidated annual report is presented solely for comparison with the information from 2015, and consequently does not in itself constitute the Group's consolidated annual accounts for 2014.

2.3 Currency of presentation

These consolidated financial statements are presented in euros. Any foreign currency transactions have been recognised in accordance with the criteria described in Note 4.9.

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 recognised. These estimates essentially refer to:

- Losses arising from asset impairment.
- The assumptions used in the actuarial calculation of liabilities for pensions and other undertakings made to the personnel.
- The useful life of the tangible and intangible assets.
- The valuation of consolidation goodwill.
- The market value of specific assets.
- 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 ability to exercise control. This ability is shown when the Parent Company has the power to direct 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 non-controlling shareholders in the Group's equity and results are respectively presented in the "Non-controlling 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 until to the effective date of disposal, as appropriate.

2.5.2 Associates (See Appendix II)

Associates are considered as any companies in which the Parent Company has the ability 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%.

Associates are valued in the consolidated financial statements using 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 Foreign currency translation

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.
- Income statement items were translated to euros at the average exchange rate for 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.

2.5.4 Changes in the scope of consolidation

The most significant changes in the scope of consolidation during 2015 and 2014 that affect the comparison between financial years were the following:

a.1 Changes in the scope of consolidation in 2015

a.1.1 Disposals

On January 14, 2015, the Group sold its subsidiary NH Parque de la 93, S.A. The net consideration received amounted to 23 million euros, of which 3.5 million euros are pending payment (updated at closing, it amounted to 3 million euros).

Part of balance of the outstanding amount, amounting to 0.4 million euros, was to guarantee working capital in the transaction, and it has been settled in on February 2016 The outstanding amount corresponds to the deductions made by the National Directorate of Taxes and Customs of Colombia at the time of the transaction, amounting to 3.1 million euros, whose payment will take effect in March 2016. These amounts have been recorded under current assets on the consolidated balance sheet in the lines of commercial receivables "Other non-commercial receivables" and "Public administration receivables", respectively.

The Group earned a net gain of 4.7 million euros from this transaction.

The effect of the exit from the scope of that company in the consolidated financial position statement at 31 December 2015 is as follows:

	Thousands of euros
Property, plant and equipment	16,430
Working capital	1,956
Net assets disposed of	**18,386**
Net Consideration received	23,094
Consolidated benefit (Income)	**(4,708)**

There is also a negative effect of 620 thousands euros owing to the conversion differences associated with the aforementioned shareholding, which is entered in the net exchange difference item of the 2015 consolidated comprehensive results.

As of 31 July 2015, the Group had sold its affiliate Donnafugata Resort S.r.l., of which it had a 95.26% shareholding. The net remuneration received was one euro. The result of the transaction is as follows:

	Thousands of euros
Non-Current Assets	45,630
Long-term liabilities	(56,930)
Inter-company losses	3,406
Net assets disposed of	**(7,894)**
Net Consideration	1
Transaction costs	647
Profit of the transaction	**(7,246)**
Result until sale	(1,911)
Total Profit (Loss) (Note 11)	**(9,157)**

a.1.2 Additions to the consolidation scope

The companies which were incorporated into the scope of consolidation in 2015, along with method of consolidation employed were the following:

Company	Consolidation method	Effective date of acquisition
Hoteles Royal, S.A. and dependent companies (see Appendix I)	Full consolidation	04/03/2015
Beijing NH Grand China Hotel Management Co, Ltd	Equity method	09/09/2015
Hotel & Congress Technology, S.L.	Equity method	15/04/2015

On 4 March 2015, the Group acquired a shareholding of 97.47%, amounting to a total of 2,969,668 shares, in the share capital of Hoteles Royal, S.A., a Colombian company which is the parent of Hoteles Royal, the Latin American hotel management group. The amount of the remuneration was 94.8 million euros, with 77.1 million euros paid and 17.7 million euros pending payment (updated at year-end it amounted to 19.2 million euros, payable in March 2017), recorded under the "Other noncurrent liabilities" heading (see Note 16).

The effect of the business combination on the consolidated statement of financial position at 31 December 2015 is as follows:

	Thousands of euros
Property, plant and equipment (Note 8)	63.923
Intangible fixed assets (Note 7)	43.295
Deferred tax assets	8.518
Other current assets	24.980
Bank borrowings	(24.965)
Deferred tax liabilities	(26.077)
Other current and non-current liabilities	(16.634)
Non-controlling interests	(14.646)
Net assets acquired	**58.394**
Net Consideration	(94.824)
First consolidation difference (Note 6)	**(36,430)**

On 9 September 2015, the Joint Venture with the shareholding group HNA Hospitality Group CO, LTD was formalised, creating a Chinese company in which the Group is a 49% shareholder. The company's capital increased to 20,000 thousand US dollars and each part will make an initial payment corresponding to 50% of its shares, with the remaining amount to be paid over the following two years. At the end of December the Group contributed 300 thousand US dollars.

On 15 April 2015, the contract for the Joint Venture between the Group and the company MDH Hologram, S.A. was formalised, in virtue of which 25% of the company Hotel & Congress Technology, S.L. was sold, resulting in a 50% shareholding for the NH Hotel Group. The company was incorporated into the consolidation upon commencing activity in 2015, having been previously inactive, with shares accounted for under the heading "Other non-current financial assets" in the year 2014.

a.2 Changes in the scope of consolidation in 2014

a.2.1 Disposals

On 14 November 2014, the Parent Company's stake in Sotogrande, S.A., representing 96.997% of its share capital, was sold for 224,947 thousand euros. The net amount received after deducting municipal taxes, transaction costs, net debt and financial effects was 181.110 thousand euros, of which 129,312 thousand euros corresponded to shares in Sotogrande, S.A. and 51,798 thousand euros to the liquidation of the inter-company account which the Parent Company maintained with Sotogrande, S.A.

This transaction involved the transfer of the entire property business segment of Sotogrande, S.A., based in Cádiz (Spain). The transaction excluded ownership of shares in the international assets (Capredo Investments GmbH, Sotocaribe, S.L., and Donnafugata Resort, S.r.l., see note 11), and the rights to receivables arising from the claim against the insurance agency which provided the ten-year policy covering building work in a housing development by Sotogrande (see Note 10.1) and the deferred payment of the sale of 15 business premises in another property development.

Before the sale, Sotogrande, S.A. acquired 504,089 and 46,865 shares in Residencial Marlin, S.L. and Los Alcornoques de Sotogrande, S.L., respectively, representing 50% of the share capital of both companies, for a total of 16.65 million euros. Thus, the Group acquired control of both companies, which it later sold in the context of the sale of its shares in Sotogrande, S.A.

At the same time as the transfer of shares in Sotogrande, S.A., the stakes in the excluded international assets listed above were transferred to NH at market prices, maintaining their value for accounting purposes according to the consolidated financial statements of NH Hotel Group, S.A. and Subsidiaries. A period of five years was established for transferring the stake in Sotocaribe, S.L. through reciprocal sales and purchase options, to be exercised within the indicated period. The strike price of the option, 58.25 million euros, is equivalent to the part of the price of the stake in Sotogrande, S.A. which the purchaser left deferred, with both items to be offset when the option is exercised (see Notes 11 and 15).

The overall effect of the transaction on the consolidated financial statements of NH Hotel Group S.A. and Subsidiaries is as follows:

	Thousands of euros
Non-Current Assets	77,321
Inventories	67,439
Long-term liabilities	(11,415)
Working capital	(4,137)
Net assets disposed of	**129,208**
Net Consideration	**(129,312)**
Non-controlling interests (Note 14.4)	(4,626)
Profit before tax	**(4,730)**
Transaction costs	3,804
Tax effect (Note 18)	20,440
Consolidation adjustment	(64,626)
Profit of the transaction	**(45,112)**
Profit from Sotogrande until sale (Note 11)	6,961
Total Profit (Loss) (Note 11)	**(38,151)**

The consolidation adjustments mainly correspond to the adjustment made to the reserves of Sotogrande, S.A. in 2006 due to the acquisition of 18.66% of its share capital after a takeover bid.

On 11 June 2014, the Group sold the Amsterdam Centre Hotel through its Dutch subsidiary Marquette Beheer BV and the sale of shares of its subsidiary Onroerend Goed Beheer

Maatschappij Stadhouderskade Amsterdam BV. The net amount of the sale totalled 45 million euros, giving rise to a capital gain of 4 million euros.

The effect of the disposal of the aforementioned company on the consolidated balance sheet at 31 December 2014 was as follows:

	Thousands of euros
Property, plant and equipment	43,176
Working capital	(2,176)
Net assets disposed of	**41,000**
Net Consideration	**(44,986)**
Consolidated profit	**(3,986)**

On 12 August 2014 the Group sold its 25% stake in the share capital of the company Harrington Hall Hotel Ltd., owner of the Harrington Hall hotel in London, for 13,292 thousand euros. The company was accounted for using the equity method, and at the date of the transaction the value of the stake was zero, so that the net result of the transaction was a consolidated gain of 13,292 thousand euros, plus a positive effect of 370 thousand euros of the currency translation associated with the stake, recognised under net exchange differences in the consolidated statement of comprehensive income.

a.2.2 Additions to the consolidation scope

On 26 June 2014, the Group acquired 44.5% of the Group company NH Italia, S.p.A. through a 113,400 thousand euros increase in the share capital of NH Hotel Group, S.A., with the issue of 42,000,000 new ordinary shares with a par value of 2.00 euros each and an issue premium of 2.70 euros per share. The capital increase was fully paid up by Intesa Sanpaolo, S.p.A. through the contribution of 445,000 shares representing 44.5% of the share capital of NH Italia, S.p.A.

The effect of the aforementioned acquisition on the consolidated balance sheet at 31 December 2014 was as follows:

	Thousands of euros
Share Capital Increase and Issue Premium	197,400
Non-controlling interests (Note 14.4)	123,055
Arrangement expenses	(944)
Effect on equity attributable to the shareholders of the Parent Company	**75,289**

The difference between equity attributable to shareholders of the Parent Company and the derecognised non-controlling interests corresponds to the costs associated with the transaction.

3. Distribution of profits

The directors of the parent company will propose to the Annual General Meeting to apply the losses to the account "Negative results from previous years", for offset in future years. In accordance with Article 273.4 of the Consolidated Text of the Corporate Enterprises Act, the directors will propose to allocate 418 thousand euros as an unavailable reserve, as provided by such article, 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 217 million euros. 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 re-valuing 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 recognised as increases in the 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 property, plant and equipment 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

These elements amortize according to their estimated useful life, or according to the remaining term of the lease agreement if this is lower than their estimated useful life.

4.2 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 differences between the cost of interests in the capital of consolidated and associated entities and the corresponding theoretical carrying amounts 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 the market value of which is above their carrying amount 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 recognised as goodwill, which is assigned to one or more specific cash-generating units (in general hotels) which are expected to make a profit.

Goodwill is recognised only when it has been acquired for valuable consideration.

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

Goodwill is not amortised. In this regard, at the end of every year, or whenever there are indications of a loss of value, the Group estimates, using the so-called "Impairment Test", the possible existence of permanent losses of value that would reduce the recoverable amount of goodwill to less than the net cost recognised. Should this be the case, it is written down in the consolidated comprehensive profit and loss statement. Any write-downs recognised cannot subsequently be reversed.

All goodwill is assigned to one or more cash-generating units in order to conduct the impairment test. The recoverable amount 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.

4.3 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 "finite useful life".

Intangible assets with an indefinite useful life are not amortised and are hence subjected to the "impairment test" at least once a year (see Note 4.4).

Intangible assets with a finite useful life are amortised 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 recognised under the "Intangible assets" heading:

i) Hotel Operating Rights: this item reflects, on the one hand, the right to operate Hotel NH Plaza de Armas in Seville, acquired in 1994, amortisation of which is recognised in the consolidated comprehensive profit/loss over the 30-year term of the agreement at a rate which increases by 4% each year. On the other hand, as a consequence of entering into the consolidation Hoteles Royal, S.A., operating rights of the hotel portfolio for 35 years have been recognised within this concept.

ii) "Rental agreement premiums" reflect the amounts paid as a condition to obtain certain hotel lease agreements. They are amortised 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 of the building where the Casino de Madrid is located. The amortisation 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. Furthermore, this item includes the brands of the Grupo Royal with a useful life of 20 years.

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

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

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

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.

The Group has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

In general, future estimates have been drawn up for a five-year period, plus a residual value, except in cases of leased hotels in what is considered the duration of the contract, plus a residual value.

The discount rates used by the Group for these purposes range from 6.2% to 14%, depending on the different risks associated with each specific asset.

If the recoverable amount of an asset is estimated to be lower than its carrying amount, the latter is reduced to the recoverable amount by recognising the corresponding reduction through the consolidated comprehensive profit and loss statement.

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

4.5 Lease rentals

The Group generally classifies all leases as operating leases. Only those leases which substantially transfer to the lessee the risks and rewards deriving from ownership 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 finance leases.

4.5.1 Operating leases

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

When the Group acts as the lessor, it recognises the income from operating leases using the straight-line method according to the terms of the agreements signed. These assets are depreciated in accordance with the policies adopted for similar own-use tangible assets. When the Group acts as the lessee, the leasing costs are charged on a straight-line basis to its comprehensive consolidated income statement, the resulting asset or liability being recognised under "other non-current liabilities" and "other non-current assets" or "other current liabilities" and "other current assets".

4.5.2 Finance leases

The Group recognises finance 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 present value of the minimum lease instalments, should the latter be lower. The interest rate established in the agreement is used to calculate the present value of the lease instalments.

The cost of assets acquired through finance leasing agreements is recognised 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.

4.6 Financial instruments

4.6.1 Financial assets

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

- Negotiable 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.
- Held to maturity assets: these are assets subject to a fixed or determinable redemption amount with a fixed maturity date. The Group declares its intention and its capacity to keep these in its power from the date of acquisition to their maturity date.
- Loans and accounts receivable originating in the company itself: these are financial assets generated by the companies in exchange for deliveries of cash or the supply of goods or services.

Negotiable financial assets are valued after their acquisition at fair value, any changes in which are recognised through profit or loss for the 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.

Held to maturity financial assets and loans and accounts receivable originated by the Group are valued at their amortised cost and accrued interest is recognised in the consolidated comprehensive profit and loss statement on the basis of their effective interest rate. Amortised cost is construed as the initial cost minus any collections or amortisation 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 more than 180 days overdue.

4.6.2. Cash and cash equivalents

"Cash and Cash Equivalents" in the consolidated balance sheet 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.

4.6.3 Financial liabilities

Issues of bonds and other securities

Debt issues are initially recognised 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 recognised 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

Loans received from banking institutions are recognised at the amount received, net of costs incurred in the transaction. They are subsequently valued at amortised cost. Financial expenses are recognised 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 and other payables

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

Derivatives and hedge accounting

Derivatives used to hedge the risks to which the Group's operations are exposed, 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 recognised 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 recognised in the equity item "Equity valuation adjustments" and not recognised as results until the losses or gains of the hedged element are recognised 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 recognised 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 derivatives which fail to meet hedge accounting criteria are recognised in the consolidated comprehensive profit and loss statement as they arise.

Derivatives embedded in other financial instruments or in other main contracts are recognised separately as derivatives only when their risks and characteristics are not closely related to those of the main contract and providing such main contracts are not valued at fair value with changes through consolidated comprehensive profit and loss.

Valuation techniques and assumptions applying 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 volatilities 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 indexed 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).

During 2014 the Group contracted some exchange rate insurances, of which, at the end of 2015, one is still active for an amount of 16,000 thousand US dollars. During January 2016 part of the nominal value has been bought amounting to 5,000 thousand US dollars at the agreed exchange rate of 1.27964. The remaining nominal of 11,000 thousand US dollars expires at 15 March of 2016 with an exchange rate of 1.2813.

The change in fair value as of 31 December 2015 of these hedges has had a positive effect concerning the 2015 consolidated comprehensive profit and loss statement of 4,530 thousand euros (2,787 thousand euros in 2014).

These derivatives has not been registered as hedging products.

4.6.4. 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 recognised in equity for the amount received, net of the issue expenses.

4.7 Non-current assets and associated liabilities held for sale and discontinued operations

Assets and liabilities the carrying amount of which is recovered through a sale and not from continued use are classified as non-current assets held for sale and liabilities associated with non-current assets held for sale. This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its current state, and it is estimated that the sale will be completed within one year from the date of classification.

Non-current assets and associated liabilities classified as held for sale are measured at the lower of carrying amount and fair value less selling expenses.

Discontinued operations represent components of the Group which will be disposed of. These components are activities and cash flows that can be clearly distinguished from the rest of the Group, both operationally and for the purposes of financial reporting, and represent lines of business or geographical areas which can be considered as separate from the rest.

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 carrying amount 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. In the case of the other companies, discounted cash flow valuations were performed internally, similar to those described in Note 4.4.

4.9 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 recognised 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 profit and loss statement. Any gains or losses thus revealed are recognised directly in consolidated comprehensive profit and loss.

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

In the attached consolidated balance sheet, financial assets and debts are classified on the basis of their maturity; in other words, those with a maturity date equivalent to or less than twelve months are classified as current and those with a maturity date exceeding this are non-current.

4.11 Income and expenses

Income and expenses are recognised 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 deriving from them arise.

More specifically, income is calculated at the fair value of the consideration to be received and represents the amounts to be collected 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 received or paid and the effective interest rate that applies.

4.12 Official subsidies

Group companies follow the criteria set out below in recognising official subsidies:

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

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

4.13 Corporate income tax

The cost of the year's income tax is calculated through the sum of the current tax resulting from applying the tax rate to the taxable income for the year and then applying the relevant tax adjustments according to the law plus any changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities include temporary differences, being any amounts expected to be payable or recoverable due to differences between the carrying amounts of the assets and liabilities and their tax value, as well as tax loss carry-forwards and any credits resulting from unapplied tax deductions. Said amounts are recognised 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 amortisation of which is not tax-deductible 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 are recognised only if it is deemed probable that the consolidated entities will make sufficient tax profits in the future to realise them 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 assets (tax loss carry-forwards and tax credits) are recognised only if it is likely that the consolidated companies will make sufficient tax profits in the future to be able to apply them.

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.

4.14 Obligations to employees

Spanish hotel companies are obliged to make a specific number of monthly salary payments to those employees who leave the company due to retirement, permanent disability or upon reaching a certain age and having a certain number of years of service and fulfilling certain pre-established requirements.

In this regard and in compliance with Royal Decree-Law 16/2005, the Group has outsourced its pension obligations for its employees' pension plans.

Also, in accordance with Italian law, employees of Italian companies have the right to compensation if they resign or are dismissed.

Its obligations to personnel also include those arising from contracting pension funds for certain employees, which in the Group, mainly affects the business units of Italy and the Netherlands.

Therefore, to provide for these obligations to future payments to personnel, the Group has recognised a liability under "Provisions for Risks and Charges" (See Note 17).

4.15 Onerous contracts

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 of between 6.2% and 14% has been used.

4.16 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 assumptions made concerning the financial year.

In accordance with IFRS 2, the above-mentioned valuation is recognised in profit or loss under personnel expenses during the period established as a requirement for the employee to remain in the company before exercising the option. Said value is recognised on a straight-line basis in the consolidated comprehensive profit and loss statement from the date the option is granted until the date on which it is exercised.

Plans settled in shares

The expense for the year is recognised directly in equity. On each subsequent closing date, the Group reviews the estimates regarding the number of options expected to be exercisable, adjusting the equity figure if necessary.

4.17 Treasury shares

Pursuant to IAS 32, treasury shares are presented by reducing the Group's equity.

4.18 Provisions

The Group follows the policy of provisioning for the estimated amounts arising from ongoing litigation, indemnities or obligations, as well as for any sureties or guarantees granted by Group companies which could involve the Group in a payment obligation (either legal or implicit), provided the amount can be reliably estimated.

4.19 Termination benefits

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 recognised expenses of 4,688 thousand euros for this item in 2015 (9,043 thousand euros in 2014).

The consolidated financial statement of 31 December 2015 includes, pursuant to IFRS regulations (IAS 37), a provision in this regard amounting to 1,002 thousand euros (4,721 thousand euros 31 December 2014).

4.20 Business combinations

Business combinations whereby 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 non-controlling 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, income is recognised in the consolidated comprehensive profit and loss statement.

In the case of business combinations carried out in stages, goodwill is measured and recognised only once control of a business has been acquired. To do this, previous holdings are re-measured at fair value and the corresponding gain or loss is recognised.

4.21 Environmental policy

Investments arising from environmental activities are valued at their original cost and capitalised as increases in the cost of fixed assets or inventory in the financial year in which they are incurred.

Any expenses arising from environmental protection and improvement are recognised in profit or loss for the year in which they are incurred, irrespective of the moment when the cash or financial flows deriving 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 established at the time the liability or obligation linked to the indemnities or payment arises.

4.22 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 and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operational activities: the typical activities of the entities forming the consolidated group, along with other activities that cannot be classified as investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

5. Earnings per share

Basic earnings per share (EPS) are 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:

	31/12/2015	31/12/2014
Net Profit/(Loss) for the year (thousands of euros)	938	(9,983)
Weighted average number of shares in circulation (in thousands)	341,229	319,284
Basic Earnings per share in euros	**0.003**	**(0.03)**

Diluted earnings per share are established on a similar basis to basic earnings per share; however, the weighted average number of shares outstanding is increased by options on shares, warrants and convertible debt.

	31/12/2015	31/12/2014
Net Profit/(Loss) for the year (thousands of euros)	938	(9,983)
Weighted average number of shares with dilutive effect (in thousands)	392,052	370,107
Diluted Earnings per share in euros	**0.002**	**(0.03)**

6. Goodwill

The balance included under this item corresponds to the net goodwill arising from the acquisition of certain companies, and breaks down as follows (thousands of euros):

	2015	2014
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	85,180	89,945
Hoteles Royal, S.A.	29,651	—
Others	3,962	3,978
	118,793	93,923

The movements in this heading of the consolidated balance sheet in 2015 and 2014 were as follows (in thousands of euros):

Company	Goodwill 31/12/2013	Currency conversion	Impairment	Goodwill 31/12/2014
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	94,710	—	(4,765)	89,945
Others	2,511	1,467	—	3,978
Total	**97,221**	**1,467**	**(4,765)**	**93,923**

Company	Goodwill 31/12/2014	Additions	Currency conversion	Impairment	Goodwill 31/12/2015
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	89,945	—	—	(4,765)	85,180
Hoteles Royal, S.A.	—	36,430	(6,779)	—	29,651
Others	3,978	—	(16)	—	3,962
Total	**93,923**	**36,430**	**(6,795)**	**(4,765)**	**118,793**

The acquisition of Hoteles Royal, S.A. gives a first consolidation negative difference of 36.4 million euros. This difference constitutes goodwill of Royal Hotel, S.A. and it emerges as the difference between the purchase price of 94.8 million euros, and the value of net assets acquired, amounting to 58.4 million euros, and has been recorded according to the report "Purchase Price Allocation "drawn up by an independent third party.

In addition, the valuation of the net assets acquired has been carried at fair value, in compliance with IFRS 3 "Business Combinations" and IFRS 13 "Fair Value Measurement". To do this, the Group has based its findings on appraisal reports of independent experts on material fixed assets and the methodologies "Multi-Period Earnings Method" for the assessment of hotel operating rights, and "Relief from Royalty" for the registration of Hoteles Royal trademarks.

The discount rates used in the projections for the valuation of intangible assets of Hoteles Royal were 10.77% for hotels in Colombia and Ecuador, and 11% for hotels in Chile.

At 31 December 2015 the goodwill generated with the acquisition of Grupo Royal has not been subjected to an impairment test because it is valued according to a transaction with independent third parties at a market value and backing up the "Purchase price allocation" with a report of an independent third party.

The recoverable value of the operating rights of Grupo Royal hotels has been assigned to each cash-generating units using projections on results, investments and working capital according to the term of the contracts.

Recoverable goodwill values of the rest have been allocated to each cash-generating unit, mainly rental agreements, by using projections on results, investments and working capital, according to the terms of the contract.

Details of the cash-generating units to which such goodwill arising on consolidation has been allocated is shown below:

	Thousands of euros
CGU's Grupo Royal	29,651
CGU 6	15,934
CGU 21	10,392
CGU 22	7,977
CGU 12	7,400
CGU 5	6,456
CGU 13	5,916
CGU 2	5,276
CGUs with goodwill allocated individually < €4 M	29,791
	118,793

The basic assumptions used to estimate future cash flows of the CGUs, except for the Grupo Royal aforementioned, are detailed below:

- Discount rate: 6.45% and 6.81%, since these are CGUs subject to the same risk (German and Austrian market).
- Terminal value growth rate (g): 2%

The allocation of the deterioration of the financial year, amounting to 4,765 thousand euros, took place as a result of the failure to consider perpetual income in the case of cash-generating units whose leases do not ensure renewal. Thus the projections are for the term of these contracts.

Additionally, and considering the assumption implied in the preceding paragraph, the Group has conducted a sensitivity analysis of the result of the impairment test to changes in the following situations:

Scenario 1:

- An increase of 100 basis points in the discount rate.
- Use of a perpetuity growth rate of 0%.

Scenario 2:

- A 1% reduction in the occupancy level.
- A 1% reduction in the average daily rate (ADR).

These sensitivity analyses do not reveal the existence of any impairment in either scenario.

7. Intangible assets

The breakdown and movements under this heading during 2015 and 2014 were as follows (in thousands of euros):

	Balance at 31/12/2013	Exchange differences	Inclusions/ allowances	Retirements	Assignments (Note 8)	Balance at 31/12/2014	Change in scope of consolidation (see Note 2.5.4)	Exchange differences	Inclusions/ allowances	Retirements	Transfers	Balance at 31/12/2015
COST												
Hotel operating rights	30,548	—	99	—	(38)	30,610	36,660	(6,826)	99	(150)	—	60,393
Rental agreement premiums	68,430	(4)	—	(757)	—	67,669	—	—	627	—	—	68,296
Concessions, patents and trademarks	34,662	—	87	(503)	(1,646)	32,600	6,635	(1,110)	106	(129)	—	38,102
Software applications	69,873	(7)	21,592	(4,106)	(383)	86,969	—	(13)	18,481	(243)	—	105,194
	203,514	**(11)**	**21,778**	**(5,366)**	**(2,067)**	**217,848**	**43,295**	**(7,949)**	**19,313**	**(522)**	**—**	**271,985**
CUMULATIVE DEPRECIATION												
Hotel operating rights	(17,686)	—	(1,221)	(10)	3	(18,914)	—	134	(2,340)	149	13,903	(7,068)
Rental agreement premiums	(14,019)	4	(924)	260	6,034	(8,645)	—	113	(2,012)	—	(728)	(11,272)
Concessions, patents and trademarks	(10,215)	—	(556)	483	(5,440)	(15,728)	—	36	(794)	28	—	(16,458)
Software applications	(65,996)	7	(8,033)	788	(41)	(73,275)	—	105	(9,646)	223	(13,175)	(95,768)
	(107,916)	**11**	**(10,734)**	**1,521**	**556**	**(116,562)**	**—**	**388**	**(14,792)**	**400**	**—**	**(130,566)**
Impairment	**(22,982)**	**—**	**(464)**	**141**	**861**	**(22,444)**	**—**	**—**	**—**	**307**	**—**	**(22,137)**
NET BOOK VALUE	**72,616**					**78,842**						**119,282**

7.1 Hotel operating rights

Additions to the rights of use in the current year in the column of changes in the scope of consolidation amounting to 36.7 million euros from the purchase of Hoteles Royal.

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. paid RENFE the amount of 30.2 million euros in accordance with a payment schedule which concluded in 2014.

The Group has reflected the entire amount agreed upon as the transaction's price in the "Hotel operating rights" item. In order to correctly accrue this price, the result of spreading out the cost over the thirty -year term of the agreement was assigned to the consolidated comprehensive profit and loss statement in accordance with an increasing instalment with a percentage annual growth of 4%.

7.2 Concessions, patents and trademarks

As a result of the entry into the scope of consolidation of Grupo Hoteles Royal, brands operated by the Royal Hotel Group with a useful life of 20 years have been recognised under this heading.

7.3 Software applications

The most significant inclusions in 2015 were in Spain, as a result of the investments made to develop the new website and implement front office systems of the hotels.

8. Property, plant & equipment

The breakdown and movements under this heading during 2015 and 2014 were as follows (in thousands of euros):

	Net at 31/12/2013	Chage in scope of consolidation	Exchange differences	Additions	Retirements	Transfers	Net at 31/12/2014	Chage in scope of consolidation (see note 2.5.4)	Exchange differences	Additions	Retirements	Transfers	Balance at 31/12/2015
COST													
Land and buildings	**1,819,639**	(50,333)	(3,749)	14,206	(2,913)	(118,175)	**1,658,675**	49,415	(20,215)	23,817	(11,755)	1,627	**1,701,564**
Plant and machinery	**763,540**	(4,116)	776	38,136	(24,707)	(15,221)	**758,408**	383	(1,818)	62,925	(35,630)	1,619	**785,887**
Other fixtures, tools and furniture	**484,786**	(214)	595	41,156	(28,742)	(27,061)	**470,520**	3,657	2,069	48,187	(56,270)	1,585	**469,748**
Other fixed assets	**1,258**	—	3	268	(44)	(1,143)	**342**	363	(75)	189	(96)	12	**735**
Assets under construction	**31,672**	—	(129)	11,618	(133)	(25,016)	**18,012**	699	(1,242)	25,805	(191)	(4,843)	**38,240**
	3,100,895	(54,663)	(2,504)	105,384	(56,539)	(186,616)	**2,905,957**	54,517	(21,281)	160,923	(103,942)	—	**2,996,174**
CUMULATIVE DEPRECIATION													
Buildings	**(306,330)**	7,668	(3,146)	(22,354)	848	24,362	**(298,952)**	(3,852)	1,938	(21,744)	6,731	—	**(315,879)**
Plant and machinery	**(509,015)**	3,623	1,162	(39,342)	19,806	12,755	**(511,011)**	39	909	(40,427)	29,733	—	**(520,757)**
Other fixtures, tools and funitu	**(398,896)**	196	101	(25,960)	23,293	15,588	**(385,678)**	(2,841)	(2,900)	(29,054)	54,195	—	**(366,278)**
Other fixed assets	**(1,014)**	—	(3)	(126)	42	761	**(340)**	(370)	58	(142)	128	—	**(666)**
	(1,215,255)	11,487	(1,886)	(87,782)	43,989	53,466	**(1,195,981)**	(7,024)	5	(91,367)	90,787	—	**(1,203,580)**
Impairment	**(170,660)**	—	(13)	(7,939)	25,978	49,019	**(103,616)**	—	(130)	(14,418)	49,735	—	**(68,428)**
NET VALUE	**1,714,980**						**1,606,360**						**1,724,166**

Net additions to the year in the column "Changes in the scope of consolidation" comes from the purchase of Hoteles Royal, depreciated due to the departure of NH Parque de la 93, S.A. (see Note 2.5.4).

The main additions and reductions in 2015 are due to the repositioning plan carried out by the Group, with refurbishments in all Business Units. The main refurbishments were carried out in hotels such as NH Collection Eurobuilding, NH Collection Abascal, NH Alonso Martínez, NH Collection Aránzazu, NH Turcosa, NH Collection Gran Hotel and Sanvy (Spain), NH Berlin Mitte, NH München Messe, NH München-Dornach and NH Danube City (Germany), NH Collection Palazzo Barocci and NH Firenze (Italy), Doelen and City Centre (Benelux) and Mexico City (Latin America).

At 31 December 2015, there were tangible fixed asset elements with a net book value of 697 million euros (686 million euros in 2014) to guarantee several mortgage loans (see Note 15).

At 31 December 2015 the breakdown of impairment by country is as follows:

	Provision	Additions
Spain	21,440	7,699
Italy	42,756	5,634
Germany	2,614	899
Others	1,618	186
Impairment 31.12.2015	**68,428**	**14,418**

Additionally it has taken of assets amortizations for the works realized in the hotels by repositioning for amount of 9,415 thousands of Euros, which have registered in the epigraph "Net gains on disposal of assets" of the Condensed consolidated comprehensive profit and loss statement for the year.

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 23.54 million euros at 31 December 2015. These investments will be made between 2016 and 2019.

9. Investments valued using the equity method

The movements under this heading of the consolidated balance sheet during 2015 and 2014 were as follows:

Company	Net balance at 31/12/2013	Retirements	Transfers	Profit (loss) 2014	Exchange differences translation	Net balance at 31/12/2014
Sotocaribe, S.L.	41,941	—	(41,941)	—	—	—
Capredo Investments GmbH	6,348	—	(6,348)	—	—	—
Varallo Comercial, S.A.	9,693	—	—	(1,717)	(564)	7,412
Inmobiliaria 3 Poniente, S.A. de C.V.	1,542	—	—	218	419	2,179
Palacio de la Merced, S.A.	1,396	—	—	52	—	1,448
Mil Novecientos Doce, S.A. de C.V.	1,787	—	—	87	208	2,082
Consorcio Grupo Hotelero T2, S.A. de C.V.	374	—	—	121	382	877
Hotelera del Mar, S.A.	214	—	—	—	2,170	2,384
Fonfir1, S.L.	20	(20)	—	—	—	—
Residencial Marlin, S.L.	19,328	—	(19,328)	—	—	—
Borokay Beach, S.L.	1,536	—	—	(102)	—	1,434
Los Alcornoques de Sotogrande, S.L.	—	—	—	—	—	—
Losan Investment Ltd.	—	—	—	—	—	—
Harrington Hall Ltd.	—	—	—	—	—	—
Total	**84,179**	**(20)**	**(67,617)**	**(1,341)**	**2,615**	**17,816**

Company	Net balance at 31/12/2014	Additions	Profit (loss) 2015	Exchange differences translation	Net balance at 31/12/2015
Varallo Comercial, S.A.	7,412	—	(1,107)	881	7,186
Inmobiliaria 3 Poniente, S.A. de C.V.	2,179	—	186	(397)	1,968
Palacio de la Merced, S.A.	1,448	—	94	—	1,542
Mil Novecientos Doce, S.A. de C.V.	2,082	—	91	(238)	1,935
Consorcio Grupo Hotelero T2, S.A. de C.V.	877	—	158	(198)	837
Hotelera del Mar, S.A.	2,384	—	133	(800)	1,717
Borokay Beach, S.L.	1,434	—	(14)	—	1,420
Beijing NH Grand China Hotel Management Co, Ltd	—	270	(276)	6	—
Hotel & Congress Technology, S.L.	—	1	72	—	73
Losan Investment Ltd.	—	—	—	—	—
Total	**17,816**	**271**	**(663)**	**(746)**	**16,678**

On 9 September 2015, the Joint Venture with the shareholding group HNA Hospitality Group Co, Ltd. was formalised, creating Beijing NH Grand China Hotel Management Co, Ltd in which the Group is a 49% shareholder.

On 15 April 2015, the contract for the Joint Venture between the Group and the company MDH Hologram, S.A. was formalised, in virtue of which 25% of the company Hotel & Congress Technology, S.L. was sold, resulting in a 50% shareholding for the NH Hotel Group. The company was incorporated into the consolidation upon commencing activity in 2015, having been previously inactive, with shares accounted for under the heading “Other non-current financial assets” in the year 2014.

NH Hotel Group's policy on interests in associates consists in 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 situation of the stake in Losan Investment, Ltd.

On 12 August 2014 the NH Group sold its shares in Harrington Hall, Ltd. for 13,292 thousand euros, generating a net gain of 13,292 thousand euros registered in line "Profit (loss) on disposal of financial investments" and a result of 370 thousand euros for the exchange rates associated of the participation (see Note 2.5.4).

The most significant financial information related to the main ownership interests in joint ventures is detailed in Appendix II to this consolidated annual report.

10. Non-current financial investments

10.1 Loans and accounts receivable not available for trading

The breakdown of this item at 31 December 2015 and 2014 is as follows:

	Thousand euros	
	2015	**2014**
Subordinated loans to companies owning hotels operated by the Group through leases(*)	41,879	46,740
Accounts receivable in respect of put option for Sotocaribe (Note 2.5.4)	58,250	58,250
Other collection rights	16,395	16,395
Other loans	18,212	17,230
Lease advance payments	3,279	3,535
Loans to associates (Note 24)	672	—
Long-term deposits and sureties	13,396	12,789
Others	1,988	3,920
Total	**154,071**	**158,859**

* These loans accrue an average rate of interest of 3% to 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.

The main features of these agreements are as follows:

- Hotel rentals 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 (2.40 million euros in 2015 and 2.36 million euros in the preceding year).
- Lease 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 lease agreements has been analysed and independent experts consider them to be operating leases.

The "Other collection rights" item reflects the claim filed against the insurance company that underwrote the ten-year construction insurance. The amount claimed corresponds to the repairs made and pending in the Los Cortijos de Sotogrande housing development.

"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 consists of advance payments made to the owners of certain hotels operated under a lease arrangement for the purchase of decoration and furniture; these are discounted from future rental payments.

10.2 Other non-current financial investments

This heading of the consolidated balance sheet comprised, at 31 December 2015 and 2014, the following equity interests, valued at cost:

	Thousands of euros	
	2015	**2014**
NH Panamá	3,767	3,767
Other investments	3,200	4,525
Other provisions	(262)	(1,587)
Total	**6,705**	**6,705**

These companies were not consolidated at 31 December 2015, since they were inactive or insignificant on said date.

11. Non-current assets held for sale, liabilities linked to non-current assets held for sale and discontinued operations

In accordance with IFRS 5, Non-current assets classified as held for sale and discontinued operations (see Note 4.7), the group has classified non-strategic assets under this heading which, pursuant to the Strategic Plan, are undergoing divestment with committed sales plans.

The assets classified as held for sale, after deducting their liabilities, were measured at the lower of their carrying amount and the expected sales price minus costs.

In the year 2014, the Group reclassified as discontinued operations Sotogrande, S.A., Donnafugata Resort, S.R.L., Resco Sotogrande, S.L., Sotocaribe, S.L., Los Alcornoques de Sotogrande S.L., Residencial Marlin, S.L. and Capredo Investments, GmbH, the last four accounted for using the equity method. These companies represented NH Hotel Group's entire property business and include the operation of businesses associated with the hospitality and leisure sectors, including two golf courses and three hotels.

Furthermore, in 2014, the sale was formalised of the Parent Company's stake in Sotogrande, S.A., representing 96.997% of its share capital (see Note 2.5.4).

As of 31 July 2015, the Group formalised the sale of its affiliate Donnafugata Resort S.r.l., of which it has a 95.26% shareholding (see Note 2.5.4).

At 31 December 2015, only discontinued operations like Sotocaribe, S.L. and Capredo Investments, GmbH, consolidated through shareholding, were classified.

The sections below detail, by type, the various income and balance sheet items relating to assets and liabilities classified as held for sale and discontinued operations.

Consolidated balance sheets. Headings of Non-current assets and liabilities classified as held for sale

A movement by balance headings of the assets and liabilities presented under the corresponding Held for Sale headings at 31 December 2015 and 2014 is shown below:

	31/12/2013	Transfers	Net variation	Changes in scope of consolidation (see Note 2)	31/12/2014
Property, plant and equipment	—	82,891	(3,440)	(40,668)	38,783
Intangible assets	—	1,920	(68)	(1,837)	15
Investment property	—	957	(61)	(896)	—
Financial assets	—	73,941	(1,259)	(25,694)	46,988
Investments accounted for using the equity method	—	*67,617*	*(1,251)*	*(19,410)*	*46,956*
Other non-current financial investments	—	*6,324*	*(8)*	*(6,284)*	*32*
Deferred tax assets	—	8,268	251	*(8,226)*	*293*
Inventories	—	71,034	(2,926)	*(67,439)*	*669*
Accounts receivable for sales and services and trade receivables	—	12,473	(3,070)	*(7,654)*	*1,749*
Tax receivables	—	9,030	(7,687)	*(808)*	*535*
Other current financial assets	—	93	68	*(161)*	—
Cash	—	5,150	2,740	*(1,868)*	*6,022*
Other current assets	—	212	57	(130)	139
Non-current assets classified as held for sale	**—**	**265,969**	**(15,395)**	**(155,381)**	**95,193**
Bank borrowings (non-current)	—	6,494	(2,672)	(3,822)	—
Obligations under finance lease	—	132	(29)	(103)	—
Other non-current liabilities	—	18,538	(720)	(2,037)	15,781
Capital subsidies	—	*18,086*	*(737)*	*(1,568)*	*15,781*
Other liabilities	—	*452*	*17*	*(469)*	—
Provisions for contingencies and charges	—	*1,411*	*53*	(995)	469
Deferred tax liabilities	—	*9,461*	*(4,717)*	(4,458)	286
Bank borrowings (current)	—	*41,985*	*(7,129)*	(6,644)	28,212
Trade payables	—	11,704	(2,971)	(5,091)	3,642
Tax receivables	—	804	575	(1,073)	306
Other current liabilities	—	7,031	2,298	(1,950)	7,379
Liabilities associated with assets classified as held for sale	**—**	**97,560**	**(15,312)**	**(26,173)**	**56,075**

	31/12/2014	Net variation	Change in the scope of consolidation (see Note 2)	31/12/2015
Property, plant and equipment	38,783	(793)	(37,990)	—
Intangible assets	15	—	(15)	—
Financial assets	46,988	*(1,954)*	—	45,034
Investments accounted for using the equity method	*46,956*	*(1,922)*	—	*45,034*
Other non-current financial investments	*32*	*(32)*	—	—
Deferred tax assets	*293*	—	*(293)*	—
Inventories	*669*	*(496)*	*(173)*	—
Accounts receivable for sales and services and trade receivables	*1,749*	*1,035*	*(2,784)*	—
Tax receivables	*535*	*(501)*	*(34)*	—
Other current financial assets	—	—	—	—
Cash	*6,022*	*(2,030)*	*(3,992)*	—
Other current assets	139	210	(349)	—
Non-current assets classified as held for sale	**95,193**	**(4,529)**	**(45,630)**	**45,034**
Bank borrowings (non-current)	—	—	—	—
Obligations under finance lease	—	—	—	—
Other non-current liabilities	15,781	—	(15,781)	—
Capital subsidies	*15,781*	—	*(15,781)*	—
Other liabilities	—	—	—	—
Provisions for contingencies and charges	469	355	(824)	—
Deferred tax liabilities	286	—	(286)	—
Bank borrowings (current)	28,212	427	(28,639)	—
Trade payables	3,642	489	(4,131)	—
Tax receivables	306	(323)	17	—
Other current liabilities	7,379	(93)	(7,286)	—
Liabilities associated with assets classified as held for sale	**56,075**	**855**	**(56,930)**	**—**

Consolidated comprehensive profit and loss statements

The profit and loss of the discontinued operations shown in the accompanying consolidated comprehensive profit and loss statement is broken down by company as follows:

	Sotogrande, S.A.	Capredo investments, GmbH	Sotocaribe, S.L.	Donnafugata resort, S.R.L	Total
2015					
Net turnover and other operating income	—	—	—	3,382	3,382
Operating expenses	—	—	—	(4,238)	(4,238)
Operating profit (loss)	—	—	—	(856)	(856)
Profit (loss) before tax	—	(101)	(1,077)	(1,911)	(3,089)
Income tax	—	—	—	—	—
Profit (loss) for the year from discontinued operations net of tax	—	(101)	(1,077)	(1,911)	(3,089)
Results of the sale of Donnafugata Resort S.r.l, S.A. (see Note 2)	—	—	—	9,157	9,157
Profit attributed to non-controlling interests	—	—	—	—	—
2014					
Net turnover and other operating income	22,015	—	—	8,022	30,037
Operating expenses	(14,031)	—	—	(10,382)	(24,413)
Operating profit (loss)	7,984	—	—	(2,360)	5,624
Profit (loss) before tax	(8,117)	(444)	(1,836)	(4,120)	(14,517)
Income tax	1,156	—	—	(242)	914
Profit (loss) for the year from discontinued operations net of tax	(6,961)	(444)	(1,836)	(4,362)	(13,603)
Profit (loss) from the sale of Sotogrande, S.A (see Note 2)	45,112	—	—	—	45,112
Profit attributed to non-controlling interests	—	—	—	267	267

Consolidated cash flow statements

The consolidated cash flow statements for Donnafugata Resort, S.R.L and Sotogrande, S.A. for 2014 and 2015 are detailed below:

	Donnafugata resort, S.R.L
2015	
Operating activities:	
Profit (loss) before tax	(2,005)
Adjustments	846
Net variation in assets and liabilities	(4,862)
Total net cash flow from operating activities I	**(6,021)**
Finance income	208
Disinvestment	—
Non-current financial investments	—
Total net cash flow from investment activities II	**208**
Financing activities	—
Interest paid on debts	(208)
Variation in:	—
Bank borrowings	—
Total net cash flow from financing activities III	**(208)**
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**(6,021)**
Cash and cash equivalents at the start of the financial year	6,022
Cash and cash equivalents at end of year	1

	Sotogrande, S.A.	Donnafugata resort, S.R.L
2014		
Operating activities:		
Profit (loss) before tax	36,995	(4,120)
Adjustments	(42,701)	2,081
Net variation in assets and liabilities	7,295	4,210
Total net cash flow from operating activities I	**1,589**	**2,171**
Finance income	—	495
Disinvestment	—	—
Non-current financial investments	176,412	—
Total net cash flow from investment activities II	**176,412**	**495**
Financing activities	—	—
Interest paid on debts	(429)	(900)
Variation in:	—	—
Bank borrowings	(2,054)	—
Total net cash flow from financing activities III	**(2,483)**	**(900)**
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**175,518**	**1,766**
Cash and cash equivalents at the start of the financial year	894	4,256
Cash and cash equivalents at end of year	176,412	6,022

12. Trade receivables

This item reflects different accounts receivable from the Group's operations. The breakdown at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	2014
Trade receivables for services provided	181,523	149,054
Provision for bad debts	(12,254)	(13,042)
Total	**169,269**	**136,012**

As a general rule, these receivables do not accrue interest and are due at less than 90 days with no restrictions on how they may be availed.

Movements in the provision for bad debts during the years ending 31 December 2015 and 2014 were as follows:

	Thousands of euros	
	2015	2014
Balance at 1 January	13,042	15,649
Changes in scope	73	(4,271)
Exchange differences	(88)	(19)
Additions	2,605	2,852
Applications	(3,378)	(1,169)
Balance at 31 December	**12,254**	**13,042**

The analysis of the ageing of financial assets in arrears but not considered impaired at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	2014
Less than 30 days	21,786	27,828
From 31 to 60 days	11,034	15,726
More than 60 days	41,881	28,721
Total	**74,701**	**72,275**

13. 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 2015 and 2014 was a variable Euribor-indexed rate. These assets are recognised at their fair value.

There are no restrictions on how cash may be used, except for an amount of 1,575 thousand euros reserved, according to a commitment with Hoteles Royal co-proprietors, for future hotel capex investments.

As a result of the enactment of Royal Decree 1558/2012 of 15 November, of Article 42 bis 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 Hotel Group S.A. Board of Directors have the right, as representatives or authorised officials, to dispose 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 Hotel Group S.A. holds other accounting documents, namely the consolidated annual accounts, from which sufficient data can be extracted in relation to the aforementioned accounts.

14. Equity

14.1 Subscribed share capital

NH Hotel Group, S.A. share capital at the end of 2015 comprised 350,271,788 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish 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 2015 and 2014 were as follows:

	2015	2014
HNA Group Co Limited	29.50%	29.50%
Grupo Inversor Hesperia, S.A.	9.10%	9.10%
Banco Santander, S.A.	—	8.57%
Intesa Sanpaolo, S.p.A	—	7.64%
Oceanwood Capital Management LLP	7.58%	—
Henderson Global Investors LTD	4.19%	—
Schroder PLC	2.95%	—
Taube Hodson Stonex Partners LLP	2.64%	3.89%
Blackrock Inc.	2.30%	2.31%
Fidelity International Limited	0.96%	0.96%
Invesco LTD	0.66%	—
UBS Group AG	0.22%	2.01%
Treasury shares	2.57%	2.67%
Shares owned by NH employees	0.05%	0.07%

At year-end 2015 and 2014, members of the Board of Directors were the holders or stable proxies of shareholdings representing approximately 46.34% and 46.43% of the share capital, respectively.

The main aims of the Group's capital management are to ensure short-term and long-term financial stability, a positive trend for NH Hotel Group, S.A. share prices, 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.

During recent years, the Group's strategy has varied by changing the ratio of accounting financial leverage from 0.53x to 0.72x. The ratios of accounting financial leverage at 31 December 2015 and 2014 are the following:

	Thousands of euros	
	2015	2014
Bonds and other marketable securities (Note 15)	475,484	467,499
Bank borrowings and other financial liabilities (Note 15)	411,437	339,855
Gross accounting debt	**886,921**	**807,354**
Cash and cash equivalents (Note 13)	77,699	200,103
Liquid assets	**77,699**	**200,103**
Total net accounting debt	**809,222**	**607,251**
Total Equity	1,126,084	1,136,668
Accounting financial leverage	**0.72**	**0.53**

14.2 Parent company reserves

i) Legal reserve

In accordance with the Consolidated Text of the Corporate Enterprises 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 be used only to offset losses, provided no other reserves are available for this purpose.

ii) Share premium

The Consolidated Text of the Corporate Enterprises Act expressly allows the balance of this reserve to be used to increase capital and imposes no restrictions on its availability.

14.3 Treasury shares

At year-end, NH Hotel Group, S.A. held 9,000,000 treasury shares representing 2.57% of its share capital at a total cost of 37,561 thousand euros. 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 250 million euros. The purpose of this loan was to allow said financial entities to offer the shares to subscribers to the bonds requesting them (Note 15).

14.4 Non-controlling interests

The movements in this heading in 2015 and 2014 are summarised below:

	Thousands of euros	
	2015	2014
Opening balance	**24,201**	**153,588**
Capital increases/reductions (Note 2.5.4)	—	(123,055)
Comprehensive profit (loss) attributable to non-controlling interests	(1,383)	(125)
Changes in percentage shareholdings and purchase/sales	16,461	(4,626)
Dividends paid to non-controlling interests	(1,374)	(765)
Other movements	58	(816)
Closing balance	**37,963**	**24,201**

The “Changes in percentage shareholdings and purchase/sales” ítem mainly includes the entry in the consolidation scope of the hotel management group Hoteles Royal.

The “Dividends paid to non-controlling interests” item basically reflects the dividends paid out in 2015 to the following companies: NH Marín, S.A., for 331 thousand euros, Hoteles Royal, S.A. for 346 thousand euros and Latinoamericana de Gestión Hotelera, S.A. for 697 thousand euros.

15. Debt in respect of bond issues and bank borrowings

The balances of the “Bonds and other negotiable securities” and “Debts with credit institutions” items at 31 December 2015 and 2014 were as follows:

	Thousand of euros			
	2015		2014	
	Long term	Short term	Long term	Short term
Convertible bonds	233,251	—	228,156	—
Guaranteed senior notes	250,000	—	250,000	—
Borrowing costs	—	3,613	—	3,517
Arrangement expenses	(11,380)	—	(14,175)	—
Debt instruments and other marketable securities	**471,871**	**3,613**	**463,981**	**3,517**
Syndicated loans	221,600	21,200	111,633	19,700
Mortgages	32,262	13,183	86,415	18,807
Equity loans	11,736	3,596	—	—
Subordinated loans	75,000	—	75,000	—
Credit lines	—	36,861	—	32,617
Arrangement expenses	(4,433)	(1,060)	(4,104)	(1,365)
Borrowing costs	—	1,492	—	1,152
Bank borrowings	**336,165**	**75,272**	**268,944**	**70,911**
Total	**808,036**	**78,885**	**732,925**	**74,428**

Convertible bonds

On 31 October 2013, the Parent Company placed convertible bonds among institutional investors, for a total of €250 million, with the following characteristics:

Amount of the issue	€250,000,000
Nominal value of the bond	€100,000
Maturity	5
Rank of debt	Unguaranteed senior
Issue price	100%
Coupon	4%
Exchange 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 thousand euros.

As is commonplace for this type of issue, and in order to enhance the liquidity of the instrument on the secondary market, NH Hotel Group, 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 drawn to the extent of 3.1 million shares at 31 December 2015 (see Note 14.3).

Guaranteed senior notes

On 30 October 2013 the Parent Company placed guaranteed senior notes, which mature in 2019, at the nominal value of 250,000 thousand euros. The nominal yearly interest rate for said issuance of notes is 6.875%.

This line of financing requires adherence to a series of financial ratios that, to 31 December 2015, have been fully met.

Syndicated loans

In November 2013, NH FINANCE, S.A. and a group of financial entities signed a syndicated loan worth 200 million euros with a final maturity date at four years, in November 2017. This syndicated loan comprises two tranches:

- Tranche A: via a commercial loan for 133,333 thousand euros; the balance pending amortisation at 31 December 2015 was 104,833 thousand euros.
- Tranche B: via a revolving commercial credit for 66,667 thousand euros; the balance pending amortisation at 31 December 2015 was 66,667 thousand euros.

On 10 July 2015, NH FINANCE, S.A. and the financial entities formalised the renewal of the syndicated under the following terms: (i) the margin is reduced from 4.0% (linked to a grid depending on the net financial debt/EBITDA ratio) to + 2.5% (no grid), (ii) the final expiry date is extended by twelve months until October 2018, and (iii) the interim annual repayments of Tranche A are reduced to 19 euros million with the rest of Tranche A being delayed until 2018. In 2018, the year of its final expiry, both Tranche B, without interim payments, and the rest of Tranche A will be repaid.

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 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 Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V., and pledging 60% of the shares in the company NH Italia, and the joint and several guarantee payable on demand of the Group's main operating companies that are wholly owned by the Parent Company.

On 13 February 2015 NH Hotel Group, S.A. signed a mortgage for 40 million euros with four Spanish financial institutions to refinance the mortgage debt in Italy consolidated under the "IMI loan" (INTESA Bank Group) and reduce the financial expense from a fixed rate of 4.25% to 2.75% and extending the term by two years with expiry being November 2017 instead of 2015. Furthermore, the guarantees of five Italian assets are replaced with a hotel in the Netherlands (NH Carlton). The annual amount of partial repayments increased to 8 million euros until its expiry in 2017, when it will be fully repaid. The outstanding balance of amortisation at 31 December 2015 amounted to 32,000 thousand euros.

On 26 June 2015 NH Hotel Group, S.A. signed a mortgage for 36 million euros with three Spanish financial institutions to refinance the mortgage debt in Germany and reduce the financial expense from a fixed rate of 5.00% to 2.50% and extending final expiry from June 2016 to October 2018. The guarantees continue to be the five German hotels. The annual amount of repayments increased to 3 million euros until its expiry in 2018, when it will be fully repaid. The outstanding balance of amortisation at 31 December 2015 amounted to 33,000 thousand euros.

As regards this financing, the commitment remains to adhere to a series of financial ratios, measured twice yearly; at 31 December 2015, these have been met in full.

The senior secured obligations and the previously described syndicated loans contain clauses limiting the distribution of dividends.

In the context of the restructuring of the financial debt of Donnafugata, in December 2014 NH Europa, S.A. assumed a debt of 7,000 thousand euros. The outstanding balance of amortisation at 31 December 2015 amounted to 6,300 thousand euros.

Equity loans

On 2015 NH Hotel Group, S.A was authorized by financial entities participating in the syndicated loans described above and in the syndicated loan granted to the Group Company NH FINANCE, S.A., amounting to 200,000 thousand euros, to formalize an additional debt though an equity loan in order to improve the financial liquidity of the Group. The outstanding amount of the equity loans at 31 December 2015 amounted to 15,332 thousand euros.

Mortgages loans

The detail of the mortgage loans and credit lines is as follows (in thousands of euros):

	Mortgaged asset	**Fixed rate**	**Variable interest**	**Total**	**Net value value mortgaged asset**
Spain	NH Lagasca	—	6,400	6,400	17,128
	NH Príncipe de La Paz	—	1,997	1,997	7,035
Total Spain		—	8,397	8,397	24,163
Mexico	NH Qerétaro	—	2,035	2,035	5,397
	NH Santa Fe	—	2,020	2,020	8,348
Total Mexico		—	4,055	4,055	13,745
Netherlands	NH Groningen	—	1,548	1,548	6,096
	NH Rotterdam	—	1,856	1,856	13,795
Total Netherlands		—	3,404	3,404	19,891
	NH Milanofiori and convention centre	—	4,050	4,050	53,044
Italy	NH Bellini	—	278	278	8,368
	NH Genova	—	1,798	1,798	24,178
	NH Villa San Mauro	—	2,580	2,580	4,043
Total Italy		—	8,706	8,706	89,633
Chile	NH Antofagasta and NH Iquique	8,385	—	8,385	15,874
	NH Collection Plaza de Santiago	7,607	—	7,607	16,653
Total Chile		15,992	—	15,992	32,527
Switzerland	NH Fribourg	4,892	—	4,892	11,700
Total Switzerland		4,892	—	4,892	11,700
Total		**20,884**	**24,562**	**45,445**	**191,660**

The mortgage loans in Chile for a total of 15,992 thousand euros corresponds to Hoteles Royal, S.A. (see Note 2.5.4). The decrease in mortgage loan and credit balances at 31 December 2015 compared with the figure reported at 31 December 2014 (116,685 thousand euros) is largely due to refinancing through syndicated loans made in 2015.

Assets granted as mortgage security against the syndicated loan of 200,000 thousand euros and guaranteed senior notes of 250,000 thousand euros, can be broken down as follows (Thousands of euros):

	Mortgaged asset	**Net value value mortgaged asset**
Total Spain	NH Eurobuilding	118,666
	NH Barbizon Palace	57,618
	NH Conference Centre Leeuwenhorst	46,514
	NH Conference Centre Koningshof	31,332
	NH Schiphol Airport	37,081
	NH Conference Centre Sparrenhorst	16,500
	NH Zoetermeer	6,878
	NH Naarden	10,735
	NH Capelle	5,978
	NH Geldrop	6,930
	NH Best	4,627
	NH Marquette	3,941
Total Netherlands		228,134
Net value of assets assigned as mortgage collateral		**346,800**
Value of guaranteed debt		**421,500**
Fixed interest		**250,000**
Variable interest (amount used plus amount available)		**171,500**

There are also companies whose shares are pledged as collateral for said lines of financing.

Details of the asset granted as mortgage security against the syndicated loan of 40 million euros are as follows (in thousands of euros):

	Mortgaged asset	**Net value value mortgaged asset**
Total Netherlands	NH Carlton	71,833
Net value of assets assigned as mortgage collateral		**71,833**
Value of guaranteed debt		**32,000**
Fixed interest		**—**
Variable interest (amount used plus amount available)		**32,000**

Details of the assets granted as mortgage security against the syndicated loan of 36 million euros are as follows (in thousands of euros):

	Mortgaged asset	Net value value mortgaged asset
	NH Aukamm Wiesbaden	8,745
	NH Bingen	10,461
	NH Mannheim Viernheim	4,184
	NH Frankfurt Rhein Main	34,402
	NH Leipzig Messe	29,084
Total Germany		86,876
Net value of assets assigned as mortgage collateral		**86,876**
Value of guaranteed debt		**33,000**
Fixed interest		**—**
Variable interest (amount used plus amount available)		**33,000**

Subordinated loans

Two loans for a combined amount of 75 million euros fully drawn at 31 December 2015 and with a single maturity and repayment in 2037, are included in this item. The interest rate of these loans is the 3-month Euribor plus a differential.

Credit lines

In 2015 NH Hotel Group, S.A. and NH Finance, S.A. obtained authorisation from credit institutions participating in the syndicated loan described above to formalise additional debt to improve the liquidity of the Group.

At 31 December 2015, 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 2015 amounts to 69,550 thousand euros. This amount includes a mortgage-backed line of credit for 6,000 thousand euros. At 31/12/2015, the available amount corresponding to these credit lines amounted to 30,833 thousand euros.

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**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Remainder**
Mortgages	**43,590**	**—**	**43,590**	**—**	**11,328**	**12,509**	**6,684**	**1,884**	**1,450**	**9,735**
Fixed rate	20,884	—	20,884	—	1,321	8,284	642	663	687	9,287
Variable interest . . .	22,706	—	22,706	—	10,007	4,225	6,042	1,221	763	448
Subordinated loans .	**75,000**	**—**	**75,000**	**—**	**—**	**—**	**—**	**—**	**—**	**75,000**
Variable interest . . .	75,000	—	75,000	—	—	—	—	—	—	75,000
Syndicated loans . . .	**242,800**	**—**	**242,800**	**—**	**21,200**	**37,200**	**180,200**	**700**	**700**	**2,800**
Tranche A (floating rate)	104,833	—	104,833	—	9,500	9,500	85,833	—	—	—
Tranche B (floating rate)	66,667	—	66,667	—	—	—	66,667	—	—	—
Syndicated NH Europa (floating rate)	6,300	—	6,300	—	700	700	700	700	700	2,800
Syndicated refi. Germany (floating rate)	33,000	—	33,000	—	3,000	3,000	27,000	—	—	—
Syndicated refi. Italy (floating rate) . . .	32,000	—	32,000	—	8,000	24,000	—	—	—	—
Morgate credit line .	**6,000**	**4,144**	**1,855**	**—**	**1,855**	**—**	**—**	**—**	**—**	**—**
Variable interest . . .	6,000	4,144	1,855	—	1,855	—	—	—	—	—
Convertible bonds . .	**233,251**	**—**	**233,251**	**—**	**—**	**—**	**233,251**	**—**	**—**	**—**
Fixed rate	233,251	—	233,251	—	—	—	233,251	—	—	—
Guaranteed senior notes	**250,000**	**—**	**250,000**	**—**	**—**	**—**		**250,000**	**—**	**—**
Fixed rate	250,000	—	250,000	—	—	—		250,000	—	—
Equity loans	**15,332**	**—**	**15,332**	**—**	**3,596**	**7,539**	**2,168**	**1,763**	**266**	**—**
Variable interest . . .	15,332	—	15,332	—	3,596	7,539	2,168	1,763	266	—
SUBTOTAL	**865,973**	**4,144**	**861,828**	**—**	**37,979**	**57,248**	**422,303**	**254,347**	**2,416**	**87,535**
Credit lines	**63,550**	**26,689**	**36,861**	**—**	**36,861**	**—**	**—**	**—**	**—**	**—**
Variable interest . . .	63,550	26,689	36,861	—	36,861	—	—	—	—	—
Arrangement expenses	**—**	**—**	**(16,873)**	**—**	**(1,060)**	**(868)**	**(8,693)**	**(5,995)**	**(39)**	**(218)**
Borrowing costs . . .	**—**	**—**	**5,105**	**—**	**5,105**	**—**	**—**	**—**	**—**	**—**
Borrowing situation at 31/12/2015 . . .	**929,523**	**30,833**	**886,921**	**—**	**78,885**	**56,380**	**413,610**	**248,352**	**2,377**	**87,317**
Borrowing situation at 31/12/2014 . . .	**887,928**	**65,600**	**807,354**	**74,428**	**67,469**	**110,186**	**229,480**	**242,626**	**1,645**	**81,520**

Details of the asset granted as mortgage security against the guaranteed line of credit of 6 million euros are as follows (in thousands of euros):

	Mortgaged asset	**Net value value mortgaged asset**
Total Netherlands	NH Rotterdam	13,795
Net value of assets assigned as mortgage collateral		**13,795**
Value of guaranteed debt		**6,000**
Fixed interest		**—**
Variable interest (amount used plus amount available)		**6,000**

16. Other non-current liabilities

The breakdown of the “Other non-current liabilities” item in the accompanying consolidated balance sheets, at 31 December 2015 and 2014, is as follows:

	Thousands of euros	
	2015	**2014**
At fair value:		
Put option for Donnafugata Resort, S.r.l.	—	10,670
At amortised cost:		
Purchase option on Sotocaribe, S.L. (see note 2.5.4)	58,250	58,250
Linearisation of revenue	14,946	15,895
Issue of promissory notes	—	1,810
Acquisition of Hoteles Royal, S.A.	19,238	—
Loans from shareholders	550	533
Other liabilities	6,196	1,326
	99,180	**88,484**

On 26 October 2012 the arbitration 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 9.9 million euros. In December 2014, an arbitration ruling set the costs and financial expenses payable by the Group at 0.77 million euros. The change in the fair value of this option was recognised under the heading “Change in fair value of financial instruments” in the accompanying comprehensive consolidated profit and loss statement for 2014. On 22 October 2015, a reverse factoring solution was issued to settle the liability that eventually amounted to 10,335 thousand euros, 165 thousand euros was reverted to the heading “Change in fair value of financial instruments” in the comprehensive consolidated profit and loss statement for 2015 and the remaining amount covered the reverse factoring expenses, and all liabilities had been reclassified under “Other current liabilities” (see note 21).

With the acquisition of Hoteles Royal, S.A., the amount of 77.1 million euros is paid, while 17.7 million euros (19.2 million euros with the updated exchange date) remains pending, payable in two years (see Note 2.5.4).

17. Provisions for risks and charges

The breakdown of "Provisions for risks and charges" at 31 December 2015 and 2014, together with the main movements recognised in those years were as follows:

	Thousands of euros				
	Balance at 31/12/2014	Additions	Applications/ reductions	Transfers	Balance at 31/12/2015
Provisions for contingencies and extraordinary costs:					
Onerous contracts	26,986	12,993	(19,258)	(4,174)	16,547
Provisions for pensions and similar obligations	13,797	1,792	(1,387)	—	14,202
Other claims	16,147	4,959	(4,486)	1,331	17,951
	56,930	**19,744**	**(25,131)**	**(2,843)**	**48,700**
Provisions for contingencies and current expenses:					
Onerous contracts	10,114	—	(10,114)	4,793	4,793
Restructuring provisions	4,721	—	(4,184)	—	537
	14,835	**—**	**(14,298)**	**4,793**	**5,330**
Total	**71,765**	**19,744**	**(39,429)**	**1,950**	**54,030**

	Thousands of euros				
	Balance at 31/12/2013	Additions	Applications/ reductions	Transfers	Balance at 31/12/2014
Provisions for contingencies and extraordinary costs:					
Onerous contracts	27,241	14,809	(4,950)	(10,114)	26,986
Provisions for pensions and similar obligations	17,951	209	(4,131)	(232)	13,797
Other claims	21,543	3,390	(7,607)	(1,179)	16,147
	66,735	**18,408**	**(16,688)**	**(11,525)**	**56,930**
Provisions for contingencies and current expenses:					
Onerous contracts	21,406	—	(21,406)	10,114	10,114
Restructuring provisions	4,864	4,740	(4,883)	—	4,721
	26,270	**4,740**	**(26,289)**	**10,114**	**14,835**
Total	**93,005**	**23,148**	**(42,977)**	**(1,411)**	**71,765**

Onerous contracts

The Group has classified a number of hotel lease agreements, to which it is committed between 2015 and 2041 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.

Resources for the year include an amount of 2,609 thousand euros relating to the updating of the provision for onerous contracts (see Note 24.6) and a negative exchange rate effect amounting to 25.6 euros. Applications for the year include 9,967 thousand euros in automatic reversion due to the evolution of the maturity of the contracts and 9,046 thousand euros that correspond to the lower provisions required by the improved performance of the hotels with onerous contracts.

Provision 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, and the T.F.R. (Trattamento di fine rapporto), an amount paid to all workers in Italy at the moment they leave the company for any reason. This is another remuneration element, whose payment is deferred and annually allocated 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 2015, the liabilities entered against this item were of 14,202 thousand euros (13,797 thousand euros at 31 December 2014).

The breakdown of the main assumptions used to calculate actuarial liabilities is as follows:

	2015		2014	
	Netherlands	**Italy**	**Netherlands**	**Italy**
Discount rates	2.70%	0.15%	2.10%	0.18%
Expected annual rate of salary rise	2.50%	1.90%	2.50%	1.90%
Expected return from assets allocated to the plan	2.70%	2.18%	2.10%	2.50%

Restructuring provision

The restructuring provision corresponds to the restructuring plan approved by the Group in connection with the reorganisation of the Group in previous years. At the end of 2015, the Group's provisions amounted to 1,002 thousand euros.

18. Tax note

Balances with Public Administrations

The composition of the debit balances with Public Administrations at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Deferred tax assets		
Tax credits	114,452	105,449
Tax assets due to asset impairment	30,987	35,353
Tax withholdings of workforce	2,185	1,703
Other prepaid taxes	18,173	15,353
Total	**165,797**	**157,858**

	Thousands of euros	
	2015	**2014**
Short-term taxes receivable		
Income tax	11,296	11,068
Value Added Tax	26,789	18,405
Other tax receivables	7,888	5,650
Total	**45,973**	**35,123**

The movements of the “Deferred tax assets” item in 2015 and 2014 were as follows:

	Thousands of euros	
	2015	**2014**
Opening balance	**157,858**	**198,782**
Settlements due to reversal of impairments	(4,366)	(3,382)
Additions of assets due to the entry into the consolidation	8,518	(28,708)
Asset disposals due to tax rate changes	(1,104)	(21,861)
Settlements of assets due to tax losses	(11,370)	—
Activation of deductions	11,267	—
Tax loss carry-forward for the year	9,107	12,056
Others	(4,113)	971
Total	**165,797**	**157,858**

Recognition of assets due to the activation of tax losses for the year and the entry of Hoteles Royal into the accounting of the consolidation group (see Note 2.5.4.)

The settlement of assets resulting from a change in rates is due to the reduction of the tax rate on Italian companies (IRES) from 27.5% to 24%, to take effect in the year 2017. As a result of this change, the Group has adjusted its deferred tax assets and liabilities and its tax loss assets, using the type of rate which is likely to be applicable in the period when it estimates the asset will be realised or the liability will be settled.

At 31 December 2015, the Group updated the tax credit recovery plan based on the Group’s business plan for five years and estimating an increase in the tax base of 2% per year from 2021. In this tax credit recovery plan, asset sale transactions that may result in taxable income have not been taken into account.

In accordance with the results of the recovery plan, the tax credits will be fully offset in 2023. The analysis of sensitivity to a reduction in the tax base used in said recovery plan yields the following results:

Annual Tax Base Variation	**(10.0)%**	**(20.0)%**	**(30.0)%**
Year of Recovery	**2024**	**2025**	**2027**

Given that the results of the tax credit recovery plan are satisfactory, the Directors of the Parent Company have decided to activate the tax losses recorded during the year by the Spanish tax group.

At 31 December 2015 the Group had tax credits worth 607,525 thousand euros (636,963 thousand euros at 31 December 2014) that had not been entered in the accompanying consolidated profit and loss statement because the Directors considered they did not to meet accounting standard requirements. These assets are grouped as follows:

	Thousands of euros	
	2015	2014
Finance costs and negative tax bases		
Non-deductible financial expenses in Spain	180,467	130,840
Non-deductible financial expenses in Italy	17,243	28,519
Non-deductible financial expenses in Germany	12,900	12,900
Tax losses generated by the Spanish entities before tax consolidation	108,750	108,750
Tax losses generated in Austria	23,400	23,400
Tax losses generated in Latin America	2,765	2,765
Tax losses generated in Luxembourg	53,231	70,250
Tax losses generated in Spain	—	31,213
Tax losses generated in Italy	13,801	22,091
Tax losses generated in Germany	164,900	164,900
Total	**577,457**	**595,628**
Deductions		
Deductions generated in Spain	30,068	41,335
Total	**30,068**	**41,335**
Total	**607,525**	**636,963**

Finance costs, which are not considered deductible in the Spanish corporate income tax when exceeding 30% of the operating revenue of the tax group calculated in accordance with Article 16 of Law 27/2014 of 27 December, on Corporate Income Tax, amount to 49,627 thousand euros in 2015 (36,645 thousand euros in 2014). There is no deadline for offsetting non-deductible finance costs. Regarding Italian and German Corporate Income Tax, tax regulations in those countries are similar to those of Spain on the deductibility limit of financial expenses. In accordance with Italian and German legislation, there is no deadline for offsetting non-deductible finance costs.

The variation of unregistered credits results from, in Italy, offsetting losses and deducting finance costs during the year 2015, and, in Spain, registering negative taxable bases and deductions to avoid the double taxation that passed the tax credit recovery test.

The composition of the credit balances with Public Administrations at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	2014
Deferred tax liabilities		
Revaluation of assets and other valuation differences	196,711	179,730
Total	**196,711**	**179,730**

	Thousands of euros	
	2015	**2014**
Short term taxes payable		
Income tax	15,545	15,412
Value Added Tax	8,509	1,763
Personal Income Tax	7,010	8,321
Tax on Income from Capital	217	90
Social Security	7,568	8,196
Others	11,986	6,312
Total	**50,835**	**40,094**

The movements in deferred tax liabilities during 2015 are as follows:

	Thousands of euros	
	2015	**2014**
Opening balance	**179,730**	**201,225**
Derecognition of liabilities due to change in tax rate	(10,309)	(6,510)
Addition of liabilities due to entry into scope (Note 2.5.4)	26,077	(9,461)
Others	1,213	(5,524)
Closing balance	**196,711**	**179,730**

The settlement is mainly to the adaptation of tax liabilities related to Italian companies (IRES) associated with accounting revaluations at the expected effective tax rate (see deferred tax assets movement).

The net increase in deferred tax liabilities is mainly due to the combined effect of the entry in the consolidation scope of the Grupo Royal and the reversal of impairment of revalued assets.

The detail, by country and item, of these deferred taxes is as follows:

	Thousands of euros			
	Tax credits	**Prepaid taxes**	**Total assets**	**Liabilities**
Spain	109,202	22,932	132,134	50,286
Italy	3,303	11,837	15,140	114,040
Germany	—	2,146	2,146	494
Others	1,880	14,496	16,377	31,891
TOTAL	**114,385**	**51,411**	**165,797**	**196,711**

Corporate income tax expense

The Group operates in many countries and is therefore subject to the regulations of different tax jurisdictions regarding taxation and corporate income tax.

NH Hotel Group, S.A. and the companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2015 tax period are subject to the tax consolidation scheme governed by Title VII, Chapter VI of Law 27/2014 on Corporate Income Tax.

The companies belonging to the tax group have signed an agreement to share 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.

During 2015, Hotel & Congress Technology, S.L. (previously Hotel & Travel Business, S.L.) were excluded from the Spanish tax consolidation group.

Corporation tax is calculated on the financial 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.

In 2015, Spanish companies pay taxes at the general tax rate of 28% irrespective of whether they apply the consolidated or separate taxation schemes. Following the approval of tax reform in Spain, the tax rates applicable to resident entities will be 28% in 2015 and 25% in 2016 and the following years. However, tax credits of Spanish tax group activated in the balance sheet are valued at 25%. The foreign companies are subject to the prevailing tax rate in the countries where they are domiciled. In addition, taxes are recognised in some countries at the estimated minimum profit on a complementary basis to Corporation Tax.

The prevailing income tax rates in the different jurisdictions where the Group has significant operations are as follows:

Country	Nominal rate	Country	Nominal rate
Argentina(1)	35.0%	Romania	16.0%
Colombia(1)	34.0%	Poland	19.0%
Chile	22.5%	Switzerland	7.8%
Panama	25.0%	Dominican Rep.	19.0%
Brazil	34.0%	Luxembourg	29.2%
Mexico	30.0%	Italy	31.7%
Uruguay	25.0%	Netherlands	25.0%
Dominican Republic	28.0%	France	33.3%
Germany	30.0%	Portugal	31.5%

(1) Jurisdictions in which there is a minimum taxable income.

The reconciliation between the consolidated comprehensive profit or loss statements, the corporation tax base, current and deferred tax for the year, is as follows:

	2015													2014	
	Thousand of euros													Thousands	
	Spain	Italy	Germany	Netherlands(1)	Latin America(2)	Luxembourg	Romania	Switzerland	Czech R.	Poland	Portugal	Others	TOTAL	Spanish companies	Other companies
Consolidated comprehensive profit and loss statements before taxes	**(65,136)**	**45,527**	**(4,433)**	**21,182**	**23,824**	**1,762**	**454**	**(6,715)**	**284**	**63**	**20**	**(444)**	**16,388**	**(75,876)**	**49,538**
Adjustments to consolidated comprehensive profit and loss:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounting consolidation adjustments	(14,378)	—	4,765	—	—	—	—	—	—	—	—	—	(9,613)	(25,339)	9,445
Due to permanent differences	45,163	(12,766)	4,403	7,862	2,327	(1,575)	10	—	—	—	(16)	—	45,408	35,823	(20,560)
Due to temporary differences	(16,116)	(16,245)	(3,016)	1,276	572	—	—	34	—	—	—	—	(33,495)	17,225	(4,163)
Tax base (Taxable profit or loss)	(50,467)	16,516	1,720	30,321	26,723	186	464	(6,681)	284	64	4	(444)	18,690	(48,167)	34,256
Current taxes to be refunded / (to pay)	1,004	512	13	2,060	7,705	—	—	—	—	—	1	—	11,295	(1,088)	5,431
Total current tax income / (expense)	11,455	(7,607)	(516)	(7,580)	(7,830)	(54)	(74)	(58)	—	(12)	(1)	(41)	(12,318)	11,275	(14,544)
Total deferred tax income / (expense)	(4,029)	(5,523)	(905)	319	167	—	—	3	—	—	—	—	(9,968)	3,914	(904)
Total income / (expense) due to tax rate changes	—	9,204	—	—	—	—	—	—	—	—	—	—	9,204	(14,562)	(789)
Total Corporation Tax income / (expense)	**7,426**	**(3,926)**	**(1,421)**	**(7,261)**	**(7,663)**	**(54)**	**(74)**	**(55)**	**—**	**(12)**	**(1)**	**(41)**	**(13,082)**	**626**	**(16,237)**

(1) The Netherlands business area includes Belgium and France.

(2) 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.

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	2014
VAT	2014 and 2015
IRPF (personal income tax)	2014 and 2015
Non-resident Income Tax	2014 and 2015

During 2015, NH Hotel Group, S.A., as head of Consolidation Groups of Corporate Tax and VAT, NH Hoteles España, S.A. and NH Europa S.L., were inspected by the Spanish tax authorities in relation to Corporate Income Tax (years 2010-2013), Value Added Tax, Personal Income Tax and Non-resident Income Tax (years 2011-2013).

In the last quarter of 2015, agreements were signed in compliance with all taxes and years mentioned above, as well as an agreement regarding the area of transfer pricing for Corporate Income Tax purposes. None of these yielded fines. The total of the regularization, including payment and interest, amounted to a cash outflow of 363 thousand euros.

The Directors believe that the adaptation of the Parent Company with the criteria set by the Administration for inspection generated liabilities for the parent company amounting to 794 thousand euros, which has been provisioned for in the year's profits and losses.

Regarding the financial years open to inspection, contingent liabilities not susceptible to objective quantification may exist, which are not significant in the opinion of the Group's Directors.

Deductions generated by the consolidated tax group of the Parent Company

At 31 December 2015, the Tax Group held the following tax credit carry-forward (Thousands of euros):

Year origin	Deduction pending application	Amount
2002 to 2010	Investment in export activity	29,047
2008 to 2014	Tax deduction to avoid double taxation	11,267
2002 to 2014	Other	1,021
		41,335

Of this amount, 11 million euros have been capitalized during 2015.

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 (Thousands of euros):

	Amount offset				
Year of origin	Revenue qualifying for deferral	Previous years	Year 2015	Amount outstanding	Last year of deferral
1999	75,145	51,439	682	23,024	2049

This income was reinvested in the acquisition of buildings.

Negative tax bases

At 31 December 2015, the Consolidated Tax Group headed by NH Hotel Group, S.A. has the following tax loss carry-forwards:

Financial year	Amount
2007	8,835
2008	17,711
2009	85,995
2010	18,606
2011	26,294
2012	131,708
2013	11,907
2014	51,208
2015	39,478
Total	**391,742**

All the negative tax bases generated by the Consolidated Tax Group are recorded in the consolidated profit and loss statement, related to Spain are 98 million euros and 5 million euros to the rest of countries.

19. Commercial creditors and other accounts payable

The breakdown of this item in the consolidated balance sheet at 31 December 2015 and 2014 is as follows (Thousands of euros):

	Thousands of euros	
	2015	**2014**
Trade and other payables	227,128	206,288
Advance payments from customers	23,915	25,139
	251,043	**231,427**

The heading "Commercial Creditors and Other Accounts Payable" covers the accounts payable derived from commercial activity typical of the Group.

The "Advance payments from customers" item mainly includes customer deposits arising from the Group's hotel businesses.

20. Information on deferred payments to suppliers. third additional provision. "duty to report" of act 11/2013 of 26 July

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified according to the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

Through this resolution the immediate predecessor in the matter is repealed, the Resolution of 29 December 2010, of the Institute of Accounting and Auditing, on the information to be incorporated in the record of annual financial statements relating to deferred payments to suppliers in commercial transactions, which had its origin in the previous wording of the third additional provision of Law 15/2010 of 5 July.

The sole additional provision states that in the first annual financial statements that are formulated using this Resolution, it is not obligatory to present comparative figures in order to facilitate the implementation of the new requirements as it is predicted that commercial companies may need to adapt their computer systems.

	2015
	Days
Average period for payment to suppliers	**70**
Ratio of paid transactions	68
Ratio of transactions pending payment	85
	Amount (thousand euros)
Total payments made	263,703
Total payments pending	28,747

The above information on payments to suppliers of Spanish companies refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Trade creditors" item in current liabilities of the attached consolidated balance sheet at 31 December 2015.

The average period for payment to suppliers has been calculated, as stated in the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, using the weighted average of the two ratios explained below:

- Ratio of paid transactions: average payment period of transactions paid in 2015 weighted by the amount of each transaction.
- Ratio of transactions pending payment: average period between the invoice date and the end of the year weighted by the amount of each transaction.

21. Other current liabilities

At 31 December 2015 and 2014, this item is broken down as follows:

	Thousand of euros	
	2015	**2014**
Outstanding remuneration	27,928	30,555
Compensation for termination of Hotel NH Buhlerhöhe lease	—	3,915
Linearisation of revenue	1,371	3,159
Liabilities from contract termination	667	—
Put option for Donnafugata Resort, S.r.l. (Note 16)	10,335	—
Other creditors	2,138	7,935
	42,439	**45,564**

22. Third-party guarantees and contingent assets and liabilities

Financial institutions had granted surety to the Group for an amount totalling 21.01 million euros (22.05 million euros at 31 December 2014) 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 2015, the Group had taken out insurance policies to cover risks arising from damage to material goods, loss of profits and third party liability. The capital insured sufficiently covers the assets and risks mentioned above.

Commitments to third parties

- A Group company currently acts as co-guarantor for a syndicated loan granted by two banks to the associate Sotocaribe, S.L. which at 31 December 2015 had an outstanding principal of 21,755 thousand euros (23,685 in thousand US dollars as per as 31 December 2015) and final maturity on 23 December 2016.
- On 10 March 2006, NH Europa, S.A. and Losan Hoteles, S.L. (now Carey Property, S.L.) signed a shareholders' agreement on Losan Investments Ltd. (the owner of the Kensington Hotel), by means of which, should Losan Investments Ltd. receive an offer to purchase 100% of its shares at a price deemed to be a market price, Losan Hoteles, S.L. (now Carey Property, S.L.) may require NH Europa, S.A. to transfer its shares to the third party who made the offer and the latter will be obliged to accept. However, NH Europa, S.A. will have preferential acquisition rights over shares held by Losan Hoteles, S.L. (now Carey Property, S.L.) in Losan Investments Ltd.
- Under the agreements reached between the NH Group and HNA Group regarding the joint venture, a right of "Tag-along" is recognised, in the sense that if one of the partners receives a takeover bid by a third party for 100% of the shares in the company, the other partner has the option to exercise their right of first refusal or may communicate its irrevocable offer to sell the shares it holds the aforementioned joint venture, and under the conditions of sale supplied by the third party; if the third party does not accept the offer of the other partner to sell the rest of the shares in the company, the other partner is not allowed to sell its shares to the third party.
- Within the framework of new development projects in the normal course of business, in which the NH Group subsidiaries act as lessees or operators, the Group's parent company gives personal guarantees in favour of third parties to secure its contractual obligations.
- Within the framework of the Group's financing, personal and real guarantees have been granted to fulfil the obligations guaranteed under the financing agreements (see Note 15).

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:

- NH Group has appeared in the insolvency proceedings of Viajes Marsans, S.A. and Tiempo Libre, S.A., from the unsettled estate of Gonzalo Pascual Arias and Gerardo Díaz Ferrán, and in the voluntary insolvency proceedings against María Angeles de la Riva Zorrilla, in order to claim outstanding amounts. The Group also appears in the voluntary bankruptcy proceedings of Transhotel and Orizonia. Said balances were provisioned in consolidated financial statements in the amounts deemed not recoverable.
- The owner of four hotels in the Netherlands has claimed in court the payment of 2,723 thousand euros plus interest and costs to a Dutch subsidiary because there was allegedly a change of the control situation in the year 2014, which supposedly entitles him to claim a fine, according to the lease. The Court has fully rejected the lawsuit filed by the owner, notwithstanding that the owner still has time to appeal the court decision.
- The owner of a hotel has filed a suit against a Group company, demanding compliance with certain contractual obligations. After rejecting the appeal judgement, it was appealed to the Supreme Court in October 2015. No negative or significant material consequences are expected.
- The NH Group has filed an arbitration claim requesting the validity of the declaration of resolution to sell practised at 15 locations in San Roque.
- The NH Group has filed an arbitration claim requesting the validity of the resolution of the leasing contract of a Hotel urged by the Group in 2015, with the claim for damages.

- On the occasion of the agreements reached in 2014 for the sale of the shares held by NH Hotel Group, S.A in the company Sotogrande, S.A., NH Group agreed to subrogate to the position of Sotogrande, S.A. for certain disputes assuming all rights and obligations relating thereto, and are summarised as follows:
  - Plaintiff in the proceedings against construction agents for construction defects in twenty-five homes and contractual liability, as well as a claim against the insurer.
  - Defendant in the claim process for contractual breaches by a property developer.

The Directors of the Parent Company consider that the hypothetical loss incurred by the Group as a result of such actions would not significantly affect the equity of the Group.

23. Long-term incentive plan

On 25 June 2013, the Company's General Shareholders Meeting approved a long-term share-based incentive plan ("the plan") for the NH Hotel Group SA's executives and employees, as follows:

The plan will consist of the grant of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of the fixed salary, according to 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 the performance of NH Hotel Group, SA shares with the following indices:
  - IBEX Medium Cap
  - Dow Jones Euro STOXX Travel & Leisure
- EBITDA, 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 CEO, 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. At 31 December 2015, the first and second cycles had been approved.

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: €6,170,000
- Second cycle: €5,830,000

- Third cycle: €4,440,000
- Total: €16,440,000

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 EBITDA thresholds must be reached.

The effect of this item on the profit and loss statement for 2015 was 1,415 thousand euros (746 thousand euros in 2014).

Furthermore, 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 assuming the commitment to the beneficiary. The effect of this item on the profit and loss statement for 2015 was 452 thousand euros (452 thousand euros in 2014).

24. Income and expenses

24.1 Income

The breakdown of these headings in the consolidated comprehensive profit and loss statements for 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Hotel occupancy	954,081	847,717
Catering	310,391	297,218
Meeting rooms and others	69,639	62,541
Rentals and other services	42,523	39,478
Revenues	**1,376,634**	**1,246,954**
Operating subsidies	11	6
Other operating income	1,196	3,293
Other operating income	**1,207**	**3,299**
Net gain (loss) on disposal of assets	**(843)**	**(1,005)**

"Rentals and Other Services" includes the income from fees invoiced to hotels operated on a management basis and the services provided by the NH Group to third parties.

The breakdown of net turnover by geographical markets in 2015 and 2014 was as follows:

	Thousands of euros	
	2015	**2014**
Spain	325,515	295,292
Germany	288,288	288,253
Benelux	263,749	256,580
Italy	266,965	227,078
Rest of Europe	93,536	92,636
Latin America	138,581	87,115
	1,376,634	**1,246,954**

24.2 Financial income and changes in the fair value of financial instruments

The breakdown of the amount of financial income is:

	Thousands of euros	
	2015	2014
Dividend income	1,130	935
Income from marketable securities	525	396
Interest income	3,092	2,521
Other financial income	407	3,516
	5,154	**7,368**

The breakdown of the amount of changes in the fair value of financial instruments

	Thousands of euros	
	2015	2014
Interest rate exchange rate (Note 4.6.3)	(4,530)	(2,786)
Put option for Donnafugata Resort, S.r.l.	(165)	770
Total change in fair value of financial instruments	**(4,695)**	**(2,016)**

24.3 Personnel expenses

This item in the consolidated comprehensive profit and loss statement is broken down as follows:

	Thousands of euros	
	2015	2014
Wages, salaries and similar	299,033	282,173
Social security contributions	74,341	69,764
Indemnifications	4,688	9,043
Contributions to pension plans and similar	8,645	3,460
Other social expenses	11,441	9,353
	398,148	**373,793**

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in 2015 and 2014 broken down by professional categories was as follows:

	2015	2014
Group's general management	7	6
Managers and heads of department	1,117	1,077
Technical staff	926	771
Sales representatives	414	444
Administrative staff	178	154
Rest of workforce	11,217	10,257
	13,859	**12,709**

The breakdown of the personnel at 31 December 2015 and 2014, by gender and professional category, is as follows:

	31-12-2015		31-12-2014	
	Males	**Females**	**Males**	**Females**
Group's general management	6	1	6	—
Managers and heads of department	683	419	648	390
Technical staff	503	412	419	331
Sales representatives	104	299	89	283
Administrative staff	65	105	44	92
Rest of workforce	5,017	5,633	4,548	5,185
	6,378	**6,869**	**5,754**	**6,281**

The average number of people with disabilities equivalent to or greater than 33%, directly employed by the Parent Company and fully consolidated companies in Spain in 2015, broken down by professional categories, is as follows:

	2015	**2014**
Managers and heads of department	4	4
Technical staff	4	4
Rest of workforce	20	20
	28	**28**

The average age of the Group's workforce was approximately 37.3 and average seniority in the Group was 8.3 years.

24.4 Other operating expenses

The detail of "Other Operating Expenses" of the consolidated statement of comprehensive income for 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Lease rentals	282,597	272,156
External services	503,244	452,078
Additions to contingency and expense provisions	1,248	(4,217)
	787,089	**720,017**

During 2015 and 2014, the fees for account auditing and other services provided by the auditor of the Group's consolidated annual accounts, Deloitte, S.L., and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	Thousand of euros	
	2015	**2014**
Auditing services	472	464
Other verification services	263	241
Total auditing and related services	735	705
Tax consulting services	471	246
Other services	398	666
Total other services	869	912
Total professional services	**1,604**	**1,617**

Additionally, entities associated with the Deloitte international network have invoiced the Group for the following services:

	Thousand of euros	
	2015	2014
Auditing services	1,208	890
Other verification services	20	35
Total auditing and related services	1,228	925
Tax consulting services	131	133
Other services	3	42
Total other services	134	175
Total	**1,362**	**1,100**

During 2015, other auditing firms apart from Deloitte, S.L. or entities associated with this company by control, shared ownership or management, have provided account auditing services to the companies making up the Group, for fees totalling 130 thousand euros (57 thousand euros in 2014). The fees accrued in 2015 by these firms for tax advice services were 221 thousand euros (232 thousand euros in 2014 thousand euros) and for other services, 372 thousand euros (399 thousand euros in 2014).

24.5 Operating leases

At 31 December 2015 and 2014, the Group had made undertakings concerning future minimal rental payments by virtue of non-cancellable operating 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 commitments which the Group estimates will have to be met in the future to guarantee a minimum return from hotels operated under a management agreement.

	Present value	
Thousand of euros	**2015**	**2014**
Less than one year	272,870	278,675
Between two and five years	900,908	893,949
More than five years	1,056,344	983,924
Total	**2,230,122**	**2,156,548**

The term of the operating lease agreements signed by the Group ranges from 5 to 40 years. Agreements likewise include several methods to determine the rent to be paid. Basically, the methods for determining rentals can be summarised as fixed rentals indexed to a consumer price index; fixed rentals complemented by a variable part, indexed to the property's operating profits; or completely variable rentals, determined by business performance during the year. In some cases, variable rentals are set with a minimum profitability threshold for the owners of the property under operation.

The breakdown by business unit at 31 December 2015 of the present value of the lease payments is as follows (thousand euros):

	Less than one year	Between two and five years	More than five years	Total
Spain	75,521	248,127	193,219	516,867
Germany and Central Europe	104,970	355,749	418,190	878,909
Italy	43,858	114,397	77,936	236,191
Benelux	45,559	178,986	364,851	589,396
Latin America	2,962	3,649	2,148	8,759
Total	**272,870**	**900,908**	**1,056,344**	**2,230,122**

The breakdown by business unit at 31 December 2014 of the present value of the lease payments is as follows (thousand euros):

	Less than one year	Between two and five years	More than five years	Total
Spain	80,742	267,633	208,860	557,235
Germany and Central Europe	109,344	352,090	368,046	829,480
Italy	40,692	113,226	75,307	229,225
Benelux	44,678	155,757	328,617	529,052
Latin America	3,219	5,243	3,094	11,556
Total	**278,675**	**893,949**	**983,924**	**2,156,548**

24.6 Finance costs

The detailed balance of this chapter of the consolidated statement of comprehensive income for 2015 and 2014 is as follows:

	Thousand of euros	
	2015	2014
Expenses for interest	53,927	53,488
Financial expenses for means of payment	11,610	10,354
Financial effect exit NH Alcalá	4.394	—
Financial effect relating to updating of provisions (Note 17)	2,609	3,456
Other financial expenses	1,175	1,531
Total financial expenses	**73,715**	**68,829**

25. Related party transactions

In addition to its subsidiaries, associates and joint ventures, the Group's "related parties" are considered to be the "key management personnel" of the Parent Company (Board Members and Directors, along with their immediate relatives), as well as organisations over which key management personnel may exert significant influence or control.

Transactions carried out by the Group with its related parties during 2015 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 of the related-party transactions are equivalent to those of transactions carried out under market conditions:

	Thousand of euros			
	31/12/2015			
Income and expenses	**Major shareholders**	**Directors and senior management**	**Associates or companies of the group**	**Total**
Expenses:				
Finance costs	1,167	—	—	1,167
Management or cooperation agreements	—	—	—	—
R&D transfers and licence agreements	—	—	550	550
Lease rentals	—	—	—	—
Reception of services	—	—	—	—
Purchase of goods (finished or in-progress)	—	—	—	—
Write-downs for bad debts and doubtful accounts	—	—	—	—
Losses on retirement or disposal of assets	—	—	—	—
Other expenses	—	—	—	—
	1,167	**—**	**550**	**1,717**
Income:				
Finance income	—	—	437	437
Management or cooperation agreements	6,244	—	2,641	8,885
R&D transfers and licence agreements	—	—	—	—
Dividends received	—	—	—	—
Lease rentals	—	—	—	—
Provision of services	—	—	—	—
Sale of goods (finished or in-progress)	—	—	—	—
Gains on retirement or disposal of assets	—	273	—	273
Other income	—	—	—	—
	6,244	**273**	**3,078**	**9,595**

Income and expenses	Thousand of euros — 31/12/2014 — Major shareholders	Directors and senior management	Group persons, companies or entities	Total
Expenses:				
Finance costs	8,137	—	—	8,137
Management or cooperation agreements	—	—	—	—
R&D transfers and licence agreements	—	—	—	—
Lease rentals	10,143	—	—	10,143
Reception of services	—	—	—	—
Purchase of goods (finished or in-progress)	—	—	—	—
Write-downs for bad debts and doubtful accounts	—	—	—	—
Losses on retirement or disposal of assets	—	—	—	—
Other expenses	—	—	—	—
	18,280	**—**	**—**	**18,280**
Income:				
Finance income	—	—	—	—
Management or cooperation agreements	5,869	—	—	5,869
R&D transfers and licence agreements	—	—	—	—
Dividends received	—	—	—	—
Lease rentals	—	—	—	—
Provision of services	—	—	—	—
Sale of goods (finished or in-progress)	—	—	—	—
Gains on retirement or disposal of assets	—	—	—	—
Other income	—	—	—	—
	5,869	**—**	**—**	**5,869**

Financial expenses accrued from financing agreements with credit institutions that are major shareholders of the Parent Company amounted to 1,167 thousand euros in 2015 (8,137 thousand euros in 2014).

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 2015 by virtue of the hotel management agreement signed with Grupo Inversor Hesperia, S.A. It also states earned income reflected in contracts with partners.

Other financing agreements:

	Thousand of euros — 2015	2014
Loans to associates		
Consorcio Grupo Hotelero T2, S.A. de C.V.	672	—
Sotocaribe, S.L.	4,820	3,445
Total	**5,492**	**3,445**

Other operations

By virtue of the contractual relationship entered into with Grupo Inversor Hesperia, S.A., at 31 December 2015, 3.81 million euros had not yet been received for various reasons, of which 2.62 million euros were due on said date. At 31 December 2015 the net balance recognised in relation to Grupo Inversor Hesperia, S.A. came to 2 million euros (2.96 million euros at 31 December 2014).

26. Information by segments

The information by segments is primarily structured around the Group different business lines, and secondarily according to geographical distribution.

Main segments—business

On 14 November 2014, the NH Group sold the main share of its property business and reclassified as "Non-current assets held for sale and discontinued operations" the non-strategic assets involved in a divestment process with firm sale plans (see Note 11).

At 31 December 2015, the NH Group focuses its operations on the hotel business, which constitutes the basis upon which the Group presents the information on its main segment.

The Group does not include its catering operations as a main segment because it cannot be separated from the accommodation activity; both together constitute a single business, the hotel business.

Secondary segments—geographical

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 NH Group and is generated through a computer application which categorises transactions by business lines and geography.

Ordinary revenues of the segment correspond to revenue directly attributable to the segment plus the relevant proportion of the Group's general income that can be distributed to it using fair rules of distribution. The ordinary revenues of each segment do 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.

26.1 Information on main segments

This section breaks down information on main segments relating only to the Group's consolidated balance, given the reclassification of property business balances in the comprehensive consolidated income statement under "Profit (Loss) for the Year from

Discontinued Operations Net of Tax", applying International Financial Reporting Standard 5 "Non-current Assets held for sale and discontinued operations", detailed in Note 11.

	Thousand of euros					
	Hotel business		Real estate		Total	
	2015	2014	2015	2014	2015	2014
OTHER INFORMATION						
Additions of fixed assets	180,236	127,162	—	—	180,236	127,162
Depreciation	(106,159)	(98,516)	—	—	(106,159)	(98,516)
Net profit (loss) for asset deterioration	30,859	12,810	—	—	30,859	12,810
BALANCE SHEET						
ASSETS						
Assets by segments	2,694,209	2,643,183	—	—	2,694,209	2,643,183
Shareholdings in associated companies	(28,356)	(29,465)	45,034	47,281	16,678	17,816
Total consolidated assets	**2,665,853**	**2,613,718**	**45,034**	**47,281**	**2,710,887**	**2,660,999**
LIABILITIES						
Liabilities and equity by segments	2,665,853	2,613,718	45,034	47,281	2,710,887	2,660,999
Total Consolidated Liabilities and Shareholders' Equity	**2,665,853**	**2,613,718**	**45,034**	**47,281**	**2,710,887**	**2,660,999**

26.2 Information on secondary segments

The following table shows the breakdown of certain Group consolidated balances in accordance with the geographical distribution of the entities giving rise to them:

	Thousand of euros					
	Revenues		Total assets		Inclusions of tangible fixed assets and intangible assets	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Spain	325,515	295,292	783,832	848,466	66,152	66,267
Benelux	263,749	256,580	623,844	600,816	31,806	21,003
Italy	266,965	227,078	534,084	578,681	36,877	17,344
Germany	288,288	288,253	319,005	303,599	27,421	16,592
Latin America	138,581	87,115	410,987	292,974	17,268	5,157
Rest of Europe	93,536	92,636	39,135	36,463	712	799
Total	**1,376,634**	**1,246,954**	**2,710,887**	**2,660,999**	**180,236**	**127,162**

27. Remuneration and other statements made by the board of directors and senior management

The amount accrued in 2015 and 2014 by the members of the Parent's managing bodies, Board of Directors (13 members in 2015 and 2014), Executive Committee (6 members in 2015, 4 members in 2014), Audit and Control Committee (6 members in 2015, 3 members in 2014) and Appointments and Remuneration Committee (7 members in 2015, 3 members in 2014), in relation to the remuneration of the CEO, bylaw stipulated directors' fees and attendance fees, is as follows:

27.1 Remuneration of the board of directors

	Thousand of euros	
Remuneration item	**2015**	**2014**
Fixed remuneration	1,100	1,050
Variable remuneration	466	787
Parent Company: allowances	139	129
Parent Company: attendance allowances	493	550
Options on shares and other financial instruments	1,452	952
Indemnifications/other	5	8
Life insurance premiums	76	83
Consolidated companies: allowances	—	5
Consolidated Companies: attendance allowances	—	83
Total	**3,731**	**3,647**

The Board of Directors had 12 members at 31 December 2015, of which 1 is a woman and 11 are men (in 2014, there were 12 members: all were men).

In relation to the chapter "Share transactions and/or other financial instruments", share-based remuneration schemes with overlaid cycles are included and both in the case of the CEO and of the members of Senior Management, the objective remuneration earned has been taken into account.

27.2 Remuneration of senior management

The remuneration of members of the Management Committee at 31 December 2015 and 2014, excluding those who simultaneously held office as members of the Board of Directors (whose remuneration has been set out above), is detailed below:

	Thousand of euros	
	2015	**2014**
Pecuniary remuneration	2,830	2,535
Remuneration in kind	620	341
Others	65	61
Total	**3,515**	**2,937**

There were seven members of Senior Management at 31 December 2015, excluding the CEO, one more member than the previous year.

The accrued part of the variable remuneration is included within the remuneration of Senior Management, excluding the CEO.

27.3 Information on conflicts of interest on the part of directors

The Board of Directors has authorised a method of monitoring and evaluation so managers can facilitate the Board itself with information applicable to Article 229 of the Consolidated Capital Companies Act, concerning the obligations of transparency and control.

In accordance with the provisions of that article, at year-end 2015 the members of the Board of Directors of NH Hotel Group, S.A. have indicated they are not in any situation of conflict, direct or indirect, that they or persons related to them, as defined in the Act, may have with the interests of the Company.

28. Events after the reporting period

After the year end closing there has not been any relevant issue with significant impact on the financial and equity position of the Group

29. Information on environmental policy

The NH Group had not allocated any provisions for environmental contingencies and claims at year-end 2015.

The NH Group has no activities which require specific information to be shown in the environmental policy.

NH Group is certified by leading international standards such as ISO 50001, which certifies the efficiency of the hotel network's energy management on an international scale, and ISO 14001, which certifies environmental management.

The NH Group reports its climate-change commitment and strategy to the Carbon Disclosure Project (CDP). The CDP's A99-rating places NH Hotels Group among the leading companies in the hotel industry for its strategy to combat climate change. NH Hotels Group forms part of FTSE4 Good, an index on the London Stock Exchange which recognises the socially responsible behaviour of companies worldwide.

30. Exposure to risk

The Group 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's main financial assets include cash and cash equivalents (see Note 13), as well as trade and other accounts receivable (see Note 12). In general terms, the Group holds its cash and cash equivalents in entities with a high credit rating and part of its trade and other accounts receivable are guaranteed by deposits, bank guarantees 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, which 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 2015, approximately 59% of the gross 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.

Lastly, the long-term financial assets set out in Note 10 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, Colombia, Chile, Ecuador, the Dominican Republic, Panama and the United States).

- Transactions made by Group companies operating in countries whose currency is other than the euro (essentially Mexico, Argentina, Colombia, Chile, Ecuador, 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 of euros	
	Equity	Profit(loss)
US dollar	(924)	67
Argentine peso	(1,652)	15
Mexican peso	(2,328)	(265)
Colombian peso	(2,404)	30

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 forecast cash needs to be met.

The Group's liquidity position in 2015 is based on the following points:

- The group had cash and cash equivalents amounting to 77,699 thousands euros at 31 December 2015.

- Available undrawn credit facilities amounting to 30,833 thousands euros at 31 December 2015.

The Group's business units have the capacity to generate cash flow from their operations. Cash flow from operations in 2015 amounted to 117,770 thousand euros, calculated as adjusted income collected in the Cash Flow Statement of 126,156 thousand euros plus/minus the following changes in working capital: increase in inventories of 801 thousand euros, increased commercial debits and other accounts receivable of 17,937 thousand euros and increased commercial credits of 10,352 thousand euros.

- The Group's capacity to increase its financial borrowing; given that it has non-collateralised assets and meet the financial ratios required by the financing agreements.

Lastly, the Group makes cash flow forecasts on a systematic basis for each business unit and geographical area in order to assess their needs. This Group liquidity policy 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.

Appendix I: Subsidiaries

The data on the Parent company's subsidiaries at 31 December 2015 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
Airport Hotel Frankfurt-Raunheim, GmbH & Co.	Munich	Real estate	94%	100%
Artos Beteiligungs, GmbH	Munich	Holding company	94%	100%
Astron Immobilien, GmbH	Munich	Holding company	100%	100%
Astron Kestrell Ltd.	Plettenberg Bay	Hotel Business	100%	100%
Atlantic Hotel Exploitatie B.V.	The Hague	Hotel Business	100%	100%
Blacom, S.A.	Buenos Aires	Investment	100%	100%
Caribe Puerto Morelos, S.A. de C.V.	Mexico DF	Hotel Business	100%	100%
Chartwell de México, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.	Coatzacoalcos	Hotel Business	100%	100%
City Hotel, S.A.	Buenos Aires	Hotel Business	50%	50%
Cofir, S.L.	Madrid	Corporate services	100%	100%
Columbia Palace Hotel, S.A.	Montevideo	Hotel Business	100%	100%
Compañía Servicios Queretaro	Querétaro	Hotel Business	50%	50%
Coperama Holding, S.L.	Barcelona	Procurement network	100%	100%
DAM 9 B.V.	Amsterdam	Holding company	100%	100%
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	100%	100%
Desarrollo Inmobiliario Santa Fe, S.A. de C.V.	Mexico City	Hotel Business	50%	50%
Edificio Metro, S.A.	Buenos Aires	Hotel Business	100%	100%
NH Establecimientos Complementarios Hoteleros, S.A.	Barcelona	Sports Centres	100%	100%
Expl. Mij. Grand Hotel Krasnapolsky B.V.	Amsterdam	Hotel Business	100%	100%
Expl. Mij. Hotel Best B.V.	Best	Hotel Business	100%	100%
Expl. Mij. Hotel Doelen B.V.	Amsterdam	Hotel Business	100%	100%
Expl. Mij. Hotel Naarden B.V.	Naarden	Hotel Business	100%	100%
Expl. Mij. Hotel Schiller B.V.	Amsterdam	Hotel Business	100%	100%
Exploitatiemaatschappij Caransa Hotel, B.V.	Amsterdam	Without activity	100%	100%
Exploitatie Mij. Tropenhotel B.V.	Hilversum	Hotel Business	100%	100%
Fast Good Islas Canarias, S.A.	Las Palmas	Catering	100%	100%
Fast Good Península Ibérica, S.L.	Madrid	Catering	100%	100%
Franquicias Lodge, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Gran Círculo de Madrid, S.A.	Madrid	Catering	99%	99%
Grupo Financiero de Intermediación y Estudios, S.A.	Madrid	Corporate services	100%	100%
Grupo Hotelero Monterrey, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Grupo Hotelero Querétaro, S.A. de C.V.	Querétaro	Hotel Business	69%	69%
Hanuman Investment, S.L.	Tenerife	Hotel Business	38%	50%
Heiner Gossen Hotelbetrieb, GmbH	Mannheim	Hotel Business	100%	100%
HEM Atlanta Rotterdam B.V.	Hilversum	Hotel Business	100%	100%
HEM Epen Zuid Limburg B.V.	Wittem	Hotel Business	100%	100%
HEM Forum Maastricht, B.V.	Maastricht	Hotel Business	100%	100%
HEM Jaarbeursplein Utrecht, B.V.	Utrecht	Hotel Business	100%	100%
HEM Janskerkhof Utrecht, B.V.	Hilversum	Hotel Business	100%	100%
HEM Marquette Heemskerk, B.V.	Hilversum	Hotel Business	100%	100%
HEM Onderlangs Arnhem, B.V.	Arnhem	Hotel Business	100%	100%
HEM Spuistraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
HEM Stadhouderskade Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
HEM Van Alphenstraat Zandvoort, B.V.	Hilversum	Hotel Business	100%	100%
Hesperia enterprises de Venezuela, S.A.	Margarita Island	Hotel Business	100%	100%
Highmark Geldrop, B.V.	Geldrop	Hotel Business	100%	100%
Highmark Hoofddorp, B.V.	Hoofddorp	Hotel Business	100%	100%
Hispana Santa Fe, S.A. de C.V.	Mexico City	Hotel Business	50%	50%
Hotel Aukamm Wiesbaden, GmbH & Co.	Munich	Real estate	94%	100%
Hotel Ciutat de Mataro, S.A.	Barcelona	Hotel Business	100%	100%
Hotel de Ville, B.V.	Groningen	Hotel Business	100%	100%
Hotel Expl. Mij Amsterdam Noord, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij Leijenberghlaan Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotel expl. mij. Capelle a/d Ijssel, B.V.	Capelle a/d Ijssel	Hotel Business	100%	100%
Hotel expl. mij. Danny Kayelaan Zoetermeer, B.V.	Hilversum	Hotel Business	100%	100%
Hotel expl. mij. Stationsstraat Amersfoort, B.V.	Amersfoort	Hotel Business	100%	100%
Hotel Holding Onroerend Goed d'Vijff Vlieghen B.V.	Hilversum	Hotel Business	100%	100%
Hotel Houdstermaatschappij Jolly, B.V.	Amsterdam	Holding company	100%	100%
Hoteleira Brasil, Ltda.	Brazil	Hotel Business	100%	100%
Hotelera de la Parra, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Hotelera Lancaster, S.A.	Buenos Aires	Hotel Business	50%	50%
Hotelera de Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%

All companies end the year on 31/12/2015

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
Hoteles Hesperia, S.A.	Barcelona	Hotel Business	100%	100%
Hotelexploitatiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	100%	100%
Hotels Bingen & Viernheim, GmbH & Co.	Munich	Real estate	94%	94%
Inmobiliaria y Financiera Aconcagua, S.A.	Buenos Aires	Hotel Business	100%	100%
Inmobiliaria y financiera Chile S.A.	Santiago de Chile	Real estate	100%	100%
Inversores y Gestores Asociados, S.A.	Madrid	Corporate services	100%	100%
Jan Tabak, N.V.	Bussum	Hotel Business	81%	81%
JH Belgium, S.A.	Brussels	Hotel Business	100%	100%
JH Deutschland, GmbH	Cologne	Hotel Business	100%	100%
JH Holland, N.V.	Amsterdam	Hotel Business	100%	100%
JH USA, Inc.	Wilmington	Hotel Business	100%	100%
Koningshof, B.V.	Veldhoven	Hotel Business	100%	100%
Krasnapolsky Belgian Shares, B.V.	Hilversum	Holding company	100%	100%
COPERAMA Benelux, B.V.	Amsterdam	Without activity	100%	100%
Krasnapolsky H&R Onroerend Goed, B.V.	Amsterdam	Real estate	100%	100%
Krasnapolsky Hotels & Restaurants, N.V.	Amsterdam	Holding company	100%	100%
Krasnapolsky Hotels, Ltd.	Somerset West	Hotel Business	100%	100%
Krasnapolsky ICT, B.V.	Hilversum	Without activity	100%	100%
Krasnapolsky International Holding, B.V.	Amsterdam	Holding company	100%	100%
Latina Chile, S.A.	Santiago de Chile	Hotel Business	100%	100%
Latina de Gestión Hotelera, S.A.	Buenos Aires	Hotel Business	100%	100%
Latinoamericana de Gestion Hotelera, S.L.	Madrid	Holding company	100%	100%
Leeuwenhorst Congres Center, B.V.	Noordwijkerhout	Hotel Business	100%	100%
Liberation Exploitatie, B.V.	Sprang Capelle	Hotel Business	100%	100%
Marquette Beheer, B.V.	Hilversum	Real estate	100%	100%
Museum Quarter, B.V.	Hilversum	Hotel Business	100%	100%
Nacional Hispana de Hoteles, S.A.	Mexico City	Hotel Business	100%	100%
Aguamarina S.A.	Dominican Republic	Corporate services	100%	100%
NH Atardecer Caribeño, S.L.	Madrid	Corporate services	100%	100%
NH Belgium CvbA	Diegem	Holding company	100%	100%
NH Caribbean Management, B.V.	Hilversum	Management	100%	100%
NH Central Europe Management, GmbH	Berlin	Hotel Business	100%	100%
NH Central Europe, GmbH & Co. KG	Berlin	Hotel Business	100%	100%
NH Central Reservation Office, S.L.	Madrid	Call Centre	100%	100%
NH Fashion Tapas, S.L.	Madrid	Catering	100%	100%
NH Finance, S.A.	Luxembourg	Financial company	100%	100%
NH Financing Services S.a r.l.	Luxembourg	Financial company	100%	100%
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel Business	90%	90%
NH Europa, S.A.	Barcelona	Hotel Business	100%	100%
NH Hotelbetriebs.-u. Dienstleistungs, GmbH	Berlin	Hotel Business	100%	100%
NH Hotelbetriebs-u Entwicklungs, GmbH	Berlin	Hotel Business	100%	100%
NH Hoteles Austria, GmbH	Vienna	Hotel Business	100%	100%
NH Hoteles Deutschland, GmbH	Berlin	Hotel Business	100%	100%
NH Hoteles España, S.L.	Barcelona	Hotel Business	100%	100%
NH Hoteles France S.A.S.U.	France	Hotel Business	100%	100%
NH Hoteles Participaties, NV	Amsterdam	Holding company	100%	100%
NH Hoteles Switzerland GmbH	Fribourg	Hotel Business	100%	100%
NH Hotels Czequia, s.r.o.	Prague	Hotel Business	100%	100%
NH Hotels Polska, Sp. Zo.o.	Poland	Hotel Business	100%	100%
NH Hotels USA, Inc.	Houston	Hotel Business	100%	100%
NH Hungary Hotel Management, Ltd.	Budapest	Hotel Business	100%	100%
NH Lagasca, S.A.	Madrid	Hotel Business	75%	75%
NH Las Palmas, S.A.	Gran Canaria	Hotel Business	75%	75%
NH Logroño, S.A.	Logroño	Hotel Business	76%	76%
NH Marin, S.A.	Barcelona	Hotel Business	50%	50%
NH Private Equity	Barcelona	Hotel Business	100%	100%
NH Rallye Portugal, Lda.	Portugal	Hotel Business	100%	100%
NH The Netherlands B.V. (formerly GTI B.V.)	Hilversum	Holding company	100%	100%
Nhow Rotterdam, B.V.	The Hague	Hotel Business	100%	100%
Hotel Exploitatiemaatschappij Diegem N.V.	Diegem	Hotel Business	100%	100%
Noorderweb, B.V.	Hilversum	Hotel	100%	100%
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	100%	100%
Objekt Leipzig Messe, GmbH & Co.	Munich	Real estate	94%	100%
Olofskapel Monumenten B.V.	Amsterdam	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V.	Geldrop	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Capelle aan den Ijssel, B.V.	Capelle a/d Ijssel	Real estate	100%	100%

All companies end the year on 31/12/2015

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
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Ijsselmeerweg Naarden, B.V.	Naarden	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Maas Best, B.V.	Best	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real estate	100%	100%
Operadora Nacional Hispana, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Palatium Amstelodamum N.V.	Amsterdam	Hotel Business	100%	100%
Parque de la 93, B.V.	Amsterdam	Hotel Business	100%	100%
Polis Corporation, S.A.	Buenos Aires	Hotel Business	100%	100%
NH Resorts Europa, S.L.	Madrid	Hotel Business	100%	100%
Restaurant D'Vijff Vlieghen B.V.	Amsterdam	Catering	100%	100%
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	100%	100%
Servicios Corporativos Chartwell Monterrey, S.A. de C.V.	Monterrey	Hotel Business	100%	100%
Servicios Corporativos Hoteleros, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Servicios de Operación Turística, S.A. de C.V.	Guadalajara	Hotel Business	100%	100%
Servicios Hoteleros Tlalnepantla, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Nhow Amsterdam, B.V.	Utrecht	Without activity	100%	100%
Toralo, S.A.	Monte video	Hotel Business	100%	100%
VSOP VIII B.V.	Groningen	Hotel Business	50%	50%
Coperama Spain, S.L.	Spain	Procurement network	100%	100%
Hoteles Royal, S.A.(*)	Bogota	Holding company	97%	100%
Eurotels Chile S.A.(*)	Chile	Holding company	97%	100%
Hotel Andino Royal S.A.S.(*)	Bogota	Hotel Business	97%	100%
Hotel Hacienda Royal Ltda(*)	Bogota	Hotel Business	97%	100%
Hotel La Boheme Ltda(*)	Bogota	Hotel Business	97%	100%
Hotel Medellin Royal Ltda(*)	Medellin	Hotel Business	97%	100%
Hotel Pacífico Royal Ltda(*)	Cali	Hotel Business	97%	100%
Hotel Parque Royal S.A.S.(*)	Bogota	Hotel Business	97%	100%
Hotel Pavillon Royal Ltda.(*)	Bogota	Hotel Business	97%	100%
Hotelera Norte Sur S.A(*)	Chile	Real estate	66%	100%
Hoteles Royal del Ecuador S.A. Horodelsa(*)	Quito	Hotel Business	54%	55%
HR Quántica SAS(*)	Bogota	Hotel Business	50%	51%
Inmobiliaria Royal S.A(*)	Chile	Real estate	66%	67%
Inversiones SHCI(*)	Bogota	Real estate	62%	100%
Promotora Royal S.A.(*)	Bogota	Real estate	97%	100%
Royal Hotels Inc.(*)	USA	Hotel Business	97%	100%
Royal Hotels International Latin América Inc(*)	USA	Hotel Business	97%	100%
Royal Santiago Hotel S.A.(*)	Chile	Hotel Business	66%	67%
Soc. Operadora Barranquilla Royal SAS(*)	Barranquilla	Hotel Business	97%	100%
Soc. Operadora Cartagena Royal SAS(*)	Cartagena	Hotel Business	97%	100%
Soc. Operadora Calle 100 Royal SAS(*)	Bogota	Hotel Business	97%	100%
Soc. Operadora Urban Royal Calle 26 SAS(*)	Bogota	Hotel Business	97%	100%
Soc. Operadora Urban Royal Calle 93 SAS(*)	Bogota	Hotel Business	97%	100%
Sociedad Hotelera Calle 74 Ltda(*)	Bogota	Hotel Business	97%	100%
Sociedad Hotelera Cien Internacional S.A.(*)	Bogota	Hotel Business	62%	64%
Sociedad Hotelera Cotopaxi S.A.(*)	Quito	Hotel Business	54%	55%
NH Italia, S.p.A.	Milan	Hotel Business	100%	100%
Immo Hotel Bcc N.V.	Diegem	Real estate	100%	100%
Immo Hotel Belfort N.V.	Diegem	Real estate	100%	100%
Immo Hotel Brugge N.V.	Diegem	Real estate	100%	100%
Immo Hotel Diegem N.V.	Diegem	Real estate	100%	100%
Immo Hotel Gent N.V.	Diegem	Real estate	100%	100%
Immo Hotel Gp N.V.	Diegem	Real estate	100%	100%
Immo Hotel Stephanie N.V.	Diegem	Real estate	100%	100%
Immo Hotel Mechelen N.V.	Diegem	Real estate	100%	100%
NH Management Black Sea Srl	Bucarest	Hotel Business	100%	100%
NH Brasil Abrasil Administraçao De Hoteis E Participadas Ltda.	Villa Olímpica	Hotel Business	100%	100%

All companies end the year on 31/12/2015

(*) Additions to the scope 2015

Appendix II: Associates

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
Borokay Beach, S.L.	Madrid	Hotel Business	50%	50%
Capredo Investments GmbH(*)	Switzerland	Holding company	50%	50%
Consorcio Grupo Hotelero T2, S.A. de C.V.	Mexico City	Hotel Business	10%	10%
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel Business	27%	27%
Losan Investment Ltd.	London	Hotel Business	30%	30%
Mil Novecientos Doce, S.A. de C.V.	Mexico	Hotel Business	25%	25%
Palacio de la Merced, S.A.	Burgos	Hotel Business	25%	25%
Sotocaribe, S.L.	Madrid	Holding company	36%	36%
Hotelera del Mar, S.A.	Mar de Plata	Hotel Business	20%	20%
Varallo Comercial, S.A.	Dominican Republic	Hotel Business	14%	14%
Hotel & Congress Technology, S.L.(*)	Madrid	R+D services	50%	50%
Beijing NH Grand China Hotel Management Co, Ltd.(*)	Beijing	Hotel Business	49%	49%

All companies end the year on 31/12/2015

(*) Additions to the scope 2015

NH Hotel Group, S.A.
and subsidiaries

Audited consolidated financial statements of NH Hotel Group, S.A. as of and for the year ended December 31, 2014

Independent auditors' report on consolidated financial statements

Deloitte.

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Torre Picasso
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España
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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of NH Hotel Group, S.A.:

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of NH Hotel Group, S.A. ("the Parent") and subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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.

Directors' Responsibility for the Consolidated Financial Statements
The Parent's directors are responsible for preparing the accompanying consolidated financial statements, so that they present fairly the consolidated equity, consolidated financial position and consolidated results of NH Hotel Group, S.A. and subsidiaries, 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 in Spain, identified in Note 2.1 to the accompanying consolidated financial statements, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated Financial statements.

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.

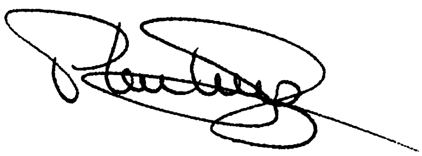
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of NH Hotel Group, S.A. and subsidiaries as at 31 December 2014, and their consolidated results and their consolidated cash flows for the year then ended 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 in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2014 contains the explanations which the Parent's directors consider appropriate about the situation of NH Hotel Group, S.A. and subsidiaries, 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 2014. 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 accounting records of NH Hotel Group, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in R.O.A.C. under no. S0692



Pilar Cerezo Sobrino

26 March 2015

NH Hotel Group, S.A. and subsidiaries

consolidated balance sheets
at 31 December 2014 and 31 December 2013
(€ Thousand)

	Note	31/12/2014	31/12/2013*
Assets			
Non-current assets			
Property, plant and equipment	8	1.606.360	1.714.980
Goodwill	6	93.923	97.221
Intangible assets	7	78.842	72.616
Investment property		—	957
Investments accounted for using the equity method	10	17.816	84.179
Non-current financial investments-		165.564	111.599
Loans and accounts receivable not available for trading	11.1	*158.859*	*103.867*
Other non-current financial investments-	11.2	*6.705*	*7.732*
Deferred tax assets	20	157.858	198.782
Other non-current assets		11.085	578
Total non-current assets		2.131.448	2.280.912

	Note	31/12/2014	31/12/2013*
Current assets			
Non-current assets classified as held for sale	9	95.193	—
Inventories	12	8.226	79.635
Trade receivables	13	136.012	119.195
Non-trade receivables		69.789	60.856
Tax receivables	20	*35.123*	*39.692*
Other non-trade debtors		*34.666*	*21.164*
Short-term financial investments	4.7.3	2.787	—
Cash and cash equivalents	14	200.103	133.869
Other current assets		17.441	13.042
Total current assets		529.551	406.597
Total assets		2.660.999	2.687.508

* Audited balances. Presented for purposes of comparison only.

Notes 1 to 31 in the Consolidated Annual Report and Annexes I/III form an integral part of the Consolidated Balance Sheet at 31 December 2014.

NH Hotel Group, S.A. and subsidiaries

consolidated balance sheets
at 31 December 2014 and 31 December 2013 (continued)
(€ Thousand)

	Note	31/12/2014	31/12/2013*
Liabilities and shareholders' equity			
Equity			
Share capital	**15.1**	700.544	616.544
Reserves of the parent	**15.2**	624.570	657.800
Reserves of fully consolidated companies		(68.049)	(106.071)
Reserves of companies consolidated using the equity method		(19.794)	(11.699)
Other equity instruments		27.230	27.230
Exchange differences		(102.659)	(103.657)
Treasury shares	**15,3**	(38.805)	(38.115)
Consolidated Profit/(Loss) for the financial year		(9.550)	(41.562)
Equity attributable to the shareholders of the Parent Company		**1.113.487**	**1.000.470**
Non-controlling interests	**15,4**	23.181	153.001
Total equity		**1.136.668**	**1.153.471**

	Note	31/12/2014	31/12/2013*
Non-current liabilities			
Debt instruments and other marketable securities	**16**	463.982	458.288
Bank borrowings	**16**	268.944	321.295
Obligations under finance leases		2.782	1.703
Other non-current liabilities	**17**	88.484	50.306
Provisions for contingencies and charges	**19**	56.930	66.735
Deferred tax liabilities	**20**	179.730	201.225
Total non-current liabilities		**1.060.852**	**1.099.552**

	Note	31/12/2014	31/12/2013*
Current liabilities			
Liabilities associated with non-current assets classified as held for sale	**9**	56.075	—
Debt instruments and other marketable securities	**16**	3.517	3.661
Bank borrowings	**16**	70.911	96.044
Obligations under finance leases		1.056	2.428
Trade and other payables	**21**	231.427	229.588
Tax payables	**20**	40.094	37.495
Provisions for contingencies and charges	**19**	14.835	26.270
Other current liabilities	**23**	45.564	38.999
Total current liabilities		**463.479**	**434.485**
Total shareholders' equity and liabilities		**2.660.999**	**2.687.508**

* Audited balances. Presented for purposes of comparison only.

Notes 1 to 31 in the Consolidated Annual Report and Annexes I/II form an integral part of the Consolidated Balance Sheet at 31 December 2014.

The Consolidated Balance Sheet at 31 December 2013 is presented solely for the purposes of comparison.

NH Hotel Group, S.A. and subsidiaries

consolidated comprehensive profit and loss statements for 2014 and 2013 (€ Thousands)

	Note	2014	2013*
Revenues	**25.1**	1.246.954	1.232.172
Other operating income	**25.1**	3.299	1.494
Net gains on disposal of non-current assets	**7, 8 and 25.1**	(1.005)	2.120
Procurements		(67.321)	(71.190)
Purchases		*(67.321)*	*(71.190)*
Inventory impairments	***12***	—	—
Staff costs	**25.3**	(373.793)	(387.229)
Depreciation and amortisation charges	**7 and 8**	(98.516)	(101.322)
Net impairment losses	**6, 7 and 8**	12.810	28.103
Other operating expenses		(705.296)	(697.515)
Variation in the provision for onerous contracts		*14.721*	*6.642*
Other operating expenses	**2.5.4**	*(720.017)*	*(704.157)*
Profit (loss) on disposal of financial investments	**2.5.4**	17.278	40.851
Profit (loss) from companies accounted for using the equity method	**10**	(1.341)	(1.521)
Finance income	**25.2**	7.368	4.099
Change in fair value of financial instruments	**25.6**	2.016	9.511
Financial assets held for trading and others		—	9.511
Finance costs	**25.6**	(68.829)	(76.346)
Net exchange differences (Income/(Expense))		38	(7.483)
Impairment of financial investments		—	—
PROFITS / (LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS		**(26.338)**	**(24.256)**
Income tax	**20**	(15.611)	(9.122)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR— CONTINUING		**(41.949)**	**(33.378)**
Profit (loss) for the year from discontinued operations net of tax		31.509	(6.669)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		**(10.440)**	**(40.047)**
Exchange differences		1.330	(25.650)
arising from the measurement of financial instruments		(4.321)	5.690
Income and expenses recognised directly in equity		**(2.991)**	**(19.960)**
TOTAL COMPREHENSIVE LOSS		**(13.431)**	**(60.007)**
Profit / Loss for the year attributable to:			
Parent Company Shareholders		(9.550)	(41.562)
Non-controlling interests		(623)	1.741
Non-controlling interests in discontinued operations		(267)	(226)
Comprehensive loss attributable to:			
Parent Company Shareholders		(12.873)	(57.974)
Non-controlling interests	**15.4**	(558)	(289)
Profit / Loss per share in Euros (basic and diluted)	**5**	**(0,03)**	**(0,13)**

(*) Presented for purposes of comparison only. Audited balances adjusted for changes to IFRS 5.

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/III form an integral part of the Consolidated Comprehensive Profit and Loss Statement for 2014. The Consolidated Comprehensive Profit and Loss Statement for 2013 is presented solely for the purposes of comparison

NH Hotel Group, S.A. and subsidiaries

Consolidated statement of changes in shareholders' equity for 2014 and 2013 (€ Thousands)

	Share capital	Share premium	Parent company's reserves: Legal reserve	Parent company's reserves: Other reserves	Reserves in companies consolidated by: Full consolidation	Reserves in companies consolidated by: The equity method	Currency translation differences	Equity instruments	Equity valuation adjustments	Treasury shares	Income attributable to the parent company	Total	Non-controlling interests	Total equity
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**
Auditing adjustments record	—	—	—	—	(2,795)	—	—	—	—	—	—	(2,795)	—	(2,795)
Initial balance adjusted 1 January 2013	**493,235**	**413,747**	**43,121**	**119,637**	**158,099**	**(5,678)**	**(79,811)**	**—**	**(5,690)**	**(11,590)**	**(293,737)**	**831,333**	**159,158**	**990,491**
Net profit (loss) for 2013	—	—	—	—	—	—	—	—	—	—	(39,818)	(39,818)	1,515	(38,303)
Exchange differences	—	—	—	—	—	—	(23,846)	—	—	—	—	(23,846)	(1,804)	(25,650)
Cash flow hedges	—	—	—	—	—	—	—	—	5,690	—	—	5,690	—	5,690
Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Recognised income and expenses for the period	—	—	—	—	—	—	(23,846)	—	5,690	—	(39,818)	(57,974)	(289)	(58,263)
Capital increase	123,309	107,512	—	—	—	—	—	—	—	—	—	230,821	—	230,821
Distribution of Profit (Loss) 2012—												—		—
—To Reserves	—	—	—	(25,481)	(262,235)	(6,021)	—	—	—	—	293,737	—	—	—
—To Dividends	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in treasury shares	—	—	—	—	—	—	—	—	—	(26,525)	—	(26,525)	—	(26,525)
Remuneration Scheme in shares	—	—	—	483	—	—	—	—	—	—	—	483	—	483
Acquisition of non-controlling interests	—	—	—	—	364	—	—	—	—	—	—	364	(3,875)	(3,511)
Business combination	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Distribution of dividends	—	—	—	—	—	—	—	—	—	—	—	—	(1,466)	(1,466)
Convertible notes	—	—	—	—	—	—	—	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**	**(106,071)**	**(11,699)**	**(103,657)**	**27,230**	**—**	**(38,115)**	**(39,818)**	**1,002,214**	**153,001**	**1,155,215**
Auditing adjustments record	—	—	—	—	—	—	—	—	—	—	(1,744)	(1,744)	—	(1,744)
Initial balance adjusted 01 January 2014	**616,544**	**521,259**	**43,121**	**93,420**	**(106,071)**	**(11,699)**	**(103,657)**	**27,230**	**—**	**(38,115)**	**(41,562)**	**1,000,470**	**153,001**	**1,153,471**
Net profit (loss) for 2014	—	—	—	—	—	—	—	—	—	—	(9,550)	(9,550)	(890)	(10,440)
Exchange differences	—	—	—	—	—	—	998	—	—	—	—	998	332	1,330
Cash flow hedges	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	(4,321)	—	—	—	—	—	—	(4,321)	—	(4,321)
Recognised income and expenses for the period	—	—	—	—	(4,321)	—	998	—	—	—	(9,550)	(12,873)	(558)	(13,431)
Capital increase	84,000	113,400	—	(75,289)	—	—	—	—	—	—	—	122,111	(123,055)	(944)
Distribution of Profit (Loss) 2013—														
—To Reserves	—	—	—	(71,647)	38,180	(8,095)	—	—	—	—	41,562	—	—	—
—To Dividends	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—To Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in treasury shares	—	—	—	—	—	—	—	—	—	(690)	—	(690)	—	(690)
Remuneration Scheme in shares	—	—	—	1,167	—	—	—	—	—	—	—	1,167	—	1,167
Business combination	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Distribution of dividends	—	—	—	—	325	—	—	—	—	—	—	325	(765)	(440)
Other transactions with shareholders or owners	—	—	—	—	—	—	—	—	—	—	—	—	(4,626)	(4,626)
Other movements	—	—	—	(861)	3,838	—	—	—	—	—	—	2,977	(816)	2,161
Balances at 31 December 2014	**700,544**	**634,659**	**43,121**	**(53,210)**	**(68,049)**	**(19,794)**	**(102,659)**	**27,230**	**—**	**(38,805)**	**(9,550)**	**1,113,487**	**23,181**	**1,136,668**

Notes 1 to 31 in the Consolidated Annual Report and Annexes I/III form an integral part of the Consolidated Statement of Changes in Shareholders' Equity for the financial year ending 31 December 2014. The Consolidated Statement of Changes in Shareholders' Equity for the year ending 31 December 2013 is presented solely for the purposes of comparison.

NH Hoteles, S.A. and subsidiaries

consolidated cash flow statements for the twelve months ending 31 December 2014 and 2013 (€ Thousands)

	Note	31.12.2014	31.12.2013*
1.- OPERATING ACTIVITIES			
Consolidated profit (loss) before tax:		**(26.338)**	**(22.512)**
Adjustments:			
Depreciation of tangible and amortisation of intangible assets (+)	**7 and 8**	98.516	101.322
Impairment losses (net) (+/−)	**6, 7 and 8**	(12.810)	(28.103)
Allocations for provisions (net) (+/−)	**19**	(14.721)	(6.642)
Gains/Losses on the sale of tangible and intangible assets (+/−)	**25.1**	1.005	(2.120)
Gains/Losses on investments valued using the equity method (+/−)	**10**	1.341	1.521
Financial income (−)	**25.2**	(7.368)	(4.099)
Financial expenses and variation in fair value of financial instruments (+)	**25.6**	66.813	67.287
Net exchange differences (Income/(Expense))		(38)	7.483
Profit (loss) on disposal of financial investments		(17.278)	(40.851)
Other non-monetary items (+/−)		4.108	(14.995)
Adjusted profit (loss)		**93.230**	**58.291**
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		361	(29)
(Increase)/Decrease in trade debtors and other accounts receivable		(44.383)	(5.486)
(Increase)/Decrease in other current assets		(6.014)	8.330
Increase/(Decrease) in trade payables		3.674	358
Increase/(Decrease) in other current liabilities		(3.847)	(13.172)
Increase/(Decrease) in provisions for contingencies and expenses		(7.158)	(959)
Income tax paid		(3.750)	(7.082)
			—
Total net cash flow from operating activities (I)		**32.113**	**40.251**
2.- INVESTMENT ACTIVITIES			
Finance income		7.289	3.753
Investments (−):			—
Tangible and intangible assets and investments in property		(109.892)	(38.768)
Non-current assets classified as held for sale		(4.256)	—
Non-current financial investments		(370)	(17.560)
		(114.518)	**(56.328)**
Disinvestment (+):			
Group companies, joint ventures and associates	**2**	58.278	141.388
Tangible and intangible assets and investments in property		6.449	1.962
Non-current assets classified as held for sale		—	5.150
Non-current financial investments		4.247	—
Other assets		—	287
		68.974	**148.787**
Total net cash flow from investment activities (II)		**(38.255)**	**96.212**
3.- FINANCING ACTIVITIES			—
Interest paid on debts (−)		(59.952)	(68.055)
Variations in (+/−):			
Equity instruments			
—Capital		—	123.309
—Reserves		—	107.512
—Non-controlling interests		—	—
Treasury shares		(692)	(23.634)
—Equity components of convertible bonds		—	27.230
Debt instruments:			
—Bonds and other tradable securities (+)		—	457.641
—Loans from credit institutions (+)		10.000	137.575
—Loans from credit institutions (−)		(37.227)	(765.684)
—Other financial liabilities (+/−)		(15.911)	(37.585)
Total net cash flow from financing activities (III)		**(103.782)**	**(41.691)**
			—
4.- GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		(109.924)	94.772
5.- Effect of exchange rate variations on cash and cash equivalents (IV)		254	1.210
6.- Effect of variations in the scope of consolidation (V)		176.412	—
7.- NET INCREASE/DECREASEIN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		66.234	93.562
8.- Cash and cash equivalents at the start of the financial year		**133.869**	**40.307**
9.- Cash and cash equivalents at the end of the financial year (7+8)		**200.103**	**133.869**

* Audited balances adjusted for IFRS 5.

Notes 1 to 31 in the Consolidated Annual Report and Annexes I/III are an integral part of the Consolidated Comprehensive Income for 2014. The Consolidated Comprehensive Income Statement for 2013 is presented solely for the purposes of comparison.

NH Hotel Group, S.A.
(formerly NH Hoteles S.A) and subsidiaries
Report on the consolidated financial statements for 2014

1. Activity and composition of the parent company

NH HOTEL GROUP, S.A, formerly 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 later 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.

(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 take-over 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 urban 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 Group's organic growth allowed it to enter different European markets, such as Italy and Romania, as well as 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.

The Group entered into an agreement with Grupo Inversor Hesperia, S.A. (hereinafter "Hesperia") in 2009 to merge their respective hotel management businesses. As a result, the Group now manages 49 hotels owned or operated by Hesperia. The Group currently manages 34 hotels belonging to Grupo Inversor Hesperia.

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

At the end of 2014, the Group was operating hotels in 28 countries, with 363 hotels and 57,127 rooms, of which around 79% are located in Spain, Germany, Italy and Benelux.

The General Shareholders' Meeting of 26 June 2014 agreed to change the company's name from "NH Hoteles, S.A." to "NH Hotel Group, S.A."

NH Hotel Group, 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 2014 were drawn up by the directors of NH Hotel Group, S.A. at the Board meeting held on 25 March 2015, in accordance with the regulatory reporting framework applicable to the Group, as established in the Code of Commerce and all other Spanish corporate law, and in the International Financial Reporting Standards ("IFRS") adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and in Law 62/2003, of 30 December, the Tax, Administrative, Labour and Social Security Measures Act, and as such give a true and fair presentation the Group's equity and financial position at 31 December 2014 and of the results of its operations, changes in equity and consolidated cash flows for the year then ended.

The consolidated financial statements for 2014 of the Group and the entities that it comprises 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 believe that said financial statements will be approved without any significant changes. The consolidated financial statements for 2013 were approved by the shareholders at the Annual General Meeting held on 26 June 2014 and filed with the Mercantile Registry of Madrid.

Since the accounting standards and valuation criteria applied in the preparation of the Group's consolidated financial statements for 2014 may differ from those used by some of its member companies, adjustments and reclassifications were used to standardise them and adapt them to IFRS as adopted by the European Union.

2.1.1 Standards and interpretations effective in this period

In 2014 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:

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	
IFRS 11—Joint Arrangements (published in May 2011)	Replaces the current IAS 31 on joint ventures	
IFRS 12—Disclosure of Interests in Other Entities (published in May 2011)	Single standard which establishes the disclosure of interests in subsidiaries, associates, joint ventures and unconsolidated entities.	
IAS 27 (Revised)—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.	01 January 2014(1)
IAS 28 (Reviewed)—Investments in Associates and Joint Ventures	Parallel review relating to the issue of IFRS 11 Joint Arrangements	
June 2012)	Clarification of the transitional rules for these standards.	
Investment companies: Amendment to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Exception from consolidation for parent companies that meet the definition of investment companies.	
Amendment to IAS 32 Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities (published in	Further clarifications regarding the rules for offsetting financial assets and liabilities under IAS 32.	
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	01 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.	

(1) The European Union postponed the date of mandatory application by a year. The original date for application of the IASB was 1 January 2013.

The Group had opted for voluntary early adoption, beginning in 2013, of the following standards and interpretations, in force as of 2014:

IFRS 10 Consolidated Financial Statements

New regulations for consolidation, replacing the consolidation provisions of IAS 27 and interpretation SIC-12 on the consolidation of special purpose entities. The main new feature is the change to the definition of control: power over an investee, exposure or rights to variable returns on investment, and the ability to affect those returns.

This new definition and the entire new regulatory framework do not require changes to the consolidated companies.

IFRS 11 Joint Arrangements

Replaces 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.

This standard was applied early, from 1 January 2013. The impact of its application is detailed in the consolidated annual accounts for 2013.

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		
IFRIC 21 Levies (published in May 2013) . .	Interpretation of when to recognise a liability for levies that are dependent on the entity's participation in an activity on a given date.	17 June 2014 -
Awaiting approval for use in the European Union as of the date of publication of this document (2)		
IFRS 9 Financial Instruments (final phase published in July 2014)	It replaces the classification and measurement, impairment and hedge accounting requirements in IAS 39	01 January 2018 -
IFRS 15—Revenue from Contracts with Customers (published in May 2014)	New standard on revenue recognition (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31	01 January 2017 -
Amendments and/or interpretations		
Amendment 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.	01 July 2014 -
Improvements to the 2010-2012 and 2011-2013 IFRS Cycles	Minor amendments to a number of standards.	
Amendment to IAS 16 and IAS 38—Acceptable Methods of Depreciation and Amortisation (published in May 2014) . . .	Clarifies the methods acceptable for depreciating and amortising property, plant and equipment and intangible assets.	
Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Ventures (published in May 2014)	Specifies how to account for the acquisition of an interest in a joint venture whose activity constitutes a business.	
Improvement to IFRS 2012-2014 Cycle (published in May 2014)	Minor amendments to a number of standards.	
Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (published	Clarification on the result of these operations if dealing with businesses or assets.	1 January 2016
Amendment to IAS 27 Equity Method in Separate Financial Statements (published in August 2014)	This will allow the equity method to be applied to the individual statements of an investor.	
Amendments to IAS 16 and IAS 41: Bearer plants (published in	Bearer plants will be measured at cost instead of fair value.	

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 on 2013

As required by IAS 1, the information from 2013 contained in this consolidated annual report is presented solely for comparison with the information from 2014, and consequently does not in itself constitute the Group's consolidated annual accounts for 2013.

In accordance with IFRS 5—Non-Current Assets Held for Sale and Discontinued Operations, as indicated in Note 4.7.2, non-strategic assets and liabilities undergoing divestment were reclassified as "Non-Current Assets and Liabilities Classified as Held for Sale" in the accompanying consolidated balance sheet and as "Profits (Loss) for the Year from Discontinued Operations Net of Tax" in the accompanying comprehensive consolidated income statement. Likewise, in accordance with this regulation, for comparison purposes the relevant uniformity adjustments were made to the consolidated comprehensive income statement and statement of cash flows for 2013.

The accompanying Consolidated Statements of Changes in Equity include, under "Record of Audit Adjustments", adjustments identified in previous years relating to calculating rental linearisation. The adjustments for 2012 and before come to €2,795thousand and those for 2013 are €1,744 thousand.

2.3 Currency of presentation

These consolidated financial statements are presented in euros. Any foreign currency transactions have been recognised in accordance with the criteria described in Note 4.11.

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 recognised. These estimates essentially refer to:

- Losses arising from asset impairment.
- The assumptions used in the actuarial calculation of liabilities for pensions and other undertakings made to the personnel.
- 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 ability to exercise control. This ability is shown when the Parent Company has the power to direct 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 non-controlling shareholders in the Group's equity and results are respectively presented in the "Non-controlling 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 until to the effective date of disposal, as appropriate.

2.5.2 Associates (See Appendix II)

Associates are considered as any companies in which the Parent Company has the ability 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%.

Associates are valued in the consolidated financial statements using 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 Foreign currency translation

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.
- Income statement items were translated to euros at the average exchange rate for 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.

2.5.4 Changes in the scope of consolidation

The most significant changes in the scope of consolidation during 2014 and 2013 that affect the comparison between financial years were the following:

a.1 Changes in the scope of consolidation in 2014

a.1.1 Disposals

On 14 November 2014, the Parent Company's stake in Sotogrande, S.A., representing 96.997% of its share capital, was sold for €224,947 thousand. The net amount received after deducting municipal taxes, transaction costs, net debt and financial effects was €181,110 thousand, of which €129,312 thousand corresponded to shares in Sotogrande, S.A. and €51,798 thousand to the liquidation of the intercompany account which the Parent Company maintained with Sotogrande, S.A.

This transaction involved the transfer of the entire property business segment of Sotogrande, S.A., based in Cádiz (Spain). The transaction excluded ownership of shares in the international assets (Capredo Investments GmbH, Sotocaribe, S.L., and Donnafugata Resort, S.r.l., see note 9), and the rights to receivables arising from the claim against the insurance agency which provided the ten-year policy covering building work in a housing development by Sotogrande (see Note 11.1) and the deferred payment of the sale of 15 business premises in another property development.

Before the sale, Sotogrande, S.A. acquired 504,089 and 46,865 shares in Residencial Marlin, S.L. and Los Alcornoques de Sotogrande, S.L., respectively, representing 50% of the share capital of both companies, for a total of €16.65 million. Thus, the Group acquired control of both companies, which it later sold in the context of the sale of its shares in Sotogrande, S.A.

At the same time as the transfer of shares in Sotogrande, S.A., the stakes in the excluded international assets listed above were transferred to NH at market prices, maintaining their value for accounting purposes according to the consolidated financial statements of NH Hotel Group and Subsidiaries.A period of five years was established for transferring the stake in Sotocaribe, S.L. through reciprocal sales and purchase options, to be exercised within the indicated period. The strike price of the option, €58.25thousan, is equivalent to the part of the price of the stake in Sotogrande, S.A. which the purchaser left deferred, with both items to be offset when the option is exercised. (See Notes 11 and 17).

The overall effect of the transaction on the consolidated financial statements of NH Hotel Group and Subsidiaries is as follows:

	€ Thousand
Non-Current Assets	77,321
Inventories	67,439
Long-term liabilities	(11,415)
Working capital	(4,137)
Net assets disposed of	**129,208**
Net Consideration	**(129,312)**
Non-controlling interests (Note 15.4)	(4,626)
Profit before tax	**(4,730)**
Transaction costs	3,804
Tax effect (Note 20)	20,440
Consolidation adjustment	(64,626)
Profit of the transaction	**(45,112)**
Profit from Sotogrande until sale (Note 9)	6,961
Total Profit (Loss) (Note 9)	**(38,151)**

The consolidation adjustments mainly correspond to the adjustment made to the reserves of Sotogrande, S.A. in 2006 due to the acquisition of 18.66% of its share capital after a takeover bid.

On 11 June 2014, the Group sold the Amsterdam Centre Hotel through its Dutch subsidiary Marquette Beheer BV and the sale of shares of its subsidiary Onroerend Goed Beheer Maatschappij Stadhouderskade Amsterdam BV. The net amount of the sale totalled €45 million, giving rise to a capital gain of €4 million.

The effect of the disposal of the aforementioned company on the abridged consolidated balance sheet at 31 December 2014 is as follows:

	€ Thousand
Property, plant and equipment	43,176
Working capital	(2,176)
Net assets disposed of	41,000
Net Consideration	(44,986)
Consolidated profit	(3,986)

On 12 August 2014 the Group sold its 25% stake in the share capital of the company Harrington Hall Hotel Ltd., owner of the Harrington Hall hotel in London, for €13,292 thousand. The company was accounted for using the equity method, and at the date of the transaction the value of the stake was zero, so that the net result of the transaction was a consolidated gain of €13,292, plus a positive effect of €370 miles of the currency translation associated with the stake, recognised under net exchange differences in the consolidated statement of comprehensive income.

a.1.2 Additions to the consolidation scope

On 26 June 2014, the Group acquired 44.5% of the Group company NH Italia, S.p.A. through a €113.4 million increase in the share capital of NH Hotel Group, S.A., with the issue of 42,000,000 new ordinary shares with a par value of €2 each and an issue premium of €2.70 per share. The capital increase was fully paid up by Intesa Sanpaolo, S.p.A. through the contribution of 445,000 shares representing 44.5% of the share capital of NH Italia, S.p.A.

The effect of the aforementioned acquisition on the consolidated balance sheet at 31 December 2014 is as follows:

	€Thousand
Share Capital Increase and Issue Premium	197,400
Non-controlling interests (Note 15.4)	123,055
Arrangement expenses	(944)
Effect on equity attributable to the shareholders of the Parent Company	**75,289**

The difference between equity attributable to shareholders of the Parent Company and the derecognised non-controlling interests corresponds to the costs associated with the transaction.

a.2 Changes in the scope of consolidation in 2013

a.2.1 Additions

During the first six months of 2013, the Group sold 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 was €157 million and the net amount €141 million, generating a capital gain of approximately €42 million.

The effect of removing the above-mentioned companies from the abridged consolidated balance sheet as at 31 December 2013 was:

	€ Thousand
	2013 Carrying amount
Tangible fixed assets (Note 8)	108,992
Deferred tax	(8,915)
Working capital	(853)
Total net assets sold	**99,224**
Sale price	**(141,388)**
Consolidated Profit	**(42,164)**

a.2.2 Other corporate transactions

In the first half of 2013, the Group acquired the 25% it did not already own of Group company Coperama Servicios a la Hostelería, S.L. for €3,511 thousand.

As a result of this transaction, there was an impact of €364, thousand on the Group's reserves.

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. As a result of this increase, at 31 December 2013 the Group's consolidated controlling interest in Donnafugata Resorts, S.r.l. was 98.99%.

As a result of the put option granted to the non-controlling 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.

3. Distribution of profits

At the Ordinary General Shareholders' Meeting, the Parent Company's directors will propose that the losses be applied to the "Previous years' losses" account to be offset in future financial years. In accordance with Article 273.4 of the Consolidated Text of the Corporate Enterprises Act, the directors will propose to allocate €418 thousand as an unavailable reserve, as provided by such article, 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 €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 re-valuing 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 recognised as increases in the 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 property, plant and equipment 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 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 differences between the cost of interests in the capital of consolidated and associated entities and the corresponding theoretical carrying amounts 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 the market value of which is above their carrying amount 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 recognised as goodwill, which is assigned to one or more specific cash-generating units (in general hotels) which are expected to make a profit.

Goodwill is recognised only when it has been acquired for valuable consideration.

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

Goodwill is not amortised. In this regard, at the end of every year, or whenever there are indications of a loss of value, the Group estimates, using the so-called "Impairment Test", the possible existence of permanent losses of value that would reduce the recoverable amount of goodwill to less than the net cost recognised. Should this be the case, it is written down in the consolidated comprehensive profit and loss statement. Any write-downs recognised cannot subsequently be reversed.

All goodwill is assigned to one or more cash-generating units in order to conduct the impairment test. The recoverable amount 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.

4.3 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 "finite useful life".

Intangible assets with an indefinite useful life are not amortised and are hence subjected to the "impairment test" at least once a year (see Note 4.4).

Intangible assets with a finite useful life are amortised 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 recognised under the "Intangible assets" heading:

i) Usufruct Rights: this item reflects the right to operate Hotel NH Plaza de Armas in Seville, acquired in 1994, amortisation of which is recognised in the consolidated comprehensive profit/loss over the 30-year term of the agreement at a rate which increases by 4% each year.

ii) "Rental agreement premiums" reflect the amounts paid as a condition to obtain certain hotel lease agreements. They are amortised 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 of the building where the Casino de Madrid is located. The amortisation 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 various computer programs acquired by the different consolidated companies. These programs are measured at acquisition cost and amortised at a rate of between 20%-25% per year on a straight-line basis.

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

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

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.

The Group has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

In general, future estimates have been drawn up for a five-year period, 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 6.35% to 14%, depending on the different risks associated with each specific asset.

If the recoverable amount of an asset is estimated to be lower than its carrying amount, the latter is reduced to the recoverable amount by recognising the corresponding reduction through the consolidated comprehensive profit and loss statement.

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

4.5 Lease rentals

The Group generally classifies all leases as operating leases. Only those leases which substantially transfer to the lessee the risks and rewards deriving from ownership 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 finance leases.

4.5.1 Operating leases

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

When the Group acts as the lessor, it recognises the income from operating leases using the straight-line method according to the terms of the agreements signed. These assets are depreciated in accordance with the policies adopted for similar own-use tangible assets. When the Group acts as the lessee, the leasing costs are charged on a straight-line basis to its comprehensive consolidated income statement, the resulting asset or liability being recognised under "other non-current liabilities" and "other non-current assets" or "other current liabilities" and "other current assets".

4.5.2 Finance leases

The Group recognises finance 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 present value of the minimum lease instalments, should the latter be lower. The interest rate established in the agreement is used to calculate the present value of the lease instalments.

The cost of assets acquired through finance leasing agreements is recognised 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.

4.6 Financial instruments

4.6.1 Financial assets

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

- Negotiable 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.

- Held to maturity financial assets: These are assets subject to a fixed or determinable redemption amount with a fixed maturity date. 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.

Negotiable financial assets are valued after their acquisition at fair value, any changes in which are recognised through profit or loss for the 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.

Held to maturity financial assets and loans and accounts receivable originated by the Group are valued at their amortised cost and accrued interest is recognised in the consolidated comprehensive profit and loss statement on the basis of their effective interest rate. Amortised cost is construed as the initial cost minus any collections or amortisation 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 more than 180 days overdue.

4.6.2. Cash and cash equivalents

"Cash and Cash Equivalents" in the consolidated balance sheet 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.

4.6.3 Financial liabilities

Issues of bonds and other securities

Debt issues are initially recognised 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 recognised 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

Loans received from banking institutions are recognised at the amount received, net of costs incurred in the transaction. They are subsequently valued at amortised cost. Financial expenses are recognised 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 and other payables

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

Derivatives and hedge accounting

Derivatives used to hedge the risks to which the Group's operations are exposed, 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 recognised 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 recognised in the equity item "Equity valuation adjustments" and not recognised as results until the losses or gains of the hedged element are recognised 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 recognised in equity is kept there until the expected transaction is undertaken.

The Group hedges exchange rate exposure through various financial instruments with maturities of less than one year. These financial instruments are classified in Level 1. These financial instruments were contracted with various credit entities over the second half of 2014. These exchange rate hedges guarantee the NH Group a fixed purchase price, regardless of changes in the quoted value of the EUR/USD in 2015.On maturity, NH Hotel Group, S.A. will buy the nominal value set in USD at the fixed rate of 1.2857.

The change in fair value at 31 December 2014 contributed €2,787 thousand to the consolidated comprehensive profit and loss statement for 2014.

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 derivatives which fail to meet hedge accounting criteria are recognised in the consolidated comprehensive profit and loss statement as they arise.

Derivatives embedded in other financial instruments or in other main contracts are recognised separately as derivatives only when their risks and characteristics are not closely related to those of the main contract and providing such main contracts are not valued at fair value with changes through consolidated comprehensive profit and loss.

Valuation techniques and assumptions applying 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 volatilities 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 indexed 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).

4.6.4. 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 recognised in equity for the amount received, net of the issue expenses.

4.7 Non-current assets and associated liabilities held for sale and discontinued operations

Assets and liabilities the carrying amount of which is recovered through a sale and not from continued use are classified as non-current assets held for sale and liabilities associated with non-current assets held for sale. This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its current state, and it is estimated that the sale will be completed within one year from the date of classification.

Non-current assets and associated liabilities classified as held for sale are measured at the lower of carrying amount and fair value less selling expenses.

Discontinued operations represent components of the Group which will be disposed of. These components are activities and cash flows that can be clearly distinguished from the rest of the Group, both operationally and for the purposes of financial reporting, and represent lines of business or geographical areas which can be considered as separate from the rest.

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 carrying amount 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 were performed internally, similar to those described in Note 4.5.

4.9 Inventories

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

Hotel operations

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

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

After the sale of Sotogrande, S.A. in 2014, the Company no longer holds any inventory evaluated as follows in 2013:

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 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 tax authorities.

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 peculiar 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 €38,000 (no amount was attributed in 2012).

iii) Buildings under construction and completed: These are valued at cost price, which includes the proportional part of the cost of land and infrastructure and any costs directly incurred in connection with the different construction projects (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.

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 recognised 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 recognised directly in consolidated comprehensive profit and loss.

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

In the attached consolidated balance sheet, financial assets and debts are classified on the basis of their maturity; in other words, those with a maturity date equivalent to or less than twelve months are classified as current and those with a maturity date exceeding this are non-current.

4.12 Income and expenses

Income and expenses are recognised 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 deriving from them arise.

More specifically, income is calculated at the fair value of the consideration to be received and represents the amounts to be collected 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 received 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 rewards 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 recognised 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 recognised, 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 in recognising official subsidies:

- Non-reimbursable capital subsidies (connected with assets) are valued at the amount granted, recognised as deferred income and taken into profit and loss in proportion to the depreciation of the assets financed by such subsidies during the financial year.
- Operating subsidies are recognised as income at the moment of their accrual.

4.14 Corporate income tax

The cost of the year's income tax is calculated through the sum of the current tax resulting from applying the tax rate to the taxable income for the year and then applying the relevant tax adjustments according to the law plus any changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities include temporary differences, being any amounts expected to be payable or recoverable due to differences between the carrying amounts of the assets and liabilities and their tax value, as well as tax loss carry-forwards and any credits resulting from unapplied tax deductions. Said amounts are recognised 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 amortisation of which is not tax-deductible 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 are recognised only if it is deemed probable that the consolidated entities will make sufficient tax profits in the future to realise them 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 assets (tax loss carry-forwards and tax credits) are recognised only if it is likely that the consolidated companies will make sufficient tax profits in the future to be able to apply them.

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 Obligations to employees

Spanish hotel companies are obliged to make a specific number of monthly salary payments to those employees who leave the company due to retirement, permanent disability or upon reaching a certain age and having a certain number of years of service and fulfilling certain pre-established requirements.

In this regard and in compliance with Royal Decree-Law 16/2005, the Group has outsourced its pension obligations for its employees' pension plans.

Also, in accordance with Italian law, employees of Italian companies have the right to compensation if they resign or are dismissed.

Therefore, to provide for these obligations to future payments to personnel, the Group has recognised a liability under "Provisions for Risks and Charges" (Note 19).

Its obligations to personnel also include those arising from contracting pension funds for certain employees, which in the Group, mainly affects the business units of Italy and the Netherlands. The liability associated with these obligations is also recognised under "Provisions for Risks and Charges".

4.16 Onerous contracts

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 of between 6.35% and 14% 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 assumptions made concerning the financial year.

In accordance with IFRS 2, the above-mentioned valuation is recognised in profit or loss under personnel expenses during the period established as a requirement for the employee to remain in the company before exercising the option. Said value is recognised on a straight-line basis in the consolidated comprehensive profit and loss statement from the date the option is granted until the date on which it is exercised.

Plans settled in shares

The expense for the year is recognised directly in equity. On each subsequent closing date, the Group reviews the estimates regarding the number of options expected to be exercisable, adjusting the equity figure if necessary.

Cash-settled plans

The valuation obtained is recognised with a corresponding entry as a liability in favour of employees. Similarly, the Group re-estimates the initial valuation mentioned above every year, recognising in the year's profit or loss both the part corresponding to the year in question and that 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 period during which the employee is required to remain 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.

28 May 2013 marked the end of the last period for cash settlement of the equity swap, and since then no Cash-settled Plan has been introduced.

4.18 Treasury shares

Pursuant to IAS 32, treasury shares are presented by reducing the Group's equity.

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 sureties or guarantees granted by Group companies which could involve the Group in a payment obligation (either legal or implicit), provided the amount can be reliably estimated.

4.20 Termination benefits

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 recognised expenses of €9,043 thousand for this item in 2014 (€5,838 thousandin 2013).

The consolidated balance sheet at 31 December 2014 includes, pursuant to IFRS (IAS 37), a provision of €4,721 thousand for this item (€4,864 thosand at 31 December 2013).

4.21 Business combinations

Business combinations whereby 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 non-controlling 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, income is recognised in the consolidated comprehensive profit and loss statement.

In the case of business combinations carried out in stages, goodwill is measured and recognised only once control of a business has been acquired. To do this, previous holdings are re-measured at fair value and the corresponding gain or loss is recognised.

4.22 Environmental policy

Investments arising from environmental activities are valued at their original cost and capitalised as increases in the cost of fixed assets or inventory in the financial year in which they are incurred.

Any expenses arising from environmental protection and improvement are recognised in profit or loss for the year in which they are incurred, irrespective of the moment when the cash or financial flows deriving 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 established at the time 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 and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: The typical activities of the entities forming the consolidated group, along with other activities that cannot be classified as investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

5. Earnings per share

Basic earnings per share (EPS) are 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:

	31/12/2014	31/12/2013
Net Profit/(Loss) for the year (€000s)	(9,550)	(39,818)
Weighted average number of shares in circulation (thousands)	319,284	295,228
Basic Earnings per share in euros	**(0.03)**	**(0.13)**

Diluted earnings per share are established on a similar basis to basic earnings per share; however, the weighted average number of shares outstanding is increased by options on shares, warrants and convertible debt.

	31/12/2014	31/12/2013
Net Profit/(Loss) for the half-year (€000s)	(9,550)	(39,818)
Weighted average number of shares with dilutive effect (in thousands)	370,107	337,975
Diluted Earnings per share in euros	**(0.03)**	**(0.12)**

6. Goodwill

The balance included under this item corresponds to the net goodwill arising from the acquisition of certain companies, and breaks down as follows (€000s):

	2014	2013
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	89,945	94,710
Others	3,978	2,511
Total	93,923	97,221

The movements in this heading of the consolidated balance sheet in 2014 and 2013 were as follows (€thousand):

Company	Goodwill 31.12.12	Currency translation	Impairment	Goodwill 31.12.13
NH Hoteles Deutschland 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**

Company	Goodwill 31.12.13	Currency translation	Impairment	Goodwill 31.12.14
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	94,710	—	(4,765)	89,945
Others	2,511	1,467	—	3,978
Total	**97,221**	**1,467**	**(4,765)**	**93,923**

Recoverable goodwill values have been allocated to each cash-generating unit, mainly rental agreements, by using five-year projections on results, investments and working capital.

A breakdown of the cash generating units to which goodwill on consolidation has been allocated is shown below.

	Thousands of euros
CGU 6	16,754
CGU 21	10,856
CGU 22	8,243
CGU 12	7,758
CGU 13	6,208
CGU 2	5,525
CGUs with individually allocated goodwill < €4 million	38,579
	93,923

The basic assumptions used to estimate future cash flows of these CGUs are detailed below:

- Discount rate: 6.52% and 6.85%, 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 carried out by the Group at the end of 2014, an impairment of €4,765 thousand was recognised.

The Group has also run a sensitivity analysis on the result of the impairment test, with variations on the following assumptions:

Scenario 1:

- An increase of 100 basis points in the discount rate.
- Use of a perpetuity growth rate of 0%.

Scenario 2:

- A 1% reduction in the occupancy level.
- A 1% reduction in the average daily rate (ADR).

These sensitivity analyses do not reveal the existence of any impairment in either scenario.

The impairment provision for the year was produced as a consequence of not considering perpetuities in the case of cash-generating units where there is no guarantee of renewal of rental contracts. Thus the projections are for the term of these contracts.

7. Intangible assets

The breakdown and movements under this heading during 2014 and 2013 were as follows (€thousand):

	Balance at 31/12/2012	Change in consolidation boundary	Inclusions/ allowances	Retirements	Assignments (Note 8)	Balance at 31/12/2013	Change in consolidation boundary	Exchange differences	Inclusions/ allowances	Retirements	Assignments	Balance at 31.12.2014
COST												
Rights of use	30,298	—	251	—	—	30,549	—	—	99	—	(38)	30,610
Rental agreement premiums	70,020	—	—	(1,590)	—	68,430	—	(4)	—	(757)	—	67,669
Concessions, patents and trademarks	34,610	—	—	(12)	64	34,662	—	—	87	(503)	(1,646)	32,600
Software applications	62,104	(9)	10,389	(76)	(2,535)	69,873	—	(7)	21,592	(4,106)	(383)	86,969
	197,032	**(9)**	**10,640**	**(1,678)**	**(2,471)**	**203,514**	**—**	**(11)**	**21,778**	**(5,366)**	**(2,067)**	**217,848**
CUMULATIVE AMORTISATION												
Rights of use	(16,388)	—	(1,298)	—	—	(17,686)	—	—	(1,221)	(10)	3	(18,914)
Rental agreement premiums	(12,763)	—	(1,690)	636	(202)	(14,019)	—	4	(924)	260	6,034	(8,645)
Concessions, patents and trademarks	(11,156)	—	929	12	—	(10,215)	—	—	(556)	483	(5,440)	(15,728)
Software applications	(52,167)	9	(14,520)	46	636	(65,996)	—	7	(8,033)	788	(41)	(73,275)
	(92,474)	**9**	**(16,579)**	**694**	**434**	**(107,916)**	**—**	**11**	**(10,734)**	**1,521**	**556**	**(116,562)**
Impairment	**(12,590)**	**—**	**(1,195)**	**1,163**	**(10,360)**	**(22,982)**	**—**	**—**	**(464)**	**141**	**861**	**(22,444)**
NET BOOK VALUE	**91,968**					**72,616**						**78,842**

Transfers mainly record the reclassification of all the assets of companies classified as assets available for sale and then disposed of in the context of Sotogrande, S.A. leaving the scope of consolidation (see note 9), for a net value of €1.9 million.

Impairment write-offs refer to the withdrawal of licences of Hesperia hotels which we no longer manage (Hotel Hesperia Emperatriz and Hesperia La Toja) in 2014.

7.1 Rights of usufruct

On 28 July 1994, NH Hotel Group, S.A. was granted a right of usufruct 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 Hotel Group, S.A. agreed to pay RENFE €30.2 million in accordance with a payment schedule which concluded this year.

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%.

7.2 Software applications

The most significant inclusions in 2014 were in Spain, as a result of the investments made to develop the new website and implement the SAP tool.

8. Property, plant & equipment

The breakdown and movements under this heading during 2014 and 2013 were as follows (€thousand):

	Balance at 31/12/2012 -	Change in scope of consolidation	Currency translation	Additions	Retirements	Assignments	Balance at 31-12-13	Change in scope of consolidation (see note 2.5.4)	Currency translation	Additions	Retirements	Assignments	Balance at 31/12/2014
COST													
Land and buildings .	**1.947.279**	(109.072)	(23.137)	5.479	(907)	(3)	**1.819.639**	(50.333)	(3.749)	14.206	(2.913)	(118.175)	**1.658.675**
Plant and machinery	**796.859**	(12.072)	(9.288)	3.313	(15.269)	(3)	**763.540**	(4.116)	776	38.136	(24.707)	(15.221)	**758.408**
Other fixtures, tools and furniture	**522.953**	(26.982)	(4.362)	15.704	(25.004)	2.477	**484.786**	(214)	595	41.156	(28.742)	(27.061)	**470.520**
Other fixed assets . .	**1.651**	—	(41)	246	(598)	—	**1.258**	—	3	268	(44)	(1.143)	**342**
Assets under construction	**26.498**	(234)	(161)	5.657	(88)	—	**31.672**	—	(129)	11.618	(133)	(25.016)	**18.012**
	3.295.240	(148.360)	(36.989)	30.399	(41.866)	2.471	**3.100.895**	(54.663)	(2.504)	105.384	(56.539)	(186.616)	**2.905.957**
CUMULATIVE DEPRECIATION													
Buildings	**(295.529)**	9.791	4.109	(25.139)	438	—	**(306.330)**	7.668	(3.146)	(22.354)	848	24.362	**(298.952)**
Plant and machinery	**(494.974)**	5.160	4.808	(39.232)	15.221	2	**(509.015)**	3.623	1.162	(39.342)	19.806	12.755	**(511.011)**
Other fixtures, tools and furniture	**(425.384)**	24.417	3.201	(25.169)	24.474	(434)	**(398.896)**	196	101	(25.960)	23.293	15.588	**(385.678)**
Other fixed assets . .	**(1.591)**	—	39	(60)	598	—	**(1.014)**	—	(3)	(126)	42	761	**(340)**
	(1.217.538)	39.368	12.157	(89.539)	40.731 -	(434)	**(1.215.255)**	11.487	(1.886)	(87.782)	43.989	53.466	**(1.195.981)**
Provisions	**(220.067)**	—	237	(2.261)	41.071	10.360	**(170.660)**	—	(13)	(7.939)	25.978	49.019	**(103.616)**
NET BOOK VALUE . .	**1.857.635**						**1.714.980**						**1.606.360**

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 2014 and 2013 were as follows:

i) The most significant additions under this heading, broken down by business units, were:

In Spain, the most significant additions in 2014 were related to the renovation of the hotels NH Collection Eurobuilding (€17.4 million), NH Aránzazu (€3.79 million), NH Collection Abascal (€3.31 million), NH Iruña Park (€1.66 million), NH Gran Hotel (€0.86 million), NH Collection Constanza (€0.82 million), NH Plaza de Armas (€0.72 million), NH Calderón (€0.60 million), and others.

In Benelux, the most significant additions in 2014 correspond to central services (€2.65 million), and renovations in the hotels NH Conference Centre Koningshof (€1.81 million), NH Conference Centre Leeuwenhorst (€1.67 million), NH Schiphol Airport (€0.54 million) and NH Luxembourg (€0.46 million).

In Germany, the renovation of the hotels NH Berlin Mitte (€2.4 million) and NH München am Ring (€1.8 million).

In Italy, the renovation of the hotels NH Milano Fiori (€2.43 million), NH Touring (€1.77 million), NH Madison (€1.56 million), NH Firenze (€1.23 million), NH Laguna Palace (€0.83 million), NH President Milano (€0.6 million), NH Vittorio Veneto Roma (€0.53 million), NH Ambasciatori Torino (€0.49 million), NH Leonardo da Vinci Roma (€0.48 million), NHow Milano (€0.46 million), NH Carlton Amsterdam (€0.41 million), and others.

ii) The most significant asset retirements in 2014 were:

In Spain, abandonment of the hotels NH Palacio de Oriol (€2.11 million), NH Inglaterra (€1.49 million), NH Santander Parayas (€1.12 million) and NH Orus (€0.51 million) and renovation of the hotels NH Collection Eurobuilding (€9.15 million), NH Aránzazu (€2.47 million), NH Collection Abascal (€1.40 million), NH Iruña Park (€0.67 million), and others.

In Italy, renovation of the hotels NH Manin (€1.21 million), NH President Milano (€0.17 million), NH Vittorio Veneto Roma (€0.17 million), NH Leonardo da Vinci Roma (€0.17 million) NH Ambasciatori Torino (€0.16 million), and others.

And, in Germany, mainly building work on the NH Berlin Potzdamer Platz (€0.74 million).

iii) Transfers mainly record the reclassification of all the assets of Sotogrande as available for sale (Note 9), for a net amount of €82.89 million.

At 31 December 2014, there were tangible fixed asset elements with a carrying amount of €686 million (€807.3 million in 2013) to guarantee several mortgage loans (see Note 16).

The applied provisions include, on one hand, a balance of €0.14 million corresponding to the impairment balance associated with the hotels abandoned over the year, and on the other, the impairment write-offs include €4,887 thousand due to the Group continuing to depreciate fixed assets with allocated impairment.

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 €17.8 million at 31 December 2014. These investments will be made in 2015, 2016 and 2017.

9. Non-current assets held for sale, liabilities linked to non-current assets held for sale and discontinued operations

In accordance with IFRS 5, Non-current assets classified as held for sale and discontinued operations (see Note 4.8), non-strategic assets which, pursuant to the Strategic Plan, are undergoing divestment with committed sales plans, were reclassified.

We classified as discontinued operations Sotogrande, S.A., Donnafugata Resort, S.R.L., Resco Sotogrande, S.L., Sotocaribe, S.L., Los Alcornoques de Sotogrande S.L., Residencial Marlin, S.L. and Capredo Investments, GmbH, the last four accounted for using the equity method. These companies represent NH Hotel Group's entire property business and include the operation of businesses associated with the hospitality and leisure sectors, including two golf courses and three hotels.

The assets classified as held for sale, after deducting their liabilities, were measured at the lower of their carrying amount and the expected sales price minus costs.

Also, in accordance with these regulations, the balances in the 2013 consolidated comprehensive income statement corresponding to operations considered to have been discontinued that year were standardised.

On 14 November 2014, the sale was formalised of the Parent Company's stake in Sotogrande, S.A., representing 96.997% of its share capital (see note 2.5.4).

The sections below detail, by type, the various income and balance sheet items relating to assets and liabilities classified as held for sale and discontinued operations.

Consolidated balance sheets. Headings of non-current assets and liabilities classified as held for sale

A movement by balance headings of the assets and liabilities presented under the corresponding Held for Sale headings at 31 December 2014 is shown below:

	31.12.2013	Assignments	Net variation	Changes in scope of consolidation (see Note 2)	31.12.2014
Property, plant and equipment	—	82,891	(3,440)	(40,668)	38,783
Intangible assets	—	1,920	(68)	(1,837)	15
Investment property	—	957	(61)	(896)	—
Financial assets	—	73,941	(1,259)	(25,694)	46,988
Investments accounted for using the equity method	—	*67,617*	*(1,251)*	*(19,410)*	*46,956*
Other non-current financial investments	—	*6,324*	*(8)*	*(6,284)*	*32*
Deferred tax assets	—	8,268	251	*(8,226)*	*293*
Inventories	—	71,034	(2,926)	*(67,439)*	*669*
Accounts receivable for sales and services and trade receivables	—	12,473	(3,070)	*(7,654)*	*1,749*
Tax receivables	—	9,030	(7,687)	*(808)*	*535*
Other current financial assets	—	93	68	*(161)*	—
Cash	—	5,150	2,740	*(1,868)*	*6,022*
Other current assets	—	212	57	(130)	139
Non-current assets classified as held for sale	**—**	**265,969**	**(15,395)**	**(155,381)**	**95,193**
Bank borrowings (non-current)	—	6,494	(2,672)	(3,822)	—
Obligations under finance lease	—	132	(29)	(103)	—
Other non-current liabilities	—	18,538	(720)	(2,037)	15,781
Capital subsidies	—	*18,086*	*(737)*	*(1,568)*	*15,781*
Other liabilities	—	*452*	*17*	*(469)*	—
Provisions for contingencies and charges	—	*1,411*	*53*	(995)	469
Deferred tax liabilities	—	*9,461*	*(4,717)*	(4,458)	286
Bank borrowings (current)	—	*41,985*	*(7,129)*	(6,644)	28,212
Trade payables	—	11,704	(2,971)	(5,091)	3,642
Tax receivables	—	804	575	(1,073)	306
Other current liabilities	—	7,031	2,298	(1,950)	7,379
Liabilities associated with assets classified as held for sale	**—**	**97,560**	**(15,312)**	**(26,173)**	**56,075**

Consolidated comprehensive profit and loss statement

The profit and loss of the discontinued operations shown in the accompanying consolidated profit and loss statement is broken down by company as follows:

	Sotogrande, S.A.	Capredo investments, GmbH	Sotocaribe, S.L.	Donnafugata resort, S.R.L	Total
2014					
Net turnover and other operating income	22,015	—	—	8,022	30,037
Operating expenses	(14,031)	—	—	(10,382)	(24,413)
Operating profit (loss)	7,984	—	—	(2,360)	5,624
Profit (loss) before tax	(8,117)	(444)	(1,836)	(4,120)	(14,517)
Income tax	1,156	—	—	(242)	914
Profit (loss) for the year from discontinued operations net of tax	(6,961)	(444)	(1,836)	(4,362)	(13,603)
Profit (loss) from the sale of Sotogrande, S.A (see Note 9)	45,112	—	—	—	45,112
Profit attributed to non-controlling interests	—	—	—	267	267
2013					
Net turnover and other operating income	22,825	—	—	5,831	28,656
Operating expenses	(14,171)	—	—	(8,898)	(23,069)
Operating profit (loss)	8,654	—	—	(3,067)	(5,587)
Profit (loss) before tax	1,891	(5,741)	(538)	(5,937)	(10,325)
Income tax	3,695	—	—	(39)	3,656
Profit (loss) for the year from discontinued operations net of tax	5,586	(5,741)	(538)	(5,976)	(6,669)
Profit attributed to non-controlling interests	(115)	—	—	341	226

Cash flow statement

The cash flow statement of Donnafugata Resort, S.R.L is detailed below:

	Sotogrande, S.A.	**Donnafugata resort, S.R.L**
2014		
Operating activities:		
Profit (loss) before tax	36,995	(4,120)
Adjustments	(42,701)	2,081
Net variation in assets and liabilities	7,295	4,210
Total net cash flow from operating activities I	**1,589**	**2,171**
Finance income	—	495
Disinvestment	176,412	—
Total net cash flow from investment activities II	**176,412**	**495**
Financing activities		
Interest paid on debts	(429)	(900)
Variation in:		
Bank borrowings	(2,054)	—
Total net cash flow from financing activities III	**(2,483)**	**(900)**
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**175,518**	**1,766**
Cash and cash equivalents at the start of the financial year	894	4,256
Cash and cash equivalents at end of year	176,412	6,022

	Sotogrande, S.A.	**Donnafugata resort, S.R.L**
2013		
Operating activities:		
Profit (loss) before tax	1,891	(5,937)
Adjustments	7,065	2,636
Net variation in assets and liabilities	(5,450)	8,198
Total net cash flow from operating activities I	**3,506**	**4,897**
Finance income	72	5
Investment	(2,464)	—
Disinvestment	1,253	—
Total net cash flow from investment activities II	**(1,139)**	**5**
Financing activities		
Interest paid on debts	(1,419)	(891)
Variation in:		
Bank borrowings	(294)	—
Total net cash flow from financing activities III	**(1,713)**	**(891)**
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**653**	**4,011**
Cash and cash equivalents at the start of the financial year	241	245
Cash and cash equivalents at end of year	894	4,256

10. Investments valued using the equity method

The movements under this heading of the consolidated balance sheet during 2014 and 2013 were as follows:

Company	Net balance at 31-12-12	Transfers	Profit (loss) 2013	Currency translation	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**

Company	Net balance at 31-12-13	Retirements	Assignments (note 9)	Profit (loss) 2013	Currency translation	Net balance at 31-12-14
Sotocaribe, S.L.	41,941	—	(41,941)	—	—	—
Capredo Investments GmbH	6,348	—	(6,348)	—	—	—
Varallo Comercial, S.A.	9,693	—	—	(1,717)	(564)	7,412
Inmobiliaria 3 Poniente, S.A. de C.V.	1,542	—	—	218	419	2,179
Palacio de la Merced, S.A.	1,396	—	—	52	—	1,448
Mil Novecientos Doce, S.A. de C.V.	1,787	—	—	87	208	2,082
Consorcio Grupo Hotelero T2, S.A. de C.V.	374	—	—	121	382	877
Hotelera del Mar, S.A.	214	—	—	—	2,170	2,384
Fonfir1, S.L.	20	(20)	—	—	—	—
Residencial Marlin, S.L.	19,328	—	(19,328)	—	—	—
Borokay Beach, S.L.	1,536	—	—	(102)	—	1,434
Los Alcornoques de Sotogrande, S.L.	—	—	—	—	—	—
Losan Investment Ltd.	—	—	—	—	—	—
Harrington Hall Ltd.	—	—	—	—	—	—
Total	**84,179**	**(20)**	**(67,617)**	**(1,341)**	**2,615**	**17,816**

Once Hotelera del Mar, S.A. commenced its activity, the NH Group consolidated it, reclassifying the balance from "Other non-current financial investments" with effect from 1 January 2013.

Although the NH Group has an ownership interest of only 22.33%, it exercises significant influence, since it participates in the determination of the distribution/allocation of its profit/loss.

NH Hotel Group's policy on interests in associates consists in 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 situation of the stake in Losan Investment, Ltd.

On 12 August 2014 the NH Group sold its shares in Harrington Hall, Ltd. for €13,291thousand generating a net gain of €13,662 thousand (see Note 2.5.4).

The most significant 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 2014 and 2013 is as follows:

	€Thousand	
	2014	**2013**
Subordinated loans to companies owning hotels operated by the Group through leases(*)	46,740	45,885
Accounts receivable in respect of put option for Sotocaribe (Note 2.5.4)	58,250	—
Other collection rights	10,116	10,116
Other loans	17,230	16,722
Lease advance payments	3,535	3,660
Accounts receivable from joint ventures (Note 26)	6,279	5,576
Loans to associates (Note 26)(*)	—	2,250
Long-term deposits and sureties	12,789	15,172
Others	3,930	4,486
Total	**158,859**	**103,867**

* These loans accrue an average rate of interest of 3% to 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.

The main features of these agreements are as follows:

- Hotel rentals 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 (€2.36 million in 2014 and €2.23 million in the preceding year).
- New lease 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 lease agreements has been analysed and independent experts consider them to be operating leases.

The "Other collection rights" item reflects the claim filed against the insurance company that underwrote the ten-year construction insurance. The amount claimed corresponds to the repairs made and pending in a housing development. This claim was left out of the 2014 sale agreement for Sotogrande, S.A., the company which first presented the claim. (see note 2.5.4)

"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 consists of advance payments made to the owners of certain hotels operated under a lease arrangement for the purchase of decoration and furniture; these are discounted from future rental payments.

11.2 Other non-current financial investments

This heading of the consolidated balance sheet comprised, at 31 December 2014 and 2013, the following equity interests, valued at cost:

	€Thousand	
Company	**2014**	**2013**
NH Panamá	3,767	3,767
Other investments	4,525	6,072
Other provisions	(1,587)	(2,107)
Total	**6,705**	**7,732**

These companies were not consolidated at 31 December 2014, since they were inactive on said date.

12. Inventory

This item of the consolidated balance sheet was as follows at 31 December 2014 and 2013, including movements during both years:

	Balance at 31/12/2012	Additions/	Net changes in inventories	Balance at 31/12/2013	Transfers (note 9)	Net changes in inventories	Balance at 31/12/2014
Developed land	46,558	38	—	46,596	(46,596)	—	—
Undeveloped land	10,697	—	(157)	10,540	(10,540)	—	—
Finished works	26,579	—	(59)	26,520	(26,520)	—	—
Ancillary materials and others	9,016	—	(53)	8,963	(362)	(375)	8,226
	92,850	38	(269)	92,619	(84,018)	(375)	8,226
Impairment	(6,735)	(6,249)	—	(12,984)	12,984	—	—
Net value	**86,115**	**(6,211)**	**(269)**	**79,635**	**(71,034)**	**(375)**	**8,226**

The transfers record the inventory of the companies classified as assets available for sale and then disposed of in the contract removing Sotogrande, S.A. from the scope of consolidation (see note 9.)

13. Trade receivables

This item reflects different accounts receivable from the Group's operations. The breakdown at 31 December 2014 and 2013 is as follows:

	€Thousand	
	2014	**2013**
Trade receivables for services provided	149,054	127,190
Trade receivables for real-estate product sales	—	7,654
Provision for bad debts	(13,042)	(15,649)
Total	**136,012**	**119,195**

As a general rule, these receivables do not accrue interest and are due at less than 90 days with no restrictions on how they may be availed.

Movements in the provision for bad debts during the years ending 31 December 2014 and 2013 were as follows:

	€Thousand	
	2014	2013
Balance at 1 January	15,649	15,144
Changes in scope	(4,271)	—
Exchange differences	(19)	(132)
Additions	2,852	2,798
Applications	(1,169)	(2,161)
Balance at 31 December	**13,042**	**15,649**

The analysis of the ageing of financial assets in arrears but not considered impaired at 31 December 2014 and 2013 is as follows:

	€Thousand	
	2014	2013
Less than 30 days	23,117	22,565
From 31 to 60 days	13,060	12,568
More than 60 days	25,054	14,377
Total	**61,231**	**49,510**

14. 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 2014 and 2013 was a variable Euribor-indexed rate. These assets are recognised at their fair value.

There are no restrictions on cash withdrawals, except an escrow deposit agreement of US$7 million for the purchase of Hoteles Royal.

As a result of the enactment of Royal Decree 1558/2012 of 15 November, of Article 42 bis 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 Hotel Group S.A. Board of Directors have the right, as representatives or authorised officials, to dispose 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 Hotel Group S.A. holds other accounting documents, namely the consolidated annual accounts, from which sufficient data can be extracted in relation to the aforementioned accounts

15. Equity

15.1 Subscribed share capital

On 26 June, the increase in the share capital of NH Hotel Group, S.A. was executed and completed. The capital increase involved the issue of 42,000,000 new ordinary shares, each with a par value of €2, with an issue premium of €2.70 per share which were fully subscribed and paid up by Intesa San Paolo, S.p.A. through the contribution of 445,000 shares representing 44.5% of the share capital of NH Italia, S.p.A.

At 31 December 2014 the Parent Company's share capital after the capital increase was represented by 350,271,788 fully subscribed and paid up bearer shares, each with a par value of €2.

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 2014 and 2013 were as follows:

	2014	2013
HNA Group Co Limited	29.50%	20.00%
Grupo Inversor Hesperia, S.A.	9.24%	20.07%
Banco Santander, S.A.	8.57%	—
Intesa Sanpaolo, S.p.A*	7.64%	4.52%
UBS Group AG	2.01%	—
Blackrock Inc.	2.31%	5.62%
Fidelity International Limited	0.96%	1.47%
Banco Financiero y de Ahorros, S.A.	—	12.60%
Pontegadea Inversiones, S.L.	—	4.06%
Shares allocated to Employee Remuneration Schemes	0.1%	—
Shares owned by NH employees	0.07%	0.12%

* In January 2015, Intesa San Paolo through UBS Limited transferred 100% of its shares in NH Hotel Group, S.A. to a group of accredited investors, and therefore at the date of drafting these Annual Accounts Intesa San Paolo is no longer a Company shareholder.

At year-end 2014 and 2013, members of the Board of Directors were the holders or stable proxies of shareholdings representing approximately 46.43% and 61.43% of the share capital, respectively.

The main aims of the Group's capital management are to ensure short-term and long-term financial stability, a positive trend for NH Hotel Group, S.A. share prices, 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 0.53x. The leverage ratios at 31 December 2014 and 2013 were as follows:

	€Thousand	
	2014	**2013**
Bonds and other marketable securities (Note 16)	467,499	461,949
Bank borrowings and other financial liabilities (Note 16)	339,855	417,339
Gross debt	**807,354**	**879,288**
Cash and cash equivalents (Note 14)	200,103	133,869
Liquid assets	**200,103**	**133,869**
Total Net Debt	**607,251**	**745,419**
Total Equity	1,136,668	1,153,471
Financial leverage	**0.53**	**0.64**

15.2 Parent Company Reserves

i) Legal reserve

In accordance with the Consolidated Text of the Corporate Enterprises 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 be used only to offset losses, provided no other reserves are available for this purpose.

ii) Share premium

The Consolidated Text of the Corporate Enterprises Act expressly allows the balance of this reserve to be used to increase capital and imposes no restrictions on its availability.

15.3 Treasury shares

At year-end, NH Hotel Group held 9,359,003 treasury shares representing 2.67% of its share capital at a total cost of €38,805 thousand. 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 Hotel Group, S.A., worth €250 million; the purpose of this loan was to allow those financial entities to offer the shares to subscribers of the bonds requesting them (see note 16).

15.4 Non-controlling interests

The movements in this heading in 2014 and 2013 are summarised below:

	€thousands	
	2014	**2013**
Opening balance	**153,001**	**159,158**
Capital increases (Note 2.5.4)	(123,055)	—
Comprehensive profit (loss) attributed to non-controlling interests	(558)	(289)
Percentage changes in shares and sales (Note 2.5.4)	(4,626)	(3,875)
Dividends paid to non-controlling interests	(765)	(1,466)
Other movements	(816)	(527)
Closing balance	**23,181**	**153,001**

The “Dividends paid to non-controlling interests” item basically reflects the dividends paid out in 2014 to the following companies: NH Marín, S.A., for €250 thousand, and Latinoamericana de Gestión Hotelera, S.A., for €515 thousand.

16. Debt in respect of bond issues and bank borrowings

The balances of the "Bonds and other negotiable securities" and "Debts with credit institutions" items at 31 December 2014 and 2013 were as follows:

	Thousands of euros			
	2014		2013	
	Long-term	Short-term	Long-term	Short-term
Convertible notes	228.156	—	223.417	—
Guaranteed senior notes	250.000	—	250.000	—
Borrowing costs	—	3.517	—	3.661
Arrangement expenses	(14.174)	—	(15.129)	—
Obligations and other negotiable securities	**463.982**	**3.517**	**458.288**	**3.661**
Syndicated loans	111.633	19.700	114.333	19.000
Mortgages	86.415	18.807	131.124	55.855
Equity loans	—	—	—	6.493
Subordinated loans	75.000	—	75.000	—
Credit lines	—	32.617	6.506	12.482
Arrangement expenses	(4.104)	(1.365)	(5.668)	(716)
Borrowing costs	—	1.152	—	2.930
Debt with credit institutions	**268.944**	**70.911**	**321.295**	**96.044**
Total	**732.926**	**74.428**	**779.583**	**99.705**

Convertible bonds

On 31 October 2013, the Parent Company placed convertible bonds among institutional investors, for a total of €250,000 thousand, with the following characteristics:

Amount of the issue	€250,000,000
Nominal value of the bond	€100,000
Maturity	5
Rank of debt	Unguaranteed senior
Issue price	100%
Coupon	4%
Exchange 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 thousand.

As is commonplace for this type of issue, and in order to enhance the liquidity of the instrument on the secondary market, NH Hotel Group, 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 drawn to the extent of 8.4 million shares at 31 December 2014 (see Note 15.3).

Guaranteed senior notes

On 30 October 2013 the Parent Company placed guaranteed senior notes, which mature in 2019, at the nominal value of €250,000 thousand. The nominal yearly interest rate for said issuance of notes is 6.875%.

This line of financing requires adherence to a series of financial ratios that, to 31 December 2014, have been fully met.

Syndicated loan

In November 2013, one of the Group's companies and a group of eight financial entities signed a new syndicated loan worth €200,000 thousand with a final maturity date at four years, in November 2017. This syndicated loan comprises two tranches:

- Tranche A: taken out as a business loan of €133,333 thousand with €19,000 thousand maturing on each of 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 thousand. In November 2014 the first repayment of €19,000 thousand was made. The balance pending amortisation at 31 December 2014 was €114,333 thousand.

- Tranche B: taken out as a revolving business credit of €66,667thousand with quarterly drawdowns and final maturity in November 2017. The balance pending amortisation at 31 December 2014 was €10,000 thousand.

As regards this financing, the commitment remains to adhere to a series of financial ratios, measured twice yearly; at 31 December 2014, these have been met in full.

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 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 Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V., and pledging 60% of the shares in the company NH Italia, and the joint and several guarantee payable on demand of the Group's main operating companies that are wholly owned by the Parent Company.

The senior secured obligations and the syndicated loan contain clauses limiting the distribution of dividends.

In the context of the restructuring of the financial debt of Donnafugata, in December 2014 NH Europa, S.A. assumed a debt of €7,000 thousand. The rest of the financial debt associated with Donnafugata is recorded in note 9.

Mortgages

Mortgage loans and credits, whether syndicated or not, can be broken down as follows (€thousand):

	Mortgaged asset	Fixed rate	Variable Interest	Total	Net value value mortgaged asset
Spain	NH Lagasca	—	7,360	7,360	17,156
	NH Príncipe de La Paz	—	2,765	2,765	7,377
Total Spain		—	10,125	10,125	24,533
Mexico	NH Qerétaro	—	2,231	2,231	6,082
	NH Santa Fe	—	2,508	2,508	8,821
Total Mexico		—	4,739	4,739	14,903
	NH Carlton	—	—	—	—
Netherlands	NH Groningen	—	2,088	2,088	6,255
	NH Rotterdam	—	11,463	11,463	13,659
Total Netherlands		—	13,551	13,551	19,914
	NH Leipzig Messe	6,710	—	6,710	12,989
	NH Bingen & Viernheim	5,400	—	5,400	10,313
Germany	NH Airport Raunheim	15,200	—	15,200	10,936
	NH Aukamm Wiesbaden	8,241	—	8,241	1,160
Total Germany		35,551	—	35,551	35,397
	NH Ancona, NH Palermo, NH Cavalieri, NH Ravenna., NH Vitorio Venetto	—	36,250	36,250	139,320
Italy	NH Torino Ambasaciori	—	625	625	15,977
	NH Milanofiori and convention centre	—	5,400	5,400	42,555
	NH Bellini	—	833	833	8,481
	NH Genova	—	2,371	2,371	21,932
	NH Villa San Mauro	—	2,749	2,749	4,175
Total Italy		—	48,228	48,228	232,440
Switzerland	NH Fribourg	4,491	—	4,491	9,264
Total Switzerland		4,491	—	4,491	9,264
Total		**40,042**	**76,643**	**116,685**	**336,451**

On 31 December 2014, NH Italia S.P.A pre-paid a €20,000 thousand loan backed by a mortgage on the hotels NH Ancona, NH Palermo, NH Cavalieri, NH Ravenna and NH Vittorio Veneto with part of the funds from the sale of Sotogrande, S.A. On 13 February 2015 an agreement was formalised with a group of four Spanish financial entities to refinance the same loan with a new mortgage on the hotel NH Carlton (Netherlands). This loan matures in November 2017, with partial annual repayments of €8,000 thousand on the first two anniversaries and a final payment on the third anniversary of €24,000 thousand.

Assets granted as mortgage security against the syndicated loan of €200,000 thousand and guaranteed senior notes of €250,000 thousandn, can be broken down as follows (€thousand):

	Mortgaged asset	Net value value mortgaged asset
Total Spain	NH Eurobuilding	119,885
	NH Barbizon Palace	58,024
	NH Conference Centre Leeuwenhorst	46,819
	NH Conference Centre Koningshof	31,521
	NH Schiphol Airport	37,342
	NH Conference Centre Sparrenhorst	16,709
	NH Zoetermeer	6,868
	NH Naarden	10,767
	NH Capelle	6,012
	NH Geldrop	6,938
	NH Best	4,655
	NH Marquette	3,994
Total Netherlands		229,649
Net book value of assets assigned as mortgage collateral		**349,534**
Value of guaranteed debt		**431,000**
Fixed interest		**250,000**
Variable interest (amount used plus amount available)		**181,000**

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 thousand fully drawn at 31 December 2014 and with a single maturity and repayment in 2037, are included in this item.

Credit lines

At 31/12/2014, 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 2014 amounts to €41,550 thousand. This heading includes a mortgage-backed line of credit for €11,463 thousand.

The detail, by maturity, of the items included under "Non-Current and Current Payables" is as follows (€Thousand):

				Maturity						
Instrument	**Limit**	**Available**	**Disposed**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Remainder**
Mortgages	**105,222**		**105,222**		**18,807**	**48,076**	**25,463**	**5,981**	**743**	**6,152**
Fixed rate	40,042		40,042		2,823	32,893	83	82	83	4,077
Variable interest	65,180		65,180		15,984	15,183	25,379	5,899	660	2,075
Subordinated loans	**75,000**		**75,000**							**75,000**
Variable interest	75,000		75,000							75,000
Syndicated loans	**188,000**	**56,667**	**131,333**		**19,700**	**19,700**	**87,033**	**700**	**700**	**3,500**
Tranche A (floating rate)	114,333		114,333		19,000	19,000	76,333			
Tranche B (floating rate)	66,667	56,667	10,000				10,000			
Syndicated NH Europa (floating rate)	7,000		7,000		700	700	700	700	700	3,500
Guaranteed line of credit	**14,000**	**2,537**	**11,463**		**11,463**					
Variable interest	14,000	2,537	11,463		11,463					
Convertible notes	**228,156**		**228,156**					**228,156**		
Fixed rate	228,156		228,156					228,156		
Guaranteed senior notes	**250,000**		**250,000**						**250,000**	
Fixed rate	250,000		250,000						250,000	
SUBTOTAL	**860,378**	**59,204**	**801,174**		**49,970**	**67,776**	**112,496**	**234,837**	**251,443**	**84,652**
Credit lines	**27,550**	**6,396**	**21,154**		**21,154**					
Variable interest	27,550	6,396	21,154		21,154					
Arrangement expenses			**(19,644)**		**(1,365)**	**(307)**	**(2,310)**	**(5,358)**	**(8,817)**	**(1,487)**
Borrowing costs			**4,669**		**4,669**					
Borrowing situation at 31/12/2014	**887,927**	**65,600**	**807,354**		**74,428**	**67,469**	**110,186**	**229,479**	**242,626**	**83,165**
Borrowing situation at 31/12/2013	**974,989**	**80,779**	**879,288**	**99,705**	**44,583**	**37,486**	**122,769**	**242,850**	**250,743**	**81,152**

17. Other non-current liabilities

The breakdown of the "Other non-current liabilities" item in the accompanying consolidated balance sheets, at 31 December 2014 and 2013, is as follows:

	€ Thousand	
	2014	**2013**
At fair value:		
Put option for Donnafugata Resort, S.r.l.	10,670	9,900
At amortised cost:		
Linearisation of revenue	15,895	14,441
Issue of promissory notes	1,810	1,810
Capital subsidies (Note 9)	—	18,086
Indemnity for termination of the Hotel Bühlerhöhe lease (Note 23)	—	3,593
Loans from shareholders	533	818
Other liabilities	1,326	1,658
Purchase option on Sotocaribe, S.L. (see note 2.5.4)	58,250	—
	88,484	**50,306**

On 26 October 2012 the arbitration 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 €9,900 thousand. In December 2014, an arbitration ruling set the costs and financial expenses payable by the Group at €770 thousand. The change in the fair value of this option was recognised under the heading "Change in fair value of financial instruments" in the accompanying comprehensive consolidated profit and loss statement for 2014. (See Note 25.6).

The financial liability resulting from recognising the Donnafugata Resort, S.r.l. put option at fair value was classified as level 2 in accordance with the calculation hierarchy established in IFRS 7.

18. Share-based remuneration schemes

31 December 2013 marked the end of the Group's share-based remuneration scheme, approved in May 2007. On this date, none of the legal rights had been exercised, since the quoted price of the shares of NH Hotel Group S.A. had not reached the minimum required, whereupon on that date, in accordance with the legislation applicable to this remuneration scheme, the legal rights automatically expired.

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 June 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 €30,601 thousand.

The change in the fair value of this financial instrument until the settlement date had a positive impact of €9.5 million on the consolidated comprehensive profit and loss statement for the year ending 31 December 2013 (see Note 27.6).

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 assuming the commitment to the beneficiary. The effect of this item on the profit and loss statement for 2014 was €452 thousand (€453 thousand in 2013).

New long-term incentive plan

On 25 June 2013, the Company's General Shareholders Meeting approved a long-term share-based incentive plan ("the plan") for the NH Hotel Group SA's executives and employees, as follows:

The plan will consist of the grant of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of the fixed salary, according to 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 the performance of NH Hotel Group, SA shares with the following indices:
  - IBEX Medium Cap
  - Dow Jones Euro STOXX Travel & Leisure
- EBITDA, 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 CEO, 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. At 31 December 2014, only the first cycle had been approved.

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: €6,170,000
- Second cycle: €5,830,000
- Third cycle: €4,440,000
- Total: €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 EBITDA thresholds must be reached.

The item recognised in the income statement for 2014 in this connection amounted to €746 thousand.

19. Provisions for risks and charges

The breakdown of "Provisions for risks and charges" at 31 December 2014 and 2013, together with the main movements recognised in those years were as follows:

	€ Thousand				
	Balance at 31/12/2012 -	**Additions**	**Applications/ reductions**	**Transfers**	**Balance at 31/12/2013 -**
Provisions for contingencies and extraordinary costs:					
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 current expenses:					
Onerous contracts	33,477	—	(21,504)	9,433	21,406
Restructuring provisions	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**

	€ Thousand				
	Balance at 31/12/2013	**Additions**	**Applications/ reductions**	**Transfers (Note 9)**	**Balance at 31/12/2014**
Provisions for contingencies and extraordinary costs:					
Onerous contracts	27,241	14,809	(4,950)	(10,114)	26,986
Provisions for pensions and similar obligations	17,951	209	(4,131)	(232)	13,797
Other claims	21,543	3,390	(7,607)	(1,179)	16,147
	66,735	**18,408**	**(16,688)**	**(11,525)**	**56,930**
Provisions for contingencies and current expenses:					
Onerous contracts	21,406	—	(21,406)	10,114	10,114
Restructuring provisions	4,864	4,740	(4,883)	—	4,721
	26,270	**4,740**	**(26,289)**	**10,114**	**14,835**
Total	**93,005**	**23,148**	**(42,977)**	**(1,411)**	**71,765**

Onerous contracts

The Group has classified a number of hotel lease agreements, to which it is committed between 2014 and 2041 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 the year include €3,456 thousand corresponding to the increase in the provision for onerous contracts (see note 25.6), while the applications include the application of €282 thousand corresponding to a hotel no longer managed by the Group.

Provision 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, and the T.F.R. (Trattamento di fine rapporto), an amount paid to all workers in Italy at the moment they leave the company for any reason. This is another remuneration element, whose payment is deferred and annually allocated 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 2014, the liabilities entered against this item were of €13,797 thousand (€17,951 thousand at 31 December 2013).

The breakdown of the main assumptions used to calculate actuarial liabilities is as follows:

	2014		2013	
	Netherlands	**Italy**	**Netherlands**	**Italy**
Discount rates	2.10%	0.18%	2.10%	0.18%
Expected annual rate of salary rise	2.50%	1.90%	2.50%	1.90%
Expected return from assets allocated to the plan	2.10%	2.50%	2.10%	2.50%

Restructuring provision

The lower restructuring provision is due to the restructuring plan that the Group approved for reorganisation in Italy and Spain, which was executed in 2014 and 2013. At the end of 2014, the Group's provisions amounted to €4,721 thousand.

20. Tax note

Balances with Public Administrations

The balance of tax receivables at 31 December 2014 and 2013 were as follows:

	€ thousands	
	2014	**2013**
Deferred tax assets		
Tax credits	105,449	140,048
Tax assets due to asset impairment	35,353	38,735
Tax withholdings of workforce	1,703	1,437
Derivative financial instruments	—	—
Other prepaid taxes	15,353	18,562
	157,858	**198,782**

	€ thousands	
	2014	**2013**
Short-term taxes receivable		
Income tax	11,068	4,746
Value Added Tax	18,405	29,196
Other tax receivables	5,650	5,750
Total	**35,123**	**39,692**

The movements of the "Deferred tax assets" item in 2014 and 2013 were as follows:

	€ thousands	
	2014	**2013**
Opening balance	**198,782**	**210,939**
Asset impairment	(3,382)	(1,856)
Disposals due to derivative instruments	—	(10,932)
Cancellation of assets due to changes in scope	(28,708)	—
Cancellation of assets due to change in tax rate	(21,861)	—
Tax loss carry-forward for the year	12,056	(761)
Others	971	1,392
Total	**157,858**	**198,782**

Asset cancellations due to change in scope correspond to the derecognition of the tax losses contributed by Sotogrande and its subsidiaries, worth €20,440 thousand, which are now lost due to the exit of these entities from the Spanish tax consolidation group (see note 2.5.4.) and to the derecognition of the deferred tax assets these companies contributed to the consolidated balance sheet, worth €8,268 thousand (see note 9).

Asset disposals due to tax rate changes have arisen due to the change in the rate of Spanish Corporate Income Tax introduced by Law 27/2014, of 27 November. As the rate has been reduced, the Group has adjusted its deferred tax assets and liabilities and its tax loss assets, using the rate which is likely to be applicable in the period when it estimates the asset will be realised or the liability will be settled.

At 31 December 2014, 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% starting in 2020, in which extraordinary transactions are not taken into account. In accordance with the results of said recovery plan, the tax credits will be fully offset in 2024. For this reason, the directors of the Parent Company have decided to capitalise the tax losses registered for the year.

Below is a sensitivity analysis based on the tax base used in the estimate:

Annual Tax Base Variation	**(10)%**	**(20)%**	**(30)%**
Year of Recovery	**2025**	**2026**	**2028**

At 31 December 2014 and 2013 the Group had tax credits worth €574.544,000 that had not been entered in the accompanying balance statement because the Directors considered they did not to meet accounting standard requirements. These assets are grouped as follows:

	€ thousands	
	2014	**2013**
Non-deductible financial expenses in Spain	138,113	96,575
Non-deductible financial expenses in Italy	28,519	30,298
Non-deductible financial expenses in Germany	12,900	11,400
Tax bases generated by the Spanish entities before consolidation	108,790	111,976
Tax bases generated in Spain	31,213	31,213
Tax bases generated in Italy	43,762	39,016
Tax bases generated in Germany	168,700	192,000
Deductions generated in Spain	42,548	45,463
Total	**574,544**	**557,940**

Financial expenses that cannot be deducted from Spanish Corporate Income Tax, due to exceeding 30% of the operating income of the tax group, calculated according to Article 20 of the Redrafted Text of the Corporate Income Tax Act, approved by Legislative Royal Decree 4/2004, of 5 March, were €41,538 thousand in 2014 (€54,074 thousand in 2013). In accordance with the new stipulations of Law 27/2014, there is no deadline for offsetting non-deductible finance costs. Regarding Italian and German Corporate Income Tax, tax regulations in those countries are similar to those of Spain on the deductibility limit of financial expenses. In accordance with Italian and German legislation, there is no deadline for offsetting non-deductible finance costs.

The composition of the credit balances with Public Administrations at 31 December 2014 and 2013 is as follows:

	€ thousands	
	2014	**2013**
Deferred tax liabilities		
Revaluation of assets and other valuation differences	179,730	201,225
Total	**179,730**	**201,225**

	€ thousands	
	2014	**2013**
Short-term taxes payable		
Corporate income tax	15,412	7,314
Value Added Tax	1,763	12,009
Personal Income Tax	8,321	5,124
Tax on Income from Capital	90	1,196
Social Security	8,196	6,695
Others	6,312	5,157
Total	**40,094**	**37,495**

The movements in deferred tax liabilities during 2014 are as follows:

	€ thousands	
	2014	**2013**
Opening balance	**201,225**	**233,939**
Cancellation of liabilities due to change in tax rate	(6,510)	—
Cancellation of liabilities due to changes in scope (Note 9)	(9,461)	(8,915)
Others	(5,524)	(23,799)
Closing balance	**179,730**	**201,225**

The derecognitions in 2013 relate mainly to Sotogrande S.A. and its subsidiaries leaving the group, and 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:

	thousands of euros			
	Tax credits	**Prepaid taxes**	**Total assets**	**Liabilities**
Spain	99,436	36,390	135,826	50,640
Italy	5,277	6,947	12,224	119,022
Germany	—	3,229	3,229	673
Others	736	5,843	6,579	9,395
TOTAL	**105,449**	**52,409**	**157,858**	**179,730**

Corporate income tax expense

The Group operates in many countries and is therefore subject to the regulations of different tax jurisdictions regarding taxation and corporate income tax.

NH Hotel Group, S.A. and the companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2014 tax period are subject to the tax consolidation scheme governed by Title VII, Chapter VII of the Consolidated Text of the Corporate 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 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.

During 2014, Sotogrande, S.A., Resco Sotogrande, S.L. and Club Deportivo Sotogrande, S.A. were excluded from the Spanish tax consolidation group. Coperama Spain, S.L. was included in the group.

Corporation tax is calculated on the financial 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.

In 2014, Spanish companies pay taxes at the general tax rate of 30% irrespective of whether they apply the consolidated or separate taxation schemes. Following the approval of tax reform in Spain, the tax rates applicable to resident entities will be 28% in 2015 and 25% in 2016 and the following years. The foreign companies are subject to the prevailing tax rate in the countries where they are domiciled. In addition, taxes are recognised in some countries at the estimated minimum profit on a complementary basis to Corporation Tax.

The prevailing income tax rates in the different jurisdictions where the Group has significant operations are as follows:

Country	**Nominal rate**	**Country**	**Nominal rate**
Argentina[(1)]	35%	Romania	16%
Colombia[(2)]	—	Poland	19%
Chile	20%	Switzerland	7.80%
Panama	25%	Dominican Rep.	19%
Brazil	34%	Luxembourg	29.20%
Mexico	30%	Italy	31.70%
Uruguay	25%	Netherlands	25%
Dominican Republic	28%	France	33%
Germany	30%	Portugal	31.50%

(1) Jurisdictions in which there is a minimum taxable income.

(2) NH Parque de la 93, S.A.S., the Colombian company which operates a hotel in Bogotá, is exempt from Income Tax.

The reconciliation between the consolidated comprehensive profit or loss statements, the corporation tax base, current and deferred tax for the year, is as follows:

	2014												2013	
	thousands of euros												thousands of euros	
	Spain	Germany	Czech R.	Romania	Poland	Switzerland	Luxembourg	Latin America(1)	Italy	Netherlands(2)	Portugal	TOTAL	Spanish companies	Other companies
Consolidated comprehensive profit and loss statements	**(75,876)**	**9,339**	**194**	**28**	**49**	**(701)**	**1,060**	**10,044**	**22**	**29,559**	**(56)**	**(26,338)**	**(125,754)**	**92,917**
Adjustments to consolidated comprehensive profit and loss:	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounting consolidation adjustments	(25,339)	4,765	—	—	—	—	—	—	4,680	—	—	(15,894)	22,770.00	9,974
Due to permanent differences	35,823	(12,621)	—	196	—	1,460	(1,060)	(1,435)	(10,572)	3,416	56	15,263	40,433	(2,069)
Due to temporary differences	17,225	(188)	—	—	—	—	—	2,857	1,124	(7,956)	—	13,062	22,618	14,806
Tax base (Taxable profit or loss)	(48,167)	1,293	194	224	49	759	—	11,465	(4,746)	25,018	—	(13,911)	(39,935)	115,628
Current taxes to be refunded / (to pay)	(1,088)	179	—	1	—	(27)	2	(604)	4,183	1,751	(54)	4,343	(194)	2,761
Total current tax income / (expense)	11,275	(388)	—	(36)	(9)	(59)	—	(3,153)	(4,645)	(6,254)	—	(3,269)	387	(26,266)
Total deferred tax income / (expense)	3,914	(57)	—	—	—	—	—	786	356	(1,989)	—	3,010	(7,827)	28,238
Total income / (expense) due to tax rate changes	(14,562)	—	—	—	—	—	—	(789)	—	—	—	(15,351)	—	—
Total Corporation Tax income / (expense)	**626**	**(444)**	**—**	**(36)**	**(9)**	**(59)**	**—**	**(3,157)**	**(4,289)**	**(8,243)**	**—**	**(15,611)**	**(7,440)**	**1,972**

(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 France.

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	2010 to 2013
VAT	2011 to 2014
IRPF (personal income tax)	2011 to 2014
Others	2011 to 2014

On 30 January and 3 February 2015, NH Hotel Group, S.A. and NH Hoteles España, S.A. received separate notifications from the Spanish Tax Agency of audit and investigation inspections, with the following scope:

Item	Period
Corporate Income tax	2010 to 2014
Value Added Tax	2011 to 2013
Withholdings on earnings	2011 to 2013
Withholdings on property income	2011 to 2013
Withholdings on non-resident income (NH Hotel Group)	2011 to 2013

The notification of the start of audit and investigation inspections was sent to NH Hotel Group, S.A. in its role as the parent company of Grupo 23/92, regarding Corporate Income Tax, and of Group 161/09, regarding VAT.

Deductions applied by the consolidated tax group of the Parent Company

The deductions generated during the year are essentially due to double taxation. 2014 marked the end of the compensation period of the €9 million deduction to avoid double taxation generated in 2006.

At 31 December 2014, the Tax Group held the following tax credit carry-forward (€thousand):

Year origin	Deduction pending application	Amount
2002 to 2010	Investment in export activity	29,047
2007 to 2013	Tax deduction to avoid double taxation	12,222
2002 to 2013	Other	1,279
		42,548

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 (€thousand):

		Amount offset			
Year of origin	**Revenue qualifying for deferral**	**Previous years**	**Year 2014**	**Amount outstanding**	**Last year of deferral**
1999	75,145	50,757	682	23,706	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 Consolidated Text of the Corporation Tax Act is shown below (€thousand).

			Deduction			
Financial year	**Date of transmission**	**Revenue deferred**	**Applied**	**Outstanding**	**Company generating the capital gain**	**Company reinvesting**
2008	June	1,583	—	190	Gran Círculo de Madrid, S.A.	NH Europa, S.L.

The capital gains obtained in 2008 were re-invested in 2009 through the Group's acquisition of new shares in the Italian subsidiary through NH Europa, S.L., formerly "NH Hotel Rallye, S.A." These shares were issued as a result of a capital increase of €73 million, allocated to acquiring new hotels and refurbishing existing ones, with an obligation to maintain the investment during a three-year period.

Negative tax bases

At 31 December 2014, the Consolidated Tax Group headed by NH Hotel Group, S.A. has the following tax loss carry-forwards:

Financial year	Amount
2007	8,992
2008	17,711
2009	91,223
2010	50,107
2011	23,706
2012	156,689
2013	31,213
2014	49,316
Total	**428,958**

The exit of Sotogrande, S.A., Resco Sotogrande, S.L. and Club Deportivo Sotogrande, S.A. from the Tax Group means an estimated reduction in tax loss carry-forwards of €68 million.

21. Trade payables

The breakdown of this item in the consolidated balance sheet at 31 December 2014 and 2013 is as follows (€thousand):

	€Thousand	
	2014	**2013**
Trade payables	206,288	208,160
Advance payments from customers	25,139	21,428
	231,427	**229,588**

The "Trade payables" 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 businesses.

22. 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:

	2014		2013	
	€Thousand	**%**	**€Thousand**	**%**
Payments made within the maximum legal term	93,882	35%	186,466	70%
Remainder	171,783	65%	81,102	30%
Total payments in the financial year	**265,665**	**100%**	**267,568**	**100%**
Weighted average exceeded payment period (days)	65		38	
Deferrals which exceeded the maximum legal deadline at year-end	19,833		18,418	

The above information on payments to suppliers refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Trade creditors" item in current liabilities of the attached consolidated balance sheet at 31 December 2014.

The weighted average exceeded payment period (PMPE) has been calculated as 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 legal payment period applicable to the Group's Spanish companies in 2014 and 2013 is 30 days, unless there is an agreement between the parties with a maximum period of 60 days, in accordance with Law 4/2013 of 26 July, amending Law 3/2004, establishing measures to combat delinquency in commercial transactions.

The weighted average exceeded payment period (PMPE) for payments due in 2014 is higher because after the migration of the accounting system in January 2014, payments were delayed in the first half of 2014 until the system was stabilised.

23. Other current liabilities

The composition of this item at 31 December 2014 and 2013 is as follows:

	€Thousand	
	2014	**2013**
Outstanding remuneration	30,555	28,687
Compensation for termination of the Hotel Bühlerhöhe lease (Note 17)	3,915	2,936
Linearisation of revenue	3.l59	1,970
Corporate restructuring provision in Mexico	—	2,500
Provision for Los Cortijos refurbishment expenses	—	682
Other creditors	7,935	2,224
	45,564	**38,999**

In 2014 the corporate restructuring provision was applied in Mexico due to a company divestment operation there in April.

The heading "Compensation for termination of the Hotel NH Bühlerhöhe lease" includes 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. At 31 December 2014, compensation liability was €3,915 thousand which is expected to be settled in full in 2015 (see Note 25.6).

24. Third-party guarantees and contingent assets and liabilities

Financial institutions had granted surety to the Group for an amount totalling €22.05 million (€21.68 million at 31 December 2013) 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 2014, the Group had taken out insurance policies to cover risks arising from damage to material goods, loss of profits and third-party liability. The capital insured sufficiently covers the assets and risks mentioned above.

Commitments to third parties

- A Group company currently acts as co-guarantor for a syndicated loan granted by two banks to the associate Sotocaribe, S.L. which at 31 December 2014 had an outstanding principal of €19,508 thousand with final maturity in 2014. On 23 September 2014 a novation was signed to extend the loan maturity to 2015.

- On 10 March 2006, NH Europa, S.A. and Losan Hoteles, S.L. (now Carey Property, S.L.) signed a shareholders' agreement on Losan Investments Ltd. (the owner of the Kensington Hotel), by means of which, should Losan Investments Ltd. receive an offer to purchase 100% of its shares at a price deemed to be a market price, Losan Hoteles, S.L. (now Carey Property, S.L.) may require NH Europa, S.A. to transfer its shares to the third party who made the offer and the latter will be obliged to accept. However, NH Europa, S.A. will have preferential acquisition rights over shares held by Losan Hoteles, S.L. (now Carey Property, S.L.) in Losan Investments Ltd.

- On 25 March 2009, Sotogrande, S.A. granted the non-controlling shareholders of Donnafugata Resort S.r.l. representing 30% of its share capital a put option. On 20 October 2010, the shareholders of Compagnia Immobiliare Azionaria, S.p.A. and Repinvest Sicily S.r.l. gave notice of their intention to partially exercise the above-mentioned put option in accordance with the agreement signed by the parties in March 2009. An independent expert was commissioned to appraise the company as a consequence of this notice. Sotogrande, S.A. considered this expert's valuation of the company to be excessive and far from its real value, and began arbitration proceedings in which it challenged 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 new arbitration proceedings seeking for Sotogrande, S.A. to be ordered to pay €9,900,000 plus €11,451 , plus interest, in accordance with the valuation stated in the aforementioned ruling. On 3 December 2014 the tribunal issued a ruling ordering Sotogrande, S.A. to pay the sum of €10,673,484 fully provided for. Due to the operation described in Note 2, the Group stood in for Sotogrande S.A. in this dispute.

- In the context of operations in the Caribbean, and within the management contract for the Real Arena complex, there is a commitment by the management company to obtain a minimum profit.

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:

- In 2008, a Group subsidiary in Italy terminated a service agreement with the construction company in charge of building a tourist complex being developed by said subsidiary on the grounds of several breaches of contract. 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.

  The Group company in Italy has filed a counterclaim, affirming that the termination was due to breach of contract and for this reason, compensation of approximately €33 million is being claimed from the construction company. The tribunal appointed a technical expert, who quantified the damages in the construction company's favour at approximately €1.4 million, and in favour of Donnafugata Resort Srl at €6.4 million minimum and approximately €9.1 million maximum.

  The Italian company has already received €5.1 million in payment for the damages from the first-demand bank guarantee provided by Intesa San Paolo, S.p.A.; in order to seek payment of any additional damages, it must be borne in mind 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, on 31 December 2014, the attached consolidated balance sheet includes a liability for the sum of €6,771 thousand under the heading "Assets available for sale".

- The owner of a tourist complex has initiated arbitration proceedings against Donnafugata Resort Srl, claiming damages for a delay in construction work and demanding demolition of part of the work and the execution of some additional work. The Italian 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 Directors, following the opinion of their legal advisers, have not made provisions for the amount, as they consider it will probably not be needed.

- NH Group has appeared in the insolvency proceedings of Viajes Marsans, S.A. and Tiempo Libre, S.A., from the unsettled estate of Gonzalo Pascual Arias and Gerardo Díaz Ferrán, and in the voluntary insolvency proceedings against María Angeles de la Riva Zorrilla, in order to claim outstanding amounts. Said balances were provisioned in consolidated financial statements in the amounts deemed not recoverable.

- The owner of 4 hotels in the Netherlands made a claim for a payment of €2,723 thousand from a Dutch subsidiary because there was supposedly a change of control in 2014, and this supposedly gives it the right to claim a penalty, according to the lease. The notification was accompanied by the written demand, and it announced it would go to court if the Dutch subsidiary does not pay within 8 days of 19 February. The Directors, in accordance with their legal advisers, consider it unnecessary to register a provision for this item at present.

25. Income and expenses

25.1 Income

The breakdown of these headings in the consolidated comprehensive profit and loss statements for 2014 and 2013 is as follows:

	€ Thousand	
	2014	2013
Hotel occupancy	847,717	833,598
Catering	297,218	300,261
Meeting rooms and others	62,541	62,985
Rentals and other services	39,479	35,328
Revenues	**1,246,955**	**1,232,172**
Operating subsidies	6	156
Other operating income	3,293	1,338
Other operating income	**3,299**	**1,494**
Net gain (loss) on disposal of assets	**(1,005)**	**2,120**

"Rentals and Other Services" includes the income from fees invoiced to hotels operated on a management basis and the services provided by the NH Group to third parties.

The breakdown of net turnover by geographical markets in 2014 and 2013 was as follows:

	€ Thousand	
	2014	2013
Spain	294,970	285,646
Germany	288,253	282,984
Benelux	256,580	266,823
Italy	227,400	217,710
Rest of Europe	92,636	92,125
Latin America	87,115	86,884
	1,246,954	**1,232,172**

25.2 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	
	2014	2013
Dividend income	935	22
Income from marketable securities	396	1,539
Interest income	2,521	1,892
Other financial income	3,516	646
	7,368	**4,099**

25.3 Personnel expenses

This item in the consolidated comprehensive profit and loss statement is broken down as follows:

	€ Thousand	
	2014	2013
Wages, salaries and similar	282,173	296,461
Social security contributions	69,764	70,219
Indemnifications	9,043	5,838
Contributions to pension plans and similar	3,460	5,102
Other social expenses	9,353	9,609
	373,793	**387,229**

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in 2014 and 2013 broken down by professional categories was as follows:

	2014	2013
Group's general management	6	8
Managers and heads of department	1,077	1,069
Technical staff	771	922
Sales representatives	444	397
Administrative staff	154	327
Rest of workforce	10,257	10,421
	12,709	**13,144**

The breakdown of the personnel at 31 December 2014 and 2013, by gender and professional category, is as follows:

	31-12-2014		31-12-2013	
	Males	Females	Males	Females
Group's general management	6	—	7	1
Managers and heads of department	648	390	682	388
Technical staff	419	331	427	331
Sales representatives	89	283	165	492
Administrative staff	44	92	90	188
Rest of workforce	6,251	3,482	6,215	3,427
	7,457	**4,578**	**7,586**	**4,827**

The average number of people with disabilities equivalent to or greater than 33%, directly employed by the Parent Company and fully consolidated companies in Spain in 2014, broken down by professional categories, is as follows:

	2014	2013
Managers and heads of department	4	2
Technical staff	4	5
Rest of workforce	20	23
	28	**30**

The average age of the Group's workforce was approximately 38 years and average seniority in the Group amounted to 7.8 years.

25.4 Other operating expenses

The detail of “Other Operating Expenses” of the consolidated statement of comprehensive income for 2014 and 2013 is as follows:

	€ Thousand	
	2014	2013
Lease rentals	272,156	275,230
External services	452,078	423,912
Additions to contingency and expense provisions	(4,217)	5,015
	720,017	**704,157**

During 2014 and 2013, the fees for account auditing and other services provided by the auditor of the Group’s consolidated annual accounts, Deloitte, S.L., and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	€ Thousand	
	2014	2013
Auditing services	464	488
Other verification services	241	395
Total auditing and related services	705	883
Tax consulting services	246	133
Other services	666	1,260
Total other services	912	1,393
Total professional services	**1,617**	**2,276**

Additionally, entities associated with the Deloitte international network have invoiced the Group for the following services:

	€ Thousand	
	2014	2013
Auditing services	890	899
Other verification services	35	143
Total auditing and related services	925	1,042
Tax consulting services	133	161
Other services	42	39
Total other services	175	200
Total	**1,101**	**1,242**

During 2014, other auditing firms apart from Deloitte, S.L. or entities associated with this company by control, shared ownership or management, have provided account auditing services to the companies making up the Group, for fees totalling €57 thousand (€69 thousand in 2013). The fees accrued in 2014 by these firms for tax advice services were €232 thousand (€205 thousand in 2013) and for other services, €399 thousand (€31 thousand in 2013).

25.5 Operating leases

At 31 December 2014 and 2013, the Group had made undertakings concerning future minimal rental payments by virtue of non-cancellable operating 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 commitments which the Group estimates will have to be met in the future to guarantee a minimum return from hotels operated under a management agreement.

	€ Thousand	
	2014	**2013**
Less than one year	278,675	277,994
Between two and five years	1,053,825	1,042,681
More than five years	824,049	793,691
Total	**2,156,549**	**2,114,366**

The term of the operating lease agreements signed by the Group ranges from 5 to 40 years. Agreements likewise include several methods to determine the rent to be paid. Basically, the methods for determining rentals can be summarised as fixed rentals indexed to a consumer price index; fixed rentals complemented by a variable part, indexed to the property's operating profits; or completely variable rentals, determined by business performance during the year. In some cases, variable rentals 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 2014 is as follows:

	Less than one year	**Between two and five years**	**More than five years**	**Total**
Spain	80,742	317,450	159,043	557,235
Germany and Central Europe	109,344	414,517	305,619	829,480
Italy	40,692	129,258	59,275	229,225
Benelux	44,678	187,027	297,347	529,052
Latin America	3,219	5,572	2,765	11,556
Total	**278,675**	**1,053,824**	**824,049**	**2,156,548**

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	234601	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**

25.6 Financial expenses and changes in fair value of financial instruments

The detailed balance of this chapter of the consolidated statement of comprehensive income for 2014 and 2013 is as follows:

	€ Thousand	
	2014	**2013**
Expenses for interest	53,488	54,462
Financial expenses for means of payment	10,354	10,489
Cancellation of interest rate derivatives	—	5,880
Other financial expenses	1,531	1,496
Financial effect relating to updating of provisions (Note 19)	3,456	4,019
Total financial expenses	**68,829**	**76,346**

	€ Thousand	
	2014	**2013**
Interest rate derivatives (Note 4.7.3)	(2,786)	—
Put option for Donnafugata Resort, S.r.l.	770	
Share-based remuneration scheme 2007-2013 (Note 18)	—	(9,511)
Total change in fair value of financial instruments	**(2,016)**	**(9,511)**

26. Related party transactions

In addition to its subsidiaries, associates and joint ventures, the Group's "related parties" are considered to be the "key management personnel" of the Parent Company (Board Members and Directors, along with their immediate relatives), as well as organisations over which key management personnel may exert significant influence or control.

Transactions carried out by the Group with its related parties during 2014 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 of the related-party transactions are equivalent to those of transactions carried out under market conditions:

	€ Thousand			
	31/12/2014 -			
	Major shareholders	Directors and senior management	Group persons, companies or entities	Total
Income and Expenses				
Expenses:				
Finance costs	8,137	—	—	8,137
Management or cooperation agreements	—	—	—	—
R&D transfers and licence agreements	—	—	—	—
Lease rentals	10,143	—	—	10,143
Reception of services	—	—	—	—
Purchase of goods (finished or in-progress)	—	—	—	—
Write-downs for bad debts and doubtful accounts	—	—	—	—
Losses on retirement or disposal of assets	—	—	—	—
Other expenses	—	—	—	—
	18,280	**—**	**—**	**18,280**
Income:				
Finance income	—	—	—	—
Management or cooperation agreements	5,869	—	—	5,869
R&D transfers and licence agreements	—	—	—	—
Dividends received	—	—	—	—
Lease rentals	—	—	—	—
Provision of services	—	—	—	—
Sale of goods (finished or in-progress)	—	—	—	—
Gains on retirement or disposal of assets	—	—	—	—
Other income	—	—	—	—
	5,869	**—**	**—**	**5,869**

Financial expenses accrued from financing agreements with credit institutions that are major shareholders of the Parent Company amounted to €8,137 thousand in 2014 (€13,839 thousand in 2013).

The Group maintains several operating lease agreements with Pontegadea Inversiones, S.L. totalling €10,143thousand during all or part of 2014 (€9,366 thoushand in 2013).

The heading "Management or cooperation agreements" includes the amounts that have accrued in the form of management fees payable to the NH Hotel Group during the period of 2014 by virtue of the hotel management agreement signed with Grupo Inversor Hesperia, S.A.

Financing agreements: loans and capital contributions

The composition of the financing agreements entered into with the Group's significant shareholders at 31 December 2014 and 31 December 2013 is as follows:

	€ Thousand		
	2014	**2013**	**Movement**
Banco Financiero y de Ahorros, S.A.	—	104,870	(104,870)
Intesa Sanpaolo S.p.A.	42,333	65,764	(23,431)
Banco Santander, S.A.	21,717	—	21,717
Total	**64,050**	**170,634**	**(106,584)**
Interest accrued but not due	**145**	**377**	**(231)**

At 31 December 2014, unmatured accrued financial expenses in relation to the financing agreements with credit institutions that are shareholders in the Parent Company amounted to €145 thousand (€377 thousand as at 31 December 2013).

Other financing agreements:

	€ Thousand	
	2014	**2013**
Accounts receivable from joint operations:		
Los Alcornoques de Sotogrande, S.L.	—	5,576
Other accounts receivable from joint operations	—	478
Loans to associates		
Harrington Hall Hotel Ltd.	—	5,962
Sotocaribe, S.L.	3,445	2,744
Total	**3,445**	**14,760**

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, was entered under the heading "Accounts receivable from joint ventures: Los Alcornoques de Sotogrande, S.L.". This account was included in the assets of Sotogrande, S.A. transferred on 16 October 2014.

The subordinated loan of €2,250 thousand granted by the Group to Harrington Hall Hotel Ltd. to refinance the entity's financial debt prior to its acquisition is entered under "Loans to associates- Harrington Hall Hotel Ltd.". This loan was repaid on 12 August in the context of the sale of the Group's stake in Harrington Hall, Ltd..

Other operations

By virtue of the contractual relationship entered into with Grupo Inversor Hesperia, S.A., at 31 December 2014, €3.38 million had not yet been received for various reasons, of which €2.02 million were due on said date. At 31 December 2014 the net balance recognised in relation to Grupo Inversor Hesperia, S.A. came to €2.96 million (31 December 2013: €1.52 million).

	€ Thousand			
	31/12/2013 -			
Expenses and income	**Major shareholders**	**Directors and senior management**	**Group persons, companies or entities**	**Total**
Expenses:				
Finance costs	13,839	—	—	13,839
Management or cooperation agreements	—	—	—	—
R&D transfers and licence agreements	—	—	—	—
Lease rentals	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:				
Finance income	—	31	—	31
Management or cooperation agreements	5,337	—	—	5,337
R&D transfers and licence agreements	—	—	—	—
Dividends received	—	—	—	—
Lease rentals	—	—	—	—
Provision 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**

27. Information by segments

The information by segments is primarily structured around the Group different business lines, and secondarily according to geographical distribution.

Main segments—business

On 14 November 2014, the NH Group sold its property business and reclassified as "Non-current assets held for sale and discontinued operations" the non-strategic assets involved in a divestment process with firm sale plans (see Note 9).

Consequently, it proceeded to standardise the balances of the profit and loss account for 2013 corresponding to activities considered to have been discontinued that year. This standardisation does not apply to the consolidated balance sheet for 2013.

At 31 December 2014, the NH Group focuses its operations on the hotel business, which constitutes the basis upon which the Group presents the information on its main segment.

The Group does not include its catering operations as a main segment because it cannot be separated from the accommodation activity; both together constitute a single business, the hotel business.

Secondary segments—geographical

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 NH Group and is generated through a computer application which categorises transactions by business lines and geography.

Ordinary revenues of the segment correspond to revenue directly attributable to the segment plus the relevant proportion of the Group's general income that can be distributed to it using fair rules of distribution. The ordinary revenues of each segment do 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.

27.1 Information on main segments

This section breaks down information on main segments relating only to the Group's consolidated balance, given the reclassification of property business balances in the comprehensive consolidated income statement under "Profit (Loss) for the Year from Discontinued Operations Net of Tax", applying International Financial Reporting Standard 5 "Non-current Assets held for sale and discontinued operations", detailed in Note 9.

	€ thousands					
	Hotel business		Real estate		Total	
	2014	2013	2014	2013	2014	2013
OTHER INFORMATION						
Additions of fixed assets	127,162	30,361	—	38	127,162	30,399
Depreciation	(98,516)	(101,902)	—	580	(98,516)	(101,322)
Net profit (loss) for asset deterioration	12,810	28,103	—	—	12,810	28,103
CONSOLIDATED BALANCE SHEET						
ASSETS						
Assets by segments	2,643,183	2,495,210	—	108,119	2,643,183	2,603,329
Shareholdings in associated companies	(29,465)	16,562	47,281	67,617	17,816	84,179
Total consolidated assets	**2,613,718**	**2,511,772**	**47,281**	**175,736**	**2,660,999**	**2,687,508**
LIABILITIES						
Liabilities and equity by segments	2,613,718	2,511,772	47,281	175,736	2,660,999	2,687,508
Total Consolidated Liabilities and Shareholders' Equity	**2,613,718**	**2,511,772**	**47,281**	**175,736**	**2,660,999**	**2,687,508**

27.2 Information on secondary segments

The following table shows the breakdown of certain Group consolidated balances in accordance with the geographical distribution of the entities giving rise to them:

	€ thousands					
	Revenues		Total assets		Fixed assets and intangible	
	2014	2013	2014	2013	2014	2013
Spain	295,292	285,646	848,466	881,763	66,267	5,349
Benelux	256,580	266,823	600,816	614,007	21,003	4,359
Germany	288,253	282,984	303,599	300,031	16,592	9,199
Italy	227,078	217,710	578,681	591,083	17,344	7,095
Rest of Europe	92,636	92,125	36,463	37,543	799	1,056
Latin America	87,115	86,884	292,974	263,081	5,157	3,341
Total	**1,246,954**	**1,232,172**	**2,660,999**	**2,687,508**	**127,162**	**30,399**

28. Remuneration and other statements made by the board of directors and senior management

The amount accrued in 2014 and 2013 by the members of the Parent's managing bodies, Board of Directors (2013: 13 members; 2013: 14 members), Executive Committee (four members), Audit and Control Committee (three members) and Appointments and Remuneration Committee (three members), by way of executive directors' salary, statutory directors' fees and attendance fees, is as follows:

28.1 Remuneration of the board of directors

	€ Thousand	
Remuneration item	**2014**	**2013**
Fixed remuneration	1,050	800
Variable remuneration	787	800
Parent Company: allowances	129	225
Parent Company: attendance allowances	550	520
Options on shares and other financial instruments	952	452
Indemnifications/other	8	35
Life insurance premiums	83	18
Consolidated companies: allowances	5	5
Consolidated Companies: attendance allowances	83	95
Total	**3,647**	**2,950**

At 31 December 2014, there were 12 members of the Board of Directors, all of whom were men (14 members in 2013: 1 woman and 13 men).

In relation to the chapter "Share transactions and/or other financial instruments", both in the case of the CEO and of the members of Senior Management, the objective remuneration earned has been taken into account.

28.2 Remuneration of senior management

The remuneration of members of the Management Committee at 31 December 2014 and 2013, excluding those who simultaneously held office as members of the Board of Directors (whose remuneration has been set out above), is detailed below:

	€ Thousand	
	2013	**2013**
Pecuniary remuneration	2,535	2,512
Remuneration in kind	341	58
Others	61	—
Total	**2,937**	**2,570**

There were six members of Senior Management at 31 December 2014, excluding the CEO. In any case, the remuneration of the seven members who formed the Company's Senior Management last year was taken into account to calculate the indicated amounts.

The accrued part of the variable remuneration is included within the remuneration of Senior Management, excluding the CEO.

28.3 Information on conflicts of interest on the part of directors

The Board of Directors have a control and evaluation procedure in order to know all information related to the Article 229.3 of the Law on Corporations, with the obligations of transparence and internal control (*Procedure for interest conflicts and Related Transactions with significant shareholders, Board and Senior Management of NH Hotel Group S.A.,"* approved by the Board of Directors on 20th March 2014). No Director has informed any situations described in this procedure.

At year-end 2014, members of the Board of Directors of NH Hotel Group, S.A. and some people associated with them, as defined in the consolidated text of the Corporate Enterprises Act, held interests in the capital of the following companies engaged in the same, similar or complementary type of operations as those constituting the corporate object of NH Hotel Group, 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 Colibrí, 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. Turísticos, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotelera Metropol, S.A.	Hotel Business	100.00%
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	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%

Holder	Investee company	Activity	Number of shares
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 Turístico 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.	Purchasing centre	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%

The breakdown of the positions held in companies engaged in the same, similar or complementary type of operations as those constituting the corporate object 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	Grupo Inversor Hesperia, S.A.	Hotel Business	Joint and Several Director
	Hotels Hesperia Andorra, S.A.	Hotel Business	Board Sec. and Attorney-in-Fact
	Desarrollo Turístico Isla Bonita, C.A.	Hotel Business	Member of the Management Team
	HMR	Hotel Business	Member of the Management Team
	Infond, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Fondotel, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hoteles Almeria, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Weddel Inversiones 2012, S.L.	Portfolio	Representative of the Joint and Several Administrator
	Hotelera Sant Just, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Cordobatel, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Gerencias y Serv. Turisticos, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotelera Metropol, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotelera Paseo de Gracia, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotel Hesperia Madrid, S.L.	Hotel Business	Representative of the Joint and Several Administrator
	Espesalud, S.L.	Hotel Business	Representative of the Joint and Several Administrator
	Bonanova Squash Garden, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Bercuma, S.L.	Hotel Business	Representative of the Joint and Several Administrator
	Hotel Conde de Aranda, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Desjust, S.L.	Hotel Business	Representative of the Joint and Several Administrator
	Hotelera del Este, S.A.	Hotel Business	Representative of the Joint and Several Administrator

Holder	Investee company	Activity	Functions
	Hotelera Salvatierra, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotelera del Noroeste, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotelera del Tormes, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotel Fontoria, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hesperia Purchasing Center, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Bristol Services, S.L.	Hotel Business	Representative of the Joint and Several Administrator
	Hotel Colibrí, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotelera de Levante, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Coperama Holding, S.L.	Hotel Business	Director and Chairman of the Board
	RH2005	Hotel Business	Member of the Management Team
	Corporación Hotelera Hemtex, S.A.	Hotel Business	Member of the Management Team
	Bonanova Squash Garden, S.A.	Hotel Business	Sole Director
	Bonanova Squash Garden, S.A.	Hotel Business	Sole Director
	Bristol Services, S.L.	Hotel Business	Sole Director
	Hotel Colibrí, S.A.	Hotel Business	Sole Director
	Hotel Conde de Aranda, S.A.	Hotel Business	Sole Director
	Cordobatel, S.A.	Hotel Business	Director
	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
José Antonio Castro Sousa . .	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 and Several Director
	Hoteles Hesperia Andorra, S.A.	Hotel Business	
	Corp. Hotelera Hemtex, S.A.	Hotel Business	Director
	Desarrollo Turístico 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.	Hotel Business	Individual representing the Joint and Several Director
Ling Zhang	Tangla Spain, S.L.U	Holding company	Board Member
	HNA Tourism Holding Group CO., LTD	Holding company	Chairman and CEO

Holder	Investee company	Activity	Functions
Haibo Bai	Tangla Spain, S.L.U	Holding company	Director and General Manager
	NHA International Hotel Group Management LTD	Hotel Business	Chairman and CEO
Xianyi Mu	Tangla Spain, S.L.U	Holding company	Deputy Chairman and General Manager
	NHA International Hotel Group Management Ltd.	Hotel Business	Deputy Chairman
Charles Mobus . .	Tangla Spain, S.L.U	Holding	Director

29. Events after the reporting period

On 2 February 2015 the conditions were met for the effectiveness of the binding agreement signed by NH Hotel Group, S.A. to acquire a majority stake, representing 80.77% of the share capital, in Hoteles Royal, S.A. ("HR"), a Colombian entity which is the head company of the Latin American hotel management group Hoteles Royal, present mainly in Colombia, Chile and Ecuador.

As part of the agreements reached with the vendors, NH undertook to make an offer to buy the remaining 19.73% share capital of HR from the other shareholders. The offer made was substantially similar to the terms agreed by NH and the vendors of 80.77% of the share capital of HR.

As a result of this operation, and after the recent sale in Colombia of the hotel NH Bogotá Parque 93 in January 2015, NH has strengthened its presence in these countries, going from 2 to 21 hotels, and from 259 to 2,379 rooms under management.

The net amount to be paid for 100% of the share capital of HR, discounting the €21.5 million received for the sale of the NH Bogotá Parque 93, is €65.6 million, of which (i) €48.18 million will be paid directly by NH on the formal acquisition of the shares ("Closing Date") and financed with part of the funds obtained from the sale of Sotogrande in November 2014; and (ii) €17.42 million will be deferred, to be paid over two years from the Closing Date, while also being retained as security, as is customary in this type of transaction.

The conditions which were met for the binding agreement mentioned above to become effective include an agreement between NH, the Carlson Rezidor Hotel Group and the HR Group, in which the HR Group and Carlson Rezidor agree, among other matters, to dissolve the master franchise agreement which initially granted a subsidiary in the HR Group the exclusive franchise rights to the Radisson brand until 2018 for much of Latin America, and to dissolve the international franchise contracts of most of the hotels that had been managed by the HR Group under the Radisson brand which would remain in HR and be managed in the future under NH brands.

The Closing Date was on 4 March 2015, which was object of the appropriate communication to the market. The Group has yet to allocate the difference on first consolidation, which will be significantly affected by the exchange rate.

These operations give NH a more appropriate presence in Colombia, and consolidate a substantial presence in certain markets it has identified as priority markets, acquiring the management of assets in excellent locations, and making considerable progress towards the goals of its Strategic Plan.

30. Information on environmental policy

The Group had not allocated any provisions for environmental contingencies and claims at year-end 2014.

The Group has no activities which require specific information to be shown in the environmental policy.

The environmental policy expressed through the management of the water cycle in the Sotogrande residential complex and its surrounding area, which included waste water treatment in order to minimise environmental impact, is no longer associated with the Group due to the sale of Sotogrande S.A

31. Exposure to risk

The Group 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's main financial assets include cash and cash equivalents (see Note 14), as well as trade and other accounts receivable (see Note 13). In general terms, the Group holds its cash and cash equivalents in entities with a high credit rating and part of its trade and other accounts receivable are guaranteed by deposits, bank guarantees 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, which 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 2014, approximately 65% of the gross 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 by issuing convertible bonds, guaranteed senior notes and a new syndicated loan, together totalling €700 million (Note 16).

Aside from the impact any changes in the interest rates could have on the financial assets and liabilities forming the net cash position, changes could arise in the valuation of the financial instruments contracted by the Group. The effects of changes in the interest rates on efficient derivatives are recognised in equity, while the effects of inefficient derivatives are recognised 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.

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 and follows the criteria of using financial derivatives (ERS) in order to reduce the impact of the exchange rate differences.

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	
	Equity	**Profit (Loss)**
US dollar	(824)	(15)
Argentine peso	(2,298)	(96)
Mexican peso	(4,681)	(217)
Colombian peso	(875)	(38)

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 forecast cash needs to be met.

The Group's liquidity position in 2014 is based on the following points:

- The group had cash and cash equivalents amounting to €200,103 thousand at 31 December 2014.
- Available undrawn credit facilities amounting to €65.6 thousand at 31 December 2014.
- 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 2014 amounted to €110,100 thousand.
- The Group's capacity to increase its financial borrowing; given that the financial leverage ratio stood at 0.53 at 31 December 2014 (see Note 15).

On 14 November 2014, the date of the sale of its stake in Sotogrande, S.A., NH Hotels Group, S.A. terminated its agreement with Banco Bilbao Vizcaya Argentaria, S.A., signed in 2010 to increase the market liquidity and distribution of subsidiary company Sotogrande, S.A's shares.

Lastly, the Group makes cash flow forecasts on a systematic basis for each business unit and geographical area in order to assess their needs. This Group liquidity policy 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.

Appendix I: Subsidiaries

The data on the Company's subsidiaries at 31 December 2014 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
Airport Hotel Frankfurt-Raunheim, GmbH & Co.	Munich	Real estate	94%	100%
Artos Beteiligungs, GmbH	Munich	Holding	94%	100%
Astron Immobilien, GmbH	Munich	Holding	100%	100%
Astron Kestrell Ltd.(**)	Plettenberg Bay	Hotel Business	100%	100%
Atlantic Hotel Exploitatie B.V.	The Hague	Hotel Business	100%	100%
Blacom, S.A.	Buenos Aires	Investment	100%	100%
Caribe Puerto Morelos, S.A. de C.V.(*)	Mexico DF	Hotel Business	100%	100%
Chartwell de México, S.A. de C.V.(*)	Mexico City	Hotel Business	100%	100%
Chartwell de Nuevo Laredo, S.A. de C.V.(*)	Nuevo Laredo	Hotel Business	100%	100%
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.(*)	Coatzacoalcos	Hotel Business	100%	100%
City Hotel, S.A.(*)	Buenos Aires	Hotel Business	50%	50%
Cofir, S.L.	Madrid	Corporate services	100%	100%
Columbia Palace Hotel, S.A.(*)	Montevideo	Hotel Business	100%	100%
Compañía Servicios Queretaro	Querétaro	Hotel Business	50%	50%
Coperama Servicios a la Hosteleria, S.L.	Barcelona	Procurement network	100%	100%
Coperama Spain S.L,U	Barcelona	Procurement network	100%	100%
DAM 9 B.V.	Amsterdam	Holding	100%	100%
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	100%	100%
Desarrollo Inmobiliario Santa Fe, S.A. de C.V.(*)	Mexico City	Hotel Business	50%	50%
Donnafugata Resort, S.R.L(*)	Italy	Tourist Services	95%	95%
DF Resort S.R.L.	Italy	Tourist Services	100%	100%
Edificio Metro, S.A.(*)	Buenos Aires	Hotel Business	100%	100%
NH Establecimientos Complementarios Hoteleros, S.A.	Barcelona	Sports Centres	100%	100%
Expl. Mij. Grand Hotel Krasnapolsky B.V.	Amsterdam	Hotel Business	100%	100%
Expl. Mij. Hotel Best B.V.	Best	Hotel Business	100%	100%
Expl. Mij. Hotel Doelen B.V.	Amsterdam	Hotel Business	100%	100%
Expl. Mij. Hotel Naarden B.V.	Naarden	Hotel Business	100%	100%
Expl. Mij. Hotel Schiller B.V.	Amsterdam	Hotel Business	100%	100%
Exploitatiemaatschappij Caransa Hotel, B.V.	Amsterdam	Without activity	100%	100%
Exploitatie Mij. Tropenhotel B.V.	Hilversum	Hotel Business	100%	100%
Fast Good Islas Canarias, S.A.	Las Palmas	Catering	100%	100%
Fast Good Península Ibérica, S.A.	Madrid	Catering	100%	100%
Franquicias Lodge, S.A. de C.V.(*)	Mexico City	Hotel Business	100%	100%
Gran Círculo de Madrid, S.A.(*)	Madrid	Catering	99%	99%
Grupo Financiero de Intermediación y Estudios, S.A.	Madrid	Corporate services	100%	100%
Grupo Hotelero Monterrey, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Grupo Hotelero Querétaro, S.A. de C.V.	Querétaro	Hotel Business	69%	69%
Hanuman Investment, S.L.	Tenerife	Hotel Business	50%	50%
Heiner Gossen Hotelbetrieb, GmbH	Mannheim	Hotel Business	100%	100%
HEM Atlanta Rotterdam B.V.	Hilversum	Hotel Business	100%	100%
HEM Epen Zuid Limburg B.V.	Wittem	Hotel Business	100%	100%
HEM Forum Maastricht B.V.	Maastricht	Hotel Business	100%	100%
HEM Jaarbeursplein Utrecht B.V.	Utrecht	Hotel Business	100%	100%
HEM Janskerkhof Utrecht B.V.	Hilversum	Hotel Business	100%	100%
HEM Marquette Heemskerk B.V.	Hilversum	Hotel Business	100%	100%
HEM Onderlangs Arnhem B.V.	Arnhem	Hotel Business	100%	100%
HEM Spuistraat Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
HEM Stadhouderskade Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
HEM Van Alphenstraat Zandvoort B.V.	Hilversum	Hotel Business	100%	100%
Hesperia Enterprises de Venezuela, S.A.	Margarita Island	Hotel Business	100%	100%
Highmark Geldrop B.V.	Geldrop	Hotel Business	100%	100%
Highmark Hoofddorp B.V.	Hoofddorp	Hotel Business	100%	100%
Hispana Santa Fe, S.A. de C.V.	Mexico City	Hotel Business	50%	50%
Hotel Aukamm Wiesbaden, GmbH & Co.	Munich	Real estate	94%	100%
Hotel Ciutat de Mataro, S.A.	Barcelona	Hotel Business	50%	50%
Hotel de Ville B.V.	Groningen	Hotel Business	100%	100%
Hotel Expl. Mij. Amsterdam Noord B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij. Leijenberghlaan Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij. Capelle a/d Ijssel, B.V.	Capelle a/d Ijssel	Hotel Business	100%	100%
Hotel Expl. Mij. Danny Kayelaan Zoetermeer B.V.	Hilversum	Hotel Business	100%	100%
Hotel Expl. Mij. Stationsstraat Amersfoort B.V.	Amersfoort	Hotel Business	100%	100%
Hotel Holding Onroerend Goed d'Vijff Vlieghen B.V.	Hilversum	Hotel Business	100%	100%
Hotel Houdstermaatschappij Jolly, B.V.	Amsterdam	Holding	56%	56%
Hoteleira Brasil, Ltda.	Brazil	Hotel Business	100%	100%
Hotelera de la Parra, S.A. de C.V.(*)	Mexico City	Hotel Business	100%	100%
Hotelera del Mar, S.A.	Mar del Plata	Hotel Business	20%	20%
Hotelera Lancaster, S.A.(*)	Buenos Aires	Hotel Business	50%	50%

The annual closing of all the companies is on 31/12/2014

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
Hotelera de Chile	Santiago de Chile	Hotel Business	100%	100%
Hoteles Hesperia, S.A.(*)	Barcelona	Hotel Business	100%	100%
Hotelexploitatiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	56%	56%
Hotels Bingen & Viernheim, GmbH & Co.	Munich	Real estate	94%	94%
Immobiliare 4 Canti S.r.l.	Messina	Hotel Business	50%	50%
Inmobiliaria y Financiera Aconcagua, S.A.(*)	Buenos Aires	Hotel Business	100%	100%
Inmobiliaria y Financiera Chile S.A..	Santiago de Chile	Real estate	100%	100%
Inversores y Gestores Asociados, S.A.	Madrid	Corporate services	100%	100%
Jan Tabak N.V.(**)	Bussum	Hotel Business	81%	81%
JH Belgium, S.A.(*)	Brussels	Hotel Business	100%	100%
JH Deutschland GmbH(*)	Cologne	Hotel Business	56%	56%
JH Holland N.V.(*)	Amsterdam	Hotel Business	56%	56%
JH USA, Inc.(*)	Wilmington	Hotel Business	100%	100%
Koningshof B.V.	Veldhoven	Hotel Business	100%	100%
Krasnapolsky Belgian Shares B.V.	Hilversum	Holding	100%	100%
COPERAMA Benelux, B.V.	Amsterdam	Without activity	100%	100%
Krasnapolsky H&R Onroerend Goed B.V.	Amsterdam	Real estate	100%	100%
Krasnapolsky Hotels & Restaurants N.V.	Amsterdam	Holding	100%	100%
Krasnapolsky Hotels Ltd.(**)	Somerset West	Hotel Business	100%	100%
Krasnapolsky ICT B.V.	Hilversum	Without activity	100%	100%
Krasnapolsky International Holding B.V.	Amsterdam	Holding	100%	100%
Latina Chile, S.A.(*)	Santiago de Chile	Hotel Business	100%	100%
Latina de Gestión Hotelera, S.A.(*)	Buenos Aires	Hotel Business	100%	100%
Latinoamericana de Gestión Hotelera, S.L.	Madrid	Holding	100%	100%
Leeuwenhorst Congres Center B.V.	Noordwijkerhout	Hotel Business	100%	100%
Liberation Exploitatie B.V.	Sprang Capelle	Hotel Business	100%	100%
Marquette Beheer B.V.	Hilversum	Real estate	100%	100%
Museum Quarter B.V.	Hilversum	Hotel Business	100%	100%
Nacional Hispana de Hoteles, S.A.(*)	Mexico City	Hotel Business	100%	100%
NH Aguamarina S.A.	Dominican Republic	Corporate services	100%	100%
NH Atardecer Caribeño, S.L.	Madrid	Corporate services	100%	100%
NH Belgium CvbA	Diegem	Holding	100%	100%
NH Caribbean Management B.V.	Hilversum	Management	100%	100%
NH Central Europe Management GmbH	Berlin	Hotel Business	100%	100%
NH Central Europe GmbH & Co. KG(*)	Berlin	Hotel Business	100%	100%
NH Central Reservation Office, S.L.(*)	Madrid	Call Centre	100%	100%
NH Fashion Tapas, S.L.	Madrid	Catering	100%	100%
NH Finance, S.A.(*)	Luxembourg	Financial company	100%	100%
NH Financing Services S.a r.l.	Luxembourg	Financial company	100%	100%
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel Business	90%	90%
NH Europa, S.A.(*)	Barcelona	Hotel Business	100%	100%
NH Hotelbetriebs.-u. Dienstleistungs, GmbH	Berlin	Hotel Business	100%	100%
NH Hotelbetriebs-u Entwicklungs, GmbH	Berlin	Hotel Business	100%	100%
NH Hoteles Austria GmbH(*)	Vienna	Hotel Business	100%	100%
NH Hoteles Deutschland GmbH(*)	Berlin	Hotel Business	100%	100%
NH Hoteles España, S.L.(*)	Barcelona	Hotel Business	100%	100%
NH Hoteles France S.A.S.U.	France	Hotel Business	100%	100%
NH Hoteles Participaties, NV(*)	Amsterdam	Holding	100%	100%
NH Hoteles Switzerland GmbH	Fribourg	Hotel Business	100%	100%
NH Hotels Czequia, s.r.o.	Prague	Hotel Business	100%	100%
NH Hotels Polska, Sp. Zo.o.	Poland	Hotel Business	100%	100%
NH Hotels USA Inc.	Houston	Hotel Business	100%	100%
NH Hungary Hotel Management, Ltd.(*)	Budapest	Hotel Business	100%	100%
NH Italia S.r.l.(*)	Milan	Hotel Business	56%	56%
NH Lagasca, S.A.	Madrid	Hotel Business	100%	100%
NH Las Palmas, S.A.(*)	Gran Canaria	Hotel Business	75%	75%
NH Logroño, S.A.	Logroño	Hotel Business	76%	76%
NH Management Black Sea, S.R.L.	Bucharest	Hotel Business	100%	100%
NH Marin, S.A.(*)	Barcelona	Hotel Business	50%	50%
NH Private Equity, B.V.	Amsterdam	Hotel Business	100%	100%
NH Rallye Portugal, Lda.	Portugal	Hotel Business	100%	100%
NH The Netherlands B.V. (formerly GTI B.V.)	Hilversum	Holding	100%	100%
NHOW ROTTERDAM BV	The Hague	Hotel Business	100%	100%
Noorderweb BV	Hilversum	Hotel	100%	100%
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	100%	100%
Objekt Leipzig Messe, GmbH & Co.	Munich	Real estate	94%	100%
Olofskapel Monumenten B.V.	Amsterdam	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V.	Geldrop	Real estate	100%	100%

The annual closing of all the companies is on 31/12/2014

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
Onroerend Goed Beheer Maatschappij Capelle aan den Ijssel, B.V.	Capelle a/d Ijssel	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Ijsselmeerweg Naarden, B.V.	Naarden	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Maas Best, B.V.	Best	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real estate	100%	100%
Operadora Nacional Hispana, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Palatium Amstelodamum N.V.	Amsterdam	Hotel Business	100%	100%
Parque de la 93, Colombia(*)	Colombia	Hotel Business	100%	100%
Parque de la 93 B.V	Amsterdam	Hotel Business	100%	100%
Polis Corporation, S.A.	Buenos Aires	Hotel Business	100%	100%
NH Resorts Europa, S.L.	Madrid	Hotel Business	100%	100%
Restaurant D'Vijff Vlieghen B.V.	Amsterdam	Catering	100%	100%
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.(*)	Nuevo Laredo	Hotel Business	100%	100%
Servicios Corporativos Chartwell Monterrey, S.A. de C.V.(*)	Monterrey	Hotel Business	100%	100%
Servicios Corporativos Hoteleros, S.A. de C.V.(*)	Mexico City	Hotel Business	100%	100%
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.(*)	Mexico City	Hotel Business	100%	100%
Servicios de Operación Turística, S.A. de C.V.(*)	Guadalajara	Hotel Business	100%	100%
Servicios Hoteleros Tlalnepantla, S.A. de C.V.(*)	Mexico City	Hotel Business	100%	100%
Stadskasteel Oudaen B.V.	Utrecht	Without activity	100%	100%
Toralo, S.A.(*)	Montevideo	Hotel Business	100%	100%
VSOP VIII B.V.(**)	Groningen	Hotel Business	50%	50%

The annual closing of all the companies is on 31/12/2014

(*) Companies audited by Deloitte

(**) Companies audited by PriceWaterhouseCoopers

Appendix II: Associates

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
Borokay Beach, S.L.	Madrid	Hotel Business	50%	50%
Capredo Investments GmbH(*)	Switzerland	Holding	50%	50%
Consorcio Grupo Hotelero T2, S.A. de C.V.	Mexico City	Hotel Business	10%	10%
Fonfir1, S.L.	Madrid	Real estate	50%	50%
Harrington Hall Hotel, Ltd.	London	Hotel Business	25%	25%
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel Business	27%	27%
Losan Investment Ltd.	London	Hotel Business	30%	30%
Mil Novecientos Doce, S.A. de C.V.	Mexico	Hotel Business	25%	25%
Palacio de la Merced, S.A.	Burgos	Hotel Business	25%	25%
Sotocaribe, S.L.	Madrid	Holding	36%	36%
Varallo Comercial, S.A.	Dominican Republic	Hotel Business	14%	14%

* **The annual closing of all the companies is on 31/12/2014**

(*) Companies audited by Deloitte

Annex A—Duff & Phelps Report

NH Hotel Group, S.A.

March 15, 2017

Market Value of certain assets property of NH

DUFF & PHELPS

NH Hotel Group, S.A.
Santa Engracia, 120
28003 Madrid

March 15, 2017

Executive Summary

In accordance with your request, American Appraisal España, S.A. ("Duff & Phelps") has performed a review and update as of December 31, 2016 (hereinafter "Valuation Date") of the market value of certain assets located in Belgium and Netherlands and the total equity of NH Italia, SpA (collectively, the "Hotels" or the "Assets") property of NH Hotel Group, S.A. ("NH", the "Group", the "Client", or the "Company"). The subject Assets are detailed in the following table:

Name	% Stake	Location	Rooms	Name	% Stake	Location	Rooms
NH Brussels City Centre	100%	Belgium	246	NH Zoetermeer	100%	Netherlands	104
NH Grand Place Arenberg	100%	Belgium	155	NH Veluwe Sparrenhorst	100%	Netherlands	117
NH Stéphanie	100%	Belgium	67	NH Collection Barbizon Palace	100%	Netherlands	274
NH Brussels Airport	100%	Belgium	234	NH Best	100%	Netherlands	68
NH Brugge	100%	Belgium	149	NH Capelle	100%	Netherlands	105
NH Gent Belfort	100%	Belgium	174	NH Geldrop	100%	Netherlands	131
NH Gent Sint Pieters	100%	Belgium	49	NH Marquette	100%	Netherlands	65
NH Mechelen	100%	Belgium	43	NH Naarden	100%	Netherlands	128
NH Conf. Centre Koningshof	100%	Netherlands	509	NH Zandvoort	100%	Netherlands	213
NH Conf. Centre Leeuwenhorst	100%	Netherlands	513	NH Italy SpA	100%	Italy	n.a.
NH Schiphol Airport	100%	Netherlands	419				

Notice all Assets are individual hotels 100% owned by NH and NH Italia Spa, subsidiary which comprises 60 properties.
Source: information provided by NH Group.

We understand our opinion of value is to be used in connection with the following Group's financing transactions, which were secured by mortgages and pledges over the subject Assets property of NH:

- Senior Secured Notes (High yield bonds) issued as of October 2013. This issue, which has a six-year maturity, due November 2019, has an annual coupon of 6.875%;
- A three-year revolving credit facility ("RCF") between NH Hotel Group, S.A./ NH Finance, S.A. and a pool of banks dated 22 September 2016 with a floating interest rate of Euribor plus a 2.25% initial spread. As of December 31, 2016, the RCF remained fully undrawn;
- Senior Secured Notes (High Yield bonds) issued as of September 2016. It has a seven-year maturity, due October 2023 and has an annual coupon of 3.75%.

Both High Yield bonds and the RCF debt account for a full amount of outstanding debt as of December 31, 2016 of 535,000 thousand euros.

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Conclusion

Based on the information and analysis summarized in this document, it is our opinion that, as of December 31, 2016, the market values of the detailed Assets are as follows (expressed in thousand euros):

- Hotels:

Name	NH Stake	Location	(NH Stake)
NH Brussels City Centre	100%	Belgium	31,973
NH Grand Place Arenberg	100%	Belgium	27,724
NH Stéphanie	100%	Belgium	8,718
NH Brussels Airport	100%	Belgium	31,215
NH Brugge	100%	Belgium	15,531
NH Gent Belfort	100%	Belgium	35,935
NH Gent Sint Pieters	100%	Belgium	4,177
NH Mechelen	100%	Belgium	3,521
NH Conference Centre Koningshof	100%	Netherlands	69,516
NH Conference Centre Leeuwenhorst	100%	Netherlands	101,302
NH Schiphol Airport	100%	Netherlands	48,205
NH Zoetermeer	100%	Netherlands	4,972
NH Veluwe Sparrenhorst	100%	Netherlands	10,148
NH Collection Barbizon Palace	100%	Netherlands	134,674
NH Best	100%	Netherlands	4,642
NH Capelle	100%	Netherlands	8,187
NH Geldrop	100%	Netherlands	4,601
NH Marquette	100%	Netherlands	2,375
NH Naarden	100%	Netherlands	7,453
NH Zandvoort	100%	Netherlands	27,472
TOTAL			**582,343**

- NH Italia, SpA:

		Range	
NH Italia SpA	**Min.**	**Med.**	**Max.**
Forecast Period NPV	225,247	227,185	229,151
Terminal Value NPV	403,775	415,978	429,069
Business Enterprise Value (BEV)	**629,022**	**643,163**	**658,220**
Non-Operating Assets	-	-	-
Jolly Madison	64,290	64,400	64,511
BINS	13,697	13,613	13,531
Net Financial Debt	(60,122)	(60,122)	(60,122)
Equity Value (EqV)	**646,887**	**661,054**	**676,140**

(*) *NH Jolly Madison values have been provided by the Management (based on a third-party valuation).*

Our opinion of value is based on the information provided by the Company and the valuation hypotheses described in this document. We have not analyzed any other asset or liability apart from the Assets mentioned above. We assumed without independent verification, and accept no responsibility for, the accuracy and completeness of all financial and other information the Company made available to us.

A Summary of the Assets based on the collateral offered by the Company is as follows (data in thousand euros):

- Hotels offered as collateral:

Mortgages 2 High Yield Bonds & RCF	
NH Conference Centre Koningshof	69,516
NH Conference Centre Leeuwenhorst	101,302
NH Schiphol Airport	48,205
NH Zoetermeer	4,972
NH Veluwe Sparrenhorst	10,148
NH Collection Barbizon Palace	134,674
NH Best	4,642
NH Capelle	8,187
NH Geldrop	4,601
NH Marquette	2,375
NH Naarden	7,453
Subtotal	**396,076**

- Pledge of shares:

Pledges 2 High Yield Bonds & RCF	
NH Brussels City Centre	31,973
NH Grand Place Arenberg	27,724
NH Stéphanie	8,718
NH Brussels Airport	31,215
NH Brugge	15,531
NH Gent Belfort	35,935
NH Gent Sint Pieters	4,177
NH Mechelen	3,521
Subtotal	**158,795**
NH Zandvoort	27,472
NH Italia (Pledge 100%)	661,054
Subtotal	**688,526**
Total	**1,243,397**

In addition, this lines of financing require adherence to a series of financial ratios, for that purpose we have been asked to verify the Company management (the "Management") calculations regarding the Loan to Value. Consequently, based on the updated market values of the Assets derived in this document and according to the amounts drawn from the High Yield Bonds and the RCF as of December 31, 2016 provided by the Management, we have verified the following calculation of ratio is correct:

- LTV Global (drawn amount): 43.0%

We have not independently investigated or otherwise verified the historical data provided to us. We do not express an opinion or offer any form of assurance regarding the accuracy of data or its completeness. No audit, even limited, has been carried out. We have considered the information provided as reliable and accurate. We have assumed that the information provided to us is a fair representation of the Assets as of Valuation Date. Therefore, Duff & Phelps will accept no responsibility for any error or omission in the document arising from incorrect information provided by Management or in respect of the failure of forecasts to be achieved.

The financial forecasts used in the preparation of this document reflect Management's judgment, based on present circumstances, as to the most likely set of conditions and the course of action the subject Assets businesses are most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecasts and such differences may be material.

NH is the sole intended user of this document, and the use of the document is restricted to the purpose indicated herein. The Company may disclose a copy of the document to its financial, tax, and legal advisors. However, no third party shall have the right of reliance on this document, and neither receipt nor possession of the document by any third party shall create any express or implied third-party beneficiary rights. Duff & Phelps is not responsible for the unauthorized use of this document.

We do not assume any responsibility in relation with the condition of the Assets valued or any claims or liens that may affect the results of this study. Our opinion of value is subject to the hypotheses described in this document, as well as the limiting conditions and general service conditions detailed in Exhibit D.

The full details of the scope and terms of our engagement are included in our engagement letter dated February 1st, 2017. If we can be of further assistance on matters discussed herein, please call Ernesto Ollero at +34 609 80 01 15.

Respectfully submitted,

Duff & Phelps

Duff & Phelps

By: Ernesto Ollero Borrero
Managing Director

Glossary

1Q	First Quarter
ADR	Average Daily Rate
BEV	Business Enterprise Value
BV	Book Value
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CAPM	Capital Asset Pricing Model
CPI	Consumer Price Inflation
CRP	Country Risk Premium
D&A	Depreciation & Amortization
DCF	Discounted Cash Flow
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EV	Enterprise Value
F&B	Food and Beverage
FCF	Free Cash Flow
GDP	Gross Domestic Product
GOP	Gross Operating Income
IHS	IHS Global Insight
IMF	International Monetary Fund
IVS	International Valuation Standards
KPI	Key Performance Indicator
LTV	Loan to Value
MRP	Market Risk Premium
NFD	Net Financial Debt
NOPLAT	Net Operating Profit Less Adjusted Tax
NPV	Net Present Value
P&L	Profit and Loss Account
RevPAR	Revenue per Available Room
WACC	Weighted Average Cost of Capital
WC	Working Capital

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Introduction

Scope of Services

Duff & Phelps was retained to determine the market values of certain Assets property of NH as of December 31, 2016. In particular, the designated Assets comprise properties located in Belgium, Netherlands and Italy. Each of the individual Assets and NH Italia SpA are described in subsequent sections of this document.

We understand our opinions will be used in order to comply with the terms and conditions of both financings given this loans were guaranteed by mortgages on the Assets.

In general, our procedures include, but were not limited to, the following:

- Individual analysis of each of the Asset's Business Plans and other information provided by the Management;
- Discussions with Company's representatives in order to clarify issues about the data provided, understand the nature and operation of the Assets as well as their opinion of trends in the sector and market perspectives;
- Analysis of the assumptions that market participants would use when pricing the subject Assets;
- Determination of the appropriate methodology to be applied in order to derive a value for the Assets;
- Estimation of appropriate discount rates for each Asset; and
- Preparation of this narrative report outlining our conclusion of value and disclosing the key assumptions, considerations and limitations pertinent to our analysis.

This document and accompanying exhibits sets forth the information and assumptions used in reaching our market value conclusion. All tables are presented in thousands of euros unless otherwise noted.

Thus, our document consists of the following sections:

- Sources of information;
- Standard of value;
- Economic overview and industry outlook;
- Assets description;
- KPI´s and financial drivers;
- Valuation approaches and methodologies considered and applied in estimating the market value of the Assets; and
- Results of our analysis.

Please refer to our limiting conditions section for further details on scope.

Sources of information

In the course of our analysis, we used financial and other information, including prospective financial information obtained from NH and various public, financial, and industry sources. Our conclusions are dependent on such information being complete and accurate in all material respects. However, the scope of our work does not enable us to accept responsibility for the accuracy or completeness of the provided information.

The primary written documents and records provided by Management and used in our document were as follows:

- Historical financial information of the Assets (P&L) for the period 2008-2016;
- Book value of non-current fix assets as of the Valuation Date for each of the identified properties;
- Prospective financial information ("PFI") for each of the subject Assets for the period 2017-2021 and until 2023 in the case of Belgian hotels; and
- Non-audited Financial Statements as of the Valuation Date of NH Italia SpA.

We also used selected third party databases for financial information, including:

- Standard and Poor's Capital IQ;
- IHS Global Insight research reports;
- Bloomberg;
- BarraBetas;
- Third party industry reports; and
- International Monetary Fund ("IMF").

Standard of value

Our opinion of value is developed in accordance with International Valuation Standards ("IVS"), applying market value as standard of value.

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."[1]

Our conclusion of the market value of an asset reflects its highest and best use. The highest and best use of an asset is the use that maximizes its productivity and is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of the asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

[1] IVSC: *Market Value Definition*

Economic and Industry Overview

Economic Overview

In performing our analysis, we considered the existing economic outlook for Belgium, Netherlands and Italy as of the Valuation Date. An assessment of the country's economy can often identify the underlying causes in the operating and financial performance of a Company. This overview of the general economic outlook of the regions where the Assets are located is based on publications by IHS Economics Global Insight, IMF World Economic Outlook, as well as other material derived from relevant sources in the public domain.

Belgium

Growth over the year in Belgium was dragged down by subdued private consumption, which was negatively impacted by wage moderation and inflation eating into consumers´ purchasing power. Consumer and business confidence improved during the year, industrial production picked up in November and unemployment continued to decline towards the end of the year thanks to structural reforms designed to cut labor costs.

The following table summarizes the main macroeconomic indicators for the last historical years and estimates up until 2021, according to the IMF:

Belgium macroeconomic indicators (2015-2021)[2]

	2015	2016	2017	2018	2019	2020	2021
CPI	0.6%	1.2%	1.1%	1.4%	1.4%	1.5%	1.5%
Real GDP	1.4%	1.2%	1.4%	1.5%	1.5%	1.5%	1.4%
Nominal GDP	2.0%	2.3%	2.5%	2.9%	2.9%	3.0%	2.9%

GDP

It follows a 1.4% year-on-year rise in 2015, but the financial volatility and uncertainty triggered by the UK vote present further headwinds to the Eurozone, including Belgium´s near-term growth dynamics. Therefore, IMF expects real GDP growth to stand at 1.2% in 2016 and 1.4% in 2017. The main expenditure contributors to third-quarter growth were government and private consumption, coupled with positive net exports. In terms of value added, the industry, services, and construction sectors all contributed to growth. However, Fiscal Policy will continue to be restricted by the country´s high levels of public debt.

Despite the Brexit shock, the outlook for consumer spending should remain resilient in the next year or two. Labor-market conditions are expected to remain tight in light of the recently announced corporate restructuring. The other components of domestic demand are moderately supportive.

[2] *Source: IMF*

Economic Overview (cont.)

According to IMF data, Belgian Real GDP will steadily grow during the forecast period, likely around 1.4%.

Inflation

The uptick in inflation since the start of 2016 is partly explained by government measures, namely higher indirect taxation and prices for public services, combined with annual rises in the costs of food products and private services. But IMF expects the inflation rate to remain at 1.1% in 2017 as a result of conflicting forces.

First, crude-oil prices are expected to be higher compared with 2016. The anticipated rise in crude-oil prices implies energy-related prices, namely housing and transportation costs, will head north during 2017. On the flipside, the unwinding of the base effect of one-off factors, which lifted the inflation rate in 2016, will limit the upside developments during 2017.

Netherlands

The Dutch economy is expected to have grown at a healthy pace than last year, supported by solid domestic demand and a favorable external sector. In 2017, the economy will likely slow down somewhat, mainly due to slower investment growth following the post-crisis rebound.

The table below shows main economic indicators for the last years and estimates up until 2021, according to the IMF:

Netherlands macroeconomic indicators (2015-2021)[3]

	2015	2016	2017	2018	2019	2020	2021
CPI	0.2%	0.3%	0.7%	0.9%	1.0%	1.1%	1.3%
Real GDP	1.9%	1.8%	1.9%	1.9%	1.9%	2.0%	2.1%
Nominal GDP	2.1%	2.2%	2.6%	2.8%	2.9%	3.1%	3.4%

GDP

In the medium and longer terms, overall growth will be driven by continued investment in infrastructure, environment, and new technologies, primarily the ones that focus on energy efficiency. IMF expects gross fixed-capital formation to grow at a faster rate than GDP in the medium term, and private consumption is projected to average between 1.4% and 1.7% per year during the medium term.

On the other hand, although both import and export growth will slow in the long run, the trade balance is expected to maintain its healthy surplus position throughout the forecast period, ensuring a comfortable current-account surplus

[3] *Source: IMF*

Economic Overview (cont.)

as well. The fiscal plan for 2016 has focused less on fiscal adjustments and more on military spending and reducing unemployment. The structural deficit will increase to 1.3% of GDP as a result of lower natural gas revenues and tax cuts.

Inflation

Consumer price index inflation has struggled considerably in the Netherlands during 2016, dipping into negative territory in July for the first time since December 1987. The growth remains uncharacteristically low for an economy that has not struggled to meet the Eurozone inflation target. As recent analysts' reports suggest that there will be greater stability for oil prices in the coming year, some easing of the negative pressure on inflation should be seen.

On the other hand, the pound has weakened significantly since the June Brexit vote, this downward price pressure filtering into good in the Netherlands has started to be seen, with upward growth for both services and food softening in September. Nevertheless, IMF expects the risk of deflation will be limited. As the overall sustained economic recovery in the Netherlands and the strong level of private consumption in the last 18 months should avert any serious risk in the short-to-medium term.

Italy

Italy is recovering gradually from its latest recession but now faces increasing headwinds. The return to growth initially received support from strengthening exports and firmer consumer spending intentions, despite the prevailing credit crunch and difficult labor-market conditions.

The table below shows the evolution of the main macroeconomic indicators for the last years and estimates up until 2021, according to the IMF:

Italy macroeconomic indicators (2015-2021)[4]

	2015	2016	2017	2018	2019	2020	2021
CPI	0.1%	0.2%	0.7%	0.9%	1.1%	1.2%	1.3%
Real GDP	0.8%	1.0%	1.2%	1.0%	1.1%	0.9%	0.9%
Nominal GDP	0.9%	1.1%	1.9%	1.9%	2.2%	2.1%	2.2%

GDP

Italy has implemented several reforms to inject greater competition into several professional and service sectors. The reform scrapped the use of minimum professional tariffs for all sectors, with the notable exception of the legal profession. The labor market is the main battleground, with the economy

[4] *Source: IMF*

needing far-reaching labor reforms to reverse Italy´s poor productivity performance. And although consumer spending is still expected to underpin IHS´s near-term growth narrative, the steady retreat in household optimism during 2016 is chipping away at their assessment.

Additionally, the recovery in Italy is being straggled by the lack of new credit flows to nonfinancial firms, with their financial situation already difficult owing to inadequate internal financing as a result of weak pricing power and profitability. Without a significant package of economic-liberalization reforms, Italy´s long-term outlook remains challenging.

Inflation

The industrial and service sectors need to control wage costs, with profit margins in line with companies having to resort to aggressive pricing to drum up new business. Therefore, near-term inflationary pressures are likely to remain limited by the soft outlook for domestic spending, with Italian retailers and service providers still having to price competitively to generate new business.

Wage inflation is projected to remain moderate in the near term, in line with soft labor-market conditions. The industrial sector needs to control wage costs owing to tight profit margins as companies continue to endure weak pricing power. The Italian export sector has lost much of its dynamism thanks to a marked fall in price competitiveness with the euro.

Industry Outlook

Europe

According to the World Tourism Organization (UNWTO), 2016 was the seventh consecutive year of sustained growth after 2009 global economic and financial crisis. Worldwide tourism arrivals grew by 3.9% year on year reaching a total of 1,235 million. Europe got moderate growth of 2% in international tourism arrivals in 2016, compared to 4.6% in 2015. While many destinations experienced considerable growth, this was offset by significant declines in some established markets because of terrorism and political instability.

Following the recent terror attacks occurred in Europe, France and Belgium lost some of their visitor appeal with declines in tourist arrivals of 4.4% and 12.4% respectively. International arrivals to Europe reached 620 million in 2016, 12 million (+2%) more than in 2015. Northern Europe (+6%) and Central Europe (+4%) both recorded sound results, while Southern Mediterranean Europe arrivals grew by 1% and in Western Europe results were flat.

Regarding the future, the UNWTO is predicting growth of 2-3% in international tourism arrivals to Europe in 2017. This may be linked to the forecasted global GDP growth of 3.4% as IMF states. On the other hand, there are many events which are expected to stimulate demand in 2017, such as the 2017

International Automobile Fair (IAA) in Frankfurt, the International Air Show in Paris and the 37th International Tourism Fair´s (FITUR) in Madrid. So, according to the Global Business Travel Forecast 2017 by American Express, following an uneven 2016 they expect the business travel outlook for next year to be relatively subdued for a number of reasons including political uncertainty with signs that European corporate meeting budgets will remain flat for 2017.

Industry Outlook (cont.)

European Hotel Industry Indicators (2016 – 2017)[5]

Rev PAR ranking (Euros)		
City	2016	2017
Geneva	201.1 €	201.8 €
Zurich	181.6 €	180.0 €
Paris	159.3 €	185.0 €
London	130.1 €	134.5 €
Dublin	105.4 €	114.7 €
Amsterdam	105.4 €	107.6 €
Barcelona	104.7 €	110.4 €
Rome	102.2 €	103.3 €
Milan	88.9 €	90.6 €
Frankfurt	86.4 €	90.3 €
Berlin	73.7 €	75.3 €
Vienna	73.1 €	74.0 €
Lisbon	72.6 €	76.7 €
Madrid	68.9 €	73.0 €
Prague	61.7 €	66.6 €
Porto	59.4 €	68.4 €
Budapest	56.3 €	60.1 €

Occupancy rankings		
City	2016	2017
Dublin	82.5%	83.0%
London	81.3%	82.0%
Amsterdam	78.0%	78.3%
Berlin	77.1%	77.5%
Prague	76.9%	78.2%
Barcelona	76.6%	77.9%
Budapest	75.1%	75.8%
Vienna	74.7%	74.8%
Lisbon	74.2%	75.0%
Porto	73.5%	75.7%
Zurich	73.3%	73.5%
Madrid	70.5%	72.7%
Frankfurt	69.8%	70.8%
Paris	69.4%	72.1%
Rome	69.3%	69.7%
Geneva	67.3%	67.2%
Milan	65.5%	65.7%

The table above shows the prospective evolution of the main indicators of the hotel industry, which are the main drivers of growth.

Regardless that each city has its own supply and demand trends and could be at a different stage on the hotel cycle the outlook for 2016 for most cities sees higher occupancy percentages and ADRs.

Belgium

Much like Paris, Brussels has experienced one of its worst years, owing to terrorism. The downturn in demand started in November 2015 when the government issued a security alert that was extended with the attacks in the city in February 2016.

The leisure segment took the biggest hit, but Brussels also saw a considerable decline in the MICE segment, as organizers hesitated to choose the city for an event. Hoteliers could maintain rates somewhat, but remain cautious until at least the second half of 2017.

While the outlook might not appear to be as positive as expected some years ago, the city still has a stable base of corporate demand, linked to EU, and the

[5] *Source: Reports published by third parties*

virtual lack of new supply until the Corinthia (Astoria) property enters the market in 2020 should help the city´s hotels to recover occupancy levels.

Industry Outlook (cont.)

Netherlands

Amsterdam, being the Netherlands´s capital has a strong financial and cultural importance. Those are some of the reasons why this city attracts so many businesses and tourist. It is recognized for its ability to attract capital, people and culture as well as maintaining that performance in the long term. A largen number of multinationals have their headquarters in Amsterdam, such as ING, Tommy Hilfiger, etc.

The Amsterdam hotel market has shown a robust performance since 2009, 2016 marked a turning point where occupancy growth stabilized and pushed a solid ADR performance, and a 3.1% in RevPAR. For 2017, the performance is expected to be less extraordinary than in 2015 and 2016.

The number of overnights booked in Amsterdam grew again in 2016, for 2017 Schiphol is expected to receive 63.6 million passengers (+9.2%). The city draws worldwide tourists due to the Amsterdam Dance event among others, which attracted 365,000 visitors in 2016.

The following table summarizes the performance of the KPI's during the last two historical years and two-year forecast (2017-2018):

Amsterdam Hotel Industry Indicators: 2015-2018[6]

	Occupancy	% growth	ADR (€)	% growth	Rev PAR (€)	% growth
2015	78%	3.1%	131	8.2%	102	11.6%
2016	78%	-	135	3.2%	105	3.1%
2017F	78%	0.4%	137	1.7%	108	2.1%
2018F	79%	0.8%	139	1.4%	110	2.2%

Italy

One of Europe´s great cities, Rome is a bustling, vibrant metropolis that pairs history with contemporary style. Hundreds of thousands of people travel to Rome each year to experience the life of the ancient Roman Empire, but the Italian capital also contains all the national public institutions, international political and cultural organizations, embassies and some of the biggest companies have their headquarters there.

In 2016, around 47 million tourists arrived at Rome´s airports, which supposed an annual growth of 1.8% comparing to 2015. RevPAR in 2016 grew by just 2.1%, to the 3.1% of the previous year and the 2016 ADR by 1.3%, against a 3.6% of 2015. Rome has always been well-known because of its offering of luxury and four stars' hotels and in fact, 2015 and 2016 proved the profitable for

[6] *Source: STR Global*

this category. This year, two important international openings occurred: NH Palazzo 500 and the Generator Hostel. New openings and investments are also expected to occur in 2017 and 2018.

Industry Outlook (cont.)

The hotel industry in Rome is expected to continue the grow trend at a moderate pace. The RevPAR is expected to growth by 1.1% and 1.2% in 2017 and 2018 respectively, and occupancy rates reaching pre-financial crisis levels of 70%.

The following table summarizes the performance of the KPI's during the last two historical years and two-year forecast (2017-2018):

Rome Hotel Industry Indicators: 2015 - 2018[7]

	Occupancy	% growth	ADR (€)	% growth	Rev PAR (€)	% growth
2015	69%	(0.5%)	146	3.6%	100	3.1%
2016	69%	0.7%	148	1.3%	102	2.1%
2017F	70%	0.7%	148	0.5%	103	1.1%
2018F	70%	0.5%	149	0.7%	105	1.2%

Being a preferred city for many national and international fashion and design companies, Milan plays a significant role in Italian economy.

The hotel industry in Milan experienced a strong growth in 2015 mainly explained by the EXPO event, RevPAR declined in 2016 but ADR and occupancy levels remained higher than pre-EXPO levels. This event supposed large investments in infrastructure and other tourism facilities, so it is expected to continue contributing to the growth both in 2017 and 2018.

Apart from the EXPO which took place a year earlier, in 2016 the UEFA Champions League´s Final was celebrated in Milan, but the slowdown of 2016 showed the effects of a "technical" catch up after 2015´s growth, with a RevPAR fall of -14.7% and an ADR decline of -9.8%.

The following table summarizes the performance of the KPI's during the last two historical years and two-year forecast (2017-2018):

Milan Hotel Industry Indicators: 2015 - 2018[8]

	Occupancy	% growth	ADR (€)	% growth	Rev PAR (€)	% growth
2015	69%	9.4%	150	16.8%	104	27.8%
2016	66%	(5.4%)	136	(9.8%)	89	(14.7%)
2017F	66%	0.3%	138	1.6%	91	1.9%
2018F	66%	0.7%	139	1.0%	92	1.7%

[7] *Source: STR Global*
[8] *Source: STR Global*

Assets Description

Hotels

The senior notes and the syndicated loan share first tier mortgage guarantees and pledge over shares. In this section we present a brief description of each of the Assets that constitute the mentioned guarantees.

NH Brussels City Centre (4*)

Address: 17 Chaussée De Charleroi 1060 Brussels - Belgium

The NH Brussels City Centre is located next to Avenue Louise in the heart of Brussels. The hotel has been recently refurbished and is a convenient location for both business and leisure travelers. The hotel is well connected to attractions such as the historical Palais de Justice, the European Commission, La Grand-Place, or the Parc de Bruxelles and Royal Palace.

The hotel's opened in 1999 and comprises 246 rooms, including nine suites of 23 m^2. The F&B offer includes a bar-brasserie with Belgian and international cuisine. Among the hotel's leisure facilities, a 24-hour fitness center, a multipurpose room for groups up to about 100 people and a meeting room with capacity for 40 people.

NH Grand Place Arenberg (4*)

Address: Rue d'Assaut, 15 1000 Brussels - Belgium

NH Grand Place Arenberg is in the historical and commercial center of Brussels, close to La Grand-Place. The hotel is well connected both by private and public transport as it's sited nearby Brussels Central Station. The main tourist attractions such as the Parc de Bruxelles, the Royal Palace and the René Magritte Museum are just 10 minutes away from the hotel.

The hotel which was inaugurated in 1999 has 155 rooms ranging from 15 to 38 m^2, including a large meeting room with space for 100, which can be used for business meetings, conventions, conferences, and other events. The Executive Rooms were refurbished in 2014 and they form another suitable option for guests on business trips.

NH Stephanie (4*)

Address: 32 Rue Jean Stas 1060 Brussels - Belgium

NH Stephanie is located close to Place Louise, in a peaceful street close to a complete offer of dinning and leisure supply.

The hotel opened its doors in 1999 and offers 67 rooms (55 standard rooms and 12 superior rooms). The hotel offering is complemented with the following public areas: business facilities, a meeting room, parking, a restaurant and a bar.

Hotels (cont.)

NH Brussels Airport (4*)

Address: De Kleetlaan,14 B-1831 Diegem Brussels - Belgium

The NH Brussels Airport hotel was inaugurated in 2001 and is located in the heart of the Brussels business district and close to Brussels National Airport. Well connected also by train as its 500 meters away from Diegem Railway Station, thus offering direct access to the city center.

The subject property is a 4-star rated business oriented hotel. The hotel offers 234 standard twin rooms of 23 m^2 distributed among 5 floors. In addition, it also has the following facilities: 7 conference rooms, a car park, a newly refurbished gym, a sauna, a Jacuzzi pool, and a sun terrace.

NH Brugge (4*)

Address: Boeveriestraat 2 8000 Bruges - Belgium

The NH Brugge hotel is located in the city center of Brugge, close to touristic attractions such as the Diamond Museum, the Chocolate Museum, and the Friet Museum. It provides all the accommodations of a contemporary facility within the antiquated charm of a 17th century monastery. The hotel is located 25 minutes from Ostend Airport.

The hotel year of opening was 2007, and it offers 149 rooms including: standard and superior rooms of 32m^2 and suites of 64m^2. Regarding the F&B offer, the hotel counts with “Ter Boeverie,” restaurant serving traditional Belgian and French cuisine and “Jan Breydel” bar. Additionally, it provides eight multifunctional meeting rooms.

NH Gent Belfort (4*)

Address: Hoogpoort 63 9000 Ghent - Belgium

The NH Gent Belfort hotel is in the center of Ghent, close to Saint Bavo’s Cathedral and the Town Hall. This four-star hotel opened its doors in 2007 and counts with a wide leisure offering just outside the door. The hotel has underground parking.

The hotel has 174 rooms, in a choice of standard, superior and executive with new mattresses installed as of March, 2014. The hotel offers 10 multifunctional conference rooms for business purposes, accommodating up to 400 people and 3 of them with natural daylight. The guests can also enjoy the F&B offering, comprised of a bar and a restaurant as well as a small gym located on the 4th floor with sauna and a fitness area.

Hotels (cont.)

NH Gent Sint Pieters (4*)

Address: Koning Albertlaan, 121 9000 Ghent - Belgium

NH Gent Sint Pieters was inaugurated in 1999 and is situated in a residential area in downtown Ghent. The hotel is well connected by public transport, advantageously close to the train station and buses and trams.

This intimate hotel offers 49 rooms of three categories: standard, superior and suites distributed in 3 floors. As part of its maintenance CAPEX new mattresses were installed as of March 2014. Additionally, it counts with 4 meeting rooms, a restaurant and a lobby bar.

NH Mechelen (3*)

Address: Korenmarkt, 22-24 2800 Mechelen - Belgium

The NH Mechelen Hotel is in Mechelen, Belgium, in the historical district and close to Lamot Congress, Brusselpoort, and St. Rumbold's Cathedral. Two major business centers, as well as highways to Brussels and Antwerp, can be reached in a few minutes by car.

The hotel offers 43 rooms and an 18-people-capacity meeting room. It has a special selection of drinks in the lobby, including local beers such as the award-winning Gouden Carolus.

NH Conference Centre Koningshof (4*)

Address: Locht 117 5504 RM Veldhoven Eindhoven - The Netherlands

NH Conference Centre Koningshof is located in Veldhoven in the Netherlands. Area attractions include National Swimming Centre Tongelreep, Indoor Sports Centre Eindhoven, and Evoluon. Genderstein Golf Club is just a five-minute walk away.

The hotel offers 509 rooms, including 83 function rooms. The hotel staff is used to arrange large events so they are able to handle up to 2,000 people at events organized within the hotel facilities.It also provides visitors with a swimming pool, a sports hall, squash courts, a solarium, saunas, and a fitness room.

NH Conference Centre Leeuwenhorst (4*)

Address: Langelaan, 3 2211 XT Noordwijkerhout - The Netherlands

The NH Conference Centre Leeuwenhorst hotel in Noordwijkerhout, Netherlands, is located near the beach in the Amsterdam's tulip field region, next to touristic attractions such as Keukenhof Gardens, Katwijk Aan Zee Beach, the National Museum of Ethnology, and Molenmuseum de Valk.

Hotels (cont.)

The hotel provides 513 guest rooms with new mantresses for this year and 123 meeting rooms, with capacity up to 2,000 people. The hotel also provides an indoor swimming pool and whirlpool, spa, a beauty center, a fitness center, tennis courts, two bars, and three restaurants.

NH Schiphol Airport (4*)

Address: Kruisweg 495. Hoofddorp 2132NA Amsterdam - The Netherlands

The NH Schiphol Airport hotel in Amsterdam, Netherlands, is situated 10 minutes away from the Amsterdam Schiphol Airport and 20 minutes from downtown Amsterdam. It is a suitable place to stop-over and business travelers, with 24-hour free shuttle service to the airport.

The hotel offers 419 modern rooms, including several suites, as well as 15 fully equipped multifunctional conferences rooms, the larguest one can hold 350 people. The Hotel also offers an indoor swimming pool, a lounge exlusively for airline crew members, an outdoor tennis court, a fitness center, a sauna, a solarium, and a whirlpool.

NH Zoetermeer (4*)

Address: Danny Kayelaan, 20 2719EH Zoetermeer - The Netherlands

The NH Zoetermeer hotel is situated in Zoetermeer, Netherlands. The Hague, Rotterdam, Leiden, and Gouda are within 15 minutes from the hotel by car. The city of Zoetermeer also offers attractions such as the Snowworld indoor ski slopes and the Madurodam miniature city.

The hotel provides a total 104 renovated standard and superior rooms and 3 multipurpose conferences rooms with a maximum capacity of 120 people in a theater formation and 600 for receptions. It also offers fitness center, a bar, and a restaurant.

NH Veluwe Sparrenhorst (4*)

Address: Eperweg 46 8072 DB Nunspeet - The Netherlands

The NH Veluwe Sparrenhorst hotel in Belvedere Forest, Netherlands, previously known as NH Conference Center Sparrenhorst is situated between the woods of the Veluwe forest and Lake Veluwe, near the city of Nunspeet, in Veluwe region.

The hotel offers 117 rooms, 27 meeting rooms and a theater with a 240-person capacity. The hotel staff is completely capable to handle out events which require audiovisual equipment, translation services, or other activities of very different nature. There is a restaurant called the OINC! which serves a concrete selection of seasonal French cuisine. Apart from that, the hotel provides a swimming pool, a gym and open-air terraces.

Hotels (cont.)

NH Collection Barbizon Palace (5*)

Address: Prins Hendrikkade, 59-72 1012AD Amsterdam - The Netherlands

The NH Barbizon Palace hotel is situated opposite the Amsterdam central station in the heart of the old city, easily accessible to the most famous attractions. The hotel is located near Dam Square, the Red Light District, and Chinatown.

The hotel provides 274 rooms, including 12 meeting and conference rooms , the biggest room is a 15th century chapel and it has capacity for 400 people, being the most important room. It also provides services such as a fitness room and sauna with wellness area as well as a private boat dock. There is a restaurant called Hudson Terrace & Restaurant, which offers all-day dining and cocktails.

NH Best (3*)

Address: De Maas, 2 5684PL Best - The Netherlands

The NH Best hotel is situated 6 kilometers from Eindhoven Airport in a small business park in Best and close to an international standard golf course, tennis courts and a bowling center. The NH Best hotel offers 68 guest rooms, all of them standard and 10 conference rooms with capacity for 160 people in the largest one. It also offers an indoor pool, sauna, and solarium. The hotel is focused mainly on business travelers.

NH Capelle (4*)

Address: Barbizonlaan, 2 2908 MA Capelle aan den IJssel - The Netherlands

The NH Capelle hotel is 5 kilometers from the Capelle aan den Ijssel city centre, with fast access to the A20 and A16 highways. The Rotterdam Airport and cities such as Rotterdam, Utrecht, The Hague, Gouda, and Delft are all within a 30-minute drive. Visitors can walk directly from the hotel to Alexandrium, one of the biggest shopping centers in Benelux.

The NH Capelle hotel offers 105 rooms, eight fully equipped multipurpose meeting rooms, half are meeting rooms and half are boardrooms. Meeting rooms can be configured for a variety of events to accommodate up to 250 people. The hotel also provides a free parking for hotel guests, bike rental and terrace with views to the lake.

Hotels (cont.)

NH Geldrop (4*)

Address: Bogardeind, 219 5664EG Geldrop - The Netherlands

The NH Geldrop hotel is located next to the Strabrechtse Heide, a 1,500-hectare natural area, 10 minutes from the city of Eindhoven, Netherlands. It has easy access to main roads and public transportation. Its area attractions include the Indoor Sports Centre Eindhoven, National Swimming Centre Tongelreep, DAF Museum, and Van Abbemuseumand Frits Philips Music Center.

The NH Geldrop hotel has 131 rooms. In addition, it has an indoor pool, a sauna, a steam bath, a whirlpool, a solarium, and an outdoor patio, as well as a fully equipped gym and tennis and squash courts. It also provides visitors with 27 multipurpose rooms to accommodate up to 200 people in the biggest room for business and private events. They also host wedding receptions for up to 250 guests.

NH Heemskerk Marquette (4*)

Address: Marquettelaan, 34 1968 JT Heemskerk - The Netherlands

NH Heemskerk Marquette, located in Heemskerk, Netherlands, is a quiet hotel within a 13th century building. It is located between the village of Heemskerk and the dunes, 25 minutes from Amsterdam, Haarlem, and Alkmaar.

The hotel offers 65 rooms, including one suite. It also offers 10 meeting rooms with capacity up to 150 people. The hotel also has recreational facilities such as tennis courts, a garden and a bar terrace, where not only can guests drink but they can also listen music.

NH Naarden (4*)

Address: IJsselmeerweg, 3 1411AA Naarden - The Netherlands

NH Naarden is located in the heart of Het Gooi in the Netherlands, near the port, Lake Gooi, and a 18-hole championship golf course. It is close to the A1 highway with direct access to Amsterdam, Amersfoort, and Utrecht.

The hotel offers 128 rooms and 11 conference rooms for meetings, receptions, and private dinners, which fit up to 135 people. The hotel also provides a traditional Dutch restaurant where apart from Dutch cuisine it is possible to enjoy a wide range of international dishes .There is also a small fitness center with sauna, as well as parking (180 cars) next to the hotel and two open-air terrace.

Hotels (cont.)

NH Zandvoort (4*)

Address: Burgemeester van Alphenstraat,63 2041KG Zandvoort - The Netherlands

NH Zandvoort is located in Zandvoort, Netherlands. The property lies between the dunes and North Sea beachfront at Zandvoort Boulevard. Amsterdam, Schiphol Airport, and the Keukenhof tulip gardens can be reached in less than 30 minutes.

NH Zandvoort offers 213 rooms and 16 meeting rooms. The hotel also has a restaurant, the Meer, spezialised in Mediterranean food and a bar, the Fuego Bar . It also provides other type of services for the guests to relax such as a newly renovated beauty and sauna complex.

NH Italia Equity

NH Italia SpA

NH Italia SpA is a wholy owned subsidiary of NH Hotel Group, S.A. as established in the notes to the financial statements as of December 31, 2016 the ultimate parent is NH Hotel Group which controls 50.5% directly and the remaining 49.5% through one of the Group's subsidiaries NH Europa, S.L.

The company is established in Milan and is primarily engaged in the ownership and direct management of hotel properties. The Business plan provided by the company includes the following hotels:

NH Italia SpA's properties detail as of December 2016[9]

4*	NH Ancona	4*	NH La Spezia	4*	NH Pisa
4*	NH Bergamo	4*	NH Laguna Palace	4*	NH Ravenna
4*	NH Bologna de la Gare	4*	NH Lecco Pontevecchio	4*	NH Roma Leonardo Da Vinci
4*	NH Bologna Villanova	4*	Nh Linate	4*	NH Roma Midas
4*	NH Caltagirone Villa San Mauro	4*	NH Mantegna	4*	NH Roma Villa Carpegna
4*	NH Catania Centro	4*	NH Milano 2 Residence	4*	NH Savona Darsena
4*	NH Catania Parco Degli Aragonesi	4*	NH Milano Concordia	4*	NH Siena
4*	NH Collection Firenze Porta Rossa	4*	NH Milano Congress Centre	4*	NH Torino Ambasciatori
4*	NH Collection Genova Amrina	4*	NH Milano Fiera	4*	NH Torino Lingotto Congress
5*	NH Collection Grand Hotel Convento di Amalfi	4*	NH Milano Congress Centre	4*	NH Torino Lingotto Tech
4*	NH Collection Milani President	4*	NH Milano Fiera	4*	NH Torino Santo Stefano
4*	NH Collection Roma Giustiniano	4*	NH Milano Grand Hotel Verdi	4*	NH Trento
5*	NH Collection Roma Palazzo Cinquecento	4*	NH Milano Machiavelli	4*	NH Trieste
4*	NH Collection Roma Vittorio Veneto	4*	NH Milano Touring	4*	Hotel Nhow Milano
5*	NH Collection Taormina	4*	NH Napoli Ambassador	4*	NH Carlton Amsterdam
4*	NH Collection Torino Piazza Carlina	4*	NH Orio al Serio	4*	NH Brussels Du Grand Sablon
4*	NH Collection Venezia Palazzo Barocci	4*	NH Palazzo Milano Moscova	4*	NH Koln Mediapark
4*	NH Firenze	4*	NH Palermo	4*	NH Collection Berlin Friedrichstrasse
4*	NH Firenze Anglo American	4*	NH Parma	3*	NH New York Jolly Madison Towers
4*	NH Genova Centro				

(*)Note: pending signatures for potential openings of NH Collection Murano, NH Venice Mevorach and Nh Milan Buenos Aires.

[9] *Source: Information provided by Management.*

NH Italia Equity (cont.)

All properties are individual hotels distributed across Italy apart from the following: NH Carlton (Amsterdam), NH Brussels Du Grand Sablon (Brussels), NH Koln Mediapark and NH Collection Berlin Friedrichstrasse (Germany) and NH New York Jolly Madison Towers (New York).

Regarding the New York hotel, given the Management is considering its potential divestment in the near future, we have not been provided with projections and have individually considered the values derived from a third party appraisal as requested by Managemet.

The main performance indicators of NH Italia for year 2016 have been:

- The Italian business unit has experienced a positive outcome in 2016, with a 0.2% increase in revenues. Both 2015 and 2016 have added value mainly due to the Expo 2015 event, which contributed with €19M revenues. Additionally, thanks to the reforms carried out in 2015 and new openings, the 2016 figures can show these aspects.
- The 1% increase in operating costs is principally explained by the increased F&B consumption and the room materials (corresponding to implementation of new NH standards) and the increase in commission costs resulting from greater intermediated sales.
- As a result of the reforms and new openings, EBITDA has decreased €3.0M (-4.5%) from 2015 to 2016. The new openings do not contribute the initial years, so the good performance of the secondary cities and the new openings were not enough to compensate the contribution that Milan Expo 2015 made at EBITDA level (€14M).
- Consequently, the GOP decreased by 1% derived mainly due to the undertaken reforms in Brussels and Berlin foreign hotels, apart from the already mentioned macroeconomic situation.
- The perspectives for 2017 appear to be positive, a significant improvement in all the parameters can be appreciated. The revenues will increase 0.3%, while operating costs (including lease payments and property taxes) are expected to decreased 1%, and thus the GOP is expected to revert the declining trend experienced in 2016. As a result, the EBITDA will increase by 5.6% (+3.6M), reaching €69M in 2017.
- The net debt has decreased a 47% in 2016 comparing to 2015, reaching 60,122 thousand euros (113,538 thousand euros in 2015), this is due to the cash generated in the period and the sale and leaseback of a hotel in Turin, which have allowed to reduce the intra-group debt.

KPI’s and Financial Drivers

KPI’s and financial drivers

The information provided by the Management regarding the historical performance and financial condition of the Assets was used without further verification.

Exhibit C shows historical and prospective Key Performance Indicators and Financial drivers for the Assets.

Key Performance Indicator’s (KPI’s)

The data provided by the Management shows a significant downturn in 2016 in terms of occupancy and RevPAR, principally in Belgian hotels. It is no wonder that after terrorist attacks suffered in the country, the principal KPI´s of these hotels have experienced a tightening. On the other hand, the hotels situated in Netherlands, show a more relative flat trend.

However, this anomalous situation for Belgian hotels is expected to begin to revert in 2017, reaching a more normalized and steady levels in 2018 until the end of the period. This recovery is based on the commercial plan currently being implemented the expected recovery of the global economy.

As we have observed that the figures provided by Management reflect all those major events, we have not proceeded to the adjustment of the figures, since we consider that they comply with industry trends as the hotel industry is characterized by economic cycles, and is therefore exposed to fluctuating prices.

Financial drivers

According to the Management, all properties expect to some extent a recovery of the main operational drivers and, as a result, a recovery of the hotels’ portfolio GOP. The main reason for this improvement is the recovery of the sector and the global economy, together with the implementation of a commercial and cost-saving plan started in 2015 until 2019.

Valuation Methodology

Valuations Approaches

In developing our opinion of value, we considered three approaches to value and chose the most appropriate considering the subject Assets. The following is a brief description of the three approaches to value:

Income Approach: provides an estimate of the present value of the monetary benefits expected to flow to the owners of the business or asset. It requires projection of the cash flows that the business or asset is expected to generate. These cash flows are then converted to their present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risk in the investment. The value of the business or asset is the sum of the discounted cash flows.

Market Approach: considers actual arm's-length transactions for which the market value of investments alternative to the subject company or asset can be observed. The value of a company, an ownership interest in the company, or an asset can be estimated by developing relevant multiples for the comparative companies or assets that relate value to underlying revenue, earnings, or cash flow variables, and then applying these multiples to the same underlying variable for the subject company or asset. The value multiples can be derived from guideline publicly traded company transactions or guideline transactions of private companies or assets.

- "Guideline Company Method";
- "Guideline Transaction Method".

Cost Approach: indicates value based on the amount that currently would be required to replace the service capacity of an asset (often referred to as current replacement cost). In establishing the value of an asset, a market participant (seller) would consider the cost to acquire or construct a substitute asset of comparable utility, adjusted for deterioration and obsolescence.

The appropriateness of the valuation approaches varies with the type of business or asset being appraised. When valuing a business or asset with continuing operations, the income and market approaches are generally the most appropriate because the value should reflect an ability to generate earnings through operation of the assets.

In this sense, the Assets valuation was based on the income approach, using the discounted free cash flow ("DCF") methodology. This method analyses the business or asset from a dynamic point of view with the capacity to generate future cash flows. This is the generally accepted approach for the valuation of businesses or assets on a going concern basis.

DCF

Discounted Cash Flows (Income Approach)

The income approach explicitly recognizes that the current value of an investment is premised on the expected receipt of future economic benefits, such as cost savings, periodic income, or sale proceeds. Indications of value are developed by discounting expected future cash flows available to the providers of the invested capital at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment. Using an income approach based on a normalized capital structure reflects the earning power of the company or asset without the impact of entity-specific funding decisions.

In the DCF method, annual future cash flows are estimated, then individually discounted back to present value. If the cash flow stream will continue beyond the forecast period, a normalized future cash flow attributable to the invested capital is estimated, then capitalized and discounted back to present value. The summation of the discounted cash flows during the forecast period plus the normalized cash flow after capitalization and discounting provides an indication of the invested capital value.

Cash flows used in this DCF method are the invested capital cash flow streams. In other words, they are the operating cash flows available for distribution to investors, providers of both equity and debt capital. These begin with invested capital net income (free of interest expense and non-operating income and expenses). Future working capital requirements and capital expenditures ("CAPEX") are subtracted from, and anticipated depreciation, amortization, and other noncash expense is added to, this amount to arrive at the invested capital cash flow.

Therefore, under the DCF method, the value of the asset is estimated by discounting the expected free cash flows stream at a discount rate which considers the capital structure and the inherent risks of the business subject to analysis (weight average capital cost or "WACC"). This method implies valuing the assets as the sum of the following:

- The present value of estimated future cash flows for the forecast period, discounted at a rate of return that considers the relative risk of achieving the cash flows and the time value of money; and
- The present value of the terminal value, which captures the value of cash flows beyond the forecast period.

In this analysis, we used the "midyear convention", which calculates the current value of the cash flows by taking into account that they are generated at the midpoint of each forecast period.

Forecast Period

The GOP expected for the subject hotels during the period 2017-2021 was derived from the individual P&L's provided by the Management for each property.

Additionally, we consider convenient to add a Management Fee of 2.5% over sales, in line with the Market, in order to reflect the royalty that the hotels pay to the Management team.

Subsequently, the main considerations taken into account in order to reach the free cash flow for each hotel are described below:

NOPLAT (net operating profit less adjusted taxes): has been estimated using the current tax rate applicable in each country.

CAPEX (Capital expenditures): to maintain the proper level of property, plant, and equipment and to expand the capacity of the business as needed. The estimated CAPEX should reflect the capacity necessary for the business to achieve the estimated revenue. We combined our own estimations with the CAPEX information provided by Management for the period 2017-2021 and until 2023 in the case of Belgian hotels. We determined a 8.0% of total revenues in perpetuity, in line with the selected guideline companies and with an average useful life of 10 years, for all hotels. Nevertheless, we have identified a few exceptions, which consist of hotels that are subject to refurbishment processes in the near future or that have recently completed restoration.

The following table summarizes the relative percentage over sales considered for each year:

% CAPEX over revenues (2017-2021)[10]

Name	2017	2018	2019	2020	2021
NH Brussels City Center	4%	4%	4%	4%	4%
NH Grand Place Arenberg	4%	4%	4%	4%	4%
NH Stephanie	4%	4%	4%	4%	4%
NH Brussels Airport	4%	4%	4%	4%	4%
NH Brugge	8%	8%	8%	8%	8%
NH Gent Belfort	4%	4%	4%	4%	4%
NH Gent Sint Pieters	6%	6%	6%	6%	6%
NH Mechelen	6%	6%	6%	6%	6%
NH Conference Centre Koningshof	4%	4%	4%	4%	4%
NH Conference Centre Leeuwenhorst	8%	8%	8%	8%	8%
NH Schiphol Airport	1%	2%	2%	2%	2%
NH Zoetermeer	4%	4%	4%	4%	4%
NH Conference Centre Sparrenhorst	4%	4%	4%	4%	4%
NH Barbizon Palace	0%	2%	2%	2%	2%
NH Best	4%	4%	4%	4%	4%
NH Capelle	4%	4%	4%	4%	4%
NH Geldrop	4%	4%	4%	4%	4%
NH Marquette	4%	4%	4%	4%	4%
NH Naarden	4%	4%	4%	4%	4%
NH Zandvoort	4%	4%	4%	4%	4%

[10] In the event the hotel has its own CAPEX scheduled we have maintained Management's estimates.

Terminal Value

Working capital: to obtain the working capital investment per year for the forecast period, we used a 2.5% ratio according to the industry ratio of working capital to sales.

The free cash flows for the 2017-2021 period have been adjusted using the midyear convention method.

In general, in obtaining business value by applying the DCF method, it is assumed that the company or asset is a *going concern*, which involves the determination of terminal value (value attributed to the assets beyond the forecast period) to cover the period implicit in perpetuity to determine the terminal value. In this regard, to determine the terminal value, we considered the two following methods:

Gordon Shapiro (Constant Growth Model)

This is the reference methodology regarding *going concern*, considering the fundamental premise of the equivalence between investment and depreciation in the normalized cash flow in order to avoid the decapitalization of the company in the long term.

The normalized free cash flow was capitalized by a rate equal to the discount rate less the terminal growth rate. The constant growth model is presented as follows:

TV = Normalized FCF / (WACC–g)

In order to develop a cash flow that last over the long term, we have proceeded to adjust 2021 cash flow as shown:

- Revenues: net revenues of 2021 adjusted by “g”;
- EBITDA: average margin over sales for the period (2016-2021) multiplied by the normalized revenues as previously explained;
- CAPEX: 8% over revenues;
- Depreciation: it has been estimated that depreciation in the long term is equivalent to the standardized CAPEX previously defined;
- Management Fee: 2.5% over revenues; and
- The perpetuity growth rate (g): is assumed equal to the long-term CPI expected for each country.

Exit Multiple

Our valuation considered the exit multiple, which incorporates the market as a fundamental reference in the terminal value estimation. The exit multiple selected was Enterprise Value/EBITDA (“EV/EBITDA”), a valuation multiple commonly used in finance and investment to assess the value of a company. The main advantage of this multiple is that it is neutral in regard to capital

Terminal Value (cont.)

structure. It is also useful in the comparison of companies or assets in different countries because it is independent of tax rules.

TV = Normalized EBITDA × (EV/EBITDA)

Where:

- Normalized EBITDA: the average of the EBITDA estimated for the period 2016-2021.
- EV/EBITDA: estimated as the average of the EV/EBITDA ratio derived from the selected guideline companies as of the Valuation Date for the period 2012-2016.

Please see Exhibit B for detailed guideline company information.

For the terminal value estimation, we considered an average of the two methodologies described above (50%/50%).

The sum of the present value of the cash flows during the forecast period plus the terminal value discounted to present value represents the value of the Assets (please see Exhibit A for detailed information).

Tax Shield

Tax Shield Correction of Depreciation for Terminal Value

The assumptions made in the calculation of the terminal value consider the long-term maintenance of the net asset level reached at the end of the forecast period, which assumes equality between investment in fixed assets (CAPEX) and depreciation. However, this level of net assets at the end of the forecast period does not necessarily correspond to the normalized level, so it could be a mismatch in the terminal value estimation due to consideration of a tax shield which could be as major/minor as the one obtained from depreciation.

In this context, the tax shield correction of depreciation is estimated as the present value of the difference between the tax shield (deduction for depreciation) included in the terminal value calculation and the tax shield generated by the evolution of net fixed assets beyond the forecast period until it reaches a normalized level.

Discount Rate

Discount Rate (WACC)

We estimated a discount rate for the income approach based on a market participant's perspective of the invested capital weighted average cost of capital ("WACC"). The WACC is an estimate of the after-tax rate of return on investment required by all investors of capital. The WACC is computed by calculating the after-tax cost of debt and after-tax cost of equity. The costs of equity and debt were developed based on market-derived data and factors

Discount Rate (cont.)

relevant to the economy, the industry, and the Asset, as of the Valuation Date. Certain data inputs were derived from the observed data of selected guideline companies and adjusted for the specific differences between the guideline companies and the Assets. These costs of equity and debt were then weighted in terms of a typical industry capital structure to arrive at an estimated WACC.

The WACC is determined as follows:

$$\mathbf{WACC = K_e \times W_e + K_d \times W_d}$$

Where:

- K_e: cost of equity
- W_e: market value weighting of equity to total capital
- K_d: after-tax cost of debt
- W_d: market value weighting of debt to total capital

Cost of Equity (K_e)

The cost of equity (K_e), or required return on equity, was estimated using the adjusted capital asset pricing model ("CAPM"). The CAPM uses a risk-free rate of return and an appropriate market risk premium for equity investments and the specific risks of the investment. As part of the analysis, certain guideline companies were selected and studied, as discussed previously.

The CAPM uses the following formula to arrive at an appropriate cost of equity (required return on equity):

$$\mathbf{K_e = R_f + (\beta \times ERP) + \alpha + SCP}$$

Where:

- Risk-free rate of return (R_f): we have used a normalized risk free rate to determine the cost of equity. This being, we have taken as departure point the yield on the 20-year National Treasury bonds as of Valuation Date, and normalized it throughout the explicit period by applying a reference rate of 2.2% for Germany (own calculations) adding a country risk premium for each country. The yields of the national generic bonds being:

Country 20Y	(31.12.2016)	Normalized
Belgium	1.0%	2.6%
Netherlands	0.8%	2.3%
Italy	2.4%	4.0%

Source: Bloomberg.

- Beta (β_L): beta is a measure of the risk of a given company relative to that of the overall market. The concluded beta is based on the median of the unlevered betas (β_u=0.80) of the selected guideline companies (see

Exhibit B), which was then re-levered based on the capital structure of a Market Participant and the tax rate applicable to each country as of valuation date. The re-levered betas being:

Country	Tax	βL
Belgium	34.0%	0.99
Netherlands	25.0%	1.01
Italy	27.9%	1.00

Source: Bloomberg.

Discount Rate (cont.)

- Market Equity Risk Premium (ERP): the ERP is the expected return of the market (Rm) in excess of the risk-free rate (R_f). The market equity risk premium is estimated based on consideration of historical realized returns on equity investments over a risk-free rate as represented by 20-year government bonds and forward-looking equity risk premium estimates. A consensus **6.0%** ERP was considered reasonable as a departure point and normalized it throughout the explicit period until reaching a **5.5%**, following Duff and Phelps viewpoint, which is in line with of the market equity risk premium.
- Additional Specific Premium (α): Alpha is a measure of the risk-adjusted performance or specific characteristics of companies. It is added to the CAPM rate of return with the objective of reflecting an extra risk in the Hotels. We have run an α premium of 1.5% for Belgium and 1.0% for Netherlands.
- Small Stock Premium: the CAPM rate of return is adjusted by a premium that reflects the extra risk of an investment in a small company. This premium is derived from differences in historical returns between small and large company stocks. in the case of Italy since it consists on the valuation of equity, we have added an extra premium of 1.7% to Nh Italia, SpA based on Duff & Phelps 2016 Small Stock Premium study.

Cost of Debt (K_d)

The cost of debt (K_d) is the current average borrowing cost that a market participant would expect to pay to obtain its debt financing based on the assumed capital structure. Because interest expense is tax deductible, the effective cost of debt is the after-tax cost. The after-tax cost of debt is calculated as follows:

$$K_d = (R_f + \text{Spread}) \times (1 - T)$$

Where:

- Risk-free rate of return (R_f): as stated in the preceding cost of equity calculation.

Discount Rate (cont.)

- Spread: its calculation is based on a study of the debt issues of NH and the market. This being, we have taken as departure point the yield of NH debt issues as of December 31, 2016 (3.75%), and normalized it throughout the explicit period until we reach the 10Y European Consumer Discretionary BBB Index (1.5%).
- Corporate tax rate (T): as stated in the preceding cost of equity calculation.

Capital Structure

Because the Company holds a controlling interest in the Assets to be valued, the appropriate capital structure reflecting a market participant's perspective was based on consideration of the typical industry capital structure considering the selected guideline companies, besides to the nature of the Client's balance sheet. The debt-to-total-capital ratio of **34.9%**, based on a calculation of Net Debt / (Net Debt + Market Capitalization), was concluded using the selected guideline companies (see Exhibit B).

Discount Rate (WACC)

Based on the preceding analysis of each of the components, the concluded WACC disclosed by country were:

Country	2016	2017	2018	2019	2020	2021	TV
Belgium	6.9%	7.1%	7.2%	7.3%	7.5%	7.6%	7.7%
Netherlands	6.5%	6.7%	6.8%	6.9%	7.0%	7.2%	7.3%
Italy	8.2%	8.4%	8.6%	8.8%	8.9%	9.1%	9.3%

Conclusion

Based on the information and analysis summarized in this document, it is our opinion that, as of December 31, 2016, the market values of the detailed Assets are as follows (expressed in thousand euros):

- Hotels:

Name	NH Stake	Location	(NH Stake)
NH Brussels City Centre	100%	Belgium	31,973
NH Grand Place Arenberg	100%	Belgium	27,724
NH Stéphanie	100%	Belgium	8,718
NH Brussels Airport	100%	Belgium	31,215
NH Brugge	100%	Belgium	15,531
NH Gent Belfort	100%	Belgium	35,935
NH Gent Sint Pieters	100%	Belgium	4,177
NH Mechelen	100%	Belgium	3,521
NH Conference Centre Koningshof	100%	Netherlands	69,516
NH Conference Centre Leeuwenhorst	100%	Netherlands	101,302
NH Schiphol Airport	100%	Netherlands	48,205
NH Zoetermeer	100%	Netherlands	4,972
NH Veluwe Sparrenhorst	100%	Netherlands	10,148
NH Collection Barbizon Palace	100%	Netherlands	134,674
NH Best	100%	Netherlands	4,642
NH Capelle	100%	Netherlands	8,187
NH Geldrop	100%	Netherlands	4,601
NH Marquette	100%	Netherlands	2,375
NH Naarden	100%	Netherlands	7,453
NH Zandvoort	100%	Netherlands	27,472
TOTAL			**582,343**

- NH Italia, SpA:

		Range	
NH Italia SpA	**Min.**	**Med.**	**Max.**
Forecast Period NPV	225,247	227,185	229,151
Terminal Value NPV	403,775	415,978	429,069
Business Enterprise Value (BEV)	**629,022**	**643,163**	**658,220**
Non-Operating Assets	-	-	-
Jolly Madison	64,290	64,400	64,511
BINS	13,697	13,613	13,531
Net Financial Debt	(60,122)	(60,122)	(60,122)
Equity Value (EqV)	**646,887**	**661,054**	**676,140**

(*) *NH Jolly Madison values have been provided by the Management.*

Our opinion of value is based on the information provided by the Company and the valuation hypotheses described in this document. We have not analyzed any other asset or liability apart from the Assets mentioned above. We assumed without independent verification, and accept no responsibility for, the accuracy and completeness of all financial and other information the Company made available to us.

A Summary of the Assets based on the collateral offered by the Company is as follows (data in thousand euros):

- Hotels offered as collateral:

Mortgages 2 High Yield Bonds & RCF	
NH Conference Centre Koningshof	69,516
NH Conference Centre Leeuwenhorst	101,302
NH Schiphol Airport	48,205
NH Zoetermeer	4,972
NH Veluwe Sparrenhorst	10,148
NH Collection Barbizon Palace	134,674
NH Best	4,642
NH Capelle	8,187
NH Geldrop	4,601
NH Marquette	2,375
NH Naarden	7,453
Subtotal	**396,076**

- Pledge of shares:

Pledges 2 High Yield Bonds & RCF	
NH Brussels City Centre	31,973
NH Grand Place Arenberg	27,724
NH Stéphanie	8,718
NH Brussels Airport	31,215
NH Brugge	15,531
NH Gent Belfort	35,935
NH Gent Sint Pieters	4,177
NH Mechelen	3,521
Subtotal	**158,795**
NH Zandvoort	27,472
NH Italia (Pledge 100%)	661,054
Subtotal	**688,526**
Total	**1,243,397**

In addition, this lines of financing require adherence to a series of financial ratios, for that purpose we have been asked to verify the Company management calculations regarding the Loan to Value Ratio. Consequently, based on the updated market values of the Assets derived in this document and according to the amounts drawn from the High Yield Bonds and RCF as of December 31, 2016 provided by the Management, we have verified the following calculations of ratio is correct:

- LTV Global (drawn amount): 43.0%

We have not independently investigated or otherwise verified the historical data provided to us. We do not express an opinion or offer any form of assurance regarding the accuracy of data or its completeness. No audit, even limited, has been carried out. We have considered the information provided as reliable and accurate. We have assumed that the information provided to us is a fair representation of the Assets as of

Valuation Date. Therefore, Duff & Phelps will accept no responsibility for any error or omission in the document arising from incorrect information provided by Management or in respect of the failure of forecasts to be achieved.

The financial forecasts used in the preparation of this document reflect Management's judgment, based on present circumstances, as to the most likely set of conditions and the course of action the subject Assets businesses are most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecasts and such differences may be material.

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We do not assume any responsibility in relation with the condition of the Assets valued or any claims or liens that may affect the results of this study. Our opinion of value is subject to the hypotheses described in this document, as well as the limiting conditions and general service conditions detailed in Exhibit D.

Exhibit A: Hotels Valuation

NH Brussels City Center

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**5,752**	**4,335**	**5,711**	**7,513**	**7,879**	**8,248**	**8,573**	**8,701**
Variation		*(24.6%)*	*31.8%*	*31.5%*	*4.9%*	*4.7%*	*3.9%*	*1.5%*
EBITDA	**1,897**	**1,266**	**1,920**	**3,278**	**3,527**	**3,778**	**3,995**	**3,533**
% / sales	*33.0%*	*29.2%*	*33.6%*	*43.6%*	*44.8%*	*45.8%*	*46.6%*	*40.6%*
D&A	(41)	(301)	(319)	(343)	(368)	(395)	(422)	(696)
Variation		*630.7%*	*6.1%*	*7.5%*	*7.3%*	*7.2%*	*6.9%*	*n/a*
Management Fee	(144)	(108)	(143)	(188)	(197)	(206)	(214)	(218)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**1,712**	**857**	**1,458**	**2,747**	**2,962**	**3,177**	**3,359**	**2,620**
% / sales	*29.8%*	*19.8%*	*25.5%*	*36.6%*	*37.6%*	*38.5%*	*39.2%*	*30.1%*
Taxes	(582)	(291)	(496)	(934)	(1,007)	(1,080)	(1,142)	(890)
Tax Rate	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*
NOPLAT	**1,130**	**565**	**962**	**1,813**	**1,955**	**2,097**	**2,217**	**1,729**
% / sales	*19.6%*	*13.0%*	*16.9%*	*24.1%*	*24.8%*	*25.4%*	*25.9%*	*19.9%*
D&A	41	301	319	343	368	395	422	696
Variation		*630.7%*	*6.1%*	*7.5%*	*7.3%*	*7.2%*	*6.9%*	*n/a*
Operating Cash Flow	**1,171**	**866**	**1,282**	**2,156**	**2,324**	**2,492**	**2,639**	**2,425**
% / sales			*22.4%*	*28.7%*	*29.5%*	*30.2%*	*30.8%*	*27.9%*
CAPEX			(228)	(301)	(315)	(330)	(343)	(696)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
∆ Working Capital			(34)	(44)	(9)	(9)	(8)	(3)
% / sales			*(0.6%)*	*(0.6%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**1,019**	**1,812**	**1,999**	**2,153**	**2,289**	**1,726**
% / sales			*17.8%*	*24.1%*	*25.4%*	*26.1%*	*26.7%*	*19.8%*
Variation			*n/a*	*77.7%*	*10.4%*	*7.7%*	*6.3%*	*(24.6%)*

Terminal Value

(thousand euros)	Min.	Range Mid.	Max.
Gordon-Shapiro	**18,766**	**20,176**	**21,769**
Perpetuity Growth "g"	*1.5%*	*1.5%*	*1.5%*
Discount Rate	*8.1%*	*7.7%*	*7.4%*
Free Cash Flow	*1,726*	*1,726*	*1,726*
Terminal Value (undiscounted)	*26,144*	*27,681*	*29,410*
Exit Multiple - EBITDA	**28,007**	**28,440**	**28,881**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*3,533*	*3,533*	*3,533*
Terminal Value (undiscounted)	*39,018*	*39,018*	*39,018*

Conclusion

NH Brussels City Center	Min.	Range Mid.	Max.
NPV Forecast Period	7,595	7,665	7,736
NPV Terminal Value	23,387	24,308	25,325
Business Enterprise Value (BEV)	**30,982**	**31,973**	**33,061**

Note: units in thousand euros

NH Grand Place Arenberg

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**4,742**	**3,885**	**4,594**	**5,699**	**6,098**	**6,420**	**6,658**	**6,758**
Variation		*(18.1%)*	*18.2%*	*24.1%*	*7.0%*	*5.3%*	*3.7%*	*1.5%*
EBITDA	**1,954**	**1,434**	**1,788**	**2,638**	**2,929**	**3,158**	**3,320**	**3,032**
% / sales	*41.2%*	*36.9%*	*38.9%*	*46.3%*	*48.0%*	*49.2%*	*49.9%*	*44.9%*
D&A	(34)	(219)	(271)	(289)	(312)	(336)	(362)	(541)
Variation		*539.5%*	*23.9%*	*6.8%*	*7.9%*	*7.8%*	*7.6%*	*n/a*
Management Fee	(119)	(97)	(115)	(142)	(152)	(161)	(166)	(169)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**1,801**	**1,118**	**1,403**	**2,206**	**2,465**	**2,661**	**2,792**	**2,323**
% / sales	*38.0%*	*28.8%*	*30.5%*	*38.7%*	*40.4%*	*41.5%*	*41.9%*	*34.4%*
Taxes	(612)	(380)	(477)	(750)	(838)	(905)	(949)	(789)
Tax Rate	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*
NOPLAT	**1,189**	**738**	**926**	**1,456**	**1,627**	**1,757**	**1,843**	**1,533**
% / sales	*25.1%*	*19.0%*	*20.2%*	*25.6%*	*26.7%*	*27.4%*	*27.7%*	*22.7%*
D&A	34	219	271	289	312	336	362	541
Variation		*539.5%*	*23.9%*	*6.8%*	*7.9%*	*7.8%*	*7.6%*	*n/a*
Operating Cash Flow	**1,223**	**957**	**1,197**	**1,746**	**1,939**	**2,093**	**2,205**	**2,074**
% / sales			*26.1%*	*30.6%*	*31.8%*	*32.6%*	*33.1%*	*30.7%*
CAPEX			(184)	(228)	(244)	(257)	(266)	(541)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
Δ Working Capital			(17)	(27)	(10)	(8)	(6)	(2)
% / sales			*(0.4%)*	*(0.5%)*	*(0.2%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**996**	**1,490**	**1,685**	**1,828**	**1,933**	**1,531**
% / sales			*21.7%*	*26.1%*	*27.6%*	*28.5%*	*29.0%*	*22.7%*
Variation			*n/a*	*49.7%*	*13.1%*	*8.5%*	*5.7%*	*(20.8%)*

Terminal Value

(thousand euros)	Min.	Range Mid.	Max.
Gordon-Shapiro	**16,644**	**17,894**	**19,306**
Perpetuity Growth "g"	*1.5%*	*1.5%*	*1.5%*
Discount Rate	*8.1%*	*7.7%*	*7.4%*
Free Cash Flow	*1,531*	*1,531*	*1,531*
Terminal Value (undiscounted)	*23,187*	*24,550*	*26,083*
Exit Multiple - EBITDA	**24,037**	**24,408**	**24,786**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*3,032*	*3,032*	*3,032*
Terminal Value (undiscounted)	*33,487*	*33,487*	*33,487*

Conclusion

NH Grand Place Arenberg	Min.	Range Mid.	Max.
NPV Forecast Period	6,514	6,573	6,633
NPV Terminal Value	20,340	21,151	22,046
Business Enterprise Value (BEV)	**26,854**	**27,724**	**28,679**

Note: units in thousand euros

NH Stephanie

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**1,858**	**1,562**	**1,751**	**2,028**	**2,279**	**2,402**	**2,490**	**2,528**
Variation		*(15.9%)*	*12.1%*	*15.8%*	*12.4%*	*5.4%*	*3.7%*	*1.5%*
EBITDA	**689**	**451**	**575**	**782**	**969**	**1,056**	**1,114**	**975**
% / sales	*37.1%*	*28.9%*	*32.8%*	*38.5%*	*42.5%*	*43.9%*	*44.7%*	*38.6%*
D&A	(17)	(81)	(87)	(93)	(101)	(108)	(116)	(202)
Variation		*371.6%*	*6.9%*	*7.5%*	*7.8%*	*7.6%*	*7.4%*	*n/a*
Management Fee	(46)	(39)	(44)	(51)	(57)	(60)	(62)	(63)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**626**	**330**	**444**	**638**	**811**	**887**	**935**	**709**
% / sales	*33.7%*	*21.1%*	*25.4%*	*31.4%*	*35.6%*	*36.9%*	*37.6%*	*28.1%*
Taxes	(213)	(112)	(151)	(217)	(276)	(302)	(318)	(241)
Tax Rate	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*
NOPLAT	**413**	**218**	**293**	**421**	**535**	**586**	**617**	**468**
% / sales	*22.2%*	*14.0%*	*16.7%*	*20.8%*	*23.5%*	*24.4%*	*24.8%*	*18.5%*
D&A	17	81	87	93	101	108	116	202
Variation		*371.6%*	*6.9%*	*7.5%*	*7.8%*	*7.6%*	*7.4%*	*n/a*
Operating Cash Flow	**430**	**299**	**380**	**514**	**636**	**694**	**734**	**671**
% / sales			*21.7%*	*25.4%*	*27.9%*	*28.9%*	*29.5%*	*26.5%*
CAPEX			(70)	(81)	(91)	(96)	(100)	(202)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
Δ Working Capital			(5)	(7)	(6)	(3)	(2)	(1)
% / sales			*(0.3%)*	*(0.3%)*	*(0.3%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**305**	**426**	**539**	**595**	**632**	**467**
% / sales			*17.4%*	*21.0%*	*23.6%*	*24.8%*	*25.4%*	*18.5%*
Variation			*n/a*	*39.6%*	*26.3%*	*10.4%*	*6.2%*	*n/a*

Terminal Value

(thousand euros)	Min.	Range Mid.	Max.
Gordon-Shapiro	**5,082**	**5,464**	**5,895**
Perpetuity Growth "g"	*1.5%*	*1.5%*	*1.5%*
Discount Rate	*8.1%*	*7.7%*	*7.4%*
Free Cash Flow	*467*	*467*	*467*
Terminal Value (undiscounted)	*7,080*	*7,496*	*7,964*
Exit Multiple - EBITDA	**7,728**	**7,847**	**7,969**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*975*	*975*	*975*
Terminal Value (undiscounted)	*10,766*	*10,766*	*10,766*

Conclusion

NH Stephanie	Min.	Range Mid.	Max.
NPV Forecast Period	2,043	2,062	2,081
NPV Terminal Value	6,405	6,656	6,932
Business Enterprise Value (BEV)	**8,448**	**8,718**	**9,013**

Note: units in thousand euros

NH Brussels Airport

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**7,329**	**6,540**	**7,209**	**7,585**	**7,850**	**8,156**	**8,457**	**8,584**
Variation		*(10.8%)*	*10.2%*	*5.2%*	*3.5%*	*3.9%*	*3.7%*	*1.5%*
EBITDA	**2,715**	**2,244**	**2,666**	**2,914**	**3,077**	**3,271**	**3,461**	**3,290**
% / sales	*37.0%*	*34.3%*	*37.0%*	*38.4%*	*39.2%*	*40.1%*	*40.9%*	*38.3%*
D&A	(24)	(473)	(810)	(839)	(870)	(901)	(934)	(687)
Variation		*1843.8%*	*71.4%*	*3.6%*	*3.6%*	*3.6%*	*3.6%*	*n/a*
Management Fee	(183)	(164)	(180)	(190)	(196)	(204)	(211)	(215)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**2,507**	**1,608**	**1,675**	**1,885**	**2,011**	**2,166**	**2,316**	**2,388**
% / sales	*34.2%*	*24.6%*	*23.2%*	*24.9%*	*25.6%*	*26.6%*	*27.4%*	*27.8%*
Taxes	(852)	(547)	(569)	(641)	(684)	(736)	(787)	(812)
Tax Rate	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*
NOPLAT	**1,655**	**1,061**	**1,106**	**1,244**	**1,328**	**1,430**	**1,529**	**1,577**
% / sales	*22.6%*	*16.2%*	*15.3%*	*16.4%*	*16.9%*	*17.5%*	*18.1%*	*18.4%*
D&A	24	473	810	839	870	901	934	687
Variation		*1843.8%*	*71.4%*	*3.6%*	*3.6%*	*3.6%*	*3.6%*	*n/a*
Operating Cash Flow	**1,679**	**1,534**	**1,916**	**2,084**	**2,197**	**2,331**	**2,463**	**2,263**
% / sales			*26.6%*	*27.5%*	*28.0%*	*28.6%*	*29.1%*	*26.4%*
CAPEX			(288)	(303)	(314)	(326)	(338)	(687)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
∆ Working Capital			(16)	(9)	(7)	(8)	(7)	(3)
% / sales			*(0.2%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**1,611**	**1,771**	**1,877**	**1,997**	**2,117**	**1,574**
% / sales			*22.4%*	*23.3%*	*23.9%*	*24.5%*	*25.0%*	*18.3%*
Variation			*n/a*	*9.9%*	*6.0%*	*6.4%*	*6.0%*	*n/a*

Terminal Value

(thousand euros)	Range Min.	Mid.	Max.
Gordon-Shapiro	**17,108**	**18,394**	**19,845**
Perpetuity Growth "g"	*1.5%*	*1.5%*	*1.5%*
Discount Rate	*8.1%*	*7.7%*	*7.4%*
Free Cash Flow	*1,574*	*1,574*	*1,574*
Terminal Value (undiscounted)	*23,834*	*25,235*	*26,811*
Exit Multiple - EBITDA	**26,078**	**26,481**	**26,891**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*3,290*	*3,290*	*3,290*
Terminal Value (undiscounted)	*36,330*	*36,330*	*36,330*

Conclusion

NH Brussels Airport	Range Min.	Mid.	Max.
NPV Forecast Period	7,784	7,850	7,918
NPV Terminal Value	22,488	23,365	24,329
Business Enterprise Value (BEV)	**30,272**	**31,215**	**32,247**

Note: units in thousand euros

NH Brugge

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**4,709**	**4,219**	**4,643**	**4,975**	**5,304**	**5,677**	**5,887**	**5,975**
Variation		*(10.4%)*	*10.0%*	*7.1%*	*6.6%*	*7.0%*	*3.7%*	*1.5%*
EBITDA	**1,432**	**1,086**	**1,334**	**1,546**	**1,756**	**1,998**	**2,120**	**1,891**
% / sales	*30.4%*	*25.7%*	*28.7%*	*31.1%*	*33.1%*	*35.2%*	*36.0%*	*31.6%*
D&A	(40)	(183)	(226)	(263)	(303)	(345)	(390)	(478)
Variation		*355.9%*	*23.2%*	*16.5%*	*15.1%*	*14.0%*	*13.2%*	*n/a*
Management Fee	(118)	(105)	(116)	(124)	(133)	(142)	(147)	(149)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**1,275**	**798**	**992**	**1,159**	**1,321**	**1,511**	**1,583**	**1,264**
% / sales	*27.1%*	*18.9%*	*21.4%*	*23.3%*	*24.9%*	*26.6%*	*26.9%*	*21.1%*
Taxes	(433)	(271)	(337)	(394)	(449)	(513)	(538)	(429)
Tax Rate	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*
NOPLAT	**841**	**527**	**655**	**765**	**872**	**997**	**1,045**	**834**
% / sales	*17.9%*	*12.5%*	*14.1%*	*15.4%*	*16.4%*	*17.6%*	*17.7%*	*14.0%*
D&A	40	183	226	263	303	345	390	478
Variation		*355.9%*	*23.2%*	*16.5%*	*15.1%*	*14.0%*	*13.2%*	*n/a*
Operating Cash Flow	**882**	**710**	**881**	**1,028**	**1,174**	**1,342**	**1,435**	**1,312**
% / sales			*19.0%*	*20.7%*	*22.1%*	*23.6%*	*24.4%*	*22.0%*
CAPEX			(371)	(398)	(424)	(454)	(471)	(478)
% / sales			*(8.0%)*	*(8.0%)*	*(8.0%)*	*(8.0%)*	*(8.0%)*	*(8.0%)*
∆ Working Capital			(10)	(8)	(8)	(9)	(5)	(2)
% / sales			*(0.2%)*	*(0.2%)*	*(0.2%)*	*(0.2%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**499**	**622**	**742**	**879**	**959**	**832**
% / sales			*10.7%*	*12.5%*	*14.0%*	*15.5%*	*16.3%*	*13.9%*
Variation			*n/a*	*24.6%*	*19.4%*	*18.5%*	*9.1%*	*n/a*

Terminal Value

	Range		
(thousand euros)	Min.	Mid.	Max.
Gordon-Shapiro	**9,045**	**9,724**	**10,492**
Perpetuity Growth "g"	*1.5%*	*1.5%*	*1.5%*
Discount Rate	*8.1%*	*7.7%*	*7.4%*
Free Cash Flow	*832*	*832*	*832*
Terminal Value (undiscounted)	*12,601*	*13,341*	*14,175*
Exit Multiple - EBITDA	**14,989**	**15,221**	**15,457**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*1,891*	*1,891*	*1,891*
Terminal Value (undiscounted)	*20,882*	*20,882*	*20,882*

Conclusion

	Range		
NH Brugge	Min.	Mid.	Max.
NPV Forecast Period	3,030	3,058	3,086
NPV Terminal Value	12,017	12,473	12,974
Business Enterprise Value (BEV)	**15,047**	**15,531**	**16,061**

Note: units in thousand euros

NH Gent Belfort

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**7,955**	**7,612**	**7,958**	**8,406**	**8,940**	**9,544**	**10,045**	**10,195**
Variation		*(4.3%)*	*4.5%*	*5.6%*	*6.4%*	*6.8%*	*5.2%*	*1.5%*
EBITDA	**2,866**	**2,838**	**2,919**	**3,208**	**3,558**	**3,959**	**4,286**	**4,011**
% / sales	*36.0%*	*37.3%*	*36.7%*	*38.2%*	*39.8%*	*41.5%*	*42.7%*	*39.3%*
D&A	(143)	(742)	(476)	(508)	(541)	(577)	(615)	(816)
Variation		*418.6%*	*(35.8%)*	*6.7%*	*6.6%*	*6.6%*	*6.6%*	*n/a*
Management Fee	(199)	(190)	(199)	(210)	(224)	(239)	(251)	(255)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**2,525**	**1,906**	**2,244**	**2,490**	**2,793**	**3,144**	**3,420**	**2,941**
% / sales	*31.7%*	*25.0%*	*28.2%*	*29.6%*	*31.2%*	*32.9%*	*34.0%*	*28.8%*
Taxes	(858)	(648)	(763)	(846)	(949)	(1,068)	(1,162)	(1,000)
Tax Rate	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*
NOPLAT	**1,666**	**1,258**	**1,481**	**1,643**	**1,844**	**2,075**	**2,257**	**1,941**
% / sales	*20.9%*	*16.5%*	*18.6%*	*19.6%*	*20.6%*	*21.7%*	*22.5%*	*19.0%*
D&A	143	742	476	508	541	577	615	816
Variation		*418.6%*	*(35.8%)*	*6.7%*	*6.6%*	*6.6%*	*6.6%*	*n/a*
Operating Cash Flow	**1,809**	**2,000**	**1,957**	**2,151**	**2,385**	**2,652**	**2,873**	**2,757**
% / sales			*24.6%*	*25.6%*	*26.7%*	*27.8%*	*28.6%*	*27.0%*
CAPEX			(318)	(336)	(358)	(382)	(402)	(816)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
∆ Working Capital			(8)	(11)	(13)	(15)	(12)	(4)
% / sales			*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.2%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**1,630**	**1,804**	**2,014**	**2,256**	**2,459**	**1,938**
% / sales			*20.5%*	*21.5%*	*22.5%*	*23.6%*	*24.5%*	*19.0%*
Variation			*n/a*	*10.6%*	*11.7%*	*12.0%*	*9.0%*	*n/a*

Terminal Value

(thousand euros)	Range Min.	Mid.	Max.
Gordon-Shapiro	**21,066**	**22,649**	**24,437**
Perpetuity Growth "g"	*1.5%*	*1.5%*	*1.5%*
Discount Rate	*8.1%*	*7.7%*	*7.4%*
Free Cash Flow	*1,938*	*1,938*	*1,938*
Terminal Value (undiscounted)	*29,349*	*31,074*	*33,015*
Exit Multiple - EBITDA	**31,798**	**32,289**	**32,789**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*4,011*	*4,011*	*4,011*
Terminal Value (undiscounted)	*44,299*	*44,299*	*44,299*

Conclusion

NH Gent Belfort	Range Min.	Mid.	Max.
NPV Forecast Period	8,392	8,466	8,541
NPV Terminal Value	26,432	27,469	28,613
Business Enterprise Value (BEV)	**34,825**	**35,935**	**37,154**

Note: units in thousand euros

NH Gent Sint Pieters

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**1,351**	**1,273**	**1,297**	**1,474**	**1,546**	**1,628**	**1,688**	**1,714**
Variation		*(5.8%)*	*1.8%*	*13.7%*	*4.9%*	*5.3%*	*3.7%*	*1.5%*
EBITDA	**309**	**299**	**302**	**416**	**458**	**506**	**539**	**479**
% / sales	*22.9%*	*23.5%*	*23.3%*	*28.2%*	*29.6%*	*31.1%*	*31.9%*	*27.9%*
D&A	(19)	(128)	(136)	(144)	(153)	(162)	(172)	(137)
Variation		*574.8%*	*6.6%*	*5.7%*	*6.2%*	*6.1%*	*6.0%*	*n/a*
Management Fee	(34)	(32)	(32)	(37)	(39)	(41)	(42)	(43)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**257**	**140**	**134**	**236**	**267**	**303**	**325**	**299**
% / sales	*19.0%*	*11.0%*	*10.3%*	*16.0%*	*17.2%*	*18.6%*	*19.3%*	*17.4%*
Taxes	(87)	(47)	(46)	(80)	(91)	(103)	(111)	(102)
Tax Rate	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*
NOPLAT	**170**	**92**	**88**	**156**	**176**	**200**	**215**	**197**
% / sales	*12.5%*	*7.2%*	*6.8%*	*10.6%*	*11.4%*	*12.3%*	*12.7%*	*11.5%*
D&A	19	128	136	144	153	162	172	137
Variation		*574.8%*	*6.6%*	*5.7%*	*6.2%*	*6.1%*	*6.0%*	*n/a*
Operating Cash Flow	**188**	**220**	**224**	**299**	**329**	**362**	**386**	**334**
% / sales			*17.3%*	*20.3%*	*21.2%*	*22.2%*	*22.9%*	*19.5%*
CAPEX			(78)	(88)	(93)	(98)	(101)	(137)
% / sales			*(6.0%)*	*(6.0%)*	*(6.0%)*	*(6.0%)*	*(6.0%)*	*(8.0%)*
Δ Working Capital			(1)	(4)	(2)	(2)	(1)	(1)
% / sales			*(0.0%)*	*(0.3%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**146**	**207**	**234**	**262**	**284**	**197**
% / sales			*11.3%*	*14.0%*	*15.1%*	*16.1%*	*16.8%*	*11.5%*
Variation			*n/a*	*41.5%*	*13.3%*	*12.1%*	*8.1%*	*n/a*

Terminal Value

	Range		
(thousand euros)	Min.	Mid.	Max.
Gordon-Shapiro	**2,139**	**2,299**	**2,481**
Perpetuity Growth "g"	*1.5%*	*1.5%*	*1.5%*
Discount Rate	*8.1%*	*7.7%*	*7.4%*
Free Cash Flow	*197*	*197*	*197*
Terminal Value (undiscounted)	*2,980*	*3,155*	*3,352*
Exit Multiple - EBITDA	**3,796**	**3,855**	**3,914**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*479*	*479*	*479*
Terminal Value (undiscounted)	*5,288*	*5,288*	*5,288*

Conclusion

	Range		
NH Gent Sint Pieters	Min.	Mid.	Max.
NPV Forecast Period	929	938	946
NPV Terminal Value	3,124	3,239	3,366
Business Enterprise Value (BEV)	**4,054**	**4,177**	**4,312**

Note: units in thousand euros

NH Mechelen

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**1,039**	**1,115**	**1,186**	**1,242**	**1,286**	**1,336**	**1,386**	**1,406**
Variation		*7.3%*	*6.4%*	*4.7%*	*3.5%*	*3.9%*	*3.7%*	*1.5%*
EBITDA	**259**	**303**	**332**	**366**	**390**	**420**	**449**	**419**
% / sales	*24.9%*	*27.2%*	*28.0%*	*29.5%*	*30.4%*	*31.4%*	*32.4%*	*29.8%*
D&A	(13)	(72)	(78)	(84)	(90)	(96)	(103)	(113)
Variation		*472.9%*	*7.9%*	*7.7%*	*7.4%*	*7.1%*	*6.9%*	*n/a*
Management Fee	(26)	(28)	(30)	(31)	(32)	(33)	(35)	(35)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**221**	**203**	**225**	**251**	**269**	**290**	**311**	**272**
% / sales	*21.2%*	*18.3%*	*19.0%*	*20.2%*	*20.9%*	*21.7%*	*22.5%*	*19.3%*
Taxes	(75)	(69)	(76)	(85)	(91)	(99)	(106)	(92)
Tax Rate	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*	*(34.0%)*
NOPLAT	**146**	**134**	**148**	**166**	**177**	**192**	**206**	**179**
% / sales	*14.0%*	*12.0%*	*12.5%*	*13.3%*	*13.8%*	*14.3%*	*14.8%*	*12.7%*
D&A	13	72	78	84	90	96	103	113
Variation		*472.9%*	*7.9%*	*7.7%*	*7.4%*	*7.1%*	*6.9%*	*n/a*
Operating Cash Flow	**158**	**206**	**226**	**249**	**267**	**288**	**308**	**292**
% / sales			*19.1%*	*20.1%*	*20.8%*	*21.5%*	*22.3%*	*20.7%*
CAPEX			(71)	(75)	(77)	(80)	(83)	(113)
% / sales			*(6.0%)*	*(6.0%)*	*(6.0%)*	*(6.0%)*	*(6.0%)*	*(8.0%)*
∆ Working Capital			(2)	(1)	(1)	(1)	(1)	(1)
% / sales			*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**153**	**174**	**189**	**207**	**224**	**179**
% / sales			*12.9%*	*14.0%*	*14.7%*	*15.5%*	*16.2%*	*12.7%*
Variation			*n/a*	*13.3%*	*8.8%*	*9.4%*	*8.5%*	*n/a*

Terminal Value

(thousand euros)	Range Min.	Mid.	Max.
Gordon-Shapiro	**1,943**	**2,090**	**2,254**
Perpetuity Growth "g"	*1.5%*	*1.5%*	*1.5%*
Discount Rate	*8.1%*	*7.7%*	*7.4%*
Free Cash Flow	*179*	*179*	*179*
Terminal Value (undiscounted)	*2,708*	*2,867*	*3,046*
Exit Multiple - EBITDA	**3,323**	**3,375**	**3,427**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*419*	*419*	*419*
Terminal Value (undiscounted)	*4,630*	*4,630*	*4,630*

Conclusion

NH Mechelen	Range Min.	Mid.	Max.
NPV Forecast Period	783	789	796
NPV Terminal Value	2,633	2,732	2,841
Business Enterprise Value (BEV)	**3,416**	**3,521**	**3,637**

Note: units in thousand euros

NH Conference Centre Koningshof

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**14,845**	**15,361**	**16,716**	**18,197**	**19,007**	**19,810**	**20,576**	**20,844**
Variation		*3.5%*	*8.8%*	*8.9%*	*4.5%*	*4.2%*	*3.9%*	*1.3%*
EBITDA	**4,030**	**4,134**	**5,359**	**6,313**	**6,794**	**7,267**	**7,716**	**7,073**
% / sales	*27.1%*	*26.9%*	*32.1%*	*34.7%*	*35.7%*	*36.7%*	*37.5%*	*33.9%*
D&A	(1,273)	(1,309)	(1,363)	(1,421)	(1,482)	(1,545)	(1,611)	(1,668)
Variation		*2.8%*	*4.1%*	*4.3%*	*4.3%*	*4.3%*	*4.3%*	*3.5%*
Management Fee	(371)	(384)	(418)	(455)	(475)	(495)	(514)	(521)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**2,386**	**2,440**	**3,578**	**4,437**	**4,836**	**5,226**	**5,590**	**4,884**
% / sales	*16.1%*	*15.9%*	*21.4%*	*24.4%*	*25.4%*	*26.4%*	*27.2%*	*23.4%*
Taxes	(596)	(610)	(895)	(1,109)	(1,209)	(1,306)	(1,398)	(1,221)
Tax Rate	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*
NOPLAT	**1,789**	**1,830**	**2,684**	**3,328**	**3,627**	**3,919**	**4,193**	**3,663**
% / sales	*12.1%*	*11.9%*	*16.1%*	*18.3%*	*19.1%*	*19.8%*	*20.4%*	*17.6%*
D&A	1,273	1,309	1,363	1,421	1,482	1,545	1,611	1,668
Variation		*2.8%*	*4.1%*	*4.3%*	*4.3%*	*4.3%*	*4.3%*	*3.5%*
Operating Cash Flow	**3,063**	**3,140**	**4,047**	**4,749**	**5,109**	**5,465**	**5,804**	**5,330**
% / sales			*24.2%*	*26.1%*	*26.9%*	*27.6%*	*28.2%*	*25.6%*
CAPEX			(669)	(728)	(760)	(792)	(823)	(1,668)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
Δ Working Capital			(33)	(36)	(20)	(20)	(19)	(7)
% / sales			*(0.2%)*	*(0.2%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**3,345**	**3,985**	**4,329**	**4,653**	**4,962**	**3,656**
% / sales			*20.0%*	*21.9%*	*22.8%*	*23.5%*	*24.1%*	*17.5%*
Variation			*n/a*	*19.1%*	*8.6%*	*7.5%*	*6.6%*	*(26.3%)*

Terminal Value

(thousand euros)	Range Min.	Mid.	Max.
Gordon-Shapiro	**41,948**	**45,283**	**49,077**
Perpetuity Growth "g"	*1.3%*	*1.3%*	*1.3%*
Discount Rate	*7.7%*	*7.3%*	*6.9%*
Free Cash Flow	*3,656*	*3,656*	*3,656*
Terminal Value (undiscounted)	*57,475*	*61,073*	*65,152*
Exit Multiple - EBITDA	**57,005**	**57,911**	**58,834**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*7,073*	*7,073*	*7,073*
Terminal Value (undiscounted)	*78,105*	*78,105*	*78,105*

Conclusion

NH Conference Centre Koningshof	Range Min.	Mid.	Max.
NPV Forecast Period	17,760	17,919	18,081
NPV Terminal Value	49,477	51,597	53,955
Business Enterprise Value (BEV)	**67,237**	**69,516**	**72,036**

Note: units in thousand euros

NH Conference Centre Leeuwenhorst

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**20,225**	**19,195**	**21,523**	**22,998**	**24,025**	**25,042**	**26,013**	**26,351**
Variation		*(5.1%)*	*12.1%*	*6.9%*	*4.5%*	*4.2%*	*3.9%*	*1.3%*
EBITDA	**7,160**	**7,125**	**8,128**	**9,044**	**9,649**	**10,246**	**10,813**	**10,402**
% / sales	*35.4%*	*37.1%*	*37.8%*	*39.3%*	*40.2%*	*40.9%*	*41.6%*	*39.5%*
D&A	(1,434)	(1,302)	(1,389)	(1,561)	(1,745)	(1,937)	(2,137)	(2,108)
Variation		*(9.2%)*	*6.6%*	*12.4%*	*11.8%*	*11.0%*	*10.3%*	*(1.4%)*
Management Fee	(506)	(480)	(538)	(575)	(601)	(626)	(650)	(659)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**5,221**	**5,343**	**6,201**	**6,908**	**7,304**	**7,682**	**8,026**	**7,635**
% / sales	*25.8%*	*27.8%*	*28.8%*	*30.0%*	*30.4%*	*30.7%*	*30.9%*	*29.0%*
Taxes	(1,305)	(1,336)	(1,550)	(1,727)	(1,826)	(1,921)	(2,006)	(1,909)
Tax Rate	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*
NOPLAT	**3,916**	**4,007**	**4,651**	**5,181**	**5,478**	**5,762**	**6,019**	**5,727**
% / sales	*19.4%*	*20.9%*	*21.6%*	*22.5%*	*22.8%*	*23.0%*	*23.1%*	*21.7%*
D&A	1,434	1,302	1,389	1,561	1,745	1,937	2,137	2,108
Variation		*(9.2%)*	*6.6%*	*12.4%*	*11.8%*	*11.0%*	*10.3%*	*(1.4%)*
Operating Cash Flow	**5,349**	**5,309**	**6,040**	**6,742**	**7,223**	**7,699**	**8,157**	**7,835**
% / sales			*28.1%*	*29.3%*	*30.1%*	*30.7%*	*31.4%*	*29.7%*
CAPEX			(1,722)	(1,840)	(1,922)	(2,003)	(2,081)	(2,108)
% / sales			*(8.0%)*	*(8.0%)*	*(8.0%)*	*(8.0%)*	*(8.0%)*	*(8.0%)*
∆ Working Capital			(57)	(36)	(25)	(25)	(24)	(8)
% / sales			*(0.3%)*	*(0.2%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**4,261**	**4,866**	**5,275**	**5,671**	**6,052**	**5,718**
% / sales			*19.8%*	*21.2%*	*22.0%*	*22.6%*	*23.3%*	*21.7%*
Variation			*n/a*	*14.2%*	*8.4%*	*7.5%*	*6.7%*	*(5.5%)*

Terminal Value

(thousand euros)	Min.	Range Mid.	Max.
Gordon-Shapiro	**65,605**	**70,819**	**76,753**
Perpetuity Growth "g"	*1.3%*	*1.3%*	*1.3%*
Discount Rate	*7.7%*	*7.3%*	*6.9%*
Free Cash Flow	*5,718*	*5,718*	*5,718*
Terminal Value (undiscounted)	*89,887*	*95,514*	*101,894*
Exit Multiple - EBITDA	**83,844**	**85,176**	**86,533**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*10,402*	*10,402*	*10,402*
Terminal Value (undiscounted)	*114,877*	*114,877*	*114,877*

Conclusion

NH Conference Centre Leeuwenhorst	Min.	Range Mid.	Max.
NPV Forecast Period	21,834	22,029	22,227
NPV Terminal Value	75,960	79,272	82,959
Business Enterprise Value (BEV)	**97,794**	**101,302**	**105,186**

Note: units in thousand euros

NH Schiphol Airport

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**10,612**	**11,471**	**12,217**	**12,769**	**13,340**	**13,906**	**14,447**	**14,635**
Variation		*8.1%*	*6.5%*	*4.5%*	*4.5%*	*4.2%*	*3.9%*	*1.3%*
EBITDA	**2,961**	**3,610**	**3,878**	**4,195**	**4,525**	**4,849**	**5,158**	**4,892**
% / sales	*27.9%*	*31.5%*	*31.7%*	*32.9%*	*33.9%*	*34.9%*	*35.7%*	*33.4%*
D&A	(237)	(319)	(372)	(384)	(410)	(436)	(464)	(1,171)
Variation		*34.3%*	*16.6%*	*3.3%*	*6.6%*	*6.5%*	*6.4%*	*152.2%*
Management Fee	(265)	(287)	(305)	(319)	(334)	(348)	(361)	(366)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**2,459**	**3,005**	**3,200**	**3,492**	**3,782**	**4,065**	**4,333**	**3,355**
% / sales	*23.2%*	*26.2%*	*26.2%*	*27.3%*	*28.3%*	*29.2%*	*30.0%*	*22.9%*
Taxes	(615)	(751)	(800)	(873)	(945)	(1,016)	(1,083)	(839)
Tax Rate	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*
NOPLAT	**1,844**	**2,253**	**2,400**	**2,619**	**2,836**	**3,049**	**3,250**	**2,516**
% / sales	*17.4%*	*19.6%*	*19.6%*	*20.5%*	*21.3%*	*21.9%*	*22.5%*	*17.2%*
D&A	237	319	372	384	410	436	464	1,171
Variation		*34.3%*	*16.6%*	*3.3%*	*6.6%*	*6.5%*	*6.4%*	*152.2%*
Operating Cash Flow	**2,081**	**2,572**	**2,772**	**3,003**	**3,246**	**3,485**	**3,714**	**3,687**
% / sales			*22.7%*	*23.5%*	*24.3%*	*25.1%*	*25.7%*	*25.2%*
CAPEX			(122)	(255)	(267)	(278)	(289)	(1,171)
% / sales			*(1.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(8.0%)*
Δ Working Capital			(18)	(14)	(14)	(14)	(13)	(5)
% / sales			*(0.2%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**2,632**	**2,734**	**2,965**	**3,193**	**3,412**	**2,512**
% / sales			*21.5%*	*21.4%*	*22.2%*	*23.0%*	*23.6%*	*17.2%*
Variation			*n/a*	*3.9%*	*8.5%*	*7.7%*	*6.8%*	*(26.4%)*

Terminal Value

(thousand euros)	Range Min.	Range Mid.	Range Max.
Gordon-Shapiro	**28,818**	**31,109**	**33,715**
Perpetuity Growth "g"	*1.3%*	*1.3%*	*1.3%*
Discount Rate	*7.7%*	*7.3%*	*6.9%*
Free Cash Flow	*2,512*	*2,512*	*2,512*
Terminal Value (undiscounted)	*39,484*	*41,956*	*44,759*
Exit Multiple - EBITDA	**39,430**	**40,056**	**40,694**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*4,892*	*4,892*	*4,892*
Terminal Value (undiscounted)	*54,024*	*54,024*	*54,024*

Conclusion

NH Schiphol Airport	Range Min.	Range Mid.	Range Max.
NPV Forecast Period	12,513	12,623	12,735
NPV Terminal Value	34,124	35,582	37,205
Business Enterprise Value (BEV)	**46,637**	**48,205**	**49,940**

Note: units in thousand euros

NH Zoetermeer

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**2,387**	**2,592**	**2,421**	**2,576**	**2,739**	**2,906**	**3,070**	**3,110**
Variation		*8.6%*	*(6.6%)*	*6.4%*	*6.3%*	*6.1%*	*5.7%*	*1.3%*
EBITDA	**549**	**481**	**393**	**471**	**551**	**632**	**713**	**613**
% / sales	*23.0%*	*18.6%*	*16.2%*	*18.3%*	*20.1%*	*21.8%*	*23.2%*	*19.7%*
D&A	(95)	(85)	(76)	(86)	(96)	(107)	(119)	(249)
Variation		*(10.2%)*	*(10.3%)*	*12.7%*	*12.0%*	*11.4%*	*10.8%*	*109.4%*
Management Fee	(60)	(65)	(61)	(64)	(68)	(73)	(77)	(78)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**395**	**331**	**256**	**320**	**386**	**452**	**517**	**286**
% / sales	*16.5%*	*12.8%*	*10.6%*	*12.4%*	*14.1%*	*15.6%*	*16.8%*	*9.2%*
Taxes	(99)	(83)	(64)	(80)	(97)	(113)	(129)	(71)
Tax Rate	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*
NOPLAT	**296**	**248**	**192**	**240**	**290**	**339**	**388**	**214**
% / sales	*12.4%*	*9.6%*	*7.9%*	*9.3%*	*10.6%*	*11.7%*	*12.6%*	*6.9%*
D&A	95	85	76	86	96	107	119	249
Variation		*(10.2%)*	*(10.3%)*	*12.7%*	*12.0%*	*11.4%*	*10.8%*	*109.4%*
Operating Cash Flow	**391**	**333**	**269**	**326**	**386**	**446**	**507**	**463**
% / sales			*11.1%*	*12.7%*	*14.1%*	*15.4%*	*16.5%*	*14.9%*
CAPEX			(97)	(103)	(110)	(116)	(123)	(249)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
∆ Working Capital			4	(4)	(4)	(4)	(4)	(1)
% / sales			*0.2%*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**176**	**219**	**272**	**326**	**380**	**214**
% / sales			*7.3%*	*8.5%*	*9.9%*	*11.2%*	*12.4%*	*6.9%*
Variation			*n/a*	*24.7%*	*24.1%*	*19.8%*	*16.5%*	*(43.8%)*

Terminal Value

(thousand euros)	Min.	Range Mid.	Max.
Gordon-Shapiro	**2,450**	**2,644**	**2,866**
Perpetuity Growth "g"	*1.3%*	*1.3%*	*1.3%*
Discount Rate	*7.7%*	*7.3%*	*6.9%*
Free Cash Flow	*214*	*214*	*214*
Terminal Value (undiscounted)	*3,356*	*3,566*	*3,804*
Exit Multiple - EBITDA	**4,937**	**5,016**	**5,096**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*613*	*613*	*613*
Terminal Value (undiscounted)	*6,765*	*6,765*	*6,765*

Conclusion

NH Zoetermeer	Min.	Range Mid.	Max.
NPV Forecast Period	1,131	1,142	1,154
NPV Terminal Value	3,693	3,830	3,981
Business Enterprise Value (BEV)	**4,825**	**4,972**	**5,134**

Note: units in thousand euros

NH Conference Centre Sparrenhorst

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**3,541**	**3,430**	**3,813**	**3,986**	**4,165**	**4,342**	**4,511**	**4,569**
Variation		*(3.2%)*	*11.2%*	*4.5%*	*4.5%*	*4.3%*	*3.9%*	*1.3%*
EBITDA	**676**	**660**	**862**	**950**	**1,042**	**1,132**	**1,218**	**1,095**
% / sales	*19.1%*	*19.2%*	*22.6%*	*23.8%*	*25.0%*	*26.1%*	*27.0%*	*24.0%*
D&A	(376)	(367)	(334)	(349)	(365)	(381)	(399)	(366)
Variation		*(2.5%)*	*(9.0%)*	*4.6%*	*4.6%*	*4.6%*	*4.6%*	*(8.3%)*
Management Fee	(89)	(86)	(95)	(100)	(104)	(109)	(113)	(114)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**212**	**208**	**433**	**502**	**573**	**642**	**706**	**615**
% / sales	*6.0%*	*6.1%*	*11.4%*	*12.6%*	*13.8%*	*14.8%*	*15.7%*	*13.5%*
Taxes	(53)	(52)	(108)	(125)	(143)	(161)	(177)	(154)
Tax Rate	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*
NOPLAT	**159**	**156**	**325**	**376**	**430**	**482**	**530**	**462**
% / sales	*4.5%*	*4.5%*	*8.5%*	*9.4%*	*10.3%*	*11.1%*	*11.7%*	*10.1%*
D&A	376	367	334	349	365	381	399	366
Variation		*(2.5%)*	*(9.0%)*	*4.6%*	*4.6%*	*4.6%*	*4.6%*	*(8.3%)*
Operating Cash Flow	**535**	**522**	**659**	**725**	**795**	**863**	**928**	**827**
% / sales			*17.3%*	*18.2%*	*19.1%*	*19.9%*	*20.6%*	*18.1%*
CAPEX			(153)	(159)	(167)	(174)	(180)	(366)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
∆ Working Capital			(9)	(4)	(4)	(4)	(4)	(1)
% / sales			*(0.2%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**497**	**562**	**624**	**685**	**744**	**460**
% / sales			*13.0%*	*14.1%*	*15.0%*	*15.8%*	*16.5%*	*10.1%*
Variation			*n/a*	*13.1%*	*11.1%*	*9.8%*	*8.6%*	*(38.1%)*

Terminal Value

(thousand euros)	Range Min.	Mid.	Max.
Gordon-Shapiro	**5,279**	**5,699**	**6,176**
Perpetuity Growth "g"	*1.3%*	*1.3%*	*1.3%*
Discount Rate	*7.7%*	*7.3%*	*6.9%*
Free Cash Flow	*460*	*460*	*460*
Terminal Value (undiscounted)	*7,233*	*7,686*	*8,199*
Exit Multiple - EBITDA	**8,828**	**8,968**	**9,111**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*1,095*	*1,095*	*1,095*
Terminal Value (undiscounted)	*12,095*	*12,095*	*12,095*

Conclusion

NH Conference Centre Sparrenhorst	Range Min.	Mid.	Max.
NPV Forecast Period	2,595	2,618	2,642
NPV Terminal Value	7,245	7,530	7,846
Business Enterprise Value (BEV)	**9,840**	**10,148**	**10,488**

Note: units in thousand euros

NH Barbizon Palace

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**16,892**	**13,068**	**21,780**	**22,643**	**23,540**	**24,473**	**25,444**	**25,774**
Variation		*(22.6%)*	*66.7%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*1.3%*
EBITDA	**8,684**	**4,584**	**11,347**	**11,720**	**12,182**	**12,816**	**13,481**	**12,717**
% / sales	*51.4%*	*35.1%*	*52.1%*	*51.8%*	*51.8%*	*52.4%*	*53.0%*	*49.3%*
D&A	(234)	(479)	(699)	(703)	(748)	(796)	(844)	(2,062)
Variation		*104.5%*	*45.9%*	*0.6%*	*6.4%*	*6.3%*	*6.2%*	*144.2%*
Management Fee	(422)	(327)	(545)	(566)	(589)	(612)	(636)	(644)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**8,027**	**3,778**	**10,103**	**10,451**	**10,845**	**11,409**	**12,000**	**10,011**
% / sales	*47.5%*	*28.9%*	*46.4%*	*46.2%*	*46.1%*	*46.6%*	*47.2%*	*38.8%*
Taxes	(2,007)	(945)	(2,526)	(2,613)	(2,711)	(2,852)	(3,000)	(2,503)
Tax Rate	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*
NOPLAT	**6,020**	**2,834**	**7,577**	**7,838**	**8,134**	**8,557**	**9,000**	**7,508**
% / sales	*35.6%*	*21.7%*	*34.8%*	*34.6%*	*34.6%*	*35.0%*	*35.4%*	*29.1%*
D&A	234	479	699	703	748	796	844	2,062
Variation		*104.5%*	*45.9%*	*0.6%*	*6.4%*	*6.3%*	*6.2%*	*144.2%*
Operating Cash Flow	**6,255**	**3,313**	**8,277**	**8,541**	**8,882**	**9,352**	**9,845**	**9,570**
% / sales			*38.0%*	*37.7%*	*37.7%*	*38.2%*	*38.7%*	*37.1%*
CAPEX			(40)	(453)	(471)	(489)	(509)	(2,062)
% / sales			*(0.2%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(2.0%)*	*(8.0%)*
Δ Working Capital			(214)	(21)	(22)	(23)	(24)	(8)
% / sales			*(1.0%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**8,023**	**8,067**	**8,390**	**8,840**	**9,312**	**7,500**
% / sales			*36.8%*	*35.6%*	*35.6%*	*36.1%*	*36.6%*	*29.1%*
Variation			*n/a*	*0.6%*	*4.0%*	*5.4%*	*5.3%*	*(19.5%)*

Terminal Value

(thousand euros)	Range Min.	Mid.	Max.
Gordon-Shapiro	**86,045**	**92,884**	**100,667**
Perpetuity Growth "g"	*1.3%*	*1.3%*	*1.3%*
Discount Rate	*7.7%*	*7.3%*	*6.9%*
Free Cash Flow	*7,500*	*7,500*	*7,500*
Terminal Value (undiscounted)	*117,892*	*125,274*	*133,641*
Exit Multiple - EBITDA	**102,501**	**104,129**	**105,789**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*12,717*	*12,717*	*12,717*
Terminal Value (undiscounted)	*140,440*	*140,440*	*140,440*

Conclusion

NH Barbizon Palace	Range Min.	Mid.	Max.
NPV Forecast Period	35,859	36,167	36,480
NPV Terminal Value	94,273	98,507	103,228
Business Enterprise Value (BEV)	**130,132**	**134,674**	**139,707**

Note: units in thousand euros

NH Best

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**1,741**	**1,832**	**1,859**	**1,943**	**2,030**	**2,116**	**2,198**	**2,227**
Variation		*5.2%*	*1.5%*	*4.5%*	*4.5%*	*4.2%*	*3.9%*	*1.3%*
EBITDA	**299**	**405**	**400**	**447**	**495**	**542**	**587**	**532**
% / sales	*17.1%*	*22.1%*	*21.5%*	*23.0%*	*24.4%*	*25.6%*	*26.7%*	*23.9%*
D&A	(15)	(13)	(18)	(25)	(33)	(41)	(49)	(178)
Variation		*(17.8%)*	*40.6%*	*42.1%*	*30.9%*	*24.7%*	*20.6%*	*260.1%*
Management Fee	(44)	(46)	(46)	(49)	(51)	(53)	(55)	(56)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**240**	**347**	**336**	**373**	**411**	**449**	**483**	**298**
% / sales	*13.8%*	*18.9%*	*18.1%*	*19.2%*	*20.3%*	*21.2%*	*22.0%*	*13.4%*
Taxes	(60)	(87)	(84)	(93)	(103)	(112)	(121)	(75)
Tax Rate	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*
NOPLAT	**180**	**260**	**252**	**280**	**309**	**336**	**362**	**224**
% / sales	*10.3%*	*14.2%*	*13.6%*	*14.4%*	*15.2%*	*15.9%*	*16.5%*	*10.0%*
D&A	15	13	18	25	33	41	49	178
Variation		*(17.8%)*	*40.6%*	*42.1%*	*30.9%*	*24.7%*	*20.6%*	*260.1%*
Operating Cash Flow	**195**	**273**	**270**	**305**	**341**	**377**	**412**	**402**
% / sales			*14.5%*	*15.7%*	*16.8%*	*17.8%*	*18.7%*	*18.0%*
CAPEX			(74)	(78)	(81)	(85)	(88)	(178)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
∆ Working Capital			(1)	(2)	(2)	(2)	(2)	(1)
% / sales			*(0.0%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**195**	**225**	**258**	**291**	**322**	**223**
% / sales			*10.5%*	*11.6%*	*12.7%*	*13.7%*	*14.6%*	*10.0%*
Variation			*n/a*	*15.6%*	*14.7%*	*12.6%*	*10.7%*	*(30.7%)*

Terminal Value

	Range		
(thousand euros)	Min.	Mid.	Max.
Gordon-Shapiro	**2,559**	**2,763**	**2,994**
Perpetuity Growth "g"	*1.3%*	*1.3%*	*1.3%*
Discount Rate	*7.7%*	*7.3%*	*6.9%*
Free Cash Flow	*223*	*223*	*223*
Terminal Value (undiscounted)	*3,506*	*3,726*	*3,975*
Exit Multiple - EBITDA	**4,290**	**4,358**	**4,427**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*532*	*532*	*532*
Terminal Value (undiscounted)	*5,877*	*5,877*	*5,877*

Conclusion

	Range		
NH Best	Min.	Mid.	Max.
NPV Forecast Period	1,072	1,082	1,092
NPV Terminal Value	3,424	3,560	3,711
Business Enterprise Value (BEV)	**4,497**	**4,642**	**4,803**

Note: units in thousand euros

NH Capelle

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**2,373**	**2,574**	**2,530**	**2,645**	**2,763**	**2,881**	**2,993**	**3,032**
Variation		*8.5%*	*(1.7%)*	*4.5%*	*4.5%*	*4.2%*	*3.9%*	*1.3%*
EBITDA	**592**	**688**	**692**	**755**	**820**	**885**	**946**	**882**
% / sales	*24.9%*	*26.7%*	*27.3%*	*28.5%*	*29.7%*	*30.7%*	*31.6%*	*29.1%*
D&A	(83)	(40)	(42)	(52)	(62)	(73)	(85)	(243)
Variation		*(51.9%)*	*3.9%*	*24.4%*	*20.5%*	*17.8%*	*15.7%*	*186.0%*
Management Fee	(59)	(64)	(63)	(66)	(69)	(72)	(75)	(76)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**449**	**584**	**587**	**637**	**689**	**739**	**786**	**564**
% / sales	*18.9%*	*22.7%*	*23.2%*	*24.1%*	*24.9%*	*25.7%*	*26.3%*	*18.6%*
Taxes	(112)	(146)	(147)	(159)	(172)	(185)	(197)	(141)
Tax Rate	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*
NOPLAT	**337**	**438**	**440**	**478**	**517**	**554**	**590**	**423**
% / sales	*14.2%*	*17.0%*	*17.4%*	*18.1%*	*18.7%*	*19.2%*	*19.7%*	*14.0%*
D&A	83	40	42	52	62	73	85	243
Variation		*(51.9%)*	*3.9%*	*24.4%*	*20.5%*	*17.8%*	*15.7%*	*186.0%*
Operating Cash Flow	**420**	**478**	**482**	**529**	**579**	**628**	**674**	**666**
% / sales			*19.0%*	*20.0%*	*20.9%*	*21.8%*	*22.5%*	*22.0%*
CAPEX			(101)	(106)	(111)	(115)	(120)	(243)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
Δ Working Capital			1	(3)	(3)	(3)	(3)	(1)
% / sales			*0.0%*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**382**	**421**	**465**	**510**	**552**	**422**
% / sales			*15.1%*	*15.9%*	*16.8%*	*17.7%*	*18.4%*	*13.9%*
Variation			*n/a*	*10.3%*	*10.6%*	*9.5%*	*8.3%*	*(23.5%)*

Terminal Value

(thousand euros)	Range Min.	Mid.	Max.
Gordon-Shapiro	**4,842**	**5,226**	**5,664**
Perpetuity Growth "g"	*1.3%*	*1.3%*	*1.3%*
Discount Rate	*7.7%*	*7.3%*	*6.9%*
Free Cash Flow	*422*	*422*	*422*
Terminal Value (undiscounted)	*6,633*	*7,049*	*7,520*
Exit Multiple - EBITDA	**7,111**	**7,224**	**7,339**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*882*	*882*	*882*
Terminal Value (undiscounted)	*9,743*	*9,743*	*9,743*

Conclusion

NH Capelle	Range Min.	Mid.	Max.
NPV Forecast Period	1,945	1,962	1,980
NPV Terminal Value	5,976	6,225	6,502
Business Enterprise Value (BEV)	**7,921**	**8,187**	**8,482**

Note: units in thousand euros

NH Geldrop

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**2,163**	**2,344**	**2,479**	**2,590**	**2,706**	**2,821**	**2,930**	**2,969**
Variation		*8.4%*	*5.7%*	*4.5%*	*4.5%*	*4.2%*	*3.9%*	*1.3%*
EBITDA	**248**	**350**	**431**	**484**	**539**	**593**	**644**	**564**
% / sales	*11.5%*	*14.9%*	*17.4%*	*18.7%*	*19.9%*	*21.0%*	*22.0%*	*19.0%*
D&A	(92)	(85)	(93)	(101)	(110)	(119)	(128)	(237)
Variation		*(8.0%)*	*9.4%*	*8.9%*	*8.6%*	*8.2%*	*7.9%*	*85.4%*
Management Fee	(54)	(59)	(62)	(65)	(68)	(71)	(73)	(74)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**102**	**206**	**277**	**318**	**362**	**404**	**443**	**252**
% / sales	*4.7%*	*8.8%*	*11.2%*	*12.3%*	*13.4%*	*14.3%*	*15.1%*	*8.5%*
Taxes	(26)	(52)	(69)	(80)	(90)	(101)	(111)	(63)
Tax Rate	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*
NOPLAT	**77**	**155**	**207**	**239**	**271**	**303**	**332**	**189**
% / sales	*3.5%*	*6.6%*	*8.4%*	*9.2%*	*10.0%*	*10.7%*	*11.3%*	*6.4%*
D&A	92	85	93	101	110	119	128	237
Variation		*(8.0%)*	*9.4%*	*8.9%*	*8.6%*	*8.2%*	*7.9%*	*85.4%*
Operating Cash Flow	**169**	**240**	**300**	**340**	**381**	**422**	**460**	**427**
% / sales			*12.1%*	*13.1%*	*14.1%*	*14.9%*	*15.7%*	*14.4%*
CAPEX			(99)	(104)	(108)	(113)	(117)	(237)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
Δ Working Capital			(3)	(3)	(3)	(3)	(3)	(1)
% / sales			*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**198**	**233**	**270**	**306**	**340**	**188**
% / sales			*8.0%*	*9.0%*	*10.0%*	*10.8%*	*11.6%*	*6.3%*
Variation			*n/a*	*18.0%*	*15.6%*	*13.3%*	*11.3%*	*(44.7%)*

Terminal Value

(thousand euros)	Range Min.	Mid.	Max.
Gordon-Shapiro	**2,158**	**2,329**	**2,525**
Perpetuity Growth "g"	*1.3%*	*1.3%*	*1.3%*
Discount Rate	*7.7%*	*7.3%*	*6.9%*
Free Cash Flow	*188*	*188*	*188*
Terminal Value (undiscounted)	*2,957*	*3,142*	*3,352*
Exit Multiple - EBITDA	**4,544**	**4,616**	**4,690**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*564*	*564*	*564*
Terminal Value (undiscounted)	*6,226*	*6,226*	*6,226*

Conclusion

NH Geldrop	Range Min.	Mid.	Max.
NPV Forecast Period	1,118	1,129	1,139
NPV Terminal Value	3,351	3,473	3,607
Business Enterprise Value (BEV)	**4,469**	**4,601**	**4,746**

Note: units in thousand euros

NH Marquette

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**1,758**	**1,708**	**1,952**	**2,040**	**2,132**	**2,222**	**2,309**	**2,339**
Variation		*(2.8%)*	*14.3%*	*4.5%*	*4.5%*	*4.3%*	*3.9%*	*1.3%*
EBITDA	**113**	**97**	**259**	**300**	**343**	**385**	**425**	**333**
% / sales	*6.5%*	*5.7%*	*13.3%*	*14.7%*	*16.1%*	*17.3%*	*18.4%*	*14.3%*
D&A	(40)	(40)	(40)	(55)	(70)	(85)	(101)	(187)
Variation		*(1.3%)*	*1.3%*	*35.6%*	*27.5%*	*22.5%*	*19.1%*	*84.4%*
Management Fee	(44)	(43)	(49)	(51)	(53)	(56)	(58)	(58)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**29**	**15**	**170**	**195**	**220**	**244**	**266**	**88**
% / sales	*1.7%*	*0.9%*	*8.7%*	*9.5%*	*10.3%*	*11.0%*	*11.5%*	*3.8%*
Taxes	(7)	(4)	(43)	(49)	(55)	(61)	(66)	(22)
Tax Rate	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*
NOPLAT	**22**	**11**	**128**	**146**	**165**	**183**	**199**	**66**
% / sales	*1.2%*	*0.6%*	*6.5%*	*7.2%*	*7.8%*	*8.2%*	*8.6%*	*2.8%*
D&A	40	40	40	55	70	85	101	187
Variation		*(1.3%)*	*1.3%*	*35.6%*	*27.5%*	*22.5%*	*19.1%*	*84.4%*
Operating Cash Flow	**62**	**51**	**168**	**201**	**235**	**268**	**301**	**253**
% / sales			*8.6%*	*9.8%*	*11.0%*	*12.1%*	*13.0%*	*10.8%*
CAPEX			(78)	(82)	(85)	(89)	(92)	(187)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
Δ Working Capital			(6)	(2)	(2)	(2)	(2)	(1)
% / sales			*(0.3%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**84**	**117**	**147**	**177**	**206**	**65**
% / sales			*4.3%*	*5.7%*	*6.9%*	*8.0%*	*8.9%*	*2.8%*
Variation			*n/a*	*39.4%*	*26.0%*	*20.4%*	*16.3%*	*(68.4%)*

Terminal Value

		Range	
(thousand euros)	Min.	Mid.	Max.
Gordon-Shapiro	**747**	**807**	**874**
Perpetuity Growth "g"	*1.3%*	*1.3%*	*1.3%*
Discount Rate	*7.7%*	*7.3%*	*6.9%*
Free Cash Flow	*65*	*65*	*65*
Terminal Value (undiscounted)	*1,024*	*1,088*	*1,160*
Exit Multiple - EBITDA	**2,687**	**2,730**	**2,774**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*333*	*333*	*333*
Terminal Value (undiscounted)	*3,682*	*3,682*	*3,682*

Conclusion

		Range	
NH Marquette	**Min.**	**Mid.**	**Max.**
NPV Forecast Period	601	607	613
NPV Terminal Value	1,717	1,768	1,824
Business Enterprise Value (BEV)	**2,318**	**2,375**	**2,436**

Note: units in thousand euros

NH Naarden

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**2,349**	**2,497**	**2,615**	**2,734**	**2,856**	**2,978**	**3,094**	**3,134**
Variation		*6.3%*	*4.7%*	*4.5%*	*4.5%*	*4.3%*	*3.9%*	*1.3%*
EBITDA	**400**	**499**	**650**	**715**	**781**	**847**	**909**	**816**
% / sales	*17.0%*	*20.0%*	*24.9%*	*26.1%*	*27.4%*	*28.4%*	*29.4%*	*26.0%*
D&A	(70)	(70)	(69)	(88)	(109)	(129)	(151)	(251)
Variation		*0.0%*	*(1.4%)*	*27.7%*	*22.7%*	*19.3%*	*16.8%*	*65.7%*
Management Fee	(59)	(62)	(65)	(68)	(71)	(74)	(77)	(78)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**271**	**366**	**516**	**558**	**601**	**643**	**681**	**487**
% / sales	*11.5%*	*14.7%*	*19.7%*	*20.4%*	*21.1%*	*21.6%*	*22.0%*	*15.5%*
Taxes	(68)	(92)	(129)	(139)	(150)	(161)	(170)	(122)
Tax Rate	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*
NOPLAT	**203**	**275**	**387**	**418**	**451**	**482**	**510**	**365**
% / sales	*8.7%*	*11.0%*	*14.8%*	*15.3%*	*15.8%*	*16.2%*	*16.5%*	*11.6%*
D&A	70	70	69	88	109	129	151	251
Variation		*0.0%*	*(1.4%)*	*27.7%*	*22.7%*	*19.3%*	*16.8%*	*65.7%*
Operating Cash Flow	**274**	**345**	**456**	**507**	**560**	**612**	**662**	**616**
% / sales			*17.4%*	*18.5%*	*19.6%*	*20.5%*	*21.4%*	*19.6%*
CAPEX			(105)	(109)	(114)	(119)	(124)	(251)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
Δ Working Capital			(3)	(3)	(3)	(3)	(3)	(1)
% / sales			*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**349**	**395**	**442**	**490**	**535**	**364**
% / sales			*13.3%*	*14.4%*	*15.5%*	*16.4%*	*17.3%*	*11.6%*
Variation			*n/a*	*13.2%*	*12.1%*	*10.7%*	*9.3%*	*(32.0%)*

Terminal Value

(thousand euros)	Min.	Range Mid.	Max.
Gordon-Shapiro	**4,177**	**4,509**	**4,887**
Perpetuity Growth "g"	*1.3%*	*1.3%*	*1.3%*
Discount Rate	*7.7%*	*7.3%*	*6.9%*
Free Cash Flow	*364*	*364*	*364*
Terminal Value (undiscounted)	*5,723*	*6,081*	*6,487*
Exit Multiple - EBITDA	**6,576**	**6,680**	**6,787**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*816*	*816*	*816*
Terminal Value (undiscounted)	*9,010*	*9,010*	*9,010*

Conclusion

NH Naarden	Min.	Range Mid.	Max.
NPV Forecast Period	1,842	1,858	1,875
NPV Terminal Value	5,376	5,595	5,837
Business Enterprise Value (BEV)	**7,218**	**7,453**	**7,712**

Note: units in thousand euros

NH Zandvoort

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**5,827**	**6,393**	**6,484**	**6,777**	**7,081**	**7,383**	**7,670**	**7,770**
Variation		*9.7%*	*1.4%*	*4.5%*	*4.5%*	*4.3%*	*3.9%*	*1.3%*
EBITDA	**1,634**	**2,290**	**2,238**	**2,407**	**2,584**	**2,757**	**2,923**	**2,820**
% / sales	*28.0%*	*35.8%*	*34.5%*	*35.5%*	*36.5%*	*37.4%*	*38.1%*	*36.3%*
D&A	(214)	(215)	(172)	(197)	(225)	(253)	(282)	(622)
Variation		*0.2%*	*(20.1%)*	*15.1%*	*13.7%*	*12.6%*	*11.7%*	*120.1%*
Management Fee	(146)	(160)	(162)	(169)	(177)	(185)	(192)	(194)
% / sales	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
EBIT	**1,273**	**1,915**	**1,904**	**2,040**	**2,182**	**2,320**	**2,448**	**2,005**
% / sales	*21.9%*	*30.0%*	*29.4%*	*30.1%*	*30.8%*	*31.4%*	*31.9%*	*25.8%*
Taxes	(318)	(479)	(476)	(510)	(546)	(580)	(612)	(501)
Tax Rate	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*	*(25.0%)*
NOPLAT	**955**	**1,436**	**1,428**	**1,530**	**1,637**	**1,740**	**1,836**	**1,503**
% / sales	*16.4%*	*22.5%*	*22.0%*	*22.6%*	*23.1%*	*23.6%*	*23.9%*	*19.3%*
D&A	214	215	172	197	225	253	282	622
Variation		*0.2%*	*(20.1%)*	*15.1%*	*13.7%*	*12.6%*	*11.7%*	*120.1%*
Operating Cash Flow	**1,170**	**1,651**	**1,599**	**1,728**	**1,861**	**1,993**	**2,119**	**2,125**
% / sales			*24.7%*	*25.5%*	*26.3%*	*27.0%*	*27.6%*	*27.3%*
CAPEX			(259)	(271)	(283)	(295)	(307)	(622)
% / sales			*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(4.0%)*	*(8.0%)*
∆ Working Capital			(2)	(7)	(7)	(7)	(7)	(2)
% / sales			*(0.0%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.0%)*
Free Cash Flow			**1,338**	**1,450**	**1,570**	**1,690**	**1,805**	**1,501**
% / sales			*20.6%*	*21.4%*	*22.2%*	*22.9%*	*23.5%*	*19.3%*
Variation			*n/a*	*8.3%*	*8.3%*	*7.6%*	*6.8%*	*(16.8%)*

Terminal Value

(thousand euros)	Range Min.	Mid.	Max.
Gordon-Shapiro	**17,220**	**18,589**	**20,147**
Perpetuity Growth "g"	*1.3%*	*1.3%*	*1.3%*
Discount Rate	*7.7%*	*7.3%*	*6.9%*
Free Cash Flow	*1,501*	*1,501*	*1,501*
Terminal Value (undiscounted)	*23,594*	*25,071*	*26,746*
Exit Multiple - EBITDA	**22,733**	**23,094**	**23,462**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Normalized EBITDA (2015-2020)	*2,820*	*2,820*	*2,820*
Terminal Value (undiscounted)	*31,147*	*31,147*	*31,147*

Conclusion

NH Zandvoort	Range Min.	Mid.	Max.
NPV Forecast Period	6,572	6,630	6,689
NPV Terminal Value	19,977	20,841	21,804
Business Enterprise Value (BEV)	**26,549**	**27,472**	**28,494**

Note: units in thousand euros

NH Italia SpA

Market Value as of 31/12/2016

(thousand euros)	2015	2016	2017	2018	2019	2020	2021	TV
Net Sales	**312,738**	**313,230**	**314,247**	**324,419**	**347,191**	**360,625**	**370,336**	**375,150**
Variation		*0.2%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*1.30%*
EBITDA	**67,965**	**64,937**	**68,569**	**77,962**	**85,997**	**92,924**	**97,971**	**72,515**
% / sales	*21.7%*	*20.7%*	*21.8%*	*24.0%*	*24.8%*	*25.8%*	*26.5%*	*19.33%*
Impariment	17,290	(211)	-	-	-	-	-	-
D&A	(28,505)	(31,480)	(33,131)	(33,854)	(34,291)	(34,338)	(34,388)	(30,012)
Variation		*10.4%*	*5.2%*	*2.2%*	*1.3%*	*0.1%*	*0.1%*	*(12.7%)*
EBIT	**56,751**	**33,246**	**35,438**	**44,107**	**51,706**	**58,586**	**63,582**	**42,503**
% / sales	*18.1%*	*10.6%*	*11.3%*	*13.6%*	*14.9%*	*16.2%*	*17.2%*	*11.3%*
Taxes	(17,820)	(10,439)	(9,887)	(12,306)	(14,426)	(16,345)	(17,739)	(11,858)
Tax Rate	*(31.4%)*	*(31.4%)*	*(27.9%)*	*(27.9%)*	*(27.9%)*	*(27.9%)*	*(27.9%)*	*(27.9%)*
NOPLAT	**38,931**	**22,807**	**25,551**	**31,801**	**37,280**	**42,240**	**45,843**	**30,645**
% / sales	*12.4%*	*7.3%*	*8.1%*	*8.1%*	*8.1%*	*8.1%*	*8.1%*	*8.1%*
D&A	28,505	31,480	33,131	33,854	34,291	34,338	34,388	30,012
Variation		*10.4%*	*5.2%*	*2.2%*	*1.3%*	*0.1%*	*0.1%*	*(12.7%)*
Operating Cash Flow	**67,436**	**54,287**	**58,682**	**65,656**	**71,571**	**76,579**	**80,231**	**60,657**
% / sales	*21.6%*	*17.3%*	*18.7%*	*20.2%*	*20.6%*	*21.2%*	*21.7%*	*16.2%*
CAPEX			(10,159)	(19,373)	(13,938)	(14,642)	(15,248)	(30,012)
% / sales			*(3.2%)*	*(6.0%)*	*(4.0%)*	*(4.1%)*	*(4.1%)*	*(8.0%)*
∆ Working Capital			(286)	591	927	296	204	243
% / sales			*(0.1%)*	*0.2%*	*0.3%*	*0.1%*	*0.1%*	*0.1%*
Cash Flow			**48,237**	**46,874**	**58,560**	**62,233**	**65,187**	**30,888**

Terminal Value

(thousand euros)	Min.	Range Mid	Max.
Gordon-Shapiro	**249,687**	**265,346**	**282,612**
Perpetuity Growth "g"	*1.3%*	*1.3%*	*1.3%*
Discount Rate	*9.7%*	*9.3%*	*8.9%*
Free Cash Flow	*30,888*	*30,888*	*30,888*
Terminal Value (undiscounted)	*369,168*	*386,337*	*405,181*
Exit Multiple - EBITDA	**541,630**	**550,017**	**558,563**
EV/EBITDA Peer Companies	*11.0x*	*11.0x*	*11.0x*
Terminal Value EBITDA	*72,515*	*72,515*	*72,515*
Termianl Value (undiscounted)	*800,812*	*800,812*	*800,812*

Conclusion

NH Italia SpA	Min.	Range Med.	Max.
NPV Forecast Period	225,247	227,185	229,151
NPV Terminal Value	403,775	415,978	429,069
Business Enterprise Value (BEV)	**629,022**	**643,163**	**658,220**
Non-Operating Assets	-	-	-
Jolly Madison	64,290	64,400	64,511
Deferred Tax	13,697	13,613	13,531
Net Financial Debt	(60,122)	(60,122)	(60,122)
Equity Value (100%)	**646,887**	**661,054**	**676,140**

Italia SpA Balance Sheet

Fixed Assets	2015	2016
Intangible assets	32,459	34,396
Tangible assets	602,015	568,790
Investment in group companies	2,526	(0)
Investment in other companies	14	20
Deferred tax assets	16,015	15,517
	653,029	**618,723**

Working Capital	2015	2016
Inventories	1,926	1,808
Trade Debtors	33,865	18,586
Various Debtors	8,041	9,244
Prepaid expenses	987	797
Taxes SS	(4,059)	(4,446)
Personnel	(10,501)	(10,034)
Trade Creditors	(40,235)	(29,416)
Provisions	(7,026)	(3,477)
	(17,002)	**(16,938)**

Equity	2015	2016
Capital	(233,847)	(233,847)
Subscribed Capital	-	-
Premium shared Capital	(217,310)	(217,310)
Reserves	205,499	(185,278)
Reserves of Group companies	(310,499)	64,303
Past years results	192,138	159,669
Profit or Loss	(42,514)	(9,950)
Other	(3,212)	(4,480)
	(409,745)	**(426,893)**

NFP	2015	2016
Internal Bank account	25,062	30,920
LT Deposits	3,546	3,553
Cash & Equivalents	4,881	4,192
Short Term Group Company Loans	(13,024)	(9,331)
Long Term Debt	(64,090)	(13,506)
Short Term Debt	(14,527)	(509)
Provisions ST debt NH World	(1,995)	(1,441)
Shareholders Debt	(1,186)	(678)
Provisions for pensions	(8,444)	(6,788)
Trade Creditors Group Companies	(43,761)	(66,534)
	(113,538)	**(60,122)**

Other Liabilities	2015	2016
Deffered income tax (PPA)	(112,745)	(114,764)
	(112,745)	**(114,764)**

Exhibit B: Guideline Companies

Company	Country	Corporate Tax	Market Capitalization (MC)	Net Debt (DN)	ND / MC	bL	bu	EV/EBITDA
Accor Sa	France	33.3%	8,255	(561)	6.8%	0.99	0.95	9.3x
Millennium & Copthorne Hotel	Britain	23.0%	1,632	(832)	51.0%	0.73	0.52	9.3x
Nh Hotel Group Sa	Spain	25.0%	1,324	(777)	58.7%	1.15	0.80	9.3x
Hongkong & Shanghai Hotels	Hong Kong SAR	16.5%	1,429	(448)	31.4%	0.81	0.64	12.2x
Melia Hotels International	Spain	25.0%	2,220	(591)	26.6%	0.99	0.82	9.6x
Conclusion					**34.9%**	**0.99**	**0.80**	**9.9x**

Source: Bloomberg.

EV / EBITDA	2012	2013	2014	2015	2016	
Accor Sa	7.5x	9.4x	9.5x	9.3x	n/a	
Millennium & Copthorne Hotel	9.1x	n/a	n/a	n/a	n/a	
Nh Hotel Group Sa	(8.8x)	18.4x	17.1x	14.8x	9.3x	
Hongkong & Shanghai Hotels	14.8x	14.6x	14.7x	11.8x	12.2x	
Melia Hotels International	9.5x	11.0x	12.2x	10.1x	9.6x	
Median	9.1x	12.8x	13.5x	10.9x	9.6x	10.9x
Min	(8.8x)	9.4x	9.5x	9.3x	9.3x	(8.8x)
Average	6.4x	13.4x	13.4x	11.5x	10.4x	**11.0x**
Max	14.8x	18.4x	17.1x	14.8x	12.2x	18.4x

Source: Bloomberg

Exhibit C: Main KPI's and Financial Drivers

Occupancy

Hotel	2015 (15)	2015 (16)	2016 (15)	2016 (16)	2017 (15)	2017 (16)	2018 (15)	2018 (16)	2019 (15)	2019 (16)	2020 (15)	2020 (16)	2021 (16)
NH Brussels City Centre	70.4%	70.4%	69.9%	48.2%	70.8%	59.2%	70.8%	74.0%	70.4%	75.0%	70.4%	75.6%	75.7%
NH Grand Place Arenberg	70.6%	70.6%	76.3%	56.4%	77.0%	64.1%	78.0%	74.0%	79.0%	75.0%	79.0%	76.0%	76.0%
NH Brussels Stéphanie	71.9%	71.9%	74.1%	59.5%	72.2%	63.3%	72.5%	70.0%	73.5%	75.0%	74.0%	75.0%	75.0%
NH Brussels Airport	72.6%	72.6%	62.2%	58.5%	61.3%	61.9%	60.5%	63.0%	59.7%	63.0%	59.7%	63.0%	63.0%
NH Brugge	75.9%	75.9%	75.9%	67.1%	76.0%	71.9%	76.4%	73.0%	77.0%	73.7%	77.0%	74.5%	74.5%
NH Gent Belfort	81.8%	81.8%	81.4%	76.7%	83.0%	79.5%	83.2%	80.0%	83.2%	81.0%	83.2%	82.0%	82.0%
NH Gent Sint Pieters	76.7%	76.7%	76.5%	67.6%	77.8%	68.2%	78.8%	75.0%	78.8%	76.0%	78.8%	77.0%	77.0%
NH Mechelen	69.2%	69.2%	71.6%	70.1%	72.8%	72.1%	74.0%	73.0%	75.0%	73.0%	77.0%	73.0%	73.0%
NH Conference Centre Koningshof	38.6%	38.6%	39.4%	38.8%	40.5%	41.7%	41.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%
NH Conference Centre Leeuwenhorst	61.1%	61.1%	60.5%	54.2%	60.6%	62.7%	61.2%	63.0%	61.2%	63.0%	61.2%	63.0%	63.0%
NH Schiphol Airport	66.6%	66.6%	66.0%	69.6%	66.5%	69.5%	67.0%	69.5%	67.5%	69.5%	67.5%	69.5%	69.5%
NH Zoetermeer	62.5%	62.5%	58.5%	61.5%	58.5%	55.6%	59.0%	56.6%	59.7%	57.6%	60.3%	58.6%	59.6%
NH Veluwe Sparrenhorst	53.0%	53.0%	52.4%	53.7%	52.5%	63.8%	52.8%	63.8%	53.0%	63.8%	53.0%	63.8%	63.8%
NH Collection Barbizon Palace	80.2%	80.2%	83.1%	80.6%	80.0%	82.0%	80.0%	82.0%	80.0%	82.0%	80.0%	82.0%	82.0%
NH Best	60.7%	60.7%	58.1%	63.3%	61.3%	64.1%	61.9%	64.1%	62.3%	64.1%	62.5%	64.1%	64.1%
NH Capelle	65.2%	65.2%	60.6%	67.6%	61.0%	66.0%	61.8%	66.0%	62.5%	66.0%	63.0%	66.0%	66.0%
NH Geldrop	57.1%	57.1%	53.3%	54.0%	54.2%	59.4%	54.8%	59.4%	55.0%	59.4%	56.0%	59.4%	59.4%
NH Marquette	63.4%	63.4%	61.4%	65.5%	62.0%	70.1%	62.8%	70.1%	63.2%	70.1%	63.5%	70.1%	70.1%
NH Naarden	66.7%	66.7%	62.0%	63.3%	62.5%	64.7%	63.0%	64.7%	63.5%	64.7%	63.5%	64.7%	64.7%
NH Zandvoort	62.5%	62.5%	57.0%	61.1%	58.5%	62.3%	60.1%	62.3%	62.3%	62.3%	63.0%	62.3%	62.3%

Source: Management.

Note: The previous table shows a comparative analysis between 2015 Occupancy expectations and an update as of 2016.

ADR

Hotel	2015 (15)	2015 (16)	2016 (15)	2016 (16)	2017 (15)	2017 (16)	2018 (15)	2018 (16)	2019 (15)	2019 (16)	2020 (15)	2020 (16)	2021 (16)
NH Brussels City Centre	73.4 €	73.4 €	77.7 €	79.7 €	93.5 €	87.7 €	98.0 €	92.5 €	101.8 €	95.8 €	103.5 €	99.2 €	102.9 €
NH Grand Place Arenberg	99.1 €	99.1 €	107.9 €	100.0 €	112.2 €	103.6 €	116.0 €	111.4 €	118.3 €	117.7 €	120.7 €	121.9 €	126.5 €
NH Brussels Stéphanie	90.8 €	90.8 €	96.5 €	91.6 €	103.4 €	95.2 €	109.0 €	100.0 €	113.1 €	105.0 €	117.4 €	110.5 €	114.6 €
NH Brussels Airport	90.4 €	90.4 €	97.8 €	97.9 €	102.6 €	101.7 €	104.0 €	105.2 €	105.3 €	108.9 €	107.1 €	112.8 €	117.0 €
NH Brugge	83.5 €	83.5 €	87.0 €	82.5 €	92.6 €	86.6 €	96.1 €	91.4 €	99.7 €	96.5 €	103.6 €	102.0 €	105.8 €
NH Gent Belfort	107.8 €	107.8 €	112.4 €	110.3 €	119.1 €	113.9 €	130.0 €	119.7 €	136.0 €	125.7 €	141.2 €	132.2 €	139.2 €
NH Gent Sint Pieters	76.4 €	76.4 €	77.2 €	80.7 €	81.9 €	84.2 €	85.5 €	87.1 €	88.8 €	90.2 €	92.2 €	93.5 €	96.9 €
NH Mechelen	76.2 €	76.2 €	77.4 €	82.0 €	82.0 €	85.4 €	88.0 €	88.3 €	95.0 €	91.5 €	98.6 €	94.8 €	98.3 €
NH Conference Centre Koningshof	58.8 €	58.8 €	58.4 €	62.9 €	61.3 €	63.5 €	64.1 €	66.4 €	67.2 €	69.4 €	70.8 €	72.4 €	75.2 €
NH Conference Centre Leeuwenhorst	61.0 €	61.0 €	62.3 €	60.6 €	65.5 €	61.8 €	68.7 €	64.6 €	72.1 €	67.5 €	75.9 €	70.3 €	73.1 €
NH Schiphol Airport	69.6 €	69.6 €	73.9 €	71.2 €	80.0 €	76.1 €	83.0 €	79.6 €	87.0 €	83.1 €	88.7 €	86.7 €	90.1 €
NH Zoetermeer	58.5 €	58.5 €	61.4 €	65.5 €	62.0 €	64.5 €	64.0 €	67.4 €	67.1 €	70.5 €	70.7 €	73.5 €	76.3 €
NH Veluwe Sparrenhorst	54.5 €	54.5 €	56.7 €	61.8 €	59.0 €	57.6 €	61.7 €	60.2 €	64.8 €	62.9 €	68.2 €	65.6 €	68.2 €
NH Collection Barbizon Palace	157.9 €	157.9 €	184.9 €	173.2 €	193.2 €	193.2 €	197.1 €	197.1 €	197.3 €	197.3 €	201.2 €	201.2 €	203.6 €
NH Best	60.9 €	60.9 €	61.3 €	65.3 €	63.1 €	65.2 €	65.3 €	68.1 €	68.5 €	71.2 €	72.1 €	74.2 €	77.1 €
NH Capelle	55.4 €	55.4 €	58.8 €	61.1 €	62.0 €	62.5 €	65.0 €	65.3 €	69.0 €	68.2 €	72.5 €	71.1 €	73.9 €
NH Geldrop	48.6 €	48.6 €	50.3 €	53.8 €	53.1 €	55.1 €	55.2 €	57.6 €	57.9 €	60.1 €	61.0 €	62.7 €	65.2 €
NH Marquette	52.8 €	52.8 €	56.8 €	54.4 €	58.5 €	56.9 €	60.8 €	59.5 €	63.8 €	62.2 €	67.2 €	64.8 €	67.4 €
NH Naarden	42.9 €	42.9 €	47.6 €	50.1 €	48.5 €	51.5 €	52.0 €	53.8 €	56.0 €	56.2 €	60.2 €	58.6 €	60.9 €
NH Zandvoort	74.6 €	74.6 €	79.9 €	86.6 €	84.6 €	87.1 €	89.7 €	91.0 €	94.1 €	95.1 €	99.1 €	99.2 €	103.1 €

Source: Management.

Note: The previous table shows a comparative analysis between 2015 ADR expectations and an update as of 2016.

RevPAR

Hotel	2015 (15)	2015 (16)	2016 (15)	2016 (16)	2017 (15)	2017 (16)	2018 (15)	2018 (16)	2019 (15)	2019 (16)	2020 (15)	2020 (16)	2021 (16)
NH Brussels City Centre	51.7 €	51.7 €	54.3 €	38.4 €	66.2 €	51.9 €	69.4 €	68.5 €	71.6 €	71.8 €	72.9 €	75.0 €	78.0 €
NH Grand Place Arenberg	69.9 €	69.9 €	82.2 €	56.4 €	86.4 €	66.4 €	90.5 €	82.5 €	93.5 €	88.2 €	95.3 €	92.7 €	96.1 €
NH Brussels Stéphanie	65.3 €	65.3 €	71.5 €	54.5 €	74.7 €	60.3 €	79.0 €	70.0 €	83.1 €	78.8 €	86.9 €	82.9 €	86.0 €
NH Brussels Airport	65.6 €	65.6 €	60.8 €	57.3 €	63.0 €	63.0 €	62.9 €	66.3 €	62.9 €	68.6 €	63.9 €	71.1 €	73.7 €
NH Brugge	63.4 €	63.4 €	66.0 €	55.3 €	70.4 €	62.2 €	73.4 €	66.7 €	76.8 €	71.1 €	79.7 €	75.9 €	78.8 €
NH Gent Belfort	88.2 €	88.2 €	91.5 €	84.5 €	98.8 €	90.6 €	108.1 €	95.7 €	113.1 €	101.8 €	117.4 €	108.4 €	114.2 €
NH Gent Sint Pieters	58.6 €	58.6 €	59.0 €	54.6 €	63.7 €	57.4 €	67.4 €	65.3 €	70.0 €	68.5 €	72.6 €	72.0 €	74.6 €
NH Mechelen	52.7 €	52.7 €	55.5 €	57.4 €	59.7 €	61.6 €	65.1 €	64.5 €	71.3 €	66.8 €	75.9 €	69.2 €	71.8 €
NH Conference Centre Koningshof	22.7 €	22.7 €	23.0 €	24.4 €	24.8 €	26.5 €	26.3 €	27.9 €	28.2 €	29.2 €	29.7 €	30.4 €	31.6 €
NH Conference Centre Leeuwenhorst	37.2 €	37.2 €	37.7 €	32.8 €	39.7 €	38.7 €	42.1 €	40.7 €	44.1 €	42.5 €	46.5 €	44.3 €	46.0 €
NH Schiphol Airport	46.4 €	46.4 €	48.7 €	49.5 €	53.2 €	52.9 €	55.6 €	55.3 €	58.7 €	57.8 €	59.9 €	60.3 €	62.6 €
NH Zoetermeer	36.5 €	36.5 €	35.9 €	40.3 €	36.3 €	35.8 €	37.8 €	38.1 €	40.1 €	40.5 €	42.6 €	43.0 €	45.5 €
NH Veluwe Sparrenhorst	28.9 €	28.9 €	29.7 €	33.2 €	31.0 €	36.8 €	32.6 €	38.4 €	34.3 €	40.1 €	36.1 €	41.9 €	43.5 €
NH Collection Barbizon Palace	126.6 €	126.6 €	153.6 €	139.5 €	154.6 €	162.6 €	157.7 €	169.1 €	157.9 €	175.8 €	160.9 €	182.9 €	190.2 €
NH Best	37.0 €	37.0 €	35.6 €	41.4 €	38.7 €	41.8 €	40.4 €	43.7 €	42.7 €	45.6 €	45.1 €	47.6 €	49.4 €
NH Capelle	36.1 €	36.1 €	35.6 €	41.3 €	37.8 €	41.2 €	40.2 €	43.1 €	43.1 €	45.1 €	45.7 €	47.0 €	48.8 €
NH Geldrop	27.7 €	27.7 €	26.8 €	29.1 €	28.8 €	32.7 €	30.2 €	34.2 €	31.9 €	35.7 €	34.2 €	37.2 €	38.7 €
NH Marquette	33.4 €	33.4 €	34.9 €	35.6 €	36.3 €	39.9 €	38.2 €	41.7 €	40.3 €	43.6 €	42.7 €	45.5 €	47.3 €
NH Naarden	28.6 €	28.6 €	29.5 €	31.7 €	30.3 €	33.3 €	32.8 €	34.8 €	35.6 €	36.4 €	38.2 €	37.9 €	39.4 €
NH Zandvoort	46.6 €	46.6 €	45.5 €	52.9 €	49.5 €	54.2 €	53.9 €	56.7 €	58.6 €	59.3 €	62.4 €	61.8 €	64.2 €

Source: Management.

Note: The previous table shows a comparative analysis between 2015 RevPAR expectations and an update as of 2016.

EBITDA

Hotel	2015 (15)	2015 (16)	2016 (15)	2016 (16)	2017 (15)	2017 (16)	2018 (15)	2018 (16)	2019 (15)	2019 (16)	2020 (15)	2020 (16)	2021 (16)
NH Brussels City Centre	33.0%	33.0%	40.0%	29.2%	38.9%	33.6%	48.4%	43.6%	50.1%	44.8%	50.9%	45.8%	46.6%
NH Grand Place Arenberg	41.2%	41.2%	45.8%	36.9%	46.8%	38.9%	47.7%	46.3%	48.2%	48.0%	48.3%	49.2%	49.9%
NH Brussels Stéphanie	37.1%	37.1%	40.1%	28.9%	41.2%	32.8%	42.8%	38.5%	44.1%	42.5%	45.2%	43.9%	44.7%
NH Brussels Airport	37.0%	37.0%	41.4%	34.3%	43.4%	37.0%	45.6%	38.4%	46.3%	39.2%	47.1%	40.1%	40.9%
NH Brugge	30.4%	30.4%	31.0%	25.7%	33.1%	28.7%	34.3%	31.1%	35.6%	33.1%	36.6%	35.2%	36.0%
NH Gent Belfort	36.0%	36.0%	36.9%	37.3%	39.0%	36.7%	41.6%	38.2%	42.6%	39.8%	43.4%	41.5%	42.7%
NH Gent Sint Pieters	22.9%	22.9%	23.3%	23.5%	26.1%	23.3%	27.9%	28.2%	28.9%	29.6%	30.0%	31.1%	31.9%
NH Mechelen	24.9%	24.9%	29.0%	27.2%	31.6%	28.0%	34.7%	29.5%	37.7%	30.4%	39.6%	31.4%	32.4%
NH Conference Centre Koningshof	27.1%	27.1%	29.1%	26.9%	32.8%	32.1%	34.2%	34.7%	35.9%	35.7%	37.0%	36.7%	37.5%
NH Conference Centre Leeuwenhorst	35.4%	35.4%	35.5%	37.1%	36.5%	37.8%	37.7%	39.3%	38.5%	40.2%	39.5%	40.9%	41.6%
NH Schiphol Airport	27.9%	27.9%	31.3%	31.5%	33.3%	31.7%	34.0%	32.9%	34.9%	33.9%	35.0%	34.9%	35.7%
NH Zoetermeer	23.0%	23.0%	25.3%	18.6%	24.9%	16.2%	25.8%	18.3%	27.4%	20.1%	28.9%	21.8%	23.2%
NH Veluwe Sparrenhorst	19.1%	19.1%	20.8%	19.2%	21.9%	22.6%	23.3%	23.8%	24.8%	25.0%	26.2%	26.1%	27.0%
NH Collection Barbizon Palace	51.4%	51.4%	48.3%	35.1%	51.5%	52.1%	51.3%	51.8%	51.1%	51.8%	51.1%	52.4%	53.0%
NH Best	17.1%	17.1%	16.7%	22.1%	19.4%	21.5%	20.6%	23.0%	22.2%	24.4%	23.8%	25.6%	26.7%
NH Capelle	24.9%	24.9%	24.8%	26.7%	26.4%	27.3%	28.1%	28.5%	30.1%	29.7%	31.5%	30.7%	31.6%
NH Geldrop	11.5%	11.5%	10.4%	14.9%	12.8%	17.4%	14.2%	18.7%	15.7%	19.9%	17.9%	21.0%	22.0%
NH Marquette	6.5%	6.5%	10.8%	5.7%	13.5%	13.3%	15.0%	14.7%	16.6%	16.1%	18.3%	17.3%	18.4%
NH Naarden	17.0%	17.0%	17.7%	20.0%	19.1%	24.9%	21.5%	26.1%	23.9%	27.4%	25.8%	28.4%	29.4%
NH Zandvoort	28.0%	28.0%	30.6%	35.8%	32.7%	34.5%	34.7%	35.5%	36.6%	36.5%	37.8%	37.4%	38.1%

Source: Management.

Note: The previous table shows a comparative analysis between 2015 EBITDA margin expectations and an update as of 2016.

Exhibit D: Limitations

Limitations

Unless otherwise stated in the document, the following assumptions and limiting conditions apply to the service performed:

Information Relied Upon from Others

To the best of our knowledge, all information, including historical and projected financial data, estimates, and market data relied on in developing the opinions and conclusions in this document, was gathered from reliable sources and is true and accurate. However, no guarantee is made of, nor liability assumed for, the accuracy of information provided by others.

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No investigation was made of the title to or any liabilities against the properties identified in the document. We assumed that all property rights are valid and marketable and that no encumbrances exist that cannot be cleared through normal processes.

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Any property areas, sizes, dimensions, or descriptions in this document are included for identification purposes only and should not be used in a conveyance or another legal document. We did not verify the property areas, sizes, dimensions, or descriptions used in this analysis. Any plat in this document is intended only as a visual aid regarding the properties and their environments and should not be considered a survey or scaled to size.

Regulation Compliance

We assumed that the properties have been responsibly managed; all applicable governmental regulations, including zoning and use regulations and restrictions, have been complied with; and all required licenses and permits have been or can be obtained or renewed for the use that is relevant to this analysis.

Further, we assumed that the improvements, as well as the utilization of the land and improvements, are within the boundaries of the properties described and that no encroachment or trespass exists.

Environmental and Structural Conditions

We assumed that all applicable environmental laws have been complied with. We made no environmental impact study, and the opinions or conclusions contained in this document exclude the impact of any potentially hazardous substances such as asbestos, urea-formaldehyde foam insulation, and environmental contamination.

We do not opine on, and are not responsible for, the structural integrity of the properties, including conformity to specific code requirements, such as fire, building and safety, earthquake, and occupancy, or any physical defects not readily apparent during an inspection.

We recommend the reader of this d consult a qualified structural engineer or industrial hygienist to evaluate any possible structural or environmental defects, if the existence of such defects is relevant and could have a material impact on the results of the analysis expressed in the document.

Subsurface Rights and Conditions

No soil analysis or geological studies were ordered or made in conjunction with the service performed, nor were any water, oil, gas, or other subsurface mineral and use rights or conditions investigated.

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