



NH Hotel Group, S.A.
€400,000,000

4.00% Senior Secured Notes due 2026

NH Hotel Group, S.A., a public limited company (*sociedad anónima*) established under the laws of Spain (the "Issuer"), is offering €400,000,000 aggregate principal amount of its 4.00% Senior Secured Notes due 2026 (the "Notes"). The Issuer will pay interest on the Notes semi-annually in arrears on January 2 and July 2 of each year, commencing on January 2, 2022. The Notes will mature on July 2, 2026. At any time prior to July 2, 2023, the Issuer may redeem all or a portion of the 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 July 2, 2023, the Issuer may redeem up to 40% of the aggregate principal amount of the Notes with the net proceeds from certain equity offerings at the redemption price set forth in these listing particulars. At any time on or after July 2, 2023, the Issuer may redeem all or a portion of the Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices set forth in these listing particulars. Prior to July 2, 2023, the Issuer may redeem during each twelve-month period commencing with the Issue Date up to 10% of the original principal amount of the Notes 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. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to purchase the Notes. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the 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. The Notes will be guaranteed (the "Notes Guarantees") on a senior basis by certain subsidiaries of the Issuer (the "Guarantors"). The Guarantors also guarantee the Senior Secured RCF (as defined herein) and the COVID Related ICO Facilities (as defined herein). The Notes and the Notes Guarantees will be initially secured by (i) charges over the shares of capital stock representing 100% of the share capital of (A) Immo Hotel Brugge NV, Immo Hotel Diegem NV, Immo Hotel Mechelen NV, Hotel Exploitiemaatschappij Diegem NV and Immo Hotel Stephanie NV, in each case, a wholly owned subsidiary of the Issuer organized under the laws of Belgium, (B) NH Italia S.p.A., a wholly owned subsidiary of the Issuer organized under the laws of Italy and (C) 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 wholly owned subsidiaries of the Issuer or the Issuer located in the Netherlands, in the case of sub-clause (i)(A) on a first-ranking basis and, in the case of subclauses (i)(B) and (C) and clause (ii), on a second-ranking basis but deemed and treated as first-ranking security interests under the Intercreditor Agreement (collectively, the "Collateral"). The Senior Secured RCF (as defined herein) is secured by the same Collateral as the Notes and will benefit from the proceeds of enforcement of the Collateral on a *pro rata* and *pari passu* basis with the Notes, as described under "*Description of certain financing arrangements—Intercreditor Agreement*". 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 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.

These listing particulars include information on the terms of the Notes and Notes Guarantees, including redemption and repurchase prices, covenants and transfer restrictions.

There is currently no public market for the Notes. This document constitutes the listing particulars ("Listing Particulars") in respect of the admission of the Notes to the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF. Application has been 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 as defined by Article 4, paragraph 1, point 21 of MiFID II. These Listing Particulars constitute a prospectus for the purposes of Part IV of the Luxembourg law of July 16, 2019 on prospectuses for securities (the "Prospectus Law").

An investment in the Notes involves risks. See "*Risk factors*" beginning on page 40.

Price: 100.00% plus accrued interest, if any, from June 28, 2021.

The Notes were issued in the form of global notes in registered form. See "*Book-entry, delivery and form*". The Notes have been delivered in book-entry form through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream") on June 28, 2021.

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*".

Global Coordinators and Bookrunning Managers

BNP PARIBAS

Deutsche Bank

BBVA

CaixaBank

Santander

Joint Bookrunners

Banco Sabadell

Bankinter

The date of these Listing Particulars is July 30, 2021

You should rely only on the information contained in these Listing Particulars. We have not, and BNP Paribas, Deutsche Bank Aktiengesellschaft, Banco Bilbao Vizcaya Argentaria, S.A., Caixa Bank, S.A., Banco Santander, S.A., Banco de Sabadell, S.A. and Bankinter, S.A. (the "Initial Purchasers") have 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 these Listing Particulars is accurate as of any date other than the date on the front of these Listing Particulars.

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

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The Issuer, NH Hotel Group, 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 these Listing Particulars 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 these Listing Particulars, unless the context otherwise requires, references to the "Issuer" or the "Company" are to NH Hotel Group, S.A. and references to "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 Purchasers are not, making an offer of these securities in any jurisdiction where such offer is not permitted. These Listing Particulars are based upon information provided by us and other sources believed by us to be reliable. The Initial Purchasers are not responsible for, and are not making any representation or warranty to you concerning, our future performance or the accuracy or completeness of these Listing Particulars.

These Listing Particulars do 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 these Listing Particulars 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 these Listing Particulars and you must obtain all applicable consents and approvals; neither we nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. Please 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 these Listing Particulars. We have not, and the Initial Purchasers have 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 these Listing Particulars is accurate as of the date on the front cover of these Listing Particulars only. Our business, financial condition, results of operations and the information set forth in these Listing Particulars may have changed since that date.

You should not consider any information in these Listing Particulars 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 Purchasers are 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. These Listing Particulars are to be used only for the purposes for which it has been published.

We obtained the market data used in these Listing Particulars 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 these Listing Particulars.

We may withdraw this Offering at any time, and we and the Initial Purchasers 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 Purchasers and certain related entities may acquire a portion of the Notes for their own accounts.

Application has been 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 as defined by Article 4, paragraph 1, point 21 of MiFID II.

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 to non-U.S. persons 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 these Listing Particulars, 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 these Listing Particulars. 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 these Listing Particulars 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 these Listing Particulars 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 these Listing Particulars. 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 these Listing Particulars 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 Purchasers are 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, BNP PARIBAS (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: These Listing Particulars has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Regulation (as defined below), from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the European Economic Area ("EEA") or any of its member states ("Member States") of the Notes which are the subject of the Offering contemplated in these Listing Particulars, 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 pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation. 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 these Listing Particulars. Further, neither the Issuer nor any of the Initial Purchasers has authorized, nor do they authorize, the making of any offer of securities in circumstances in which an obligation arises for the Issuer or the Initial Purchasers to publish or supplement a prospectus for the offering of the Notes. In relation to each Member State, an offer of the Notes to the public may not be made in that Member State other than:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (ii) subject to the following paragraph concerning the PRIIPS Regulation, to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), as permitted under the Prospectus Regulation, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or
- (iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes shall require the Issuer or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this restriction, the expression an "offer of the Notes to the public" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes. The expression "Prospectus Regulation" means Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, and includes any relevant level two delegated acts and technical standards that have been adopted in connection with the Prospectus Regulation.

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 Purchasers and their respective 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. These Listing Particulars are 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, (iii) are outside the United Kingdom, or (iv) 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"). These Listing Particulars are 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 Regulation.

Spain: Neither the Notes, this Offering nor these Listing Particulars have been approved by or registered with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*). Consequently, the Notes may not be offered, sold, resold or distributed to persons in Spain, except in circumstances which do not qualify as an offer of securities to the public in Spain, as defined in Article 2 (d) of the Prospectus Regulation or which is otherwise exempt from publication of a prospectus under Article 1.4 of the Prospectus Regulation. The Notes will only be offered in Spain to qualified investors as this term is defined under Article 2 (e) of the Prospectus Regulation.

Austria: This offering has not been and will not be filed with or reviewed by the Austrian Financial Market Authority (*Finanzmarktaufsicht - FMA*). the offer may not be made within or cross-border into Austria, except in circumstances that do not constitute a public offering under the Austrian Capital Market Act (*Kapitalmarktgesetz - KMG*) or any other applicable Austrian law. Documents relating to the offer, as well as information contained herein and therein, may not be supplied to the public in Austria, nor be used in connection with any public offer to the public in Austria.

Belgium: These Listing Particulars relate 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 these Listing Particulars 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 these Listing Particulars and any other materials relating to the offer may not be distributed, directly or indirectly, (i) to any 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 July 11, 2018 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.

These Listing Particulars have been provided to the intended recipient 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.

France: These Listing Particulars have 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 *Règlement 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 these Listing Particulars have 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) these Listing Particulars have 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 only be offered and sold in the Federal Republic of Germany in accordance with the Prospectus Regulation, 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. The notes must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and these Listing Particulars and any other document relating to the notes, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of notes to the public in Germany. Consequently, in Germany the notes will only be available to, and these Listing Particulars 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. 3 of the German Securities Prospectus Act in connection with Article 2 lit. e of the Prospectus Regulation or who are subject of another exemption in accordance with Article 1 of the Prospectus Regulation. Any resale of the notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. These Listing Particulars have not been and will not be submitted to, nor has it been nor will it be approved by, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

Italy: This offering has not been registered with the *Commissione Nazionale per le Società e la Borsa*, the Italian Securities Exchange Commission ("CONSOB") pursuant to Italian securities legislation and, accordingly, no offered notes may be offered, sold or delivered, directly or indirectly, nor may copies of these Listing Particulars or of any other offering circular, prospectus, form of application, advertisement, other offering material or other information or document relating to the offered notes be issued, distributed or published in Italy, either on the primary or on the secondary market, except: (i) to qualified investors (*investitori qualificati*), as defined by Article 2, paragraph (e) of the Prospectus Regulation; or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time ("Regulation No. 11971"), and the applicable Italian laws.

Any offer, sale or delivery of the notes or distribution of copies of these Listing Particulars or any other document relating to the notes in 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 Legislative Decree No. 58 of February 24, 1998, as amended (the "Financial Services Act"), CONSOB Regulation No. 20307 of 15 February 2018, as amended ("Regulation No. 20307") and Legislative Decree No. 385 of September 1, 1993, as amended (the "Banking Act"); and (b) in compliance with any other applicable laws and regulations or requirement imposed by

CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) or any other Italian authority.

Any investor purchasing the notes is solely responsible for ensuring that any offer or resale of the notes by such investor occurs in compliance with applicable laws and regulations.

Grand Duchy of Luxembourg: These Listing Particulars have 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 these Listing Particulars 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 Prospectus Law.

The Netherlands: The Notes (including the rights representing an interest in the Notes in global form) which are the subject of these Listing Particulars, have not been and shall not be offered, sold, transferred or delivered to the public in the Netherlands, unless in reliance on Article 1(4) of the Prospectus Regulation and provided such offer is made exclusively to legal entities which are qualified investors (within the meaning of the Prospectus Regulation) 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 Regulation” means Regulation (EU) 2017/1129 (and amendments thereto).

Poland: These Listing Particulars have not been approved by and will not be submitted for approval to the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*).

These Listing Particulars do not constitute a prospectus within the meaning of Prospectus Regulation, or an information memorandum within the meaning of the Polish Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (*ustawa z dnia 29 lipca 2005 o ofercie publicznej i warunkach wprowadzania instrumentów finansowych do zorganizowanego systemu obrotu oraz o spółkach publicznych*) (“Act on Public Offering”). Consequently, the Notes may be offered only as part of a public offering within the meaning of Prospectus Regulation, based on relevant prospectus exemption, addressed only to qualified investors (within the meaning of Article 2 (e) of the Prospectus Regulation), i.e. in accordance with the provisions of Article 1 (4)(a) Prospectus Regulation.

Romania. These Listing Particulars have not been prepared and is not being distributed in the context of a public offer of securities in Romania within the meaning of Articles 3 and following of Law no. 24/2017 on the issuers of financial instruments and market operations, as subsequently amended and completed, and Articles 4 and following of the Regulation of the Romanian Financial Services Authority (the “FSA”) no. 5/2018 on the issuers of financial instruments and market operations, as subsequently amended and completed, and has not been and will not be submitted for approval to or approved by the FSA as such. The Notes are not and will not be, directly or indirectly, subject to a public offer of securities or to an admission to trading on a regulated market in Romania, and these Listing Particulars have not been and will not be in any way released, issued or distributed to the public in Romania or used in connection with any offer for subscription or sale of the Notes to the public in Romania, except in circumstances which do not qualify as a public offer of securities in Romania, as defined in Article 2 (d) of the Prospectus Regulation or which are otherwise exempt from publication of a prospectus under Article 1.4 of the Prospectus Regulation, and the Romanian applicable legislation.

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 these Listing Particulars (including any amendment thereto) contain 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 Purchasers are 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 these Listing Particulars:

- "2019 Notes" refers to the €250 million aggregate principal amount 6.875% Senior Secured Notes due 2019 issued by the Issuer on November 8, 2013, which were redeemed in full in 2017;
- "2023 Notes" refers to the €285 million aggregate principal amount 3.750% Senior Secured Notes due 2023 issued by the Issuer on September 29, 2016 and €115 million aggregate principal amount 3.750% Senior Secured Notes due 2023 issued by the Issuer on March 24, 2017, of which €43,150,000 were redeemed on December 14, 2018 following the offer to repurchase launched by the Issuer subsequent to the change of control of the Issuer as a result of its acquisition by MINT;
- "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;
- "Belgian Guarantor(s)" refers to the Diegem Entities, Jolly Hotels Belgium S.A, Immo Hotel BCC NV, Immo Hotel Belfort NV, Immo Hotel Gent NV, Immo Hotel GP NV and Hotel Exploitiemaatschappij Diegem N.V.;
- "CAGR" refers to compound annual growth rate;
- "CIT" refers to corporate income tax;
- "Clearstream" refers to Clearstream Banking, *société anonyme*;
- "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;
- "COVID Related ICO Facilities" refers to the Term Facility Agreement and Sabadell Bilateral Facility Agreement, collectively;
- "Diegem Entities" refers to Immo Hotel Brugge NV, Immo Hotel Diegem NV, Immo Hotel Mechelen NV, Hotel Exploitiemaatschappij Diegem N.V. and Immo Hotel Stephanie NV, 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 Stephanie	Immo Hotel Stephanie NV	Belgium
NH Brussels Airport.....	Immo Hotel Diegem NV	Belgium
NH Brugge	Immo Hotel Brugge NV	Belgium
NH Mechelen	Immo Hotel Mechelen NV	Belgium

- "Duff & Phelps" refers to Duff & Phelps S.L.U., independent valuation firm located in Madrid, Spain;
- "Duff & Phelps Report" refers to the valuation report dated June 3, 2021 produced by Duff & Phelps regarding the valuation of the Mortgage Properties and the Share Collateral as of December 31, 2020, an executive summary of which is annexed to these Listing Particulars as Annex A;
- "EU" refers to the European Union;
- "EU Member State" refers to a member state of the EU;
- "Euroclear" refers to Euroclear Bank SA/NV;
- "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 will guarantee the Notes;

- "Hesperia" refers to Grupo Inversor Hesperia, S.A.;
- "IAS 34" refers to International Accounting Standard 34 (Interim Financial Reporting);
- "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 Notes to be dated the Issue Date by and among, *inter alios*, the Issuer, the Guarantors, the Trustee and the Security Agent;
- "Intercreditor Agreement" refers to the intercreditor agreement dated November 8, 2013 by and among, *inter alios*, the Issuer and the Security Agent, as amended and restated from time to time, including as amended pursuant to an amendment and accession deed dated September 29, 2016 and as expected to be further amended pursuant to an amendment and accession deed to be dated within five business days of the Issue Date;
- "Issue Date" refers to the date of original issuance of the Notes;
- "Issuer" refers to NH Hotel Group, S.A., and "we", "us", "our" and the "Group" refer to the Issuer and its consolidated subsidiaries, unless the context otherwise requires;
- "LHI Option" refers to the Company'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;
- "MINT" refers to Minor International Public Company Limited, which is the majority shareholder of the Company as described under "*Shareholder*";
- "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 that will secure the 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 Zoetermeer.....	Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer B.V.	Netherlands
NH Veluwe Conference Centre Sparrenhorst	De Sparrenhorst B.V.	Netherlands
NH Capelle.....	Onroerend Goed Beheer Maatschappij Capelle aan den IJssel 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*), formed and existing under Luxembourg law, having its registered office at 1, route de Trèves, L-2633 Senningerberg and registered with the Luxembourg Register of Commerce and Companies (*Registre de commerce et des sociétés, Luxembourg*) 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 hotel rooms available for each day during that period;
- "OECD" refers to the Organization for Economic Cooperation and Development;
- "Offering" refers to the offering of the Notes hereby;
- "Offering Memorandum" refers to this Offering Memorandum in relation to the 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;
- "Refinancing" refers to the issuance of the Notes and the application of the proceeds therefrom as described under "*Use of proceeds*";
- "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;
- "Sabadell Bilateral Facility Agreement" means the term facility agreement dated May 18, 2020 entered into among, among others, the Issuer, as borrower, and Banco de Sabadell, S.A., as lender, for a maximum amount of €25,000,000, which is guaranteed by the Ministry of Economic Affairs and Digital Transformation under the line of guarantees managed by the Official Credit Institute (*Instituto de Crédito Oficial* or ICO), as amended from time to time, including as amended, together with the Term Facility Agreement, pursuant to the framework agreement in respect of certain financing agreements dated May 18, 2020 and subsequently amended and extended on April 29, 2021;
- "Security Agent" refers to BNP Paribas Trust Corporation UK Limited, as security agent under the Indenture and the Intercreditor Agreement (as appointed, in relation to the security interests over the NH Italia Shares and the Notes Guarantee granted by NH Italia only, under article 2414 *bis* of the Italian Civil Code);
- "Security Documents" refers to the Security Documents as defined in "*Description of the Notes—Certain definitions*";
- "Senior Secured RCF" refers to the senior secured revolving credit facility of up to a maximum amount of €250 million made available pursuant to the Senior Secured RCF Agreement, under which total commitments of €236 million were fully drawn as of March 31, 2021 and, subject to completion of the Offering, an additional €6 million is expected to be committed and the amount outstanding is expected to remain at €236 million as of the Issue Date;
- "Senior Secured RCF Agreement" refers to the senior secured revolving credit facility agreement dated September 22, 2016 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 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, and Banco Bilbao Vizcaya Argentaria, S.A., as agent, as amended and restated from time to time, including as amended and restated on October 16, 2020 and as further amended and restated on June 8, 2021;

- "Share Collateral" refers to the shares of capital stock representing 100% of the share capital of (1) each of the Diegem Entities, (2) Zandvoort, and (3) NH Italia, that will secure the Notes and the Senior Secured RCF as described under "*Summary—The Offering—Security*";
- "Shareholder Loan" refers to the €100 million unsecured, subordinated and convertible loan dated May 12, 2021 between the Issuer, as borrower, and MHG Continental Holding (Singapore) Pte Ltd, an affiliate of the majority shareholder of the Company, MINT, as lender, which, together with accrued interest, is expected to be capitalized in the short-term into share capital of the Issuer, concurrently with a Rights Offering addressed to minority shareholders, as described under "*Summary—Recent Developments—Shareholder Loan and Rights Offering addressed to Minority Shareholders*";
- "Sotogrande" refers to Sotogrande, S.A.;
- "Term Facility Agreement" refers to the €225 million syndicated loan dated April 29, 2020 and guaranteed by the Ministry of Economic Affairs and Digital Transformation under the line of guarantees managed by the Official Credit Institute (*Instituto de Crédito Oficial* or ICO), as amended from time to time, including as amended, together with the Sabadell Bilateral Facility Agreement, pursuant to the framework agreement in respect of certain financing agreements dated May 18, 2020 and subsequently amended and extended on April 29, 2021;
- "Transactions" refers to the Refinancing and the drawing in full of the Shareholder Loan, collectively;
- "Trustee" refers to BNP Paribas Trust Corporation UK Limited, as the trustee under the Indenture;
- "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;
- "Zandvoort Property" refers to the NH Zandvoort, a hotel located in the Netherlands owned by Zandvoort; and
- "Zandvoort Shares" refers to the shares of capital stock representing 100% of the share capital of Zandvoort.

Information regarding forward-looking statements

Certain statements in these Listing Particulars 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 these Listing Particulars include 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 these Listing Particulars. 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:

- the impact of the COVID-19 pandemic;
- levels of spending in the business, travel and leisure industries, as well as consumer confidence;
- a worldwide economic downturn, especially in Europe and Latin America;
- political instability, civil unrest and violence;
- competitive forces in the markets where we operate;
- our ability to enter into new management agreements;
- our ability to pay fixed rent commitments;
- 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;
- 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;

- our ability to adapt our hotels to reflect any changes in business mix;
- 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 and financial markets and our ability to access the capital and/or financial markets and therefore creating a potential liquidity and refinancing risk;
- deterioration of credit profile of clients, increasing the rate of delinquencies and overdue debt, with its subsequent impact on working capital and cash flow, and potentially compromising liquidity;
- liquidity risk as the risk of not being able to fulfil present or future obligations if we do not have sufficient funds available to meet such obligations;
- our ability to meet certain financial ratios or meet financial obligations, implying a potential default;
- relatively fixed costs associated with hotel operations;
- very material weight of lease contracts; resulting in high operational and financial leverage;
- 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 reliance on certain third party operators;
- our dependence on key personnel;
- fluctuations in currency exchange rates and the inability to repatriate cash and impact in profit and loss and assets valuation;
- risk related to hyperinflationary economies where we operate;
- fluctuations in interest rates and the subsequent increase in financing costs;
- our ability to comply with extensive regulatory requirements, including licensing, relating to land use and environmental, food, beverage and alcohol, tax, competition and employment;
- negative interest rates environment that lead to banks charging corporates for cash balances;

- risks relating to a change of control of the Company;
- insufficient insurance;
- changes in tax laws;
- risks related to changes in foreign policy;
- 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 or privacy of internal or customer data, including due to cyber security breaches;
- failure to incorporate new developments in technology;
- changes in accounting standards and impact on leverage ratios; 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

These Listing Particulars include audited consolidated financial statements of the Group as of and for the years ended December 31, 2018, 2019 and 2020. These Listing Particulars also include unaudited condensed interim consolidated financial statements of the Group as of and for the three months ended March 31, 2021 (which includes information for the comparative period for the three months ended March 31, 2020), which have been subject to limited review. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated statement of cash flows (1) as of and for the years ended December 31, 2018, 2019 and 2020, 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. as of and for the year ended December 31, 2018 and by PricewaterhouseCoopers Auditores, S.L. as of and for the years ended December 31, 2019 and 2020 and have been prepared in accordance with IFRS and (2) as of March 31, 2021 and for the three months ended March 31, 2021 and 2020 have been derived from the unaudited condensed interim consolidated financial statements of the Group as of and for the three months ended March 31, 2021, which were subject to limited review by PricewaterhouseCoopers Auditores, S.L. and have been prepared in accordance with IAS 34. 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.

The financial information presented for the twelve months ended March 31, 2021 is prepared by adding the results of operations for the three months ended March 31, 2021 to the results of operations for the year ended December 31, 2020 and subtracting the results of operations for the three months ended March 31, 2020. The summary financial information of the Group for the twelve months ended March 31, 2021 presented herein is not required by or presented in accordance with IFRS or generally accepted accounting principles. It has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for the twelve months at such date, for any future period or our financial condition at any such date.

The summary unaudited pro forma financial information contained in these Listing Particulars have been derived by applying pro forma adjustments to certain of the Group's historical consolidated financial information. The summary unaudited pro forma financial information gives effect to the Refinancing as described in "*Use of proceeds*", as though it had occurred on April 1, 2020 for pro forma financial information relating to statement of comprehensive income and on March 31, 2021 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 these Listing Particulars, 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 Listing Particulars may vary slightly from the actual arithmetic totals of such information.

Use of non-IFRS financial measures

Certain parts of these Listing Particulars contain non-IFRS measures and ratios, including EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, adjusted operating cash flow, adjusted operating cash flow (after capital expenditure), pro forma net indebtedness, pro forma net indebtedness secured by the Collateral and changes in working capital.

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 disposal of 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 contracts, net losses from asset impairment, depreciation and inventory impairments.

We define EBITDA margin as EBITDA divided by net turnover.

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 advisory and consultancy expenses, non-recurring personnel expenses, adjustments for the effect of the application of IFRS 16, non-recurring lease impacts, and other non-recurring items.

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

We define adjusted operating cash flow as total net cash flow from operating activities minus the impact of IFRS 16.

We defined adjusted operating cash flow (after capital expenditure) as adjusted operating cash flow minus capital expenditure.

We define pro forma net indebtedness as indebtedness of the Group on a consolidated basis (excluding operating lease liabilities and the Shareholder Loan), *less* cash and cash equivalents of the Group on a consolidated basis, on an as adjusted basis after giving effect to the Transactions.

We define pro forma net indebtedness secured by the Collateral as the portion of pro forma net 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 Transactions.

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 hotel 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.

EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, adjusted operating cash flow, adjusted operating cash flow (after capital expenditure), pro forma net indebtedness, pro forma net indebtedness secured by the Collateral, changes in working capital, ADR, Occupancy and RevPAR are non-IFRS measures. We use these non-IFRS measures as internal measures of performance and liquidity to benchmark and compare performance and liquidity, both between our own operations and as against other companies. We use these non-IFRS measures, together with measures of performance or liquidity under IFRS, to compare the relative performance or liquidity of operations in planning, budgeting and reviewing the performance or liquidity of various businesses. We believe these non-IFRS measures are useful and commonly used measures of financial performance or liquidity 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 or liquidity 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 EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, adjusted operating cash flow, adjusted operating cash flow (after capital expenditure), pro forma net indebtedness, pro forma net indebtedness secured by the Collateral, changes in working capital, ADR, Occupancy and RevPAR differently, so making comparisons among companies on this basis should be done very carefully. EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, adjusted operating cash flow, adjusted operating cash flow (after capital expenditure), pro forma net indebtedness, pro forma net indebtedness secured by the Collateral and changes in working capital are not measures of performance or liquidity 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, investment activities or financing activities or as an indicator of financial position in accordance with IFRS. For the calculation of EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, adjusted operating cash flow, adjusted operating cash flow (after capital expenditure), changes in working capital, pro forma net indebtedness, pro forma net indebtedness secured by the Collateral, ADR, Occupancy and RevPAR, 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, 2020. 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 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 conclusion of value, it considered the three generally accepted approaches used for estimating the market value of an asset: market, cost and income. The appropriate approach for estimating the market value depends on the nature and the circumstances surrounding the asset under consideration. Duff & Phelps' valuation of hotels that constitute part of the Collateral and of NH Italia's Shares 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. 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 the Diegem Entities will initially secure the Notes, as well as the Senior Secured RCF, on a *pari passu* basis and pledges over the NH Italia Shares and the Zandvoort Shares will initially secure the Notes (on a second ranking basis, but deemed and treated as first-ranking security interests under the Intercreditor Agreement) and the Senior Secured RCF (on a first-ranking basis), as described under "*Description of certain financing arrangements—Intercreditor Agreement*". 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 these Listing Particulars involves risks and uncertainties and is subject to change based upon a variety of external factors. In particular, the valuation is based upon certain assumptions regarding recovery from the impact of the COVID-19 pandemic, and the future impact of the pandemic on our business is difficult to predict. See *"Risk factors—Risks relating to our business and industry—The COVID-19 pandemic has had a significant negative impact on our industry and business, and may continue to have a significant negative impact in the future."* Collateral value as presented in the Listing Particulars 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 these Listing Particulars and the book value of our hotels and assets included in these Listing Particulars 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 may suffer severe devaluations due to the COVID-19 pandemic"* 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 no recourse against the third-party property valuation provider"*.

Other operating measures

In addition to EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, adjusted operating cash flow, adjusted operating cash flow (after capital expenditure), pro forma net indebtedness, pro forma net indebtedness secured by the Collateral and changes in working capital, we have included other operating information in these Listing Particulars, 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 present in these Listing Particulars a geographical breakdown of our sales and our operating data as follows: (1) Spain, which includes Spain, Portugal, France, Andorra, Tunisia and the United States; (2) Italy; (3) Central Europe, which includes Austria, the Czech Republic, Germany, Hungary, Poland, Romania, Slovakia and Switzerland; (4) Benelux, which includes Belgium, Luxembourg, the Netherlands, Ireland and the United Kingdom; and (5) Latin America, which includes Argentina, Brazil, Chile, Colombia, Cuba, Ecuador, Haiti, Mexico and Uruguay. 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 these Listing Particulars, 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, 2020 has been derived from the Duff & Phelps Report produced solely for our use. 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. In particular, the valuation of our properties may suffer severe devaluation due to the impact of the COVID-19 pandemic. The information in these Listing Particulars 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 Purchasers make any representation or warranty as to the accuracy or completeness of such information set forth in these Listing Particulars.

In addition, certain information in these Listing Particulars 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 these Listing Particulars, 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 hotel 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 these Listing Particulars belongs to its holder.

Currency presentation and exchange rate information

In these Listing Particulars:

- \$, "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 July 28, 2021 was \$1.1845 per €1.00.

Year ended December 31,	U.S. dollar per €1.00			
	Period end	Average ⁽¹⁾	High	Low
2016.....	1.0520	1.1035	1.1532	1.0389
2017.....	1.2005	1.1393	1.2036	1.0406
2018.....	1.1469	1.1782	1.2509	1.1218
2019.....	1.1214	1.1179	1.1543	1.0900
2020.....	1.2217	1.1472	1.2298	1.0691
2021 (through June 30).....	1.1858	1.2008	1.2327	1.1717

Month	U.S. dollar per €1.00			
	Period end	Average ⁽²⁾	High	Low
January 2021	1.2136	1.2174	1.2327	1.2077
February 2021	1.2075	1.2095	1.2175	1.1964
March 2021	1.1730	1.1900	1.2091	1.1717
April 2021	1.2020	1.1971	1.2126	1.1759
May 2021	1.2227	1.2148	1.2250	1.2005
June 2021	1.1858	1.2040	1.2213	1.1858
July 2021 (through July 28).....	1.1845	1.1819	1.1876	1.1771

(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 these Listing Particulars. 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 these Listing Particulars. 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 these Listing Particulars. You should read this entire Listing Particulars, including the financial statements and related notes, before making an investment decision. You should also carefully consider the information set out in these Listing Particulars under the heading "Risk factors" for factors that you should consider before investing in the Notes and "Information regarding forward-looking statements" for information relating to the statements contained in these Listing Particulars 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 among the top ten largest hotel chains in Europe by number of hotel rooms, according to the latest available Hospitality On report. As of March 31, 2021, we operated 355 hotels consisting of 54,806 hotel rooms in 29 countries.

Based on a report by an independent market research firm, and measured by number of hotel rooms in operation, as of December 2019, we were the third largest hotel chain in the Netherlands, the fourth largest in Italy and Belgium, the fifth largest in Spain and Portugal and the eighth largest in Germany. Of the 355 hotels we operated as of March 31, 2021, we owned 73 (or 22% by number of hotel rooms), we leased 229 (or 65% by number of hotel rooms) and we managed 53 hotels (or 14% by number of hotel 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 twelve months ended March 31, 2021, our net turnover was €320.4 million and our Adjusted EBITDA was negative €426.5 million. Our net turnover and Adjusted EBITDA increased from €1,613.4 million and €264.5 million, respectively, in the year ended December 31, 2018 to €1,708.1 million and €319.4 million, respectively, in the year ended December 31, 2019. Our net turnover and Adjusted EBITDA decreased from €277.0 million and negative €31.4 million, respectively, in the three months ended March 31, 2020, to €61.2 million and negative €112.3 million, respectively, in the three months ended March 31, 2021. For the three months ended March 31, 2021, our Occupancy, ADR and RevPAR were 14.3%, €65.5 and €9.4, 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 operation—Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)".

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 variety of key functions, including sales, reservations, marketing, administrative and IT systems.

We have strengthened our brand proposition by reorganizing our hotels into an upper-upscale segment, an upscale segment and a mid-tier 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;
- *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
- *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.

Since their public tender offer in 2018, we have benefitted from the industry knowledge and support of MINT, which operates over 172 hotels and resorts across Asia, Australia, Africa, the Middle East and South America. As a result of the integration of the Group into Minor Hotels (an affiliate of MINT), the parties have agreed to a joint brand positioning for all markets and segments, on the basis of the reciprocal master licensing agreement signed between the parties on February 7, 2019 allowing each party to use the other party's corresponding commercial brands in the

geographical areas where each party operates. The brands covered by this master licensing agreement comprise Anantara, Avani, Tivoli and Oaks (in each case with Minor Hotels as licensor) and the brands NH Collection, NH Hotels and NHOW (in each case with the Group as licensor). As a result of this master licensing agreement, we have increased the number of brands we offer in the luxury and upscale segment and currently operate six hotels in Europe under the luxury Anantara brand and 10 hotels under the upper-upscale Tivoli brand:

- Anantara is an award-winning and world-renowned Asian luxury brand offering both design and service-led timeless experiences. Positioned in key markets around the globe, Anantara hotels, resorts and spas open up a window to the modern character of their destination, upholding world-class operational standards to make every stay uniquely personal; and
- *Tivoli* is a collection of upscale and deluxe properties in prime locations around the world. Tivoli is now a global brand, with destinations ranging from idyllic beach settings in Brazil to cosmopolitan city spots across Europe and luxury locations in the Middle East. Every Tivoli hotel is unique. Some are inspired by exotic surroundings, others offer a touch of metropolitan luxury. Each one delivers consistent premium service combined with impeccable taste and comfort.

Since 2013, we have implemented various upgrades and refined our brands across our operations. This has included investing in upgraded basic facilities, such as flat screen televisions and rain showers, and refining our dining and beverage options. We have worked to align our hotels with particular brand aesthetics to create a comfortable and standardized experience for our customers. We have also implemented a centralized pricing strategy which organizes price by destination, allowing us to structure relative prices among our various hotels in each destination, and by room type. Through this pricing mechanism, guests may choose to upgrade for more desirable features, such as a better view. 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 all business units ("BUs").

In the year ended December 31, 2020 as compared to the prior year, all regions reported a decrease in RevPAR, which is principally due to the low levels of occupancy beginning in March 2020 across all regions due to the impact of the COVID-19 pandemic. The second quarter of the year was the most affected quarter during the pandemic due to lockdowns in various countries, temporary hotel closures and travel restrictions, which were reinstated in the last few months of 2020. In particular, for our hotels in Spain, RevPAR, ADR and Occupancy fell by 71.4%, 22.9% and 63.0%, respectively, in 2020 compared with 2019. For our hotels in Central Europe, RevPAR, ADR and Occupancy fell by 67.3%, 16.4% and 60.9%, respectively, in 2020 compared with 2019. For our hotels in Italy, RevPAR, ADR and Occupancy fell by 75.4%, 22.3% and 68.3%, respectively, in 2020 compared with 2019. For our hotels in Benelux, RevPAR, ADR and Occupancy fell by 74.2%, 18.2% and 68.4%, respectively, in 2020 compared with 2019 and, in Latin America, RevPAR, ADR and Occupancy fell by 76.7%, 21.7% and 70.3%, respectively, in 2020 compared with 2019, which was also due to the negative impact of fluctuations in foreign currency exchange rates.

In the first quarter of 2021 as compared to the first quarter in 2020, all regions reported a decrease in RevPAR, which is principally due to the low levels of occupancy beginning in March 2020 across all regions. The first quarter of 2021 has been affected by lockdowns in various countries, temporary hotel closures and travel restrictions, which largely remained in effect during the beginning of 2021. In particular, for our hotels in Spain, RevPAR, ADR and Occupancy fell by 71.2%, 32.7% and 57.3%, respectively in the first quarter of 2021 as compared to the same period in 2020. For our hotels in Central Europe, RevPAR, ADR and Occupancy fell by 88.4%, 29.6% and 83.5% respectively in the first quarter of 2021 as compared to the same period in 2020. For our hotels in Italy, RevPAR, ADR and Occupancy fell by 65.9%, 25.6% and 54.2%, respectively, in the first quarter of 2021 as compared to the same period in 2020. For our hotels in Benelux, RevPAR, ADR and Occupancy fell by 88.2%, 28.7% and 83.5%, respectively in the first quarter of 2021 as compared to the same period in 2020 and in Latin America, RevPAR, ADR and Occupancy fell by 72.5%, 34.1% and 58.2% respectively, in the first quarter of 2021 as compared to the same period in 2020, which was also due to the negative impact of fluctuations in foreign currency exchange rates.

We actively manage our asset portfolio, including our 73 owned hotels which had a book value of €1.3 billion as of March 31, 2021 and December 31, 2020, although we believe that the actual market value of such assets is higher, due to the fact that prices at which we have been able to sell our assets in recent years have been typically higher than their respective book values. Between June 2020 and February 2021, 30 owned hotels that are Mortgage Properties or properties that are owned by entities whose shares form part of the Share Collateral were appraised by third parties and were assigned a market value of approximately €875 million, while their book value as of December 31, 2020 is recorded as approximately €593 million. This means that market value for those 30 appraised hotels exceeds their book value by approximately 48%. We regularly evaluate the performance of individual hotels to identify underperforming properties,

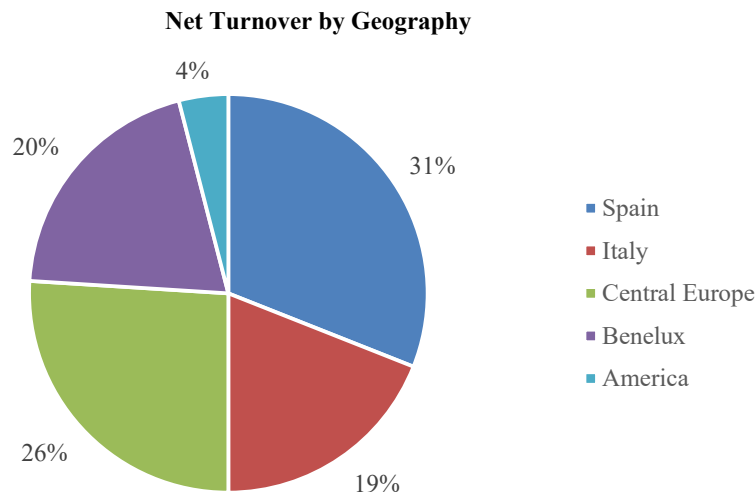
and aim to terminate, or not renew, lease agreements and management agreements for underperforming hotels, in particular if they contain undesirable terms (such as management agreements with costly performance guarantees), as well as to sell certain of our underperforming owned hotels and redirect our 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, we are actively working to continue to increase Occupancy and Average Daily Rates through selective investments, including refurbishment of existing hotels and opening new hotels. 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 a focus on a mobile-friendly interface as our customers increasingly access our website through their mobile devices) with increased functionality in order to increase the proportion of direct bookings. In the year ended December 31, 2020 compared to the prior year, the proportion of revenue generated from our website grew from 11.5% to 14.3%. 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 2020, we opened 11 hotels with 1,966 rooms in markets where we believe there is increasing demand for hotel rooms and we closed 17 hotels with 3,866 rooms.

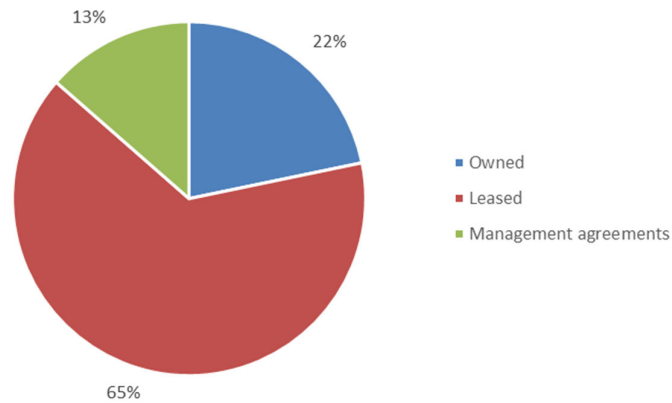
As of March 31, 2021, we have entered into agreements to operate 20 new hotels with 3,739 rooms (our "committed pipeline hotels"), which are expected to commence operations mainly between 2021 and 2023. We will operate our committed pipeline hotels under lease and management agreements with third-party hotel owners and most of our committed pipeline hotels will be operated under our core NH Hotels and NH Collection brands. We estimate that we will invest a total of approximately €30 million into our committed pipeline hotels between 2021 and 2023.

We are a public limited company (*sociedad anónima*) incorporated under the laws of Spain and listed on the Spanish Stock Exchanges with an authorized share capital of €784,360,486 consisting of 392,180,243 shares as of March 31, 2021. Our market capitalization was €1.6 billion as of June 11, 2021.

The following charts set forth the geographic breakdown of our net turnover for the twelve months ended March 31, 2021 and a breakdown of our hotel rooms by owned, leased and managed hotels as of March 31, 2021.



Number of Hotel Rooms by Type of Ownership



Our strengths

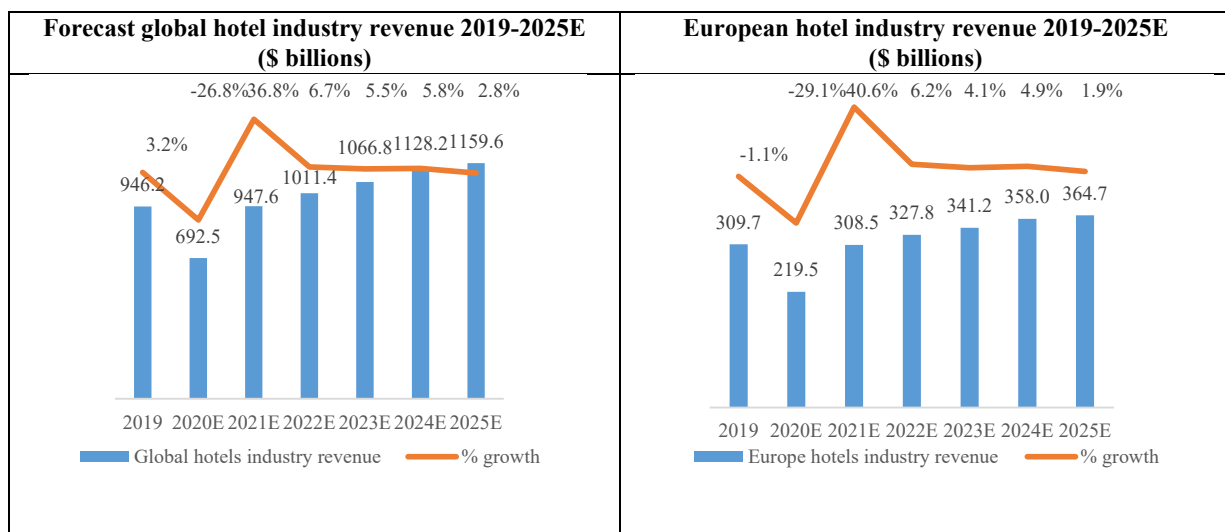
We operate in the hotel and travel industry, which benefits from key growth trends despite the effects of the COVID-19 pandemic

In 2020, the hotel industry is expected to see its worldwide revenue decrease to an estimated \$692 billion from \$946 billion in 2019, as a result of the travel restrictions and lockdowns related to the COVID-19 pandemic. In Europe (which represents 31.7% of the global market), revenue generated by the hotel industry is expected to decrease to an estimated \$220 billion in 2020 from \$310 billion in 2019.

However, according to Marketline, the global hotel industry is expected to recover quickly in the coming years. It forecasts that the global industry will grow at a compound annual growth rate ("CAGR") of 10.9% from 2020 to 2025 and at a CAGR of 10.7% in Europe over the same period. The industry is forecasted to experience a significant recovery from 2021 to 2022 in particular, as pandemic-related concerns are expected to lessen and the vaccination rollouts and containment of the virus are expected to allow countries to encourage tourists to travel again.

The following charts set forth revenue in the global and European hotel industry from 2019 to 2025 (with figures for 2019 presented on an actual basis and figures for 2020 to 2025 presented on a forecasted basis).

Global and European hotel industry revenue (2019-2025) (estimated)



Source: Marketline

According to HVS, European hotel performance declined significantly in 2020 compared to 2019, with an average RevPAR for European hotels dropping from €80 in 2019 to €24 in 2020. HVS anticipates that RevPAR will remain low in the first half of 2021 and will build up in the second half of 2021 to recover to 2019 levels by 2023.

The following table shows average European occupancy rate, average ADR and average RevPAR from 2018 to 2024 (with 2018 to 2020 presented on an actual basis and 2021 to 2024 presented on a forecasted basis).

European occupancy rates (%), ADR (€) and RevPAR (€) 2018-2024E

	Historical			Forecast			
	2018	2019	2020	2021E	2022E	2023E	2024E
Occupancy	72.0%	72.0%	27.0%	45.0%	63.0%	70.0%	72.0%
% change		0.3%	-63.2%	69.9%	40.2%	10.5%	2.9%
ADR	113	111.0	92.0	97	105	111	116
% change		-2.1%	-17.2%	5.7%	7.8%	5.8%	5.0%
RevPAR	82	80	24	44	66	78	84
% change		-1.8%	-69.5%	79.6%	51.1%	16.8%	8.0%

Source: HVS

Once travel restrictions are lifted, an immediate and significant recovery in tourism-related demand is expected and Europe is anticipated to be well placed to benefit from this trend. According to the United Nations World Tourism Organization ("UNWTO"), Europe is the world's most popular tourist destination with a 51% share of global tourist arrivals in 2019 and a 58% share in 2020. France, Spain and Italy were ranked as first, second and fifth countries, respectively, in terms of the number of tourist arrivals in 2019. The UNWTO anticipates that the level of international tourist arrivals seen in 2019 could be achieved again in 2022-2024, depending on the pace of the recovery in demand.

This recovery is expected to be a result of the continuation of several growth trends, which were paused due to the impact that the COVID-19 pandemic had on the travel and hotel industry. The global hotel industry has experienced strong and regular growth in recent years at a CAGR of 7.0% from 2011 to 2019. This growth was primarily due to the worldwide increase in tourism driven by continued global economic growth and a consistent increase in consumer disposable income. These trends have mainly been observed in the Asia Pacific region, especially in China and India, where a growing middle class increasingly has the means and desire to travel internationally for tourism reasons, particularly to Europe. Additional factors supporting the growth of the hotel industry include improved air connectivity and the increasing affordability of flights, particularly from low-cost airline carriers in Europe. These trends are expected to resume their positive contribution to the travel and hotel industry from 2021 onwards.

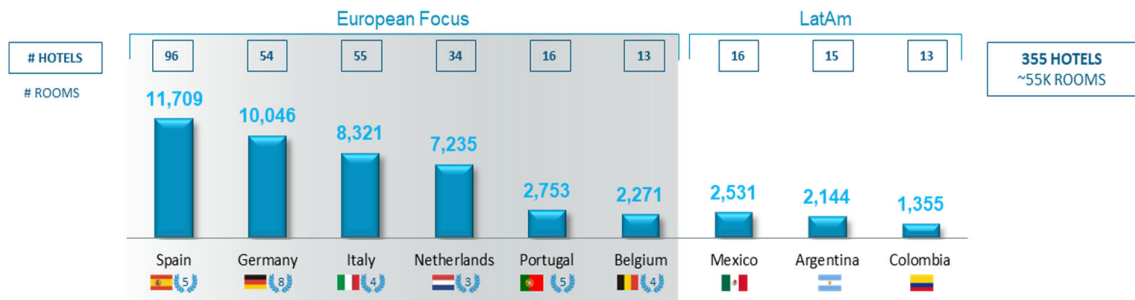
More broadly, improving macroeconomic conditions are also expected to stimulate the travel and hotel industry. The past two decades have seen a positive correlation between growth in GDP and travel and tourism related expenditure. The International Monetary Fund ("IMF") forecasts that the global economy will grow by 6.0% in 2021 and by 4.4% in 2022. Among developed economies, the United States is expected to surpass its pre-COVID GDP level in 2021, while many other regions are expected to return to their pre-COVID levels in 2022. In the euro area, GDP growth is expected to rebound by 4.4% in 2021 and by 3.8% in 2022. This is expected to be driven by the continued roll-out of COVID-19 vaccination programs and a resumption of economic activity.

We are a leading European hotel operator with a large and diversified hotel presence and a strongly recognized brand

We are a leading international hotel operator, ranked among the top ten hotel chains by number of hotel rooms in Europe (as of December 31, 2020) and the top 30 globally (as of December 31, 2019), with 355 hotels offering 54,806 rooms across 29 countries as of March 31, 2021. Based on a report by an independent market research firm, and measured by number of hotel rooms in operation, as of December 31, 2019, we were the third largest hotel chain in the Netherlands, the fourth largest in Italy and Belgium, and the fifth largest in Spain and Portugal, with a significant presence in Latin America. Through our geographically diversified footprint, we are well positioned to take advantage of favorable economic and travel trends in our various local markets, reducing our reliance on particular localities, supported by a greater contribution from domestic demand, which was as follows in certain of our core countries (based on 2019 figures): 67% in Germany; 60% in Spain; 48% in Italy; and 47% in the Netherlands.

The following chart presents our market position by number of hotel rooms in Europe and Latin America.

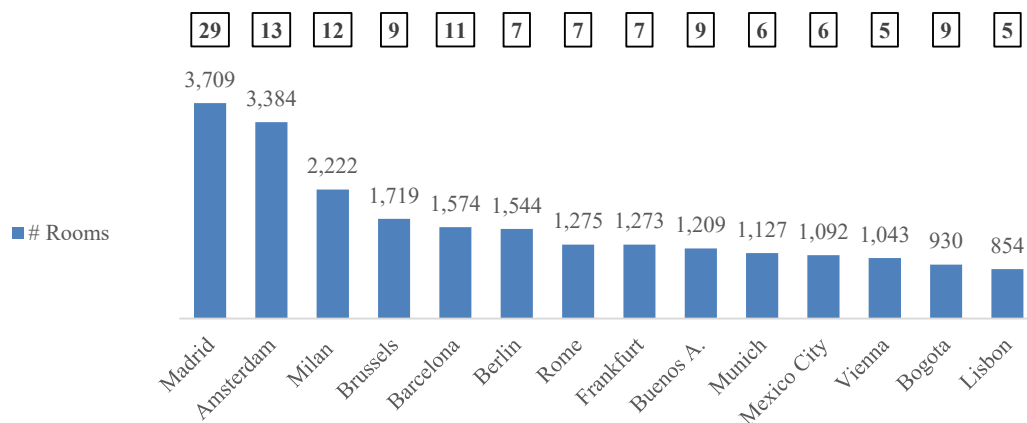
Our market position (2019) and number of hotels and hotel rooms (March 2021)



Source: Ranking from Horwath HTL European Chains & Hotels Report 2019

The following chart presents our footprint by number of hotels and hotel rooms in operation by city in March 2021.

Number of hotels and hotel rooms in operation (by city) (March 2021)



Moreover, 95% of our hotels are located in urban markets and target the upscale segment of those markets.

Our core brands include NH Collection, NHOW and NH Hotels, and we aim to deliver a consistent customer experience across all our hotels:

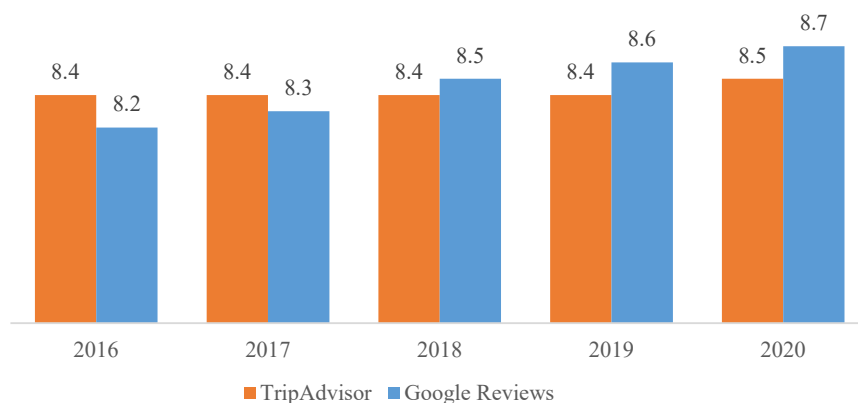
- *NH Collection* is our upper-upscale urban segment brand, which consists of our best properties and is designed for clients that are willing to pay a premium for higher quality products and services;
- *NHOW* is our upper-upscale design brand, for which we do not have a standard design applied across 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
- *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.

Furthermore, as a result of the integration with MINT, we have increased our brand offer in the luxury and upscale segment. Under a reciprocal master licensing agreement signed in February 2019, we are licensed to use MINT's brands and currently operate six hotels in Europe under the luxury Anantara brand and 10 hotels under the upper upscale Tivoli brand:

- *Anantara* is an award-winning and world-renowned Asian luxury brand offering both design and service-led timeless experiences. Positioned in key markets around the globe, Anantara hotels, resorts and spas open up a window to the modern character of their destination, upholding world-class operational standards to make every stay uniquely personal; and
- *Tivoli* is a collection of upscale and deluxe properties in prime locations around the world. Tivoli is now a global brand, with destinations ranging from idyllic beach settings in Brazil to cosmopolitan city spots across Europe and luxury locations in the Middle East. Every Tivoli hotel is unique. Some are inspired by exotic surroundings, others offer a touch of metropolitan luxury. Each one delivers consistent premium service combined with impeccable taste and comfort.

We operate most of our hotels under our core NH Hotels brand, which provides a strong branding identity. Our brands have remained consistently visible and popular based on our average overall TripAdvisor and Google scores, as set forth in the following chart:

TripAdvisor and Google average overall scores for our brands (2016-2020)



Source: Internal company analysis based on publicly available TripAdvisor and Google Reviews.

For more information on our brands, please see "*Business—Brand development*". Of the hotels included in a survey conducted in 2019 by GFK, we were the most recognized hotel brand in Spain, ranking second 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 fourth and fifth, 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. Furthermore, 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.

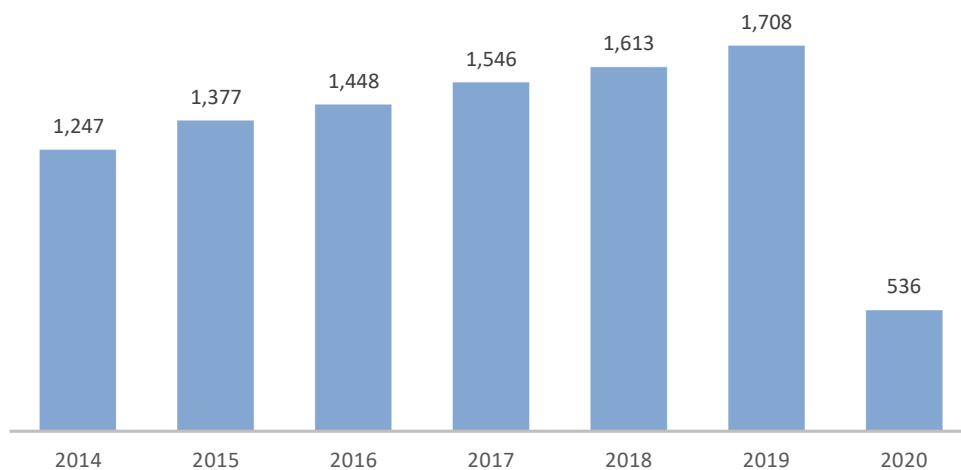
Strong operating performance before the pandemic and well positioned for an industry recovery

Prior to the COVID-19 pandemic, net turnover and Adjusted EBITDA steadily increased from €1,376.6 million and €138.3 million, respectively, in 2015 to €1,708.1 million and €319.4 million, respectively, in 2019, with 2019 being a record year for Adjusted EBITDA which has more than doubled since 2015.

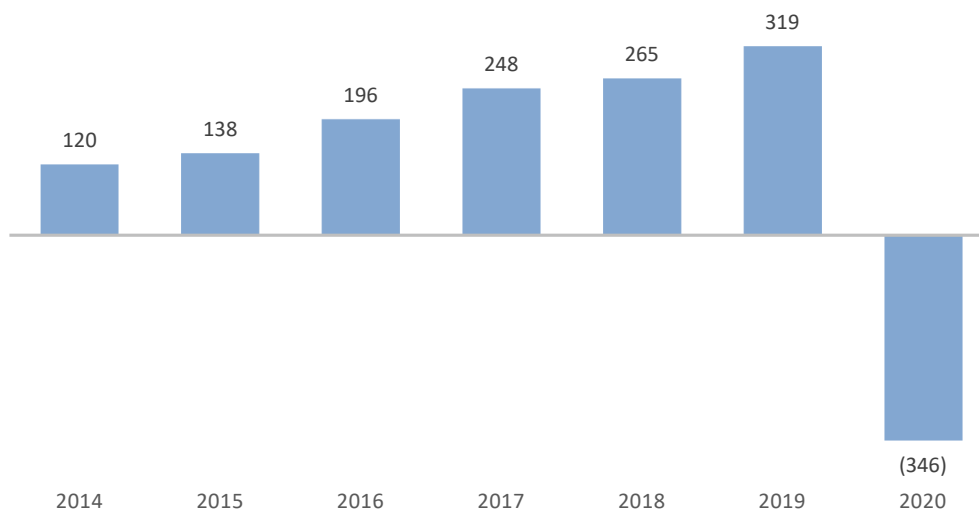
The following charts set forth our net turnover and Adjusted EBITDA from 2014 to 2020. Our Adjusted EBITDA margin in 2019 was 18.7%, which has steadily increased every year from 2015 when it was 10%.

Net turnover and Adjusted EBITDA (2014 to 2020)

Net turnover (in € millions)



Adjusted EBITDA (in € millions)

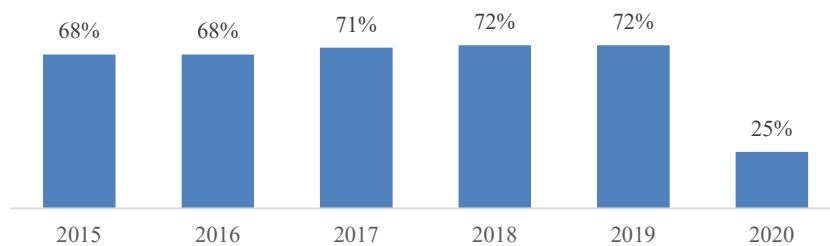


We achieved similar trends of consistent growth in our Occupancy and ADR prior to the COVID-19 pandemic, which we believe was directly due to our upgrading of our hotel portfolio by prioritizing the refurbishment of our hotels, resulting in increased profitability. Profitability has also been impacted by the shift from leased to managed hotels. Additionally, we have improved the quality of leased portfolios through targeted renegotiations, early termination and not renewing certain lease agreements. For example, in the period from 2018 to 2020, there were 17 lease agreements that were not renewed. Our portfolio optimization is focused on an asset-light structure with 14% of our properties managed, 22% owned and 65% leased, as at March 31, 2021. This includes 54,806 hotel rooms, which has remained consistent over the past few years. Operating a similar number of hotel rooms, but higher quality assets, has helped us to build a more profitable business.

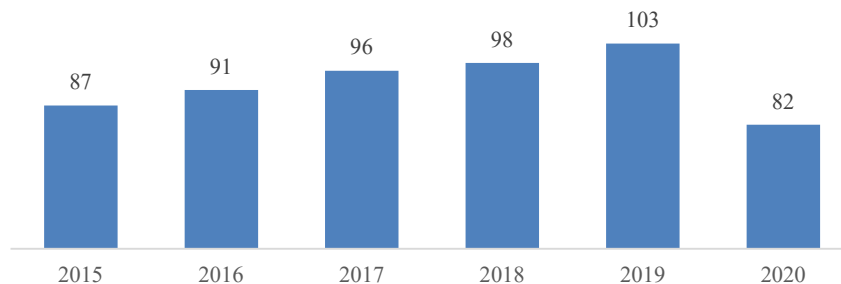
The following charts set forth our Occupancy and ADR for the period from 2015 to 2020:

Occupancy and ADR (2015 to 2020)

Occupancy



ADR



The hospitality sector faced unprecedented challenges in 2020 due to the severe impact of the COVID-19 pandemic. As a result of the COVID-19 pandemic, our net revenue, Adjusted EBITDA, Occupancy and ADR decreased by 68.6%, 202.7%, 65.1% and 20.2%, respectively, during the year ended December 30, 2020. Despite various lockdowns and travel restrictions around the world, the operating and financial transformation we achieved in previous years, together with the contingency measures implemented, have enabled us to address the challenges of this extraordinary complex year and safeguard our business continuity. The flexible cost structure is one of our competitive advantages, which has allowed for the reopening of more than 300 hotels since June 2020 to capture domestic customers' demand, resulting in 80% of our portfolio being open in August 2020. Due to the impact of a second wave of COVID-19, with new travel restrictions and lockdowns imposed after the summer, many hotels closed again, and the percentage of hotels open in December 2020 dropped to 60%. However, since the beginning of 2021, the gradual roll out of vaccination programs, together with the progressive easing of restrictions in some European countries, has allowed us to accelerate the reopening of our portfolio. As such, at the end of May 2021, approximately 78% of hotels in our portfolio were open.

In anticipation of travel restrictions being lifted, we believe we are well positioned for an industry recovery. The recovery in domestic leisure demand is already noticeable and is gaining momentum, as Europe gradually increases its vaccination rate, consumers gain confidence and governments start to ease restrictions. In 2019, the proportion of

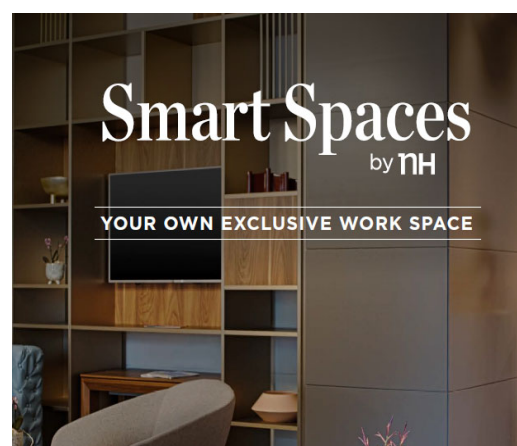
revenues coming from the business to customer channel was 60% with the remaining 40% coming from the business to business channel. We believe that this historical business mix will facilitate our prospects for a recovery in our operating performance, as we believe that demand from leisure travelers is more likely to rebound quicker than demand from business travelers. Although we expect our leisure travelers to return more quickly than business travelers, we have implemented initiatives to entice business travelers, including extended stays, providing discounts of up to 35% for stays longer than seven days, large work spaces for business travelers to work in or use for group meetings, and virtual meeting capabilities.

The following graph sets forth these initiatives in more detail:



Extended Stay at NH

Up to 35% on stays from seven days to work away from home during a long period or enjoy a longer holiday vacation



New innovative business to business proposal with exclusive spaces to work and organize small business meetings taking advantage of all the benefits of our hotels (day-use room, gyms, restaurant)



To enhance the value of the events reaching a greater audience from different destinations combining in-person and virtual attendees

The recovery phase likely will be driven initially by domestic and intra-European demand. In 2019, intra-European demand representing between 71-76% of our revenues with domestic demand at 67% in Germany; 60% in Spain; 48% in Italy; and 47% in the Netherlands during the same period.

Additionally, our hotels are in desirable and attractive locations and well-visited cities that are among the most popular tourist destinations such as Amsterdam, Barcelona, Madrid and Milan. Our hotels are located in city centers close to tourist attractions. Due to travel restrictions, in the third quarter of 2020, domestic occupancy increased. This demonstrates that our recovery is not fully reliant on international tourism normalizing to their pre-pandemic levels.

Our ability to benefit from an anticipated recovery in the industry is helped by our strong brand identity. In a survey conducted in 2019 by GFK, we were one of the most recognized hotel brands in Spain, ranking second in the country in the "core target" category in relation to brand prompted awareness, which includes business and city travelers.

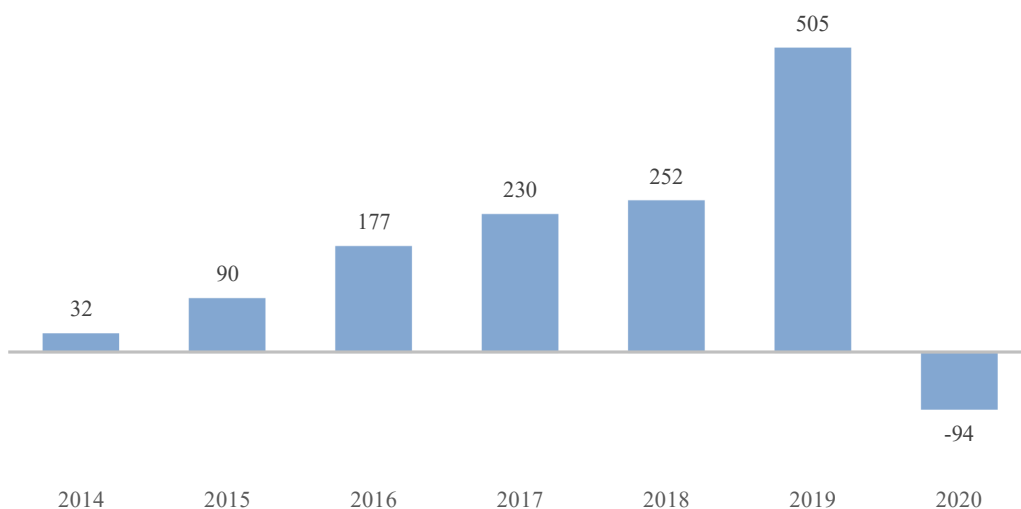
In the Netherlands and Italy, we ranked fourth and fifth, respectively, in the same category. We also monitor customer satisfaction through our "Quality Focus On Line" tool, which analyzes results for both individual hotels and for our Group in the aggregate.

Robust cash flow generation following the completion of the investment program and significant action taken on costs and cash flow to mitigate the effects of the pandemic

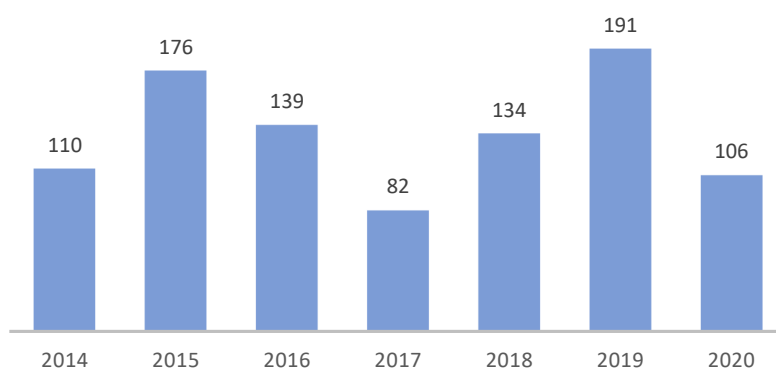
Our robust cash flow generation demonstrates that we are fully oriented toward improving efficiency to improve our profitability. Following the completion of significant capital expenditure investments made from 2014 to 2016, our historical operating cash flow generation has since offset our capital expenditure. Our Total net cash flow from operating activities increased from €32.1 million in 2014 to €505.3 million in 2019, due in large part to the impact of IFRS 16, and decreased to negative €94.1 million in 2020, mainly due to the impact of the COVID-19 pandemic. Over the same period, our capital expenditure increased from €109.9 million in 2014 to €190.8 million in 2019, before decreasing to €105.5 million in 2020. We concluded a phase of heavy capital expenditure investment in 2016. From 2018 until March 2021, we initiated a second phase of repositioning capital expenditure investments. Our adjusted operating cash flow (after capital expenditure) increased from negative €77.8 million in 2014 to positive €37.2 million in 2016. This positive operating cash flow (after capital expenditure) continued from 2017 to 2019 due to lower capital expenditure. The successful completion of our investment program, together with renegotiations of our lease agreements to shift towards variable leases, has enabled us to have a lighter asset structure, requiring less capital expenditure. Over the same period, while maintaining substantially the same number of hotel rooms, our net turnover and Adjusted EBITDA have grown by approximately 1.4x and 2.7x, respectively, or from €1,247.0 million and €119.5 million in 2014 to €1,708.1 million and €319.4 million in 2019, respectively, demonstrating the increase of higher quality assets in our portfolio.

The following charts set forth our Total net cash flow from operating activities, capital expenditure and adjusted operating cash flow (after capital expenditure) from 2014 to 2020.

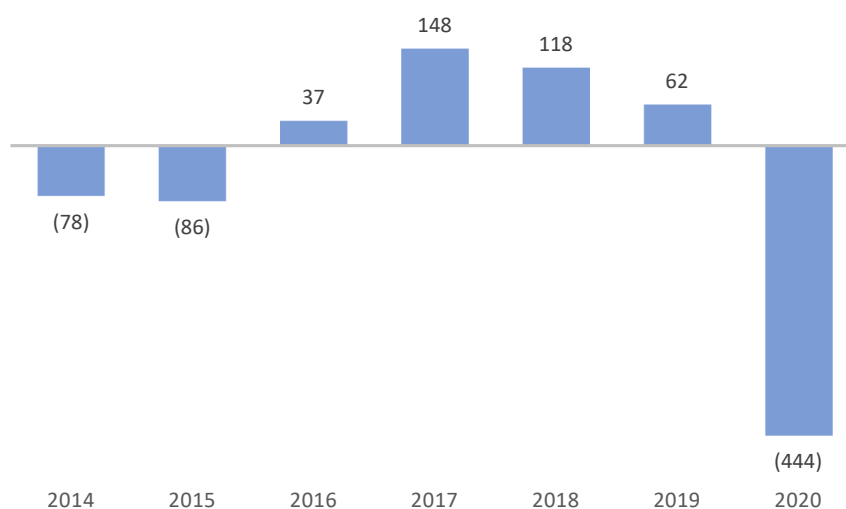
Total net cash flow from operating activities (2014-2020)



Capital expenditure per year (2014-2020)



Adjusted operating cash flow (after capital expenditure) (2014-2020)



In response to the COVID-19 pandemic, we implemented significant cost control measures and developed a contingency plan to reduce our costs. This achieved our aim of minimizing costs whilst hotels were closed, preserving our liquidity to meet operational needs and ensuring that hotel activity could be resumed efficiently and under maximum guarantees in terms of health and safety. Given the lack of visibility on the pace of business recovery, the cost control measures were implemented, and continue to be implemented, to minimize operational expenses and preserve liquidity.

In the nine months from April to December 2020, we were able to minimize our cost base and reduce our non-rent costs by approximately 61% and our costs including rents by approximately 52%. Excluding perimeter changes, the decrease in total rents amounted to approximately 32%, explained by the €63.6 million increase in our fixed rent concessions and our lower variable rents. We were able to secure certain temporary reductions in fixed leases starting in the second quarter of 2020 and negotiations with a view to reducing rents will continue into the first half of 2021. In addition, since April 2020, our cost base has decreased due to a reduction in our staff and operating expenses by approximately 60% and 62.5%, respectively. This was achieved by downsizes in our workforce by means of furloughs, shorter working hours and wage cuts, which have extended through mid-2021. Additionally, all Group staff travel has been suspended since early March 2020 and non-priority third party advisory services have also been suspended. We have also significantly reduced our marketing and advertising spend. Furthermore, members of the board of directors of

the Issuer have foregone all their remuneration for the rest of 2021, while the impact of the COVID-19 pandemic on operating performance persists. As a result of our effective cost control measures, we were able to offset approximately 50% of the EBITDA decline in 2020. We continued to implement cost control measures through the first quarter of 2021 and successfully offset approximately 69% of the EBITDA decline during such period. Overall, from April 2020 until March 2021, we have been able to minimize our cost base and reduce our non-rent costs by approximately 60% and our costs including rent by approximately 51%, compared to the same period in the prior year, allowing us to offset approximately 54% of EBITDA decline in the twelve months ended March 31, 2021.

To further preserve cash flow, we withdrew our 2019 dividend proposal of €0.15 per share, which would have involved an estimated payment of approximately €59 million in 2020 and reduced our capital expenditure investments by approximately €100 million, an approximate 50% reduction from our original investment plan for 2020. We reduced our capital expenditure to €14.9 million in the first quarter of 2021 from €34.0 million in the same period of the prior year, representing reduction of approximately 56%, and plan to maintain limited capital expenditure through 2021. In the first quarter of 2021, our average cash outflow was approximately €29 million per month (75.5% of operating cash flow and 24.5% of investing and financial cash flow), a reduction from our average cash outflow of approximately €42 million per month (67.9% of operating cash flow and 32.1% of investing and financial cash flow) in the year ended December 31, 2020.

Proactive strengthening of our capital structure and liquidity position

Throughout the COVID-19 pandemic, we have taken several pro-active steps to mitigate its impact on our financial position and to strengthen our capital structure. During this time, we have maintained liquidity through taking advantage of our available financing. This includes drawing €250 million under the Senior Secured RCF in March 2020 and amending the Senior Secured RCF in October 2020, pursuant to which the existing lenders extended availability from September 2021 to March 2023 and waived the financial covenants stipulated in the Senior Secured RCF agreement up to and including December 31, 2021, as well as a significant reduction to the levels required to be met until June 2022 (inclusive), with the next covenant testing at the original ratio levels not due until December 2022. We have since limited repayments of the Senior Secured RCF to €14 million, leaving €236 million drawn as of March 31, 2021. Subject to completion of the Offering, in June 2021, we again amended and extended the Senior Secured RCF until March 31, 2026 and an additional €6 million will be committed and the amount outstanding as of the Issue Date is expected to remain at €236 million. In addition, in connection with the Offering, the lenders under the Senior Secured RCF have agreed to a waiver of the financial covenants for the full year of 2022. The effectiveness of this waiver is conditional upon the closing of the Offering on the Issue Date. See "*Description of certain financing arrangements—Senior Secured RCF Agreement.*" We also drew €39 million under unsecured short-term bilateral credit facilities during 2020.

On April 29, 2020, we entered into a €225 million Term Facility Agreement, guaranteed up to 70% by the Instituto de Crédito Oficial (the "ICO"), which was fully drawn as of March 31, 2021. In addition, on May 18, 2020 we also entered into a €25 million Sabadell Bilateral Facility Agreement also guaranteed by the ICO. To further mitigate the impact of the COVID-19 pandemic, in May 2021, we obtained a waiver of financial covenant testing until June 2022 (inclusive), as well as an extension of the maturity of these COVID Related ICO Facilities from 2023 to 2026. See "*Description of certain financing arrangements—Term Facility Agreement and Sabadell Bilateral Facility Agreement.*" On May 12, 2021, we entered into the unsecured €100 million Shareholder Loan from our 94% shareholder, MINT. Following the Offering, we intend to capitalize this debt (which we may do solely at our discretion) and carry out a Rights Offering to minority shareholders at the same time. See "*Description of certain financing arrangements—Subordinated Loans—Shareholder Loan.*"

As of March 31, 2021, on a pro forma basis after giving effect to the Transactions, our total net indebtedness (excluding operating lease liabilities and the Shareholder Loan) would have amounted to €686.1 million, comprising €1,051.0 million of indebtedness, less cash and cash equivalents of €364.9 million. Our total liquidity as of March 31, 2020, pro forma for the Transactions, would have been €395.9 million, including €31 million of available undrawn amounts, which is comprised of €25 million available under bilateral credit lines and €6 million which will be made available under the Senior Secured RCF. See "*Capitalization.*" We have no significant debt maturities until 2023 (other than €356.9 million attributable to the 2023 Notes, which are expected to be redeemed using the proceeds of the Offering).

We also intend to continue our ongoing asset rotation strategy through sale and leasebacks during the second and third quarters of 2021, with a focus on higher quality of assets, which we expect will generate net cash proceeds of over €200 million to be applied towards enhancing liquidity and reducing debt.

In the past, we successfully reduced our net leverage from approximately 2.6x in 2017 to 0.6x in 2018 and 2019, a reduction of approximately 200 basis points. We anticipate that our plans for ongoing debt optimization and liquidity reinforcement, as described above, will provide stability and sustainability for the Group in the future.

Large, diversified and well-invested hotel portfolio in key urban locations

As of March 31, 2021, of the 355 hotels we operated, we owned 73, leased 229 and managed 53 hotels owned or leased by third parties pursuant to management agreements. Most of our hotels are strategically located in key urban markets (see "*We are a leading European hotel operator with a large and diversified hotel presence and a strongly recognized brand*"). Our portfolio of 73 owned and operated hotels consists of 11,920 hotel rooms as of March 31, 2021, which represent approximately 22% of the rooms we operate. Our owned hotels are located in the Netherlands (23% of book value), Italy (21% of book value), Spain (20% of book value), the United States (11% of book value), Belgium (8% of book value), Germany (6% of book value), Argentina (5% of book value) and other countries (6% of book value). The book value of our 73 owned hotels was €1.3 billion as of March 31, 2021 and December 31, 2020, although we believe that the actual market value of such assets is higher, due to the fact that prices at which we have been able to sell our assets in recent years have been typically higher than their respective book values. In addition, out of our 73 owned hotels, 30 hotels have been appraised by third-parties between June 2020 and February 2021, and such hotels, which have a book value of €593 million as of December 31, 2020, have been assigned a total market value of €875 million, meaning that market value for those 30 appraised hotels exceeds their book value by approximately 48%.

In 2020, we completed our investment program which started in 2014, involving €371 million of repositioning capital expenditure, €75 million of investment from the owners of our leased hotels, €60 million in basic capital expenditure and €50 million of IT capital expenditure. Our ADR increased from €79 in 2014 to €103 in 2019. We also improved RevPAR from €53.4 for the year ended December 31, 2014 to €73.5 for the year ended December 31, 2019. We believe this positive result was attributable to the investment program, including the refurbishment of existing hotels and the opening of new hotels. 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 and Google review rankings, showing increases in the levels of quality perceived by customers. In 2020, we continued our repositioning program with an investment of approximately €50 million.

Experienced management team that have a track record of operational improvement and have adapted well during the pandemic, and demonstrable support from MINT

Our experienced and proven management team has an average of approximately 17 years' experience in the hotel industry. We believe this has been instrumental to our growth and has successfully transformed our business into an international hotel chain, with strong footholds in European markets as well as exposure to markets in Latin America.

In January 2017, we appointed 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. Aragonés Marín has approximately 43 years of experience in the hotel industry and has worked at the Group for the last 12 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 strategic initiatives by our management team, our Adjusted EBITDA increased from €120 million in the year ended December 31, 2014 to €319 million in the year ended December 31, 2019.

The hospitality sector has faced unprecedented challenges in 2020 due to the severe impact of the COVID-19 pandemic. Our operating (EBITDA growth) and financial (deleveraging) transformation achieved in previous years together with the comprehensive contingency measures implemented have allowed us to address the challenges of this extraordinary complex year and safeguard business sustainability. In addition, our management team took decisive actions during the pandemic, including cost control measures, through a reduction in our staff and operating expenses through temporary downsizes in our workforce, reductions in hours and wages and successful negotiations with our landlords for temporary rent reductions. The management team also withdrew our 2019 dividend proposal and reduced our capital expenditure investments. These measures enabled us to offset approximately 50% of revenue decline at the EBITDA level in 2020. Our management team continued our effective cost reduction measures through the first quarter of 2021 and successfully offset 69% of the revenue decline. The management team also took a number of measures to protect liquidity. For more information, see "*Robust cash flow generation following the completion of the investment program and significant action taken on costs and cash flow to mitigate the effects of the pandemic*". In addition, members of the board of directors of the Company have suspended their remuneration for 2021.

We also benefit from the industry knowledge and support of our controlling shareholder, MINT, which operates over 172 hotels and resorts across Asia, Australia, Africa, the Middle East and South America. For more information, see "Shareholders." MINT has demonstrated its financial support by granting a Shareholder Loan of €100 million to the Company in May 2021. This is intended to enhance our liquidity and further strengthen our capital structure so that we can address the challenges arising from the current industry environment from a stable financial position.

Our strategy

Position the hotel portfolio as best as possible to take advantage of the recovery in the tourism and travel industry

We will continue to position our business as a leading international hotel operator to take advantage of the recovery in the tourism and travel industry and capture expected short term business-to-customer and leisure demand. The vast majority of our sales (93%) are from Europe where vaccination programs are accelerating and countries are now emerging from lockdowns and travel restrictions. We are planning to take advantage of our strong positioning in each of the European countries in which we operate and focus on the business-to-customer segment that represents approximately 60-70% of business. To capture the short term demand, we plan to implement a strategic promotions plan to secure short term business-to-customer and leisure demand.

We are well positioned to take advantage of favorable economic and travel trends in our various local markets, supported by a high contribution of revenue from domestic demand, which was 67% in Germany, 60% in Spain, 48% in Italy and 47% in the Netherlands based on 2019 total revenue figures. Overall, intra-European demand represented between 71-76% of our revenues in 2019.

As a result of our flexible operating structure, we are competitively positioned to take advantage of increasing tourism and travel demand in Europe and to maintain a progressive re-opening strategy that focuses on optimizing profitability. We are focused on enhancing and recovering our brand standards of quality and experience, demonstrated by our notable customer service and amenities, by implementing initiatives that cater to the needs of the business traveler. We will redesign our approach to the corporate segment through new value proposition and account handling model, focusing on unmanaged business. Although we expect leisure customers to return more quickly than business travelers, we do have initiatives in place to entice business travelers. We will continue with the full roll-out of initiatives to adapt to the new trends of business traveler including extended stays, large workspaces, and set ups for virtual meetings. We offer "Smart Spaces," exclusive spaces for customers to work and organize small business meetings to take advantage of all of the hotel's amenities. In addition, we offer hybrid meetings to enhance the value of events for our business travelers, combining in-person and virtual attendees and reaching a greater audience from different destinations. Through initiatives like these, we believe we are able to enhance our brand reputation and maintain our status as a top hotel choice by travelers. For more information on our business initiatives, see "Business—Sustainability and Environmental, health and safety matters—Sustainability initiatives" and "Management's discussion and analysis of financial condition and results of operations—The COVID-19 pandemic and related measures".

In 2020, as part of our "feel safe" program, a best in class health and safety measure and SGS protocol, we have implemented enhanced cleaning and disinfection protocols, food and beverage management protocols, social distancing rules and air and water purification control, as well as new digital solutions. This new program, which was adopted as part of our COVID-19 recovery strategy, comprises a set of health and safety protocols aimed at safeguarding health and safety and allowing social distancing for both guests and employees. We reviewed all our procedures and made nearly 700 adaptations to our operating standards to preserve the health and safety of guests and employees worldwide. Grouped into 10 main lines of action and supported by specialists in various fields, the measures implemented include the digitization of hotel services and adapting sanitation processes, including social distancing regulations in operations and the use of personal protective equipment, among others. We also reached a collaboration agreement with SGS, the world leader in inspection, analysis and certification, which allows us to follow up on the measurement and diagnostics protocol established to verify that our hotels are clean and safe environments. Due to the involvement of hotel managers and heads of department, this plan progressed and we are committed to ensuring that employees adopt, follow and implement the new health and safety standards at all our hotels and across operations. We have pursued a progressive and flexible reopening of our hotels since June 2020.

Continue optimizing the portfolio in the mid-term

In connection with our repositioning initiative which started in 2014, we have invested approximately €371 million of repositioning capital expenditure between 2014 when the plan was launched and 2020. This initiative is now completed and, as of December 31, 2020, a total of 107 hotels have been refurbished, representing approximately 30% of our hotel portfolio. These hotels were selected as we believed they were 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 involved

modernizing rooms and common areas by refreshing paint and floor coverings and replacing furnishings and finishings. In certain hotels, we undertook the refurbishment of the entire building, including all mechanical, electrical and plumbing systems. The hotels we have refurbished have generally experienced increased RevPAR as it can be extracted from the Group RevPAR growth from €53 in 2014 to €74 in 2019 and 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.

In an effort to optimize our lease portfolio, we intend to implement selective refurbishments of certain hotels, identifying attractive repositioning and investment opportunities to implement once the pandemic subsides, and to renegotiate contracts (increase variable terms), extensions and terminations. We also intend to increase the number of managed hotels we operate by utilizing our strong recognition as a hotel operator and our strong market positioning ahead of potential movements in the sector. In Europe, we believe we have an opportunity increase our luxury segment positioning through the Anantara Brand with an additional Anantara marketing campaign expected in the year, as well as in the Resort segment where we have a strong presence, proven track record and high brand awareness, in particular in our core geographies of Spain, Portugal and Italy (see "*Our strengths—We are a leading European hotel operator with a large and diversified hotel presence and a strongly recognized brand*").

Focus on digitalization, our loyalty program and pricing and sales channels to drive improvements in profitability

A key focus of the Group is to continue to be at the forefront of innovation, with an emphasis on digitalization, which we believe will further improve our profitability. In recent years, our digital transformation has improved the efficiency of our processes and systems, with a key achievement being the centralization of all of our properties and functions onto a single integrated system. This fully-integrated digital platform (the "*NH Digital Core Platform*") is a pioneering technological solution in the sector that has become the basis for us to expand our customer knowledge, maximize efficiency and innovate on a large scale in all our value areas.

In 2019, we launched "Fastpass", a combination of three innovative services (Check-in Online, Choose Your Room and Check-out Online), which gives customers full control over their stay. We believe we are the first urban hotel chain in Europe to offer such services on mobile devices. This initiative also allows for quality and experience enhancement by improving contactless and seamless transactions through the optimization of online check in/out processes. In addition, in 2019, we also launched "City Connection", under the slogan "Stay in one hotel, enjoy them all", whereby we offer our customers the convenience and added benefit to access and enjoy selective amenities at any of our hotels in their destination city.

We are in the process of migrating our loyalty program from NH Rewards to Global Hotel Alliance ("*GHA*"), increasing the visibility of our loyalty program and strengthening our guest database, with a view to making the Group more competitive. GHA is the operator of an award-winning, multi-brand hotel loyalty program ("*DISCOVERY*"), and in April 2021 we announced that the Group would join the alliance and merge the NH Rewards Loyalty Program with DISCOVERY in early 2022. As one of the ten largest loyalty programs in the hospitality sector, with over 900 participating hotels, the DISCOVERY program allows the Group to utilize collective buying power and collaborative marketing efforts, and opens up destinations across Asia, Australia and North America to our customers. GHA is preparing to launch a redesigned version of its DISCOVERY program during the fourth quarter of 2021, which will include a digital rewards currency and unique benefits and offers for local members. The migration to GHA will allow the Company to benefit from a major global program with access to key feeder markets.

We plan to continue to optimize our pricing and revenue management strategy through additional technology investments to push for automation.

Enhance operational excellence by additional efficiencies in fixed costs with a continuous optimization of our support functions, including through digitalization

In response to the COVID-19 pandemic, we implemented a contingency plan to unlock structural cost savings and adapt our operations, including reductions, concessions or deferrals of fixed rent expenses, early termination of underperforming leases, certain headcount rationalizations, the negotiation of lower procurement costs with our suppliers, the reduction and cancellation of certain capital expenditures and suspension of all staff travel and non-priority advisory, marketing and advertising costs. In addition, we implemented a collective dismissal process at our central and corporate services at the end of April 2021. We intend to maintain certain of these cost efficiencies after the pandemic into 2022. In addition to the cost control measures taken in response to COVID-19, we are committed to increasing the digitalization of hotel information and services. Our digital transformation has resulted in more efficient and improved systems and processes, which we believe leads to further differentiation from our competition. The introduction of the

NH Digital Core Platform has allowed us to centralize all our properties and functions onto a single integrated system. This is a pioneering technological solution in the sector that has allowed us to expand our customer knowledge, maximize efficiency and innovate on a larger scale in all our value areas. In addition, we have utilized an advanced online application, which can be accessed by any guest from their mobile device. The application provides all customers with all the hotel information in an easily-accessible format, from information on the hotel's facilities and hours, to ordering room service, making a reservation in the restaurant or requesting additional amenities. We have also implemented additional initiatives, such as a housekeeping mobility application, tablets at the reception desks and digitalization of reports, which optimizes our hotel managers' record of customers and supervision processes.

Focus on talent management and return to a "new normal"

Throughout 2020 and into 2021, we have taken measures to alleviate the significant impact of the COVID-19 pandemic on our business and profits. With this aim, and always with the purpose of protecting employment in the long term as much as possible, we launched a contingency plan to temporarily reduce our staff and, as a result, adjust personnel costs to the new reality of the business, with contract suspensions, reductions in working days, hours and wages and other temporary measures taken in accordance with employment legislation in each country. Even in such an adverse context, we strive to maintain our corporate culture and commitment to our values, seeking coherence and fidelity in our strategy with respect to our people, as a key factor in retaining the credibility and trust of our teams.

The initial aim at the beginning of 2020 was to consolidate key policies and projects within the Group's Human Resources Strategic Plan; however all planned projects were put on hold due to the onset of the COVID-19 pandemic. Throughout the year, we still maintained a focus on our strategic pillars, but with each action and initiative re-evaluated in the context of the complicated individual, social and corporate impact of the COVID-19 pandemic:

- *Global leadership and talent management:* We continue to promote leadership within the Group, focusing efforts and investment on internal talent that has the potential to make a difference in the Group's strategy and to become models of our culture.
- *Maximum performance and better workplaces:* All employees are encouraged to develop and fulfil their potential, with high performance differentiated, recognized and rewarded, enabling them to become our best brand ambassadors.
- *Transformation and reinvention:* We continually search for, assess and utilize opportunities to be more efficient (for example, outsourcing and digitization), evolving our working environment and acquiring advanced analytical and predictive skills.

Within this working framework, we launched a multitude of initiatives to care for our employees during these challenging times. For example, "With You" is an internal engagement project designed to give our teams tools, advice and training resources to strengthen key skills during this phase, not just at the professional level but also to improve their personal well-being. Using "With You", among other actions, employees have received content aimed at stress management, accessed digital kiosks free-of-charge, had language classes within reach, been able to collect office material to improve their remote working experience and had access to two external, international e-learning platforms ("Typsy" and "GoodHabit"). Both platforms include multiple training resources so that each employee can work on their personal development plan, gain new knowledge and, ultimately, continue investing in their professional growth. Our "Room4People" program supports professional development and creates social projects in the communities in which we operate, by promoting equal opportunities for employees and investing in career training and career support for young people who are in an under-privileged situation. This is based on the premise of sustainable and ethical principles, responsible culture and spirit of citizenship.

During 2020, we employed an average of 11,112 employees. Our corporate culture is based on the cornerstones of diversity, equality and inclusion. Employees comprise 132 different nationalities and, as of December 31, 2020, 51% of all staff were women. As a demonstration of our continuing commitment to gender equality, the Group, for the second year running, was included on the Bloomberg GEI 2021 index, making us the only Spanish hotelier in the 380 companies listed in the index. We pride ourselves on running a company that values our employees and creates a culture where employees wish to continue working for a long time. The average age of employees in 2020 was 39.7 years old and their average time with the Group is 9.4 years.

Best in class positioning on sustainability with continuous focus on areas of improvement

We are committed to improving the sustainability of our business operations, ensuring a safe and inclusive working environment and respecting the communities in which we operate. We seek to safeguard natural resources by reducing the impact of our operations on the environment. We believe that sustainable business practices can foster a

sense of community beyond our organization, reflecting a duty of care for the world and generating wealth for society. To that end, we have developed our strategic approach to sustainability, known as "NH ROOM4 Sustainable Business," with three lines of action: NH ROOM4People; NH ROOM4Planet; and NH ROOM4 Responsible Shared Success, all of which are based on the same premise of sustainable and ethical principles, responsible culture and a citizenship mindset:

- Under NH ROOM4People, we promote internal professional development and create social projects in the communities where we are present. We defend diversity and equal opportunities for our employees and we invest in training and career support for our young employees to promote employee engagement and growth. We also encourage volunteer work by our employees and take various initiatives to contribute to a positive impact on local communities where we operate such as "Hotels with a heart", where we provide accommodation for hospitalized children and their families;
- Under NH ROOM4Planet, we commit to the environment, including responsible water management and increasing our use of "green" energy sources, sustainable products consumption and taking action to address climate change. We have formalized our commitment to cut our impact on the environment by announcing our initiative to reduce carbon emissions by 20% by 2030. In December 2020, we scored a B rating with the Carbon Disclosure Project, recognizing our efforts in the battle against climate change. We are continually working towards reduced emissions by increasing green energy with onsite facilities, renewable energy sources, and water optimization. We are working closely with our suppliers to create opportunities for sustainability to benefit everyone in the circular economy.
- Under NH ROOM4 Responsible Shared Success, we convey human rights and ethical business principles throughout our responsible value chain. We work directly with suppliers to develop innovative and sustainable solutions and apply certain social and environmental criteria in selecting partners. We also seek to include and engage our customers in our sustainable initiatives, whether by generating opportunities to contribute socially or by promoting environmentally responsible behavior. In particular, we have launched our "Green Stay" initiative which allows customers on extended stays to decline room cleaning services, contributing to savings in water, energy and other resources.

As the result of our commitment to sustainability, we were awarded "Bronze Class" recognition in the Sustainability Yearbook 2021, which is published by S&P Global, as well as recognized as an "Industry Mover" due to the significant improvements achieved since the previous year. In addition, since 2013, we have been included in the FTSE4GOOD Index due to our management of the business. For more details on our sustainability initiatives, see, "*Business—Sustainability and Environmental, health and safety matters—Sustainability initiatives*".

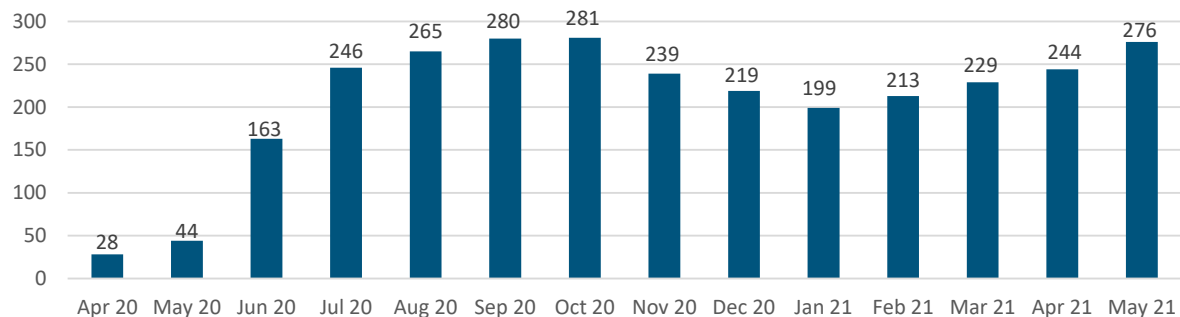
Recent developments

Trading and Operational Update

Based on our results, consolidated RevPAR for the month ended April 30, 2021 is €11.4, representing a significant increase compared to €0.4 for the month ended April 30, 2020, which is primarily explained by the strict lockdown measures that were in effect in April 2020. Consolidated Occupancy and ADR for the month ended April 30, 2021 is 16.6% and €68.8, respectively, compared to 1.1% and €33.3 for the month ended April 30, 2020. Since the beginning of May, some European governments have begun to gradually ease lockdown measures. As a result, at the end of May 2021, 276 of our hotels were open, representing 78% of our portfolio. We plan to continue to reopen our hotels as European governments continue to ease lockdown measures. By the end of June, we estimate that 92% of our portfolio will be open.

The following chart sets forth our number of open hotels by month between April 2020 and May 2021.

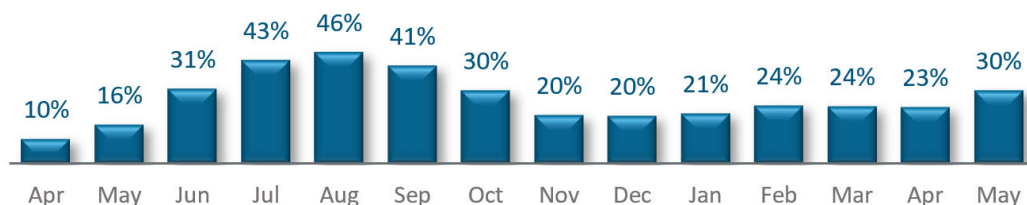
Number of hotels open by month (April 2020 – May 2021)



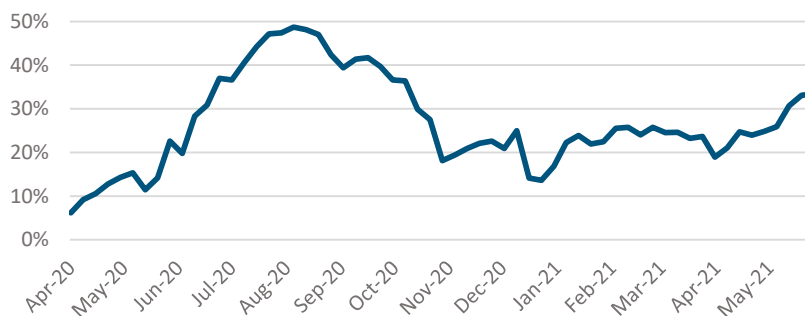
The month of May indicates a change in trend in the number of hotels open with immediate short-term demand and weekly room revenue significantly increasing in the last weeks of the month. Spain and Italy have been the first countries easing lockdown measures, while Germany and Benelux are expected to follow suit in mid-June. In these countries where restrictions have been lifted, demand has immediately increased. As such, Occupancy of European open hotels increased from 23% in April to 30% in May 2021. In the last weeks of the month of May, Occupancy remained between 30% and 35%. We believe that these increases in Occupancy in April and May 2021 as compared to the same months in 2020, and the increases in RevPAR in April 2021 as compared to April 2020 as described above, are mainly due to the recent relaxation of strict restrictions (lockdowns, temporary hotel closures and travel restrictions) that were in place in April and May 2020. While similar restrictive measures also applied at the end of 2020 and beginning of 2021, such measures have started to be eased, particularly in April and May 2021. The recovery in domestic leisure demand is already noticeable and is gaining momentum, as countries in Europe gradually increase their vaccination rates, consumers gain confidence and governments continue to ease restrictions. We believe that the difficulties experienced in 2020 and in early 2021 are behind us and that a gradual recovery will soon begin.

The following charts set forth Occupancy at our European open hotels and weekly occupancy trends at our European open owned and leased hotels between April 2020 and May 2021.

Occupancy at our European open owned and leased hotels (April 2020 – May 2021)



Weekly occupancy trends at our European open owned and leased (April 2020 – May 2021)



While we believe that the most challenging periods have passed and certain countries appear to have improved slightly during the last two months, our visibility remains very low. We foresee a recovery where RevPAR and

Occupancy may increase gradually month by month, with the percentage of hotels open following the same pace. Due to the complexity of the pandemic, until travel restrictions are eased, we do not expect to see a material improvement in results in the short term. The uncertainty regarding the severity, duration and economic consequences of the COVID-19 pandemic requires the continued implementation of cost-control measures to protect our business, with a downsized workforce by means of temporary and permanent lay-offs, shorter working hours and wage reductions. As an example, at the end of April 2021, we implemented a collective dismissal procedure at our central and corporate services in Spain, following negotiations with employee representatives. As a result of this procedure, we estimate that we will realize approximately €20 million of annual cost savings. In addition, we have implemented additional cost saving measures, which we estimate will result in approximately €15 million of annual cost savings, which are mainly attributable to cost savings in connection with hotel operations (such as a payroll reduction in our food and beverage, M&E and housekeeping departments to adapt to a more flexible cost structure at hotels across all BUs) . Furthermore, we are continuing to negotiate reductions to our fixed rent expenses with our landlords, with a view to seeking to obtain further rent reductions or deferrals.

Percentage of open hotels and estimated re-openings (June-July 2021)

Hotel Region	Total Hotels	As of June 1, 2021		End of June 2021		End of July 2021	
		Open	% Open	Open	% Open	Open	% Open
Southern Europe	175	155	88.6%	163	93.1%	163	93.1%
Northern Europe	126	88	69.8%	118	93.7%	122	96.8%
America	55	44	80.0%	45	81.8%	55	100.0%
Total	356	287	80.6%	326	91.6%	340	95.5%

Asset Rotation through Sale and Leaseback Transactions

The Board of Directors of the Issuer has approved the continuation of its policy regarding selective asset rotation through sale and lease-back transactions which the Issuer estimates will allow an inflow of net proceeds of approximately €200 million between the second and third quarters of 2021.

For example, the Issuer is in advanced negotiations for the sale of the NH Collection Barcelona Gran Hotel Calderón for approximately €125 million, under a sale and leaseback structure, with the Issuer maintaining operation of the hotel on a long-term basis through the payment of variable rent (with a minimum guarantee), which will also include the mechanisms for limiting our exposure to losses, such as a cap on shortfalls.

Financial Covenant Waivers and Extensions of Maturity of Certain Credit Facilities

Financial covenant waivers

The Issuer and the relevant lenders have agreed a waiver of the financial covenants set forth in the COVID Related ICO Facilities up to and including June 30, 2022, with the result that compliance will not be tested until December 31, 2022.

Additionally, the Issuer and the lenders under the Senior Secured RCF have agreed a waiver of the financial covenants set forth in the Senior Secured RCF Agreement up to and including December 31, 2021, as well as a significant reduction to the levels required to be met up to and including June 30, 2022, with the result that the ratios required to be met will be returned to their original levels starting on December 31, 2022. In addition, in connection with

the Offering, the lenders under the Senior Secured RCF have agreed to a waiver of the financial covenants for the full year of 2022. The effectiveness of this waiver is conditional upon the closing of the Offering on the Issue Date.

Extensions of the maturity

The Issuer and the relevant lenders have agreed an extension of the term of the COVID Related ICO Facilities which are guaranteed by the Ministry of Economic Affairs and Digital Transformation under the line of guarantees managed by the Official Credit Institute (*Instituto de Crédito Oficial* or "*ICO*"), from April 29, 2023 to April 29, 2026.

In addition, in connection with the Offering, the lenders under the Senior Secured RCF have agreed an extension of the term of the Senior Secured RCF from March 31, 2023 to March 31, 2026. The effectiveness of this extension is conditional upon the closing of the Offering on the Issue Date.

Shareholder Loan and Rights Offering addressed to Minority Shareholders

On May 12, 2021, the Issuer, as borrower, and MHG Continental Holding (Singapore) Pte Ltd., as lender, entered into a subordinated convertible term loan facility agreement for an amount of €100,000,000 (the "*Shareholder Loan*"). For a detailed description of the Shareholder Loan, see "*Description of certain financing arrangements*". The Issuer intends to capitalize the Shareholder Loan in the short term and has submitted to the next Ordinary General Shareholders' Meeting to be held on June 30, 2021 a resolution concerning the proposal to increase the Issuer's share capital by an effective amount equivalent to the principal amount of the Shareholder Loan plus interest accrued until the date of capitalization by way of set-off of the amounts owed under the Shareholder Loan and to authorize the Board of Directors, which includes members of MINT, to set the date, the issue price per share and further conditions thereof. Likewise, in order to offer the Company's minority shareholders the possibility to maintain their stake and avoid any dilution due to the capitalization of the Shareholder Loan, the Board of Directors of the Company plans to adopt, at the time of the capitalization of the Shareholder Loan and in exercise of the delegation of powers in favor of the Board of Directors to increase the share capital approved by the General Shareholders' Meeting of the Company held on May 13, 2019, a corporate resolution to increase the share capital of the Issuer by way of cash contributions in the amount necessary to avoid any such dilution with allocation of pre-emptive subscription rights addressed exclusively to the Issuer's shareholders other than MINT (the "*Rights Offering*"), by virtue of which new shares will be issued to shareholders who exercise their pre-emptive subscription rights at the same issue price at which MHG Continental Holding (Singapore) Pte Ltd. will capitalize the Shareholder Loan (the "*Rights Issuance*").

The Refinancing

We intend to use the gross proceeds from the Offering:

- to redeem in full the 2023 Notes;
- to pay the redemption premium on the 2023 Notes;
- to pay the costs, fees and expenses in connection with the Refinancing; and
- for general corporate purposes.

See "*Use of proceeds*", "*Capitalization*" and "*Description of certain financing arrangements*" for a more detailed description of the Refinancing.

Valuation of our portfolio

Valuation of the Collateral

Duff & Phelps has carried out a market valuation as of December 31, 2020 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 (excluding lease liabilities) of NH Italia, which were €38.8 million as of December 31, 2020 (the date of valuation in the Duff & Phelps Report). Based on the Duff & Phelps Report, the aggregate market value of the Mortgage Properties and the Share Collateral as of December 31, 2020 was €1,319.0 million. During this same period, our unencumbered asset portfolio had a book value of €0.6 billion.

The market value attributable to the Collateral as of December 31, 2020 is as follows.

Asset	Market value attributable to the Collateral (€ in millions)
Mortgage Properties	
NH Noordwijk Conference Centre Leeuwenhorst	136.5
NH Eindhoven Conference Centre Koningshof	80.9
NH Veluwe Conference Centre Sparrenhorst	6.3
NH Zoetermeer	9.5
NH Naarden	4.5
NH Capelle	9.2
	246.9
Diegem Properties	
NH Brussels Airport	49.7
NH Brugge	22.2
NH Brussels Stéphanie	13.4
NH Mechelen	6.0
	91.3
Zandvoort Property	
NH Zandvoort	44.9
NH Italia⁽¹⁾	
NH Italia Shares	936.0
Total	1,319.0

- (1) According to the Duff & Phelps Report, as of December 31, 2020, the market value of the NH Italia Shares was €936.0 million. The Duff & Phelps' valuation of the NH Italia Shares deducts total financial liabilities of NH Italia, which were €38.8 million as of December 31, 2020. As the projections include rent expenses, lease liabilities are excluded from total financial liabilities.

After giving pro forma effect to the Transactions, as of March 31, 2021, an aggregate amount of €636.0 million of our outstanding indebtedness would have been secured by the Collateral, of which €400.0 million would have consisted of indebtedness under the Notes.

As of the Issue Date, the Collateral will secure the Notes and Senior Secured RCF (expected to remain drawn in an amount of €236.0 million on such date) on a *pari passu* basis, as described under "*Description of certain financing arrangements—Intercreditor Agreement*".

Basis of valuation and assumptions

The valuation by Duff & Phelps was prepared on the basis of certain qualifications, assumptions, estimates and projections. In particular, the valuation is based upon certain assumptions regarding recovery from the impact of the COVID-19 pandemic, and the future impact of the pandemic on our business is difficult to predict. See "*Risk factors—Risks relating to our business and industry—The COVID-19 pandemic has had a significant negative impact on our industry and business, and may continue to have a significant negative impact in the future.*" 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*". See also "*Risk factors—Risks relating to our business and industry—The value of our properties reflected on our balance sheet and in these Listing Particulars and the book value of our hotels and assets included in these Listing Particulars 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 may suffer severe devaluations due to the COVID-19 pandemic*" 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 no recourse against the third-party property valuation provider*".

Valuation of our owned hotels

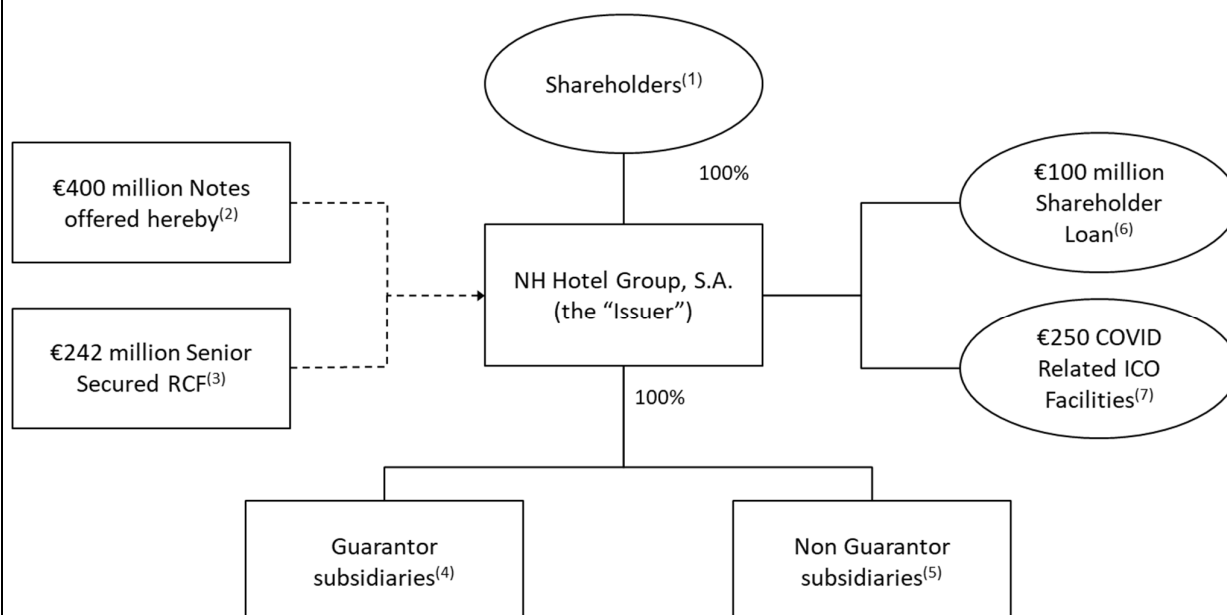
Our 73 owned hotels had a book value of €1.3 billion as of March 31, 2021 and December 31, 2020, although we believe that the actual market value of such assets is higher, due to the fact that prices at which we have been able to sell our assets in recent years have been typically higher than their respective book values. Between June 2020 and February 2021, 30 owned hotels were appraised by third parties and were assigned a market value of approximately €875 million, while their book value as of December 31, 2020 is recorded as approximately €593 million. This means that the market value for those 30 appraised hotels exceeds their book value by approximately 48%.

The Issuer

The Issuer is a public limited company (*sociedad anónima*) incorporated under the laws of Spain and listed on the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges (the "*Spanish Stock Exchanges*") with an authorized share capital of €784,360,486.00, consisting of 392,180,243 shares as of March 31, 2021. All shares have been issued and are fully paid up. Our market capitalization was €1.6 billion as of June 11, 2021. 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".



- (1) The Issuer is listed on the Spanish Stock Exchanges with an authorized share capital of €784,360,486.00, consisting of 392,180,243 shares as of March 31, 2021. See "Shareholders" for information about our shareholders.
- (2) As of the Issue Date, the Notes and the Notes Guarantees will be secured, subject to certain agreed security principles, by the Collateral over the shares of capital stock of the Diegem Entities on a first-ranking basis, and the security interests over the Zandvoort Shares, the NH Italia Shares and the Mortgage Properties on a second-ranking basis but deemed and treated as first-ranking security interests under the Intercreditor Agreement. For a description of the Collateral, see "Description of the Notes—Security". As of the Issue Date, the Notes will be secured by the same Collateral as 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 Senior Secured RCF, as described under "Description of certain financing arrangements—Intercreditor Agreement". After giving pro forma effect to the Transactions, as of March 31, 2021, assuming €236 million of the Senior Secured RCF will remain drawn on the Issue Date, an aggregate amount of €636.0 million of our indebtedness outstanding would have been secured by the Collateral, of which €400.0 million would have comprised indebtedness under the Notes.
- (3) As of the Issue Date, the Senior Secured RCF is 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, as described under "Description of the Notes" and "Description of certain financing arrangements—Senior Secured RCF Agreement".
- (4) Certain of the Issuer's subsidiaries will unconditionally guarantee the Notes. For a list of these subsidiaries, see "—The offering—Notes Guarantees". The Guarantors also guarantee the Senior Secured RCF and the COVID Related ICO Facilities. The Guarantors comprised 68.6% of our total assets as of December 31, 2020 and represented 84.4% and 73.9% of our net turnover and EBITDA, respectively, for the year ended December 31, 2020, and the Issuer and the Guarantors together comprised 80.5% of our total assets as of December 31, 2020 and represented 86.6% and 83.6% of our net turnover and EBITDA, respectively, for the year ended December 31, 2020. As of March 31, 2021, as adjusted to give effect to the Transactions, the Issuer would have had €955.5 million of indebtedness outstanding and the Guarantors would have had €66.7 million of indebtedness outstanding, of which €42.6 million was drawn under the New York Capex Term Facility. See "Description of certain financing arrangements—Other unsecured loans".

- (5) As of March 31, 2021, our subsidiaries that are not Guarantors would have had indebtedness outstanding in an aggregate amount of €28.8 million.
- (6) Represents the Shareholder Loan from MINT of €100.0 million which is expected to be capitalized in the short-term into share capital of the Issuer. Concurrently with the capitalization, the Issuer intends to address a Rights Offering to all shareholders (other than MINT) to enable such shareholders to avoid dilution of their shareholding. See "*Description of certain financing arrangements—Subordinated loans—Shareholder Loan*".
- (7) Represents the Term Facility Agreement of €225.0 million, which was fully drawn as of March 31, 2021, and the Sabadell Bilateral Facility Agreement of €25.0 million, which was fully drawn as of March 31, 2021. See "*Description of certain financing arrangements—Term Facility Agreement and Sabadell Bilateral Facility Agreement*".

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 these Listing Particulars contain 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	€400 million aggregate principal amount of 4.00% Senior Secured Notes due 2026.
Issue date	June 28, 2021.
Issue price	4.00% plus accrued interest, if any, from the Issue Date.
Maturity date	July 2, 2026.
Interest payment dates	Semi-annually in arrears on January 2 and July 2 of each year, commencing on January 2, 2022.
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 or second-ranking basis along with obligations under the Senior Secured RCF as described under "—<i>Security</i>"; • rank <i>pari passu</i> in right of payment with existing and future obligations of the Issuer that are not subordinated to the Notes, including obligations under the Senior Secured RCF and the COVID Related ICO Facilities; • rank senior in right of payment to existing and future obligations of the Issuer that are subordinated to the Notes, including the Shareholder Loan; • 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 "—<i>Notes Guarantees</i>", subject to certain guarantee limitations.
Notes Guarantees	Except as otherwise indicated below, the Issuer's obligations under the Notes will initially be guaranteed (the "Notes Guarantees") jointly and severally on a senior basis by:

Guarantor	Jurisdiction
Latina de Gestión Hotelera, S.A.	Argentina
NH Hoteles Austria, GmbH	Austria
Hotel Exploitiatiemaatschappij Diegem N.V.	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
Jolly Hotels Belgium S.A.	Belgium
Hotelera de Chile	Chile
NH Hotels Czequia, s.r.o.	Czech Republic
NH Hoteles France S.A.S.U.	France
NH Central Europe, GmbH & Co. KG	Germany
Jolly Hotels Deutschland, GmbH	Germany
NH Hotelbetriebs.-u. Dienstleistungs, GmbH	Germany
NH Hotelbetriebs-u Entwicklungs, GmbH	Germany
NH Hoteles Deutschland, GmbH	Germany
NH Italia, S.p.A.	Italy
NH Finance, S.A.	Luxembourg

Guarantor	Jurisdiction
Chartwell de Nuevo Laredo, S.A. de C.V.	Mexico
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.	Mexico
Grupo Hotelero Monterrey, S.A. de C.V.	Mexico
Servicios Corporativos Hoteleros, S.A. de C.V.	Mexico
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	Mexico
Operadora Nacional Hispana S.A. de C.V.	Mexico
Hotelera de la Parra, S.A. de C.V.	Mexico
NH Hotels Polska, Sp. zo.o.	Poland
NH Hotel Rallye Portugal, Lda.	Portugal
NH Management Black Sea, S.R.L.	Romania
NH Central Reservation Office, S.A.U.	Spain
NH Cash Link, S. L.U.	Spain
NH Europa, S.L.U.	Spain
NH Hotel Group, S.A.	Spain
NH Hoteles España, S.A.U.	Spain
NH Atardecer Caribeño, S. A.U.	Spain
Nuevos Espacios Hoteleros, S.A.U	Spain
NH Hoteles Switzerland GmbH	Switzerland
De Sparrenhorst B.V.	The Netherlands
Exploitiemaatschappij Doelen Hotel B.V.	The Netherlands
Exploitiemaatschappij Schiller Hotel B.V.	The Netherlands
Hotel Exploitiemaatschappij Atlanta Rotterdam B.V.	The Netherlands
Hotel Exploitiemaatschappij Forum Maastricht B.V.	The Netherlands
Hotel Exploitiemaatschappij Jaarbeursplein Utrecht B.V.	The Netherlands
Hotel Exploitiemaatschappij Janskerkhof Utrecht B.V.	The Netherlands
Hotel Exploitiemaatschappij Onderlangs Arnhem B.V.	The Netherlands
Hotel Exploitiemaatschappij Spuistraat Amsterdam B.V.	The Netherlands
Hotel Exploitiemaatschappij Stadhouderskade Amsterdam B.V.	The Netherlands
Hotel Exploitiemaatschappij Van Alphenstraat Zandvoort B.V.	The Netherlands
Hotel de Ville B.V.	The Netherlands
Hotel Exploitiemaatschappij Amsterdam Noord B.V.	The Netherlands
Hotel Exploitiemaatschappij Leijenberghlaan Amsterdam B.V.	The Netherlands
Hotel Exploitiemaatschappij Capelle a/d IJssel B.V.	The Netherlands
Hotel Exploitiemaatschappij Stationsstraat Amersfoort B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam B.V.	The Netherlands
Hotel Exploitiemaatschappij Vijzelstraat Amsterdam B.V.	The Netherlands
Jolly Hotels Holland N.V.	The Netherlands
Koningshof B.V.	The Netherlands
Leeuwenhorst Congres Center B.V.	The Netherlands
NH Private Equity BV	The Netherlands
Olofskapel Monumenten B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Capelle aan den IJssel B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden B.V.	The Netherlands
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp B.V.	The Netherlands

	Guarantor Onroerend Goed Beheer Maatschappij Marquette Heemskerk B.V. Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort B.V. Palatium Amstelodamum N.V. Highmark Hoofddorp B.V. Museum Quarter B.V. Hotel Exploitiemaatschappij Eindhoven B.V. Hotel Exploitiemaatschappij Epen Zuid-Limburg B.V. NHOW Rotterdam B.V. Hotel Exploitiemaatschappij Flowermarket B.V. Columbia Palace Hotel, S.A. Jolly Hotels USA, Inc.	Jurisdiction The Netherlands The Netherlands The Netherlands The Netherlands The Netherlands The Netherlands The Netherlands The Netherlands Uruguay USA
	All Notes Guarantees will be granted on the Issue Date. The Guarantors comprised 68.6% of our total assets as of December 31, 2020 and represented 84.4% and 73.9% of our net turnover and EBITDA, respectively, for the year ended December 31, 2020, and the Issuer and the Guarantors together comprised 80.5% of our total assets as of December 31, 2020 and represented 86.6% and 83.6% of our net turnover and EBITDA, respectively, for the year ended December 31, 2020. As of March 31, 2021, the Issuer's subsidiaries that do not guarantee the Notes had €28.8 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 €90 million. See "<i>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 on enforcement or defenses and security interests in the Collateral</i>" and "<i>Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations</i>". The Notes Guarantees may be released in certain circumstances. See "<i>Description of the Notes—Release of Notes Guarantees</i>" and "<i>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</i>".	
Ranking of the Notes Guarantees	Each Notes Guarantee will: • be a general senior obligation of the applicable Guarantor; • be secured on a first or second-ranking basis along with obligations under the Senior Secured RCF as described under "<i>Security</i>"; • rank <i>pari passu</i> in right of payment with existing and future obligations of the applicable Guarantor that are not subordinated to such Guarantor's Notes Guarantee, including its guarantee of obligations under the Senior Secured RCF and the COVID Related ICO Facilities; • rank senior in right of payment to existing and future obligations of the applicable Guarantor that are subordinated to such Guarantor's Notes Guarantee; • be structurally subordinated to existing and future obligations of such Guarantor'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 initially be secured by: • a lien over the shares of capital stock representing 100% of the share capital of (1) each of the Diegem Entities, (2) Zandvoort and (3) NH Italia, in the case of clause (1), on a first-ranking basis and, in the case of clauses (2) and (3), on a second-ranking basis but deemed and treated as first-ranking security interests under the Intercreditor Agreement; and	

	second-ranking mortgages over the Mortgage Properties, but deemed and treated as first-ranking mortgages under the Intercreditor Agreement, 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 "<i>Description of the Notes—Security</i>". The Indenture will provide that the Collateral will secure the Notes and the 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 "<i>Description of the Notes—Security—Release of Security Interests</i>". The Collateral will also secure on a first-ranking basis 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 <i>pro rata</i> and <i>pari passu</i> basis with the lenders under the Senior Secured RCF, as described under "<i>Description of certain financing arrangements—Intercreditor Agreement</i>".
Use of proceeds	We intend to use the gross proceeds from the Offering: - to redeem in full the 2023 Notes; - to pay redemption premium on the 2023 Notes; - to pay the costs, fees and expenses in connection with the Refinancing; and - for general corporate purposes.
Optional redemption	Prior to July 2, 2023, the Issuer may redeem at its option all or part of the 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 these Listing Particulars under the caption "<i>Description of the Notes—Optional Redemption</i>". In addition, at any time prior to July 2, 2023, the Issuer may redeem at its option up to 40% of the aggregate principal amount of the Notes with the net proceeds from certain equity offerings at a redemption price equal to 104% of the principal amount outstanding of the Notes, plus accrued and unpaid interest to the redemption date, so long as at least 60% of the aggregate principal amount of the 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 July 2, 2023, the Issuer may redeem during each twelve-month period commencing with the 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. At any time on or after July 2, 2023, the Issuer may redeem the Notes in whole or in part at the redemption prices described in these Listing Particulars under the caption "<i>Description of the Notes—Optional Redemption</i>", 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 "<i>Description of the Notes</i>". 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, regulations or application or official interpretation of such laws and regulations 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,

Change of control	together with accrued and unpaid interest and additional amounts, if any, to the redemption date. See "<i>Description of the Notes—Optional Tax Redemption</i>". Upon the occurrence of certain events constituting a change of control, the Issuer is required to offer to repurchase all outstanding 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 "<i>Description of the Notes—Change of Control</i>".
Certain covenants	The Indenture governing the Notes will limit, 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 "<i>Description of the Notes—Certain Covenants</i>".
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 "<i>Transfer restrictions</i>" and "<i>Plan of distribution</i>".
Absence of a public market for the Notes	The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they 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 made to list the Notes on the Official List of the Luxembourg Stock Exchange and admit the Notes 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, the Notes Guarantees and the Indenture will be governed by the laws of the State of New York.
Governing law for the Intercréditor Agreement.....	The Intercréditor 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: XS2357281174; Rule 144A: XS2357281257
Common Codes.....	Reg S: 235728117; Rule 144A: 235728125

Risk factors

Investing in the Notes involves substantial risks. Investors should carefully consider all the information in these Listing Particulars. 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 (1) as of and for the years ended December 31, 2018, 2019 and 2020, 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. as of and for the year ended December 31, 2018 and by PricewaterhouseCoopers Auditores, S.L. as of and for the years ended December 31, 2019 and 2020 and have been prepared in accordance with IFRS, and (2) as of March 31, 2021 and for the three months ended March 31, 2021 and 2020 have been derived from the unaudited condensed interim consolidated financial statements of the Group as of and for the three months ended March 31, 2021, which were subject to limited review by PricewaterhouseCoopers Auditores, S.L. and have been prepared in accordance with IAS 34. 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.

The financial information presented for the twelve months ended March 31, 2021 is prepared by adding the results of operations for the three months ended March 31, 2021 to the results of operations for the year ended December 31, 2020 and subtracting the results of operations for the three months ended March 31, 2020.

IFRS 16 came into force on January 1, 2019, replacing IAS 17. Our financial statements as of and for the year ended December 31, 2019 have been prepared in accordance with IFRS 16. The Group decided to apply the modified retrospective method, as described in Note 2.1.1 of our financial statements as of and for the year ended December 31, 2019. Our financial statements as of and for the year ended December 31, 2018 have consequently not been restated. According to IFRS 16, upon entry into a lease, a liability in an amount equal to the present value of the lease instalments, as well as an asset representing the right-of-use of the underlying asset during the lease term, must be recognized on the balance sheet. The liability includes fixed instalments and those that are in substance fixed installments, as well as variable instalments depending on an index or interest rate.

In accordance with IFRS 5—Non Current Assets Held for Sale and Discontinued Operations, as described in Note 12 of our financial statements as of and for each of the years ended December 31, 2018 and 2019, certain non-strategic assets and liabilities undergoing divestment with committed sales plans 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. As described in Note 16 of our financial statements as of and for the year ended December 31, 2020, the Group decided to reclassify as continuing operations certain assets which had been classified as discontinued operations in the prior year.

According to IAS 29, Argentina became a hyperinflationary economy during 2018 and our financial statements as of and for the year ended December 31, 2018 onwards have been prepared applying this standard. Relatedly, our financial statements as of and for the year ended December 31, 2018 recorded a higher consolidated result derived from hyperinflation at our Argentine subsidiaries, when such recording should have been made directly in reserves for net tax. Our financial statements as of and for the year ended December 31, 2018 were not restated to reclassify such amount; however, such amount was reclassified from profit or loss to equity in the comparative figures for 2018, which are included in our financial statements as of and for the year ended December 31, 2019, as described in Note 2.2 of our financial statements as of and for the year ended December 31, 2019.

The following summary unaudited pro forma financial information has been derived by applying pro forma adjustments to certain of the Group's historical consolidated financial information. The summary unaudited pro forma financial information gives effect to the Refinancing as described in "Use of proceeds", as though it had occurred on April 1, 2020 for pro forma financial information relating to statement of comprehensive income and on March 31, 2021 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 EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, pro forma net indebtedness, pro forma net indebtedness secured by the Collateral 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 consolidated financial statements and the accompanying notes included elsewhere in these Listing Particulars, 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".

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 these Listing Particulars.

Summary consolidated statement of profit or loss and other comprehensive income

	For the year ended December 31,			For the three months ended March 31,		For the twelve months ended March 31, 2021
	2018 ⁽¹⁾	2019 ⁽²⁾	2020	2020	2021	(unaudited)
	(€ in millions)					(unaudited)
Net turnover	1,613.4	1,708.1	536.2	277.0	61.2	320.4
Other operating income	6.1	9.4	7.9	4.4	1.0	4.5
Net gain (loss) on disposal of non-current assets	86.0	(0.7)	(0.5)	(0.1)	2.9	2.5
Procurements	(74.8)	(76.8)	(25.4)	(13.4)	(2.5)	(14.5)
Personnel expenses	(422.7)	(448.8)	(268.2)	(103.7)	(54.4)	(218.9)
Depreciation	(116.3)	(297.1)	(302.5)	(74.6)	(72.0)	(299.9)
Net losses from asset impairment	(0.3)	4.9	(76.3)	1.2	2.3	(75.2)
Variation in the provision for onerous contracts	4.3	—	—	—	—	—
Other operating expenses	(857.3)	(624.2)	(249.5)	(127.9)	(48.2)	(169.8)
Profit (loss) from entities valued through the equity method	(0.5)	—	(7.5)	—	—	(7.5)
Financial income	6.0	4.2	1.7	0.5	0.3	1.5
Change in fair value of financial instruments	—	0.3	0.3	0.1	0.1	0.3
Financial expenses	(60.0)	(135.5)	(135.5)	(32.7)	(32.4)	(135.2)
Results from exposure to hyperinflation (IAS 29)	0.6	(0.1)	0.8	(0.1)	0.6	1.5
Net exchange rate differences	1.1	(2.3)	(3.8)	0.4	0.6	(3.6)
Gain (loss) of financial investments	(0.4)	(10.0)	6.7	—	—	6.7
Pre-tax profit (loss) from continuing operations	185.4	131.4	(515.5)	(68.7)	(140.3)	(587.1)
Corporation tax	(79.7)	(38.6)	75.2	12.1	15.4	78.5
Profit (loss) from continuing operations...	105.7	92.9	(440.3)	(56.7)	(125.0)	(508.6)
Profit (loss) for the year from discontinued operations net of tax	(0.6)	0.1	(0.1)	—	—	(0.1)
Profit (loss) for the financial year	105.1	92.9	(440.4)	(56.7)	(125.0)	(508.7)
Non-controlling interests	3.5	2.9	(3.2)	0.5	(0.8)	(4.5)
Profit (loss) attributable to shareholders of the Issuer	101.6	90.0	(437.2)	(57.2)	(124.1)	(504.1)

- (1) The comparative information for 2018 included in our financial statements as of and for 2019 included a reclassification as of December 31, 2018 between Profit (loss) for the financial year and Reserves of fully consolidated companies, amounting to €19.4 million (comprising Results from exposure to hyperinflation (IAS 29) of €25.1 million, which was partially offset by Corporation tax of €5.7 million); of which €16.2 million are assigned to the Company and €3.2 million to non-controlling interests). This reclassification has no impact on total equity and the financial statements as of and for the year ended December 31, 2018 were not restated. The financial information presented herein is extracted from the comparative period presented in our consolidated financial statements as of and for the year ended December 31, 2019.
- (2) Our financial statements as of and for the year ended December 31, 2019 reflect the application of IFRS 16, which became effective on January 1, 2019. Our financial statements as of and for the year ended December 31, 2018 were not restated. The main impact of the application of IFRS 16 on the consolidated statement of profit and loss as of December 31, 2019 are an increase in amortization of right of use assets of €181.1 million, an increase in financial expenses of €89.6 million and a decrease in rent expenses of €257.3 million. See "Management's discussion and analysis of financial condition and results of operations".

Summary consolidated statement of financial position

	As of December 31,			As of March 31,	
	2018 ⁽¹⁾	2019 ⁽²⁾	2020	2020	2021
	(unaudited)				
	(€ in millions)				
Assets					
Tangible fixed assets	1,637.7	1,713.1	1,615.9	1,717.8	1,608.1
Real estate investment	—	3.0	3.0	2.9	2.9
Intangible assets	220.0	190.4	229.2	181.3	230.4
Rights of use assets	—	1,701.5	1,693.8	1,781.6	1,652.1
Non-current investments	63.1	44.9	79.4	44.0	42.7
Other non-current assets	152.2	220.0	273.0	229.6	326.2
Total non-current assets	2,073.0	3,872.9	3,894.3	3,957.1	3,862.4
Non-current assets classified as held for sale	56.0	47.8	—	49.3	0.0
Inventories	10.4	11.1	8.0	10.3	7.7
Receivables	145.8	164.9	101.4	133.6	91.3
Cash and cash equivalents	265.9	289.3	320.9	489.2	236.3
Other current assets	12.1	5.8	5.4	9.8	7.8
Total current assets	490.2	519.0	435.6	692.1	343.1
Total assets	2,563.1	4,391.9	4,329.9	4,649.2	4,205.4
Shareholders' equity and liabilities					
Shareholders' equity	1,504.0	1,275.5	798.6	1,193.3	675.9
Debentures and other marketable securities	342.5	345.7	349.1	346.8	350.6
Debts with credit institutions	71.5	106.7	623.0	358.4	621.9
Non-current liabilities for operating leases	—	1,814.4	1,809.1	1,887.3	1,800.3
Non-current provisions	51.2	48.2	47.3	46.2	47.2
Deferred tax liabilities	177.5	180.1	171.5	177.8	174.0
Other non-current liabilities	49.1	8.8	11.5	9.3	11.8
Total non-current liabilities	691.7	2,503.9	3,011.5	2,825.8	3,005.8
Liabilities associated with non-current assets classified as held for sale	2.5	2.6	—	2.6	—
Debentures and other marketable securities	0.1	0.1	0.1	3.2	2.9
Debts with credit institutions	4.9	3.1	25.9	27.6	30.3
Current liabilities for operating leases	—	253.0	250.6	264.0	219.7
Trade creditors and other accounts payable	252.7	257.5	188.5	252.8	206.4
Current provisions	2.7	5.0	6.3	0.6	3.5
Other current liabilities	104.6	91.2	48.4	79.4	61.0
Total current liabilities	367.4	612.5	519.9	630.1	523.8
Total shareholders' equity and liabilities	2,563.1	4,391.9	4,329.9	4,649.2	4,205.4

- (1) The comparative information for 2018 included in our financial statements as of and for 2019 included a

reclassification as of December 31, 2018 between Profit (loss) for the financial year and Reserves of fully consolidated companies, amounting to €19.4 million (comprising Results from exposure to hyperinflation (IAS 29) of €25.1 million, which was partially offset by Corporation tax of €5.7 million); of which €16.2 million are assigned to the Company and €3.2 million to non-controlling interests). This reclassification has no impact on total equity and the financial statements as of and for the year ended December 31, 2018 were not restated. The financial information presented herein is extracted from the comparative period presented in our consolidated financial statements as of and for the year ended December 31, 2019.

- (2) Our financial statements as of and for the year ended December 31, 2019 reflect the application of IFRS 16, which became effective on January 1, 2019. Our financial statements as of and for the year ended December 31, 2018 were not restated. The main impact of the application of IFRS 16 on the consolidated statement of financial position as of December 31, 2019 are an increase in right of use assets of €1,701.5 million, an increase in liabilities for operating leases of €2,067.4 million, an increase in deferred tax assets of €95.8 million and a decrease in reserves of €255.8 million. See "Management's discussion and analysis of financial condition and results of operations".

Summary consolidated statement of cash flows

	For the year ended December 31,			For the three months ended March 31,	
	2018	2019 ⁽¹⁾	2020	2020	2021
	(unaudited)				
	(€ in millions)				
Total net cash flow from operating activities	252.2	505.3	(94.1)	20.1	(14.0)
Total net cash flow from investing activities.....	67.7	(166.0)	(137.7)	(26.7)	(14.7)
Financial income	0.5	0.7	0.2	0.1	—
Investments.....	(135.3)	(192.1)	(169.5)	(44.0)	(14.9)
Group companies, joint ventures and associated companies	(1.0)	(1.3)	(64.1)	(10.1)	—
Tangible and intangible assets and real-estate investments	(133.7)	(190.8)	(105.5)	(34.0)	(14.9)
Non-current financial investments.....	(0.7)	—	—	—	—
Disposals	202.5	25.4	31.7	17.3	0.1
Total net cash flow used in financing activities.....	(134.5)	(319.8)	262.2	205.9	(56.1)
Gross increase/reduction of cash or equivalent assets	185.4	19.5	30.5	199.3	(84.8)
Effect of change in exchange rates on cash and equivalent assets ...	0.3	—	(1.7)	0.5	0.3
Effect of changes in scope of consolidation	(0.1)	4.0	2.8	—	—
Net increase/reduction of cash or equivalent assets.....	185.6	23.5	31.5	199.8	(84.5)
Cash or equivalent assets at beginning of the year	80.2	265.9	289.3	289.3	320.9
Cash or equivalent assets at the end of the year	265.9	289.3	320.9	489.2	236.3

- (1) Our financial statements as of and for the year ended December 31, 2019 reflect the application of IFRS 16, which became effective on January 1, 2019. Our financial statements as of and for the year ended December 31, 2018 were not restated for the application of IFRS 16. The main impact of the application of IFRS 16 on the consolidated statement of cash flow as of December 31, 2019 are an increase in adjusted result of €252.3 million and a decrease in net cash flow from financing activities of €252.3 million. See "Management's discussion and analysis of financial condition and results of operations".

Other financial and pro forma data (unaudited)

	For the year ended December 31,			For the three months ended March 31,		For the twelve months ended March 31, 2021
	2018	2019	2020	2020	2021	
	(unaudited)					
	(€ in millions unless otherwise indicated)					
EBITDA ⁽¹⁾	350.8	567.0	0.5	36.4	(40.0)	(75.9)
EBITDA margin ⁽²⁾	21.7%	33.2%	0.1%	13.2%	(65.3%)	(23.7%)
Adjusted EBITDA ⁽³⁾	264.5	319.4	(345.6)	(31.4)	(112.3)	(426.5)
Adjusted EBITDA margin ⁽⁴⁾	16.4%	18.7%	(64.5%)	(11.3%)	(183.4%)	(133.1%)
Adjusted operating cash flow ⁽⁵⁾	252.2	253.0	(338.9)			
Adjusted operating cash flow (after capital expenditure) ⁽⁵⁾	118.5	62.2	(444.4)			
Pro forma net indebtedness secured by the Collateral ⁽⁶⁾						

271.1

	For the year ended December 31,			For the three months ended March 31,		For the twelve months ended March 31, 2021
	2018	2019	2020	2020	2021	
	(unaudited)					
	(€ in millions unless otherwise indicated)					
Pro forma net indebtedness ⁽⁷⁾						686.1
Ratio of pro forma net indebtedness secured by the Collateral to Adjusted EBITDA.....						(63.5%)
Ratio of pro forma indebtedness secured by the Collateral to Collateral Value ⁽⁸⁾						48.2%

- (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 disposal of 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 contracts, net losses from asset impairment, depreciation and inventory impairments. EBITDA is a non-IFRS measure. The following is a calculation of EBITDA.

	For the year ended December 31,			For the three months ended March 31,		For the twelve months ended March 31, 2021
	2018 ^(a)	2019 ^(b)	2020	2020	2021	
	(unaudited)					(unaudited)
	(€ in millions)					
Profit (loss) attributable to shareholders of the Issuer	101.6	90.0	(437.2)	(57.2)	(124.1)	(504.1)
Non-controlling interests	3.5	2.9	(3.2)	0.5	(0.8)	(4.6)
Profit (loss) for the financial year	105.1	92.9	(440.4)	(56.7)	(125.0)	(508.7)
Profit (loss) for the year from discontinued operations net of tax	(0.6)	0.1	(0.1)	—	—	(0.1)
Profit (loss) from continuing operations	105.7	92.9	(440.3)	(56.7)	(125.0)	(508.6)
Corporation tax	(79.7)	(38.6)	75.2	12.1	15.4	78.5
EBT	185.4	131.4	(515.5)	(68.7)	(140.3)	(587.1)
Profit (loss) from entities valued through the equity method	(0.5)	—	(7.5)	—	—	(7.4)
Financial income	6.0	4.2	1.7	0.5	0.3	1.5
Change in fair value of financial instruments	—	0.3	0.3	0.1	0.1	0.3
Net exchange rate differences	1.1	(2.3)	(3.8)	0.4	0.6	(3.7)
Results from exposure to hyperinflation (IAS 29).....	0.6	(0.1)	0.8	(0.1)	0.6	1.5
Financial expenses	(60.0)	(135.5)	(135.5)	(32.7)	(32.4)	(135.2)
Gain (loss) on disposal of financial investments	(0.4)	(10.0)	6.7	—	—	6.7
EBIT	238.5	274.8	(378.2)	(37.0)	(109.6)	(450.9)
Variation in the provision for onerous contracts.....	4.3	—	—	—	—	—
Net losses from asset impairment.....	(0.3)	4.9	(76.3)	1.2	2.3	(75.1)
Depreciation.....	(116.3)	(297.1)	(302.5)	(74.6)	(72.0)	(299.9)
EBITDA	350.8	567.0	0.5	36.4	(40.0)	(75.9)

- (a) The comparative information for 2018 included in our financial statements as of and for 2019 included a reclassification as of December 31, 2018 between Profit (loss) for the financial year and Reserves of fully consolidated companies, amounting to €19.4 million (comprising Results from exposure to hyperinflation (IAS 29) of €25.1 million, which was partially offset by Corporation tax of €5.7 million); of which €16.2 million are assigned to the Company and €3.2 million to non-controlling interests). This reclassification has no impact on total equity and the financial statements as of and for the year ended December 31, 2018 were not restated. The financial information presented herein is extracted from the comparative period presented in our consolidated financial statements as of and for the year ended December 31, 2019.
- (b) Our financial statements as of and for the year ended December 31, 2019 reflect the application of IFRS 16, which became effective on January 1, 2019. Our financial statements as of and for the year ended December 31, 2018 were not restated. The main impact of the application of IFRS 16 on the consolidated statement of profit and loss as of December 31, 2019 are an increase in amortization of right of use assets of €181.1 million, an increase in financial expenses of €89.6 million and a decrease in rent expenses of €257.3 million. See "Management's discussion and analysis of financial condition and results of operations".
- (2) We define EBITDA margin as EBITDA divided by net turnover.
- (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 advisory and consultancy

expenses, non-recurring personnel expenses, adjustments for the effect of the application of IFRS 16, non-recurring lease impacts, 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,			For the three months ended March 31,		For the twelve months ended March 31, 2021
	2018	2019 ^(a)	2020	2020	2021	
	(unaudited)					
	€ in millions					
EBITDA	350.8	567.0	0.5	36.4	(40.0)	(75.9)
Net (gains) / losses from disposals of assets ^(b)	(104.9)	-	(0.7)	(0.2)	(0.2)	(0.8)
Provisions for liabilities and charges ^(c)	14.7	3.0	7.1	0.6	0.5	6.9
Staff costs ^(d)	2.6	1.5	6.2	0.1	5.4	11.5
Extraordinary cash payments/ Receipts ^(e)	-	(2.8)	(2.9)	(2.9)	(0.3)	(0.3)
Non-recurring lease impacts ^(f)	1.4	-	(0.6)	(0.1)	(2.7)	(3.2)
IFRS 16 effects ^(g)	-	(249.4)	(355.1)	(65.4)	(75.0)	(364.7)
Adjusted EBITDA	264.5	319.4	(345.6)	(31.4)	(112.3)	(426.5)

(a) Management estimates that EBITDA for the year ended December 31, 2019 could be further adjusted on a pro forma basis for: (1) new openings: an additional contribution of €41.5 million from new openings that occurred from 2019 to April 2021, assuming such hotels had been open for the full year in 2019, and calculated based on the business plan for such hotel for its first year of operations; (2) closings: a lower contribution of €8.2 million due to the closing of certain hotels in our portfolio since 2019 to April 2021, assuming such hotels had been closed for the full year in 2019, and calculated based on the EBITDA contribution of each hotel in the year ended December 31, 2019; (3) refurbishments: an additional contribution of €15.8 million from our hotels that were refurbished in 2019, assuming such hotels had been fully operational in 2019, and calculated based on the 2018 performance of such hotels, and (4) efficiencies: €34.4 million in cost savings due to the payroll reduction as a result of the collective dismissal implemented at our central and corporate services in Spain at the end of April 2021, other efficiency plans implemented at the operating level (such as a payroll reduction in our food and beverage, M&E and housekeeping departments to adapt to a more flexible cost structure at hotels across all BUs) and the optimization and closings of certain of our offices (such as the optimization of outsourced back office functions and the reduction of space in our head offices). However, these cost savings would have been partially offset by increased costs, beginning on January 1, 2020, associated with: (a) collective labor agreements; (b) third party contracts such as laundry, repair and maintenance contracts; (c) commissions due to an increase in indirect sales channels; and (d) corporate and headquarter services. In addition to the cost savings already achieved, the Company intends to continue realizing additional cost savings during the rest of 2021 and 2022.

(b) For the year ended December 31, 2018, net losses from disposals of assets consists mainly of the sale of Barbizon Palace and the sale of LHI Option. For the year ended December 31, 2019, net losses from disposals of assets consists mainly of gains from the sale of NH Malaga, which were offset in full, mainly by cancellation lease indemnities in Italy. For the year ended December 31, 2020 and for the twelve months ended March 31, 2021, net losses from disposals of assets consists of the sale of NH Gent.

(c) Provisions for liabilities and charges (i) for the year ended December 31, 2018, includes provisions in respect of litigation related to a payment of compensation due to a change of control, a possible indemnification due to the termination of an agreement with a former executive of the Issuer, a claim related to the sale of fifteen commercial premises and expenses related to termination of lease agreements such as NH Zurich and NH Forsthaus; (ii) for the year ended December 31, 2019, includes provisions for advisory and consultancy expenses related to the acquisition of eight hotels previously operated by the Boscolo Collection and the expenses related to the integration of Tivoli Hotels in Portugal; (iii) for the year ended December 31, 2020, includes expenses related to the termination of lease agreements and hotel exits such as Berlin Postdam, Berlin City west, NH Geldrop, NH Louise and others, provisions for advisory expenses related to reductions in personnel expenses (working days and wages), provisions for claims due to the termination of lease agreements (NH Lord Charles), and certain claims related to the sale of Sotogrande; (iv) for the three months ended March 31, 2020, includes expenses related to termination of lease agreements, hotel exits such as NH Geldrop NH Louise and provisions for advisory expenses related to reductions in personnel cost (working days and wages); (v) for the three months ended March 31, 2021, includes provisions for legal consultancy due to the layoffs in Spain and expenses related to the termination of lease agreements such as NH Ciudad Almeria, Campus La Moraleja; (vi) for the twelve months ended March 31, 2021, includes provisions for legal consultancy due to the layoffs in Spain, expenses related to the termination of lease agreements and hotel exits such as NH Ciudad Almeria, Campus La Moraleja, Berlin Postdam, Berlin City West, and others, provisions for claims due to termination of lease

agreements (NH Lord Charles), and certain claims related to the sale of Sotogrande.

(d) Represents non-recurring personnel expenses, including expenses related to severance payments and provisions therefor.

(e) Extraordinary cash payments/ receipts includes (i) for the year ended December 31, 2019, insurance compensation linked to an earthquake in Mexico; (ii) for the year ended December 31, 2020, insurance compensation linked to a fire incident (NH Conf. Centre Leeuwenhorst); (iii) for the three months ended March 31, 2020, insurance compensation linked to a fire incident (NH Conf. Centre Leeuwenhorst); (iv) for the three months ended March 31, 2021, an overdue dividend of Palacio Merced, S.A.; and (v) for the twelve months ended March 31, 2021, an overdue dividend of Palacio Merced, S.A.

(f) Non-recurring lease impacts includes adjustments related to the provision made for potential costs associated with the early termination of leases at our option and extraordinary 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.

(g) IFRS 16 effects includes the impact of the application of IFRS 16 not adjusted in previous lines.

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

(5) The following is a calculation of adjusted operating cash flow and adjusted operating cash flow (after capital expenditure).

	For the year ended December 31		
	2018	2019 ^(A)	2020
	(€ in millions)		
Total net cash flow from operating activities	252.2	505.3	(94.1)
Impact of IFRS 16	—	(252.3)	(244.8)
Adjusted operating cash flow	252.2	253.0	(338.9)
Capital expenditure.....	(133.7)	(190.8)	(105.5)
Adjusted operating cash flow (after capital expenditure).....	118.5	62.2	(444.4)

(6) Pro forma net indebtedness secured by the Collateral represents the portion of pro forma net 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 Transactions. Reflects the Notes (€400.0 million) and the Senior Secured RCF (€236.0 million), net of €364.9 million of cash and cash equivalents, as adjusted for the Transactions.

(7) Pro forma net indebtedness represents indebtedness of the Group on a consolidated basis (excluding operating lease liabilities and the Shareholder Loan), *less* cash and cash equivalents of the Group on a consolidated basis, on an as adjusted basis after giving effect to the Transactions. Reflects the Notes (€400.0 million), the Senior Secured RCF (€236.0 million), the COVID Related ICO Facilities (€250 million), secured indebtedness not secured by the Collateral (€26.7 million) and other unsecured indebtedness (€138.3 million), net of €364.9 million of cash and cash equivalents, as adjusted for the Transactions. See, "*Capitalization*".

(8) Pro forma indebtedness secured by the Collateral refers to the Notes and the Senior Secured RCF (expected to be drawn in an amount of €236.0 million on the Issue Date). Collateral value means the market value of the Collateral, as of December 31, 2020 as set forth in the Duff & Phelps Report. Collateral value as presented in these Listing Particulars may differ from "Collateral Value" as defined in the "*Description of the Notes*." For further information, see "*Business—Valuation of the Collateral*". See also "*Risk factors—Risks relating to our business and industry—The value of our properties reflected on our balance sheet and in these Listing Particulars and the book value of our hotels and assets included in these Listing Particulars 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 may suffer severe devaluations due to the COVID-19 pandemic*" 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 no recourse against the third-party property valuation provider*".

Geographical Breakdown

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

Operating information (unaudited)

We have included other operating information in these Listing Particulars some of which we refer to as "key performance indicators", including RevPAR, Occupancy, Room Nights and ADR. In addition, each of Occupancy, ADR and RevPAR, are presented both on an actual and on a like-for-like basis. 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 consolidated RevPAR for the periods indicated.

	For the year ended December 31,				For the three months ended March 31,			
	2018		2019		2020	2020		2021
	(€)	% change ⁽¹⁾	(€)	% change ⁽¹⁾	(€)	(€)	% change ⁽¹⁾	(€)
Spain	70.4	10.6	77.9	(71.4)	22.2	48.0	(71.2)	13.8
Italy	83.7	3.4	86.5	(75.4)	21.3	39.6	(65.9)	13.5
Central Europe	66.6	0.4	66.8	(67.3)	21.9	46.1	(88.4)	5.4
Benelux	80.6	3.4	83.3	(74.2)	21.5	48.6	(88.2)	5.7
Latin America	46.2	(4.0)	44.3	(76.7)	10.3	33.2	(72.5)	9.1
Group	70.5	4.2	73.5	(72.2)	20.5	44.6	(79.0)	9.4

- (1) Represents the percentage change in RevPAR between 2018 and 2019, between 2019 and 2020 or between three months ended March 31, 2020 and 2021, 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 hotel rooms available for each day during that period. The following table sets forth a geographic breakdown of consolidated Occupancy for the periods indicated.

	For the year ended December 31,				For the three months ended March 31,			
	2018		2019		2020	2020		2021
	(%)	Ppt Change ⁽¹⁾	(%)	Ppt change ⁽¹⁾	(%)	(%)	Ppt change ⁽¹⁾	(%)
Spain	74.5	0.3	74.8	(63.0)	27.7	51.1	(57.3)	21.8
Italy	70.1	0.1	70.2	(68.3)	22.2	38.1	(54.2)	17.4
Central Europe	74.5	(1.8)	73.1	(60.9)	28.6	47.4	(83.5)	7.8

Benelux	72.5	(0.1)	72.5	(68.4)	22.9	44.4	(83.5)	7.3
Latin America	62.4	(1.7)	61.4	(70.3)	18.2	48.0	(58.2)	20.1
Group	71.9	(0.5)	71.6	(65.1)	25.0	46.3	(69.1)	14.3

- (1) Represents the percentage point difference in Occupancy between 2018 and 2019, between 2019 and 2020 or between three months ended March 31, 2020 and 2021, 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 consolidated ADR for the periods indicated.

	For the year ended December 31,				For the three months ended March 31,			
	2018		2019	2020	2020		2021	
	(€)	% change ⁽¹⁾	(€)	% change ⁽¹⁾	(€)	% change ⁽¹⁾	(€)	% change ⁽¹⁾
Spain	94.5	10.2	104.1	(22.9)	80.3	94.0	(32.7)	63.3
Italy	119.5	3.2	123.3	(22.3)	95.8	104.0	(25.6)	77.4
Central Europe	89.4	2.2	91.4	(16.4)	76.4	97.3	(29.6)	68.5
Benelux	111.1	3.5	114.9	(18.2)	94.0	109.4	(28.7)	78.0
Latin America	74.0	(2.4)	72.2	(21.7)	56.5	69.0	(34.1)	45.5
Group	98.1	4.7	102.6	(20.2)	81.9	96.2	(31.9)	65.5

- (1) Represents the percentage change in ADR between 2018 and 2019, between 2019 and 2020 or between three months ended March 31, 2020 and 2021, 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,			For the three months ended March 31,		For the twelve months ended March 31, 2021
	2018	2019	2020	2020	2021	
	(€ in millions)					
Net turnover						
Spain.....	437.0	501.5	159.9	83.7	23.9	100.1
Italy	289.7	305.2	82.7	37.8	15.0	59.9
Central Europe.....	387.2	394.1	141.9	67.5	8.7	83.2
Benelux	370.7	384.6	121.7	65.4	7.2	63.4
Latin America.....	128.8	122.7	30.0	22.6	6.4	13.8
Total.....	1,613.4	1,708.1	536.2	277.0	61.2	320.4

Risk factors

An investment in the Notes involves a high degree of risk. You should carefully consider the following risks, together with other information provided to you in these Listing Particulars, 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 any of 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 COVID-19 pandemic has had a significant negative impact on our industry and business, and may continue to have a significant negative impact in the future.

The COVID-19 pandemic and the various measures taken by governments and other local authorities to contain the spread of COVID-19 have had, and are expected to continue to have, a significant adverse impact on our industry, business and operations. More specifically, travel restrictions, lockdowns and social distancing measures have severely impacted our industry, business and operations and, in many cases, temporary closures of our hotels have been mandatory under local laws and regulations. From March to end of May 2020, approximately 95% of hotels in our portfolio were temporarily closed, and those which remained open had limited activity. Starting at the end of May 2020, we gradually reopened our portfolio during the summer months, with approximately 80% open in August and September 2020, until successive waves of COVID-19 resulted in our hotels closing again, with only 60% of hotels in our portfolio open at the end of December 2020. As a result of such temporary closures and low Occupancy, our net turnover decreased to €536.2 million in the year ended December 31, 2020 from €1,708.1 million in the prior year, and our EBITDA decreased to €0.5 million in the year ended December 31, 2020 from €567.0 million in the prior year.

In response to the COVID-19 pandemic, we implemented a contingency plan to adapt our operations and preserve liquidity where possible, including temporary lay-offs, reductions in hours and wages of employees at our hotels and central offices, renegotiations with suppliers to reduce procurement costs, renegotiations with hotel proprietors to reduce or defer fixed rent expenses, and reduction or deferral of planned or committed capital expenditures. At the end of April 2021, we implemented a collective dismissal procedure at our central and corporate services in Spain, following negotiations with employee representatives. While we are continuing to negotiate with certain contractual counterparts, there is no guarantee that such negotiations will be successful or, if successful, will be sufficient to avoid negatively affecting our business, results of operations, financial condition or prospects. See, "*Management's discussion and analysis of financial condition and results of operations*". Such cost-control measures were not sufficient to meet our liquidity requirements and, as a result, we have entered into a number of additional financing arrangements, including a €225 million Term Facility Arrangement and €25 million Sabadell Bilateral Facility Agreement, which are both currently fully drawn, and our up to €250 million Senior Secured RCF, of which €236 million remains drawn.

Factors that negatively impact our ability to successfully operate during the COVID-19 pandemic or another similar epidemic or pandemic include:

- our ability to keep our hotels open;
- the willingness or ability of our guests to travel to our hotels due to outbreaks of COVID-19 (or other similar diseases), and the cost and availability of travel options and changing consumer preferences;
- our ability to attract and retain guests given the risks, or perceived risks, of gathering in public places;
- current or future restrictions imposed by governmental authorities, including quarantine requirements, social distancing, capacity, indoor dining or other restrictions that may affect our operations or the ability of our guests to access and enjoy our facilities;
- the shift from in-person business meetings, conferences, trade fairs and other events towards remote working and virtual or smaller events;
- actual or perceived deterioration or weakness in economic conditions, unemployment levels, the job or housing markets, consumer debt levels or consumer confidence, as well as other adverse economic or market conditions due to the COVID-19 pandemic or otherwise, and their collective impact on demand for travel and leisure;

- our ability to adjust capital spending and maintain sufficient liquidity to remain positioned for long-term success;
- our ability to incentivize and retain our current employees;
- the risk of lawsuits related to the COVID-19 pandemic and any measures we have taken in response to the pandemic, including cost-control measures;
- the efficacy and timing of distribution of vaccines and the ability of vaccination programs to curtail the pandemic, including against future mutations and variants of COVID-19;
- the impact of the COVID-19 pandemic on the financial condition of third-party partners, hotel proprietors, distributors, suppliers and other counterparties and their ability to perform their obligations under their agreements with us;
- our ability to access debt and equity capital on attractive terms, or at all;
- the impact of disruption and instability in the global financial markets or deteriorations in credit and financing conditions on our access to capital necessary to fund operating costs, including maintenance capital expenditure, or to address maturing liabilities; and
- our ability to meet the financial ratio covenants under our existing and future debt documentation, given the impact of the pandemic on our financial performance.

In addition, certain of our hotels were converted into "medicalized hotels" during the pandemic, meaning they could be used to accommodate patients, thereby alleviating hospitals. We may be required to incur additional expenses, not assumed or reimbursed by governments or local authorities in order to readapt them again into leisure and business travel hotels. In general, the re-opening of closed or "medicalized" hotels due to the COVID-19 pandemic may be costly and time consuming and will require extensive engagement from our management teams, in particular, our human resources teams. Any failure to successfully reopen closed or "medicalized hotels" could affect the ability of our business to recover from the COVID-19 pandemic.

The future course of the COVID-19 pandemic remains uncertain and is difficult to predict. However, the longer the pandemic continues to significantly impact demand at our hotels in the various locations in which we operate, the greater the material adverse impact on our business will be. While various vaccines are now being administered, the efficacy and timing of the distribution of vaccines and the ability of vaccination programs to curtail the pandemic, including against future mutations and variants of COVID-19, remains uncertain. COVID-19 presents material uncertainty and risk with respect to our business, financial performance and condition, operating results, liquidity and cash flows. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section. Any future outbreak of any other highly infectious or contagious disease could have a similar impact.

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, including the COVID-19 pandemic discussed above; political crises, such as terrorist attacks, war, and other political instability, such as the recent protests and unrest in Catalonia, Spain, as well as in Chile and Colombia; 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. In recent years, for example, the downturn in the economy in key travel markets such as Brazil and Russia, the political and/or economic instability in several Latin American countries such as Argentina and Venezuela, the military actions in the Middle East, Ukraine and elsewhere have negatively impacted global travel. The terrorist attacks in Paris in 2015 and Brussels in 2016 and the political instability in Catalonia in 2017 and 2018 also had a negative impact on the hotel industry in these cities. 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. While we are insured against certain losses resulting from some of these events, our insurance claims are subject to caps and deductibles, which vary depending on the hotel. See, "*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.*"

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, epidemics or pandemics, 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 measures of hotel profitability. 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 compensate the hotel proprietor, the hotel proprietor may terminate the agreement.

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. Given the negative impact of the COVID-19 pandemic, especially in Europe, we are again facing an economic downturn, and we cannot predict whether our ADR and Occupancy and therefore RevPAR will recover to the same levels experienced prior to such 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, Central Europe and Benelux, which for the twelve months ended March 31, 2021 collectively accounted for 89.5% of our net turnover, with a significant contribution from leased hotels with fixed rent commitments which have been less profitable during the COVID-19 pandemic. Accordingly, our financial performance is particularly affected by economic and financial conditions in Europe which have been severely impacted by the COVID-19 pandemic and our results of operations may be further adversely affected due to the significant fall in 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. In addition, the COVID-19 pandemic may have a negative impact on our main shareholder, due to its significant exposure to the hotel industry. See, "*Shareholders*". However, due to the uncertainty surrounding the future course of the COVID-19 pandemic, these potential consequences are difficult to predict.

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. Furthermore, our direct booking systems compete with bookings made by third party intermediaries, such as third-party internet travel intermediaries and online travel service providers, to whom we pay a commission, reducing our profitability from such bookings as compared to direct bookings. See, "*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.*" In addition, such platforms may increase the level of competition we face from other hotels. See, "*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.*" During the COVID-19 pandemic, the volume of "alternative accommodation" dropped, as many owners put their accommodation up for long-term rentals. In addition, the Group has been able to lower its distribution costs (through the reduction of commissions) and the weight of online sales has been growing in recent years. However, once the COVID-19 pandemic subsides, we expect that the hotel industry will experience greater levels of competition, including from sharing economy providers and third-party intermediaries. We may be forced to adapt to more aggressive commercial actions that could negatively impact our revenue.

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. . There is no guarantee that the management agreements we enter into will have favorable terms. For example, sometimes we assume, in part, the risk of business performance under certain management agreements with costly performance guarantees based on operating metrics such as gross operating profit. 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. In addition, until the COVID-19 pandemic subsides, the market could face additional challenges that could hinder us from entering into new management agreements.

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 1.1%, 1.4% and 1.8% of our net turnover for the years ended December 31, 2020, 2019 and 2018, respectively, and 2.4% of our net turnover for the three months ended March 31, 2021. 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, for example, recently, we added to our portfolio nine management agreements in Portugal, under the brands Tivoli and Anantara. We cannot provide any assurance, especially considering the ongoing COVID-19 pandemic, that our management agreements will make a positive contribution to our results or 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 March 31, 2021, we owned and leased 21.8% and 64.7%, respectively, of our hotels (based on the number of hotel rooms). 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 fixed 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, as is currently occurring during the COVID-19 pandemic. 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. Our future growth is expected to involve significant amounts of leased real estate, and so such effects could be exacerbated in the future.

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.

Our current and future property portfolio involves a significant amount of leased property, resulting in high levels of operating leverage, reduced cost flexibility to withstand downturns and increased dependence on third parties, as well

as increasing our total leverage from the perspective of banks, rating agencies and capital market investors, which may limit our ability to raise financing.

As of March 31, 2020, we operated 229 hotels under lease agreements, consisting of 35,455 rooms and representing 64.7% of our total number of hotel rooms in operation.

During periods of economic growth, leased hotels typically represent a greater proportion of our total profits. However, during periods of economic downturn, leased hotels typically represent a smaller proportion of our total profits, as the cost base for our leased hotels is mostly fixed, negatively impacting our fixed charge coverage ratios. As a result, the fixed nature of most of our cost base for leased hotels may affect our overall profitability, and even create liquidity issues to pay the fixed component of the rents. Our future growth is expected to involve significant amounts of leased real estate, and so such effects could be exacerbated in the future. We can provide no assurance that future leases will be on the same or similar terms, or as profitable, as our existing leases.

The costs we incur under our leases, such as rent expense and property costs (such as council rates, utilities, insurance and service charges) constitute our principal fixed costs. We have limited or no control over these costs, and we may not be able to adjust such costs in a timely manner in response to changes in demand for services or a reduction in our revenues, especially during and following the COVID-19 pandemic. If our revenue declines and we are unable to reduce our expenses in a timely manner or are unable or unwilling to pass these costs on to our guests, there may be a material adverse effect on our results of operations and financial condition.

Following the application of IFRS 16, the vast majority of our lease liabilities are considered indebtedness, and the significant amount of our lease liabilities means that we are highly leveraged. This high level of total leverage is relevant to lenders and potential lenders, rating agencies and capital markets participants, and may negatively affect our ability to raise financing on competitive terms, or at all, in the future.

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 therefore 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. Due to the COVID-19 pandemic, we may need to renegotiate certain opportunities on less favorable conditions or withdraw from them completely.

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 in new international markets.

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 Indenture, the Senior Secured RCF or our other existing and future indebtedness. 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. More recently, in 2018, we engaged in a sale and leaseback transaction with respect to the NHC Barbizon Palace in Amsterdam, generating a net cash inflow of €121.8 million. Divestment of some of our properties or assets may yield returns below our investment criteria or include some fixed lease obligations. 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.

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 March 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 and in other assets, such as real estate owning companies, 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 for under performance or if we fail to compensate the hotel proprietor for any shortfall in applicable profitability metrics, such as certain levels of RevPar or gross operating profit, which is determined by comparison with a minimum threshold established in the management agreement. In addition, in certain jurisdictions, if a hotel proprietor files for bankruptcy, our management agreement with the hotel proprietor may be terminated under applicable law. The hotel proprietor may also terminate the management agreement early following a payment default. 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. We may need to further examine our business once the impact of the COVID-19 pandemic can be duly evaluated, since the impact of the

pandemic may significantly increase the number of underperforming leases and the losses incurred. 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 (some of them even establish a penalty in case of early termination), and we may not be able to agree on 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, especially due to the COVID-19 pandemic, 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 at all or to sell assets at attractive prices could have an adverse effect on our ability to realize proceeds for reinvestment or may lead to a potential breach of certain financial covenants applicable to us under the terms of our various debt instruments and have a negative impact on our financing arrangements.

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. Due to the impact of the COVID-19 pandemic and the increase of underperforming leases, we may incur further losses if we are unable to exit or renegotiate such underperforming leases and, during the course of the COVID-19 pandemic, we have both brought claims and had claims brought against us relating to our efforts to terminate early or renegotiate our underperforming leases. See "*Business—Principal business activities—Hotel operations—Leased hotels*".

The value of our properties reflected on our balance sheet and in these Listing Particulars and the book value of our hotels and assets included in these Listing Particulars 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 may suffer severe devaluations due to the impact of the COVID-19 pandemic.

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 these Listing Particulars. Certain of our properties and assets were valued by Duff & Phelps as of December 31, 2020. 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, 2020 of €1,319 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 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. 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. 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, and relied on estimates and projected information provided by us. For the Mortgage Properties and the Share Collateral, Duff & Phelps based its valuation of the appraised hotel properties on historical financial information of the appraised hotel properties from 2008 through 2020, the book value of non-current fixed assets of the appraised hotel properties as of December 31, 2020, prospective financial information for the appraised hotel properties for 2021 through 2025, which reflect our estimates of the future performance of the assets included in the valuation, and industry reports published by third parties. Duff & Phelps also consulted the COVID-19 recovery plan presented to the management committee. For the NH Italia Shares valued, Duff & Phelps based its valuation on the balance sheet of NH Italia as of December 31, 2020, prospective financial information for NH Italia for 2021 through 2025, which reflects our estimates of the future performance of the business of NH Italia, and industry reports published by third parties. In addition, 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 and may suffer severe devaluation due to the impact of the COVID-19 pandemic. 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, especially following the outbreak of the COVID-19 pandemic, renewed financial turmoil or market volatility, 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:

- the impact of the COVID-19 pandemic;
- market, macroeconomic 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 impact of foreign exchange;
- 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 or in other assets, such as real estate owning companies, 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. 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, or not receiving a return on investment. 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. Such delays or deadlocks could trigger additional liabilities for us. 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 which ended in 2015. In addition, a minority shareholder of another one of our subsidiaries filed a claim for damages in respect of an alleged breach of our obligations under a call option agreement in respect of part of our shareholding interest. This has led to a litigation that is still ongoing. 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.

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:

- the impact of the COVID-19 pandemic;
- construction delays or cost overruns, including labor and materials, that may increase project costs;
- obtaining zoning, occupancy and other required permits or authorizations to operate;
- governmental restrictions on the size or kind of development;
- force majeure events, including earthquakes, hurricanes, floods or tsunamis, epidemics or pandemics; and
- construction or 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 hotel 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 or our ability to compete effectively, our net turnover and cash flow could be reduced.

We may not be able to generate sufficient cash to fund capital expenditures required to maintain or improve our properties.

As of December 31, 2020, we have completed approximately €371 million of investments (€320 million as of December 31, 2019) as part of our repositioning initiative launched in 2014. As of December 31, 2020, a total of 107 hotels were refurbished, representing approximately 30% of our hotel portfolio. These hotels were 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 11 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, 13 refurbishments have been completed and eight more are in progress and we intend to refurbish additional 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 refurbishment of the entire 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, which could be adversely affected during economic downturns. For example, during the year ended December 31, 2020, due to the COVID-19 pandemic, we deferred approximately €100 million, or 50%, of our planned capital expenditure in an effort to preserve liquidity. 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. In addition, due to the COVID-19 pandemic, we may not have any cash available to spend on repositioning programs or marketing programs. For example, we significantly reduced our marketing and advertising costs during the COVID-19 pandemic, and such cost control measures could negatively impact our ability to recover from the impact of the pandemic.

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 (as is the case currently, due to the COVID-19 pandemic), 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.

We may not be able to adapt our hotels to reflect any changes in business mix.

Any change in the business mix, for example decreases in the number of business travelers as opposed to leisure travelers or in the number of international travelers as opposed to domestic travelers, could negatively impact the results of our hotels which are not adapted for such changes. For example, due to the COVID-19 pandemic, business travel has been particularly affected and, as remote working and virtual meetings and events have increased, there is uncertainty as to whether business travel, and related in-person meetings and events, will resume at similar rates as prior to the pandemic. Such a shift in business mix could negatively impact our hotels that cater to business travelers and we may not be able to adapt such hotels to cater to leisure travelers in a cost efficient or timely manner, or at all. Such changes in business mix, or any other changes in business mix, could adversely affect our profitability and 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 March 31, 2021, 13.6% of our hotels (based on number of hotel rooms) were owned 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. For example, in 2019 we filed a claim against a hotel proprietor for undue use of our brand; and in 2020 we filed a separate claim against the same hotel proprietor for payment default.

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 an economic downturn, such as the current economic downturn due to the impact of the COVID-19 pandemic, a substantial number of hotel proprietors may experience financial difficulties and the properties they own could be or become 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.

We may not meet certain financial ratios and levels imposed on us under the Senior Secured RCF or the COVID Related ICO Facilities.

While we have met financial ratios imposed on us under the Senior Secured RCF in the past, we may not meet such ratios, or similar ratios applicable under the COVID Related ICO Facilities or other debt, in the future, in particular, due to the significant impact of the COVID-19 pandemic on our industry and business. The lenders under the Senior Secured RCF have agreed to a waiver of the financial covenants set forth in the Senior Secured RCF Agreement up to and including December 31, 2021, as well as a significant reduction to the levels required to be met up to and including June 30, 2022, with the result that the ratios required to be met will be returned to their original levels starting on December 31, 2022. In connection with the Offering, the lenders under the Senior Secured RCF have also agreed to a waiver of the financial covenants for the full year of 2022. The effectiveness of this waiver is conditional upon the closing of the Offering on the Issue Date. Additionally, the lenders under the COVID Related ICO Facilities have agreed to a waiver of the financial covenants set forth in such agreements up to and including June 30, 2022, with the result that compliance will not be tested until December 31, 2022. However, we can provide no assurance that we will be able to meet the financial ratios upon the expiry of the applicable waivers, or that we will meet financial ratios under any other current or future indebtedness.

Any default under the Senior Secured RCF or the COVID Related ICO Facilities could lead to an event of default under other debt instruments that contain cross-default or cross-acceleration provisions, including, without limitation, the Indenture, the Senior Secured RCF and COVID Related ICO Facilities. If our creditors, including creditors under such agreements, accelerate the payment of outstanding 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.

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.

The uncertainty created by the COVID-19 pandemic has had and may continue to have a significant impact on the credit markets, and the financial services industry may experience 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 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 disruptions to the capital markets has diminished the ability and desire of existing and potential development partners to access capital necessary to actively develop properties. These disruptions could also result in downgrades to our credit ratings or the credit ratings of our partners. For example, since the outbreak of the COVID-19 pandemic, both Fitch and Moody's have downgraded our credit ratings. Such downgrades could limit our access to capital and increase the cost of our access to capital, and any such downgrades in respect of our partners or potential partners could have a similar impact.

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.

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, potentially creating liquidity constraints in a context when refinancing debt or raising new financing facilities may be compromised due to disrupted financial markets. This effect can be especially pronounced during periods of economic contraction or slow economic growth, such as the economic downturn

caused by the COVID-19 pandemic. Since the outbreak of the pandemic, we have brought a number of claims against third parties, including hotel proprietors, in order to obtain rent reductions and challenge the amount of fixed expenses that such parties claim are owed to them under the applicable contracts; however, such efforts may not be successful and may prove costly and time-consuming and negatively impact our relationships with such parties. 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 of the COVID-19 pandemic, most of the hotels affected by the pandemic have been temporarily closed during the second and third quarters of 2020 or, if opened, had extremely low Occupancy, and such trends are expected to continue in 2021.

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 the geographies in which we operate, 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 typically record losses during the first quarter of the year and tend to generate profits for the remainder of the year. Accordingly, our liquidity is typically at its highest during our peak periods from April through June and from September through October, and at its lowest during the first quarter of the year.

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, such as Booking.com, Expedia and trivago. 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 websites, social media or other public platforms.

In addition, we have reorganized our hotels into three core brands and, through a reciprocal master licensing agreement with MINT signed on February 7, 2019, have a license to use MINT's corresponding commercial brands (Anantara, Avani, Oaks and Tivoli) in geographical areas where we operate. Currently, we operate six hotels in Europe under the luxury Anantara brand and 10 hotels under the upper upscale Tivoli brand. We believe that developing and expanding our 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 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 media and technology, such as social media and smart phones, continue to develop, we will need to spend more time and resources 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, which may result in a weaker control framework.

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.

Additionally, employee layoffs and consultancy cost savings, including the collective dismissal procedure at our central and corporate services in Spain which was implemented at the end of April 2021, may result in less resources focusing on certain corporate and control areas. We may not be able to meet in full and/or on time the increasing demands of compliance or control requirements (financial and non-financial) and as such may be exposed to higher risks of breaching internal procedures, key performance indicators, and even to potential penalties.

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.

Our loyalty program is operated by a third party and failure of such third party to effectively run the program or a change in control of the third party could result in reputational damage and adversely affect our business results.

Our loyalty program is a key aspect of our customer relationship management strategy. We are in the process of migrating our loyalty program from NH Rewards to Global Hotel Alliance ("GHA"). For this purpose, on February 28, 2021, we signed an agreement with GHA, operator of the multi-brand hotel loyalty program DISCOVERY, whereby, in early 2022, we will join the alliance and outsource the NH Hotel Group Rewards loyalty program and its loyalty platform operation to GHA. Under the terms of the agreement, the resulting loyalty program will be called NH DISCOVERY and we will retain ownership of the database and the information on NH DISCOVERY and its participants.

This migration seeks to increase the visibility of our loyalty program, attract new and repeat customers and strengthen our guest database. However, our new loyalty program may not achieve these objectives or meet our expectations and the underlying business plan. Additionally, as a result of the multi-brand nature of the hotel loyalty program DISCOVERY, we may suffer reputational harm as a result of actions, circumstances or events related to GHA or to other members of the alliance. In addition, all members of the alliance have a shared value proposition, which may lead our customers to choose, to our detriment, other hotel brands that are also part of the loyalty program.

Moreover, our agreement with GHA includes a change of control provision whereby GHA is entitled to terminate the existing membership and outsourcing relationship based on the occurrence of a change of control. In this case we would be forced to relaunch our previous loyalty program or join an alternative multi-brand loyalty platform and the process may damage our reputation and weaken our guest database.

In addition, under our agreement with GHA, we will rely on GHA to manage our guest database. Theft, loss, fraudulent or unlawful use of customer data could harm our reputation and result in remedial and other costs, fines and lawsuits, which may be material. In particular, cybersecurity breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer. See "*Risks relating to our business and industry—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*" and "*Risks relating to our business and industry—Failure to maintain the integrity or privacy of internal or customer data, including as a result of cyber security breaches, could result in faulty business decisions, harm to our reputation and subject us to costs, fines and lawsuits*".

Negotiations of collective bargaining agreements, regular or statutory consultation processes with employee representatives such as works councils, collective dismissals 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 (as result of the impact of the COVID-19 pandemic, for example), 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 may also experience difficulty or be liable to pay employees additional amounts in connection with their termination if the employees are covered by a collective bargaining agreement or are represented by a works council or union. As a result, this may reduce our flexibility to terminate employment arrangements with our employees on terms that are favorable to us, or without additional termination costs. In addition, from time to time, the terms of a collective dismissal that we have agreed directly with employee representatives may be challenged by employees. During an economic downturn, such as the ongoing COVID-19 pandemic, we may be forced to implement a collective dismissal which could adversely affect us. For example, we announced in February 2021 our intention to initiate a collective dismissal procedure in our central and corporate services in Spain, as the first step of our global cost-savings plan. On March 25, 2021, the agreement reached was announced in the framework of the collective dismissal procedure and ratified after the Workers' Assembly on March 29, 2021. As of March 31, 2021, in connection with this collective dismissal procedure, the Company has accrued severance costs of €3.1 million and NH Hoteles España, S.A. has accrued severance costs of €2.3 million (excluding severance payments without retention awards and other training payments). This collective dismissal was implemented at the end of April 2021.

In addition, certain amendments in local labor legislation, that may arise from the COVID-19 pandemic, could have a negative impact on our business (for example, any limitations on dismissals during or after the pandemic).

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 impact our profit and loss statement and we may be unable to repatriate cash and affect asset valuation and profit and loss.

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 Business Unit in 2017 were negatively affected by the depreciation of the Argentine Peso and the Mexican Peso against the euro. Should we continue to incur foreign currency losses and/or 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 which may have an impact on net profit. As an example, the Central Bank of Argentina ("BCRA") has imposed measures to favor stability of the Argentinean peso ("ARS"), where companies will need to request the BCRA's permission to have access to the currency market, and remit dividends and other sorts of payments abroad, so that may limit the repatriation of our cash from Argentina, and the protection of our cash against depreciation and inflation.

If an economy in which we operate, becomes hyperinflationary, our results could be negatively affected.

If we operated in a hyperinflationary economy, according to IAS 29, we should restate the financial statements of those companies with the affected functional currency. This process of restatement could result on a gain or loss on net

monetary position. This gain or loss on the net monetary position may be derived as the difference resulting from the restatement of non-monetary assets, owners' equity and items in the statement of comprehensive income items and the adjustment of index linked assets and liabilities. Restatement of fixed asset could lead to a potential asset impairment as a consequence of the increase of the assets value. If we held an excess of monetary assets over monetary liabilities during this situation, we could have a loss on the net monetary position. Argentina became a hyperinflationary economy during 2018. Subsequently, the financial statements as of and for the period ended September 30, 2018 onwards are prepared applying IAS 29 to Argentinian subsidiaries. The application of this standard has not had a significant impact on our financial statements, but may have such an impact in the years ahead due to the macroeconomic situation in Argentina.

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

We are subject to numerous laws and regulations, as well as licensing requirements, in the jurisdictions in which we operate, including 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 may involve significant costs and management resources. For more information, see "*Business—Regulation*".

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

- air and drinking water quality;
- fire protection;
- the use, management and disposal of hazardous substances and wastes, such as heating fuels, cleaning products, batteries and refrigerants;
- the disposal of solid waste materials, such as refuse or sewage; and
- air emissions, including greenhouse gases.

Complying with environmental or other laws and regulations, including any permits or licenses required under those laws, or addressing liabilities or violations arising under them, could increase our environmental costs, require us to incur 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 adopted, related to global climate change, air quality or other environmental, health and safety concerns that increase our costs of compliance or subject us to new liability risks. We could also be subject to liability for the costs of investigating or remediating hazardous substances or wastes 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, jeopardize our ability to develop, use, sell or rent real property we own or operate or to borrow using such property as collateral and/or result in claims for personal injury or property damages.

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.

We may review our financial policy or commercial strategy in the context of our integration with MINT

As a result of the acquisition by MINT of a controlling interest in the Issuer, the Issuer and its subsidiaries have become part of a wider group. In the context of the continuing integration process, MINT could influence the financial policy of the Issuer by increasing its leverage, changing its dividend policy and/or asset disposals or growth strategy. While the Issuer has been operating fully independent financially since the acquisition, the Issuer and MINT have taken advantage of certain commercial opportunities. For example, we entered into an agreement with Covivio for the operation of eight hotels which are being operated by us under the Anantara (being a Minor Hotels brand which we are licensed to use under our master licensing agreement with agreement with Minor Hotels, a MINT affiliate), NH Collection and NH brands. In connection with this agreement, the Group signed a long term sustainable lease contract

with Covivio and acquired from Covivio the operating companies that operate the eight hotels with an investment of €50 million. Although additional commercial and branding opportunities have been temporarily suspended due to the impact of the COVID-19 pandemic, we plan to seek additional integration opportunities in the future. Such commercial opportunities may not be successful and, if unsuccessful, or if disagreements arise between the Group and Minor Hotels, this may negatively impact our relationship with MINT, any of which could have a material adverse effect on our business, results of operations, financial condition or prospects.

A change of control of the Issuer could result in disruption of certain of our contractual arrangements.

Certain of our contractual agreements, including agreements relating to the operation of hotels and financing agreements, contain change-of-control, anti-assignment and other provisions that may be triggered by a change of control of the Issuer, and such an event may trigger the payment of penalties, early amortization, termination rights, indemnity obligations under these contracts and potential tax losses in certain regions. In addition, our agreement with Global Hotel Alliance (“GHA”) includes a change of control provision whereby GHA is entitled to terminate the existing membership and outsourcing relationship of our loyalty program based on the occurrence of a change of control. Moreover, upon the occurrence of certain change of control events as described in the Indenture, we will be required to offer to repurchase all the 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, and additional amounts, if any, to the date of repurchase. Likewise, upon such change of control events, we would be required to repay or offer to repay certain of our other indebtedness, including the Senior Secured RCF and the COVID Related ICO Facilities. 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"*.

A change of control might take place, for example, if MINT decided to partially or totally dispose of its interest in the Issuer, or in the framework of certain liquidation or dissolution proceedings involving the Issuer.

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 profitable 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.

There are a number of factors that may adversely impact our future effective tax rates, such as: (i) the jurisdictions in which our profits are determined to be earned and taxed; (ii) changes in the valuation of our deferred tax assets and liabilities; (iii) adjustments to provisional taxes upon finalization of various tax returns; (iv) adjustments to the interpretation of transfer pricing standards; (v) changes in available tax credits; (vi) changes in IFRS; and (vii) changes in tax laws or the interpretation of tax laws.

We have recorded in our consolidated financial statements tax assets of €132 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. As of December 31, 2020, the registration is supported by, 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.

We are subject to various judicial tax proceedings and tax audits in respect of our operations in Italy, Germany, the Netherlands, and Colombia.

In particular, we are subject to a tax audit with tax authorities in respect of our operations in Germany which is at an early stage as of the date of these Listing Particulars.

We estimate the total potential tax liability related to the judicial proceedings, including penalties and interest, to be approximately €19 million (including potential tax liabilities of €0.4 million in Italy, €12.9 million in the Netherlands, €4.0 million in Germany, and €1.7 million in Colombia). In connection with these proceedings, we have made provisions in our financial statements of €0.4 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, 2020, 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 (such as the COVID-19 pandemic) 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 premiums may increase substantially in the future and may be affected by natural catastrophes, fear of terrorism, epidemics or pandemics, intervention by the government or a decrease in the number of insurance carriers. In addition, insurance providers may raise the insurance premiums we pay if our paid claims are high, as compared to the premiums we pay. 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 or can only be insured with limited coverage. As an example, in June 2017, we put in place a Loss of Attraction insurance policy with the Lloyds Market in London. This insurance policy will indemnify us for the loss of gross profit of owned and leased hotels as a consequence of terrorist attacks in certain top European cities. The cover period is six months after the terrorist event and a deductible/retention, as well as maximum indemnification, applies. Some perils, such as direct damages and liabilities related to terrorist attacks or civil disorders or violence directly affecting our hotels, may not be covered by insurance, or are covered by insufficient limits, therefore potentially generating unexpected losses. 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 the steps we take to protect our trademarks, intellectual property or know-how in these countries may not 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 done 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 and our directors, employees and other related parties are often involved in various legal proceedings, arbitration proceedings, investigations, or administrative proceedings, which may involve substantial claims for damages or other payments. 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

owners, guests who use our properties, employees, investors, other contractual parties or regulators. In particular, third-party hotel proprietors may bring claims against us (or we may initiate such claims) in connection with the implementation of our exit from underperforming leases and undesirable management agreements or in connection with certain strategies implemented during and following COVID-19 pandemic, which could harm our reputation and impede our ability to enter into lease and management agreements in the future. Such claims have increased during the pandemic. Any adverse litigation judgments or settlements may distract management from our business activities, require us to change the way we conduct our operational or investment activities and may make it necessary to use substantial resources to settle claims, pay fines or other penalties, any of which may reduce our cash flow and harm our financial position and could limit our ability to operate our business. In addition, costs related to such proceedings may be significant and, even if there is a positive outcome, we may have to bear part or all of our advisory and other costs to the extent they are not reimbursable by other parties. See "*Business—Legal proceedings*."

Our former significant shareholder has brought a claim before the courts, which could be decided in a manner unfavorable to our interests and could affect the composition of our corporate bodies.

Hesperia filed a claim against us before the Commercial Court of Madrid no. 8 (the "Hesperia Claim"), pursuant to which Hesperia seeks the annulment of certain of the resolutions passed by the meeting of the board of directors of the Issuer held on June 12, 2018, including the appointment of Dillipraj Rajakarier as proprietary member of the board of directors and the dismissal of José Antonio Castro Sousa as member and chairman of the executive committee of the board of directors. On October 10, 2018, the Commercial Court of Madrid no. 8 admitted the Hesperia Claim, and on November 12, 2018, we filed the relevant writ of defense arguing against, and requesting the full dismissal of, the Hesperia Claim.

The hearing took place on the September 17, 2019, and the Court will have to resolve the claim, either by indicating a trial date, or by dismissing the claim. A new preliminary hearing took place on April 13, 2021, scheduling the main hearing on February 8, 2022. A first instance judgment is expected in the first half of 2022.

Changes in U.S. or other countries' foreign policy could subject us to increased compliance costs and may otherwise affect our results of operations

The implementation of unfavorable regulations or unfavorable interpretations of existing regulations by judicial or regulatory bodies could require us to incur significant compliance costs. For example, the U.S. Government announced in May 2019 that it will no longer suspend the right of private parties to bring litigation under Title III of the Cuban Liberty and Solidarity (Libertad) Act of 1996, otherwise known as the Helms-Burton Act, which allows certain individuals whose property was confiscated by the Cuban government beginning in 1959 to bring claims against anyone who "traffics" in the property in question in U.S. courts. On September 27, 2019, a lawsuit was filed against the Company and NH Hotels, USA, Inc. in the U.S. District Court for the Southern District of New York under the Helms-Burton Act. The complaint, filed by a family trust, alleges an interest in the Hotel Capri, located in Havana, Cuba, which was expropriated by the Cuban Government. The complaint further alleges that NH Hotel Group "trafficked" in that property by generating revenues and obtaining profits and other financial benefits. The plaintiff sought \$2,033,959.17 in damages and requested that such damages be trebled, plus 6% interest from January 1, 1959, as well as attorneys' fees and costs as determined by the court. While the claim was ultimately dropped in February 2020, we believe that we had a meritorious defense to the claim and that, in any case, should the claim have succeeded, the results of the litigation would not have been material to our business, financial condition or results of operations. However, litigation is uncertain and there is little case law or interpretation of the relevant claims and defenses. As a result, there can be no assurance that there will not be an adverse outcome to any such similar litigation in the future or that such an outcome would not result in an adverse impact on our business, financial condition or results of operations.

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 technology for our central reservation system, which facilitates bookings by hotels directly, by 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 migrated our systems to SAP and other IT tools, we could have experienced delays and disruptions, as well as other operational difficulties that are inherent in such a transition, and we may be exposed to similar difficulties in

the event we implement other technology updates. 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. In particular, cybersecurity attacks have increased significantly in recent years, particularly since the start of the COVID-19 pandemic. For example, in February 2021, our operations in Portugal were the subject of a cybersecurity attack and certain files were encrypted; while we successfully decrypted the affected files, there is no assurance that we will be able to do so if we are affected by similar cybersecurity attacks in the future, especially given the increasing sophistication of such attacks. In addition, the occurrence of any such 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 and, depending on the nature of the incident, it could take time to restart our information technology systems.

Furthermore, 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. As we increase the digitization of our operations, our exposure to such risks could increase.

While we have certain security measures in place (including back-up systems and an emergency recovery plan), such measures may not be sufficient to protect us against risks to our technology systems, especially given the fast-evolving nature of information technology systems and the increasing sophistication of threats to information security. Our exposure to such risks may increase as we continue the digitalization of our business.

Failure to maintain the integrity or privacy of internal or customer data, including as a result of cybersecurity 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 according to the applicable data protection regulations, and the regulations applicable to security and privacy is increasingly demanding in certain jurisdictions where we operate. In this regard, on May 25, 2018, the new general data protection regulation (the "GDPR") came into force in the European Union. The regulation provides for a harmonized regime of data protection and privacy for all individuals throughout the European Union with the aim of giving back control to citizens and residents over their personal data. The GDPR includes a new strict penalty regime. In this regard, should the competent authority consider that we do not comply with the new regulation, it may impose penalties of up to 4% of the worldwide turnover or €20 million, whichever is higher, and such determination would harm our reputation, our financial position and could result in legal claims or proceedings being brought against us.

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. Cybersecurity attacks have increased significantly in recent years, particularly since the start of the COVID-19 pandemic, and such attacks may involve data breaches. For example, in February 2021, our operations in Portugal were the subject of a cybersecurity attack and certain files were encrypted; while we successfully decrypted the affected files, there is no assurance that we will be able to do so if we are affected by similar cybersecurity attacks in the future, and that such attacks may lead to internal or customer data being compromised, especially given the increasing sophistication of such attacks.

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 new and more restrictive data protection laws that govern these activities could adversely affect the continuing effectiveness of our marketing strategy.

In addition, while we believe we have integrated client personal data bases belonging to MINT and the Group in compliance with all applicable personal data regulation, should the systems and technical applications supporting this integration not meet applicable legal requirements, we could be exposed to the penalties described above.

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 certain EU Member States, have been investigating online travel agencies ("OTAs") for their pricing practices in the hotel industry, with a particular focus on clauses in contractual arrangements with hotel operators providing for "parity". Pursuant to such parity clauses, which are sometimes included in our contractual arrangements with OTAs, hotel operators are generally required, with certain flexibility which may vary on a case by case basis, not to offer either in their web site or through other distributors hotel rates lower than those offered to the relevant OTA. Some of the mentioned authorities have maintained that certain parity clauses have a negative impact on competition, and have requested certain OTAs to remove them from their contractual arrangements with hotel operators. In the last few years, the EU Commission and several national competition authorities within the EU have been monitoring the potential impact on competition of parity rates provisions in the online booking sector. Such monitoring process continues at the present time and a potential 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.

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

Our consolidated financial statements are prepared in accordance with IFRS, as adopted by the European Union. Future changes in accounting standards or practices and related legal and regulatory interpretations of those changes, may adversely impact our business and industry. For example, IFRS 16 "Leases" has replaced the IAS 17 standard, which imposes significant changes to lease accounting practice. IFRS 16 states that, from January 1, 2019, companies must generally record operating leases in their consolidated statement of financial position. The implementation of this new standard led 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 gross indebtedness and, therefore, the calculation of all the financial ratios relating to indebtedness. However, it does not have any effect on cash flows. Given that we have a significant number of operating leases, the changes in lease accounting have had a material impact on our financial results, including our rental expense, depreciation, interest expense, indebtedness and balance sheet. Another example is the amendment to IFRS 16 that was approved by the IASB on May 28, 2020 to help accounting for changes in leases resulting from the COVID-19 pandemic, allowing rent concessions related to the pandemic to be recorded as less rent expense instead of as a lease amendment. However, there can be no assurance that IASB will adopt amendments to IFRS in the future in a timely manner, or at all, to address any new situations which may arise, or that any such amendments will be practical for the Group. Any failure to do so could adversely affect our accounting and financial results.

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.

As of March 31, 2021, as adjusted to give pro forma effect to the Transactions, we would have had €1,051 million of indebtedness (excluding operating lease liabilities and the Shareholder Loan), of which €400.0 million would have been represented by the Notes. 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 Indenture and the terms and conditions governing the Senior Secured RCF and the COVID Related ICO Facilities place restrictions on us and certain of our subsidiaries, reducing our operational flexibility.

The terms of the Indenture and the terms and conditions governing the Senior Secured RCF and COVID Related ICO Facilities contain covenants that place restrictions on us and certain of our subsidiaries. The covenants under our financing arrangements 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. For example, in the Senior Secured RCF, during the period commencing on October 16, 2020 until December 31, 2021, our ability to make capital expenditure disbursements, acquisitions or other investments resulting in cash-out is limited to an amount equal to €70,000,000 plus the amount of net proceeds of asset sales, if any. 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*".

A breach of any of the covenants, ratios, tests or restrictions in the Indenture, the Senior Secured RCF or the COVID Related ICO Facilities could result in an event of default thereunder. In the context of a severe cash flow deterioration due to unexpected business interruptions (such as a pandemic), we may breach these covenants if the cash flow deterioration is sustained for a time. See "*We may not meet certain financial ratios and levels imposed on us under the Senior Secured RCF or the COVID Related ICO Facilities*".

Any default under the Indenture, the Senior Secured RCF or the COVID Related ICO Facilities could lead to an event of default under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture, the Senior Secured RCF or the COVID Related ICO Facilities. If our creditors, including the creditors under the Indenture, the Senior Secured RCF and the COVID Related ICO Facilities, accelerate the payment of amounts outstanding under such agreements, 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 Senior Secured RCF and the COVID Related ICO Facilities, 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 these Listing Particulars, 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. This could mean a refinancing risk that in the context of disrupted financial markets (including

as a result of a pandemic), that may end up resulting in a default. 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 and the terms and conditions governing the Senior Secured RCF and the COVID Related ICO Facilities, 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 each of the Indenture, the Senior Secured RCF and the COVID Related ICO Facilities 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 Indenture, the Senior Secured RCF and the COVID Related ICO Facilities 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 and the COVID Related ICO Facilities 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 and the COVID Related ICO Facilities 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 and the COVID Related ICO Facilities 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"*.

Following allegations of manipulation of LIBOR, a measure of interbank lending rates, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR or the calculation of LIBOR may

have been manipulating or attempting to manipulate EURIBOR and LIBOR. In addition, LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the U.K. Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and on March 5, 2021 it further confirmed that it intends to cease providing all LIBOR settings for all currencies, subject to any rights that it has to compel continuation of such publication (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark. Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have a material adverse impact on our ability to service debt that bears interest at floating rates of interest.

Any elimination of the EURIBOR benchmark, or changes in the manner of administration of EURIBOR, could require an adjustment to the terms and conditions of our floating rate debt. Any such adjustment could have a material adverse effect on the value of and return on any such floating rate debt. If EURIBOR were discontinued or otherwise unavailable, the interest rate on our floating rate debt will be determined for the relevant period by the fallback provisions applicable to such debt.

We operate in a negative interest rate environment, where banks are starting to charge corporate clients for the cash balances held in bank accounts, which increases the cost of liquidity.

Due to the current negative interest rate environment in Europe, banks are starting to charge fees on the cash balances held by corporate clients in bank accounts. These fees can be as low as -0.50% per annum and they represent a burden for companies holding cash balances as liquidity.

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 March 31, 2021, we had total assets of €4,205.4 million and, after giving *pro forma* effect to the Transactions, we would have had an aggregate amount of €1,051 million of total indebtedness outstanding (excluding operating lease liabilities and the Shareholder Loan). The Guarantors comprised 68.6% of our total assets as of December 31, 2020 and represented 84.4% and 73.9% of our net turnover and EBITDA, respectively, for the year ended December 31, 2020, and the Issuer and the Guarantors together comprised 80.5% of our total assets as of December 31, 2020 and represented 86.6% and 83.6% of our net turnover and EBITDA, respectively, for the year ended December 31, 2020. In addition, after giving *pro forma* effect to the Transactions, the non-Guarantor subsidiaries of the Issuer would have had €28.8 million of debt outstanding as of March 31, 2021 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 Collateral over the shares of capital stock of the Diegem Entities will secure the Notes and the Notes Guarantees on a first-ranking basis and the Collateral over the Zandvoort Shares, the NH Italia Shares and the Mortgage Properties will secure the Notes and the Notes Guarantees on a second ranking basis, but deemed and treated as first-ranking security interests under the Intercreditor Agreement and will also secure, on a first-ranking basis, the Senior Secured RCF. Subject to certain limits, the Senior Secured RCF 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 Notes as well as other debt benefiting from a *pari passu* security interest in the Collateral, including indebtedness under 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, holders, 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 March 31, 2021, NH Italia has €0.4 million of outstanding indebtedness which was secured by a mortgage over NH Villa San Mauro, Jolly Hotels USA has an unsecured \$50 million loan and NH Italia S.p.A. has an unsecured €15.0 million loan which was signed in October 2020 and is guaranteed by the Italian government (SACE guarantee).

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 substantially 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, this percentage may 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—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 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 and Zandvoort. Certain properties owned by NH Italia have been granted as security in favor of the relevant lenders under the outstanding debt of NH Italia. Moreover, the security interests securing the Notes over the NH Italia Shares and the Zandvoort Shares will be second-ranking security interests and holders of the Notes will have to rely on the provisions of the Intercreditor Agreement for the treatment of such second-ranking security interests as security interests ranking *pari passu* with other first-ranking security interests securing the Notes. Likewise, the mortgages securing the Notes over the Mortgage Properties will be second-ranking mortgages and holders of the Notes will have to rely on the provisions of the Intercreditor Agreement for the treatment of such second-ranking mortgages as first-ranking mortgages securing the Notes.

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 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 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 $66\frac{2}{3}\%$ 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 Notes, with each lender, holder or other creditor holder exercising its own vote. Upon the issuance of the Notes, the holders of the Notes are expected to hold approximately 60% of the total senior secured credit participations as of the Issue Date, and thus will not be able to independently constitute an "Instructing Group".

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 Notes, or among the holders of the 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 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 Notes or may be adverse to the holders of the Notes. The creditors under the Senior Secured RCF may have interests that are different from the interests of holders of the Notes, 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 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 Notes and the Notes Guarantees and the liens over any other assets securing the 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 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 Security Documents will be entered into on the Issue Date or within five business days thereafter, and the Notes and the Notes Guarantees may not be secured by the Collateral on the Issue Date. The Issuer has agreed to take all necessary actions 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 the Issue Date or within five business days thereafter, 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 security to be 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 or by being second-ranking security interests*" 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 or by being second-ranking security interests.

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. In particular, the Collateral over the NH Italia Shares and the Zandvoort Shares will be second-ranking and will only be deemed and treated as security interests ranking *pari passu* with the security interests securing the Senior Secured RCF under the Intercreditor Agreement. Likewise, the mortgages securing the Notes over the Mortgage Properties will be second-ranking mortgages and holders of the Notes will have to rely on the provisions of the Intercreditor Agreement for the treatment of such second-ranking mortgages as first-ranking mortgages securing the Notes. If the Intercreditor Agreement or the relevant provisions thereof were avoided or held to be unenforceable for any reason, holders of the Notes would not benefit from such first-priority treatment and be subordinated, with respect to such security interests, to senior security interests over the same Collateral securing the Senior Secured RCF. 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 insolvency 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 583 et. seq. 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 (*acuerdo de refinanciación*) in the terms of Article 596 et. seq. of the Spanish Insolvency Law, (ii) an early composition agreement (*convenio anticipado*), or (iii) an out-of-court repayment agreement (*acuerdo extrajudicial de pagos*) under Article 631 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 and has not been already declared in insolvency. From the moment this pre-insolvency notice is submitted and during the three months 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, in the event the debtor is pursuing a collective refinancing agreement, or an early composition agreement. This prohibition extends to any debtor's asset or right in the event the debtor is pursuing an out-of-court repayment agreement. On the contrary, enforcement of claims subject to public law are not affected by the submission of this pre-insolvency notice.

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 (determined by value) 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 as long as the collateral is an asset deemed necessary for the continuation of the debtor's business activity. Financial collateral (*garantías financieras*) are not affected by the effects of this pre-insolvency notice. The effect of the pre-insolvency notice over security interests over collateral located outside of Spain will depend on the applicable international private law. For instance, foreclosure of security interests

located in another Member State (other than Denmark) will not be affected pursuant to the EU Recast Insolvency Regulation.

Non-commenced or suspended enforcement actions may be commenced and restated as long as the court who would rule on the debtor's insolvency decides the asset or right is not necessary for the continuation of the debtor's business activity, or three months have elapsed since the pre-insolvency notice was filed.

Enforcement is also suspended in case a refinancing agreement submitted for homologation is admitted to process 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 considered necessary for the continuation of the debtor's business, unless the enforcement of the security over the shares or quotas constitutes 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 or by being second-ranking security interests*". 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 Polish insolvency law.

According to Polish Insolvency Law, in the case of the declaration of the bankruptcy, the judge-commissioner (who manages the course of the bankruptcy proceedings), at the request of the trustee, deems ineffective the burden of the bankrupt's assets with a mortgage, lien, registered pledge or sea mortgage, if the bankrupt was not a personal debtor of the secured creditor, and this burden was established within one year before the date of submitting the application for announcement bankruptcy and in connection with its establishment, the bankrupt did not receive any benefits. The same applies if an encumbrance was created in exchange for a performance incommensurately low in relation to the value of the security given. 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, unless the other party shows that no damage has been inflicted thus on the creditors.

The Polish Insolvency Law also provides that following actions performed with respect to the bankrupt entity's assets are legally ineffective against the bankrupt entity: (i) acts in law whereby the bankrupt exercised control of his assets, performed by the bankrupt within one year before the filing of the bankruptcy petition, provided that such acts were performed gratuitously, or for a consideration but with the value of the bankrupt's performance being drastically in excess of that received by the bankrupt, or of that reserved for the bankrupt or for a third party; or (ii) security and the payment of an unenforceable debt, given or made by the bankrupt within six months before the filing of the bankruptcy petition; however, one who received the payment or the security may, by bringing an action or charge, seek the recognition of such acts as effective if at the time when the same were performed he was unaware of the existence of grounds for the declaration of bankruptcy.

As a result, in case where the Guarantor or the Collateral provider is deemed bankrupt, the Guarantor's liability under its Notes Guarantees and/or the Collateral could be eliminated upon applicable laws.

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 (to the extent that it does not affect the exercise of that right) 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 liquidation is declared and the creditor did not commence the enforcement either before the insolvency declaration or after a year since the declaration of insolvency, 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'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 individually sold at an upfront price which is higher than the minimum price agreed when the security was perfected, or when the asset is sold as part of a business unit on a going concern, and the secured creditor either lost 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 the asset is sold at a price implying the amount to be paid to such special privileged creditors, as determined by the Spanish Insolvency Law, is lower than the value of the collateral.

The effects of insolvency proceedings on a creditor's *in rem* rights attached to property or rights –of any kind– of the debt or which, at the time of the declaration of the insolvency proceedings, are located in a state (other than a EU Member State bound by the EU Insolvency Regulation) must be exclusively governed by the law of that state.

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.

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 or by being second-ranking security interests*". 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 any Collateral is subject to any limitations arising from bankruptcy, insolvency, liquidation, moratorium, reorganization and other laws of general application relating to or affecting the rights of creditors. In particular, any provision providing for an event of default, an acceleration or an early termination of the contract by reason of the debtor being subject to judicial reorganization proceedings is not enforceable. 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 Italian law.

Under Italian law, in the event that an entity is placed under bankruptcy proceedings (*fallimento*) or, if the relevant conditions are met, under extraordinary administration (*amministrazione straordinaria*) or under compulsory administrative winding-up (*liquidazione coatta amministrativa*), 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 / extraordinary commissioner / judicial liquidator 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"), and of Legislative Decree no. 270 of July 8, 1999 ("Prodi bis Law") and Legislative Decree no. 347 of December 23, 2003 ("Marzano Law"). In particular, the grant of the Notes Guarantees or the Collateral to secure the Notes may be voidable by the grantor or by a bankruptcy trustee or by the extraordinary commissioner or by the judicial liquidator 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.

Clawback rules under Italian law are normally considered to be particularly favourable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions. In a bankruptcy proceeding, depending on the Italian Bankruptcy Law provides for a clawback period of up to either one year or six months in certain circumstances (please note that in the context of extraordinary administration procedures in relation to certain transactions, the clawback period can be extended to five and three years, respectively) and a two year ineffectiveness period for certain other transactions. The Italian Bankruptcy Law distinguishes between acts or transactions, which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner by means of a bankruptcy clawback action (*azione revocatoria fallimentare*). The limitation period for initiating clawback action is three years from the declaration of bankruptcy or, if earlier, five years from the act or transaction to be clawed-back.

In addition, under Italian law, in certain circumstances also in the ordinary course of business (*i.e.* when the entity is not placed under the insolvency procedures mentioned above), 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 and 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 Note Guarantee 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 defense 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, and may be also affected by any amendment, supplement, waiver, repayment, novation or extinction of the Issuer's obligations under the Notes.

The interpretations of the laws of Spain by the courts may limit the ability of Spanish Guarantors to guarantee the Notes. Although the law does not establish any limit, certain judgments indicate (and certain scholars understand) that risks associated with a guarantee or a security interest provided by a company to secure the indebtedness held by other companies within its corporate group shall be reasonable and economically and operationally justified from the guarantor's own perspective and justified under the corporate interest of such guarantor and all this must be evidenced to the judge.

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. In addition, an extension of maturity granted to a debtor by a creditor without the consent of the guarantor extinguishes the guarantee.

A Spanish court may not accept acceleration (*vencimiento anticipado*) of an agreement if the default were of minimal importance. To be recognized by the Spanish courts as giving rise to the remedy of acceleration, a default must be material. The decision to accelerate an agreement must be based on objective facts and cannot be left to the sole discretion of one party as this would not be permitted by Article 1,256 of the Spanish Civil Code.

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;
- Spanish public policy; 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.

The validity and enforceability of the Notes Guarantees is also subject to the laws regulating insolvency or liquidation proceedings and to other laws of general application relating to or affecting the enforcement of creditors rights and remedies.

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.

Lastly, under Spanish law, the valid creation of an in rem right of security requires at least the formalization of the relevant security document as a public deed (*escritura o póliza*), without prejudice to any additional formalities or perfection requirements that may be required depending on the type of secured asset. Without notarization of the security documents, the secured parties (i) will not have access to the executive summary proceedings (*juicio ejecutivo*) in case of judicial enforcement of the security documents in Spain, having the secured parties to follow necessarily the ordinary judicial proceedings (*juicio ordinario*) and (ii) will not be considered as secured creditors having a special privilege over the assets part of the security package in case of insolvency of the relevant Spanish security provider.

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.

The Issuer reorganized the business of Jolly Hotels Belgium, S.A. to avoid future losses and the gains derived from the reorganization restored the company's balance sheet above €2.5 million, the minimum threshold set forth by Belgian law (i.e. €61,500), so nobody may demand that the court orders the dissolution of Jolly Hotel Belgio, SA.

Italian law

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, corporate authorization and certain other Italian mandatory provisions. If a guarantee or a 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 granting a guarantee must receive a real and adequate benefit in exchange for the guarantee. Such principle on corporate benefit applies equally to down-stream, cross-stream and up-stream guarantees issued by Italian companies. While the existence of a corporate benefit in relation to a downstream guarantee is usually self-evident (i.e., a guarantee guaranteeing financial obligations of direct or indirect subsidiaries of the relevant guarantor), the existence of a corporate benefit in relation to a cross-stream or an up-stream guarantee (i.e., a guarantee guaranteeing financial obligations of direct or indirect parent companies or sister companies of the relevant guarantor) may be challenged unless it can be proved that the guarantor may derive some benefits or advantages from the granting of the guarantee, therefore it should be carefully considered on a case-by-case basis (such as in the case of subsidiary guarantors which are providing the Guarantees in connection with the Notes offered hereby). The concept of real and adequate corporate benefit is not expressly defined in under Italian law and is assessed by and determined on a case- by-case basis, further its existence is purely a business decision of the directors and the statutory auditors. As a general rule, corporate benefit is assessed at the level of the relevant company on a standalone basis, although in certain circumstances, and subject to specific rules, the interest of the group to which such company belongs may also be taken into consideration. In particular, in case of upstream and cross-stream guarantees for the financial obligations of group companies, examples may 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, while transactions featuring debt financing of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest.

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.

In principle, absence of a real and adequate benefit could render the guarantee or the collateral *ultra vires* and potentially affected by conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be subject matter of challenges and annulment.

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 or were against mandatory provisions of Italian law. 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. However, no liability can be attributed where no prejudice or actual damage is suffered by the Italian Guarantor because of the determination of the controlling shareholder as provided under Article 2497 of the Italian Civil Code having regard to the overall result of the controlling activity. 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 providing such guarantee. In addition, the granting of a guarantee by an Italian company cannot include any liability that would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, 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 or subscription of its own shares or quotas by a third party or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness in originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interest of the company.

In the light of the above, in no event shall the obligations and liabilities of the Italian Guarantor under a guarantee include the obligation to guarantee financial indebtedness which was incurred, in full or in part, to purchase the shares of such Italian Guarantor (or of any of its direct or indirect holding company) and which would therefore constitute the provision of financial assistance within the meaning of Article 2358 and/or 2474, as the case may be, of the Italian Civil Code whereas, in the latter case, an authorization proceeding in the shareholders' meeting is not implemented. To this extent, the total value of the guarantee cannot exceed the profits and the distributable reserves as resulting from the approved financial statements.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of the Legislative Decree No. 385 of 1 September 1993 (the “Italian *Banking Act*”), whose exercise is exclusively demanded to banks and authorised financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, *inter alia*, cause the Guarantees to be considered null and void. In this respect, the Ministerial Decree No. 53 of 2 April 2015, implementing Article 106, paragraph 3, of the Italian Banking Act, states that the issuance of guarantees or security by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby “group” includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies, which are under the control of the same entity. As a result of the above described rules, subject to the Italian Guarantor and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

In addition, under Article 1938 of the Italian Civil Code, if a personal guarantee is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). It has been held, that such determination must be proportionate to the relevant guarantor’s assets. It is uncertain, however, whether courts are entitled to debate and to rule over such determination.

Italian Law No. 108 of 7 March 1996, as amended, implemented or supplemented from time to time (the “Italian *Usury Law*”), prevents lenders from applying interests higher than certain rates, as set forth in accordance with the Italian Usury Law (the “*Usury Rates*”). In addition, even where the Usury Rates are not exceeded, the interest rate applicable may be held usurious if: (i) it is considered to be disproportionate to the amount lent (taking into account the specific circumstances of the transaction and the average rate applicable to similar transactions in the market) and (ii) the debtor is deemed to have been in financial and economic difficulties at the time the indebtedness was incurred. In order to comply with (i) the Italian Usury Law and Article 1815 of the Italian Civil Code) and (ii) the mandatory provisions of Italian law in relation to capitalization of interests (including Article 1283 of the Italian Civil Code), the obligations of any Italian Guarantor under a guarantee shall not include and shall not extend to (x) Usury Rates and (y) any interest on overdue amounts compounded in violation of the provisions set forth by Article 1283 of the Italian Civil Code, respectively.

In any event, pursuant to Article 1938 of the Italian Civil Code, a guarantee granted by an Italian Guarantor must be capped at a maximum guaranteed amount.

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.

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 will contain language limiting the Note Guarantee accordingly. Furthermore, the German Limited Liability Companies Act restricts payments if and to the extent such payments under any Note Guarantee 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 Note Guarantee.

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 Note Guarantee is voided, holders of the Notes would lose the benefit of the Note Guarantee and may not be able to recover any amounts under the related Note Guarantee. The holders of the Notes may also be required to repay any amounts received with respect to such Note Guarantee.

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.

Luxembourg laws

Under Luxembourg law, guarantees granted by Luxembourg companies are subject to certain limitations. The conditions to be satisfied by the granting of guarantees relate to (i) corporate power, (ii) corporate authority, and (iii) corporate benefit. These rules are derived from general principles and must be applied to specific circumstances, which have to be analyzed on a case by case basis. See "Limitations on validity and enforceability of Notes Guarantees granted by any Luxembourg subsidiaries".

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 or link to the insolvency. 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, intragroup guarantees and security are deemed such as a transaction entered into in favor to parties that have a special relationship with the debtor (although the creditor is not a related party), so that the abovementioned rebuttable presumption of detriment applies. In such a case, Spanish case law considers that such presumption may be rebutted when the group company providing the intragroup guarantee or security has received an equivalent compensation in exchange.

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 subordinated claims 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 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). Pursuant to Article 1,292 of the Spanish Civil Code, payments of non-due debts made in insolvency may also be rescinded.

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.

The legal term to bring a civil rescission claim is four years.

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, meaning that the parties knew or should have known that this would aggrieve the interests of the third party creditor, may be declared ineffective against third parties and the receiver will be authorized to disregard the transaction.

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 in the event of subsequent bankruptcy (or *amministrazione straordinaria* or *liquidazione coatta amministrativa*) *inter alia* when executed and/or performed in accordance with (a) out-of-court debt restructuring plans pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law, (b) validated debt restructuring agreements with creditors ("*accordi di ristrutturazione dei debiti*") under Article 182-*bis* of the Italian Bankruptcy Law or (c) composition with creditors under Articles 160 et seq. of Italian Bankruptcy Law ("*concordato preventivo*"), including composition with creditors with continuity of the going-concern (*concordato con continuità aziendale*) and composition with creditors preceded by the filing of a preliminary and simplified petition (*concordato con riserva* under Article 161, Paragraph 6, of the Italian Bankruptcy Law).

In addition, it should be noted that the EU Regulation no. 848/2015 of European Parliament and Council, of May 20, 2015, 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 Note Guarantee is voided, holders of the Notes would lose the benefit of the Note Guarantee and may not be able to recover any amounts under the related Note Guarantee. The holders of the Notes may also be required to repay any amounts received with respect to such Note Guarantee.

Luxembourg law

Under Luxembourg law, for transactions entered into or payments made by a Luxembourg company during the period before the opening of the insolvency proceedings, if the liquidator or administrator (including, without limitation, in relation to a Luxembourg company, any commissaire, juge-commissaire, liquidateur or curateur or similar official) can show that the Luxembourg company has given "preference" to any person by defrauding the rights of creditors generally, regardless of when this fraud occurred, a Luxembourg court has the power to void the "abnormal" transaction. See "*Limitations on validity and enforceability of Notes Guarantees granted by any Luxembourg subsidiaries*".

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, Portugal, Romania, the Czech Republic, Poland, Mexico, France, 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 favorable 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 588 et. seq. 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 does not affect such right, (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 liquidation is declared and the creditor did not commence the enforcement prior to either the insolvency declaration or after one year since the declaration of insolvency. 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 or link to the insolvency. 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 subordinated claims 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—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 bankruptcy 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 interest 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 interest and certain insolvency law considerations*").

Luxembourg law

NH Finance S.A. is formed and existing under the laws of Luxembourg, and as such any insolvency proceedings applicable to such a company are in principle governed by Luxembourg law to the extent that the COMI as defined in the EU Insolvency Regulation is located in Luxembourg. 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, it may be declared bankrupt by the Bankruptcy Court of the district where it has its "*main place of business*" in Italy (such is the place of the management and administrative center of the business, which in turn coincides - unless proven otherwise - with the registered office of the company). Any transfer of the main place of business in the year prior to the filing of the bankruptcy petition is disregarded for the purpose of determining the venue and jurisdiction of the bankruptcy proceedings. Furthermore, according to Article 9, paragraph 3, of Italian Bankruptcy Law, if NH Italia S.p.A. has its main place of business abroad can be declared bankrupt in Italy, even if a declaration of bankruptcy has been rendered abroad. Furthermore, the relocation of the business to a foreign country does not exclude the jurisdiction of Italian courts, if it occurred after the filing of a petition for bankruptcy or the request of the Public Prosecutor.

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.

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 repeatedly 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 interest and certain insolvency law considerations*" for further information.

German law

NH Central Europe GmbH & Co. KG, NH Hotelbetriebs.-u. Dienstleistungs, GmbH, NH Hotelbetriebs-u. 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 center 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 Note Guarantee is voided, holders of the Notes would lose the benefit of the Note Guarantee and may not be able to recover any amounts under the related Note Guarantee. The holders of the Notes may also be required to repay any amounts received with respect to such Note Guarantee. See "*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 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 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 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 Notes or that the restrictions in the Indenture, the Senior Secured RCF Agreement, the COVID Related ICO Facilities, 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. 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. See *"Description of certain financing arrangements—Senior Secured RCF Agreement"*. The repurchase of the 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 Notes, we may seek the consent of the lenders under or holders of such indebtedness to the purchase of the 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 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 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 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 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 will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "Change of Control" in the Indenture will include 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 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 these Listing Particulars 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 no limited recourse against the third-party property valuation provider.

These Listing Particulars refer 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, 2020 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 properties and assets' business is assumed to continue on 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. In addition, the valuation of our properties may suffer severe devaluation due to the impact of the COVID-19 pandemic.

Other appraisers may reach different valuations of our property portfolio and assets. Moreover, the value determined in the Duff & Phelps Report could significantly differ to 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 these Listing Particulars and the book value of our hotels and assets included in these Listing Particulars 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 may suffer severe devaluations due to the COVID-19 pandemic*".

Furthermore, Duff & Phelps based its valuation of the NH Italia Shares upon the income approach using the DCF method.

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.

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, On June 23, 2016, the United Kingdom held an in or out referendum on the United Kingdom's membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). On January 31, 2020, Brexit became effective and the United Kingdom entered into a transition period from January 31, 2020 to December 31, 2020 during which the European Union treated the United Kingdom as if it were still a member of the European Union (the "Transition Period"). Following the expiry of the Transition Period, the United Kingdom ceased to be treated as a member of European Union at 23:00 on December 31, 2020. The implications of the United Kingdom withdrawing from the European Union and the impact this will have on our business are similarly unclear. Brexit has given rise to calls for certain regions within the United Kingdom to preserve their place in the European Union by separating from the United Kingdom. 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 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. We cannot assure you that the official exchange rate at which the Notes may be redenominated would accurately reflect their value in euro. These potential developments, or market perceptions concerning these developments and related issues, could adversely affect the value of the Notes.

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.

The Notes are a new issue. There is no existing trading market for the Notes and there can be no assurance that a 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 Purchasers have advised us that they intend to make a market in the Notes, they are 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, or at all. 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, or at all.

Although an application has been 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 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, 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.

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, as amended by Royal Decree 1145/2011, of July 29 ("Royal Decree 1065/2007") and the First Additional Provision of Law 10/2014, of June 26 ("Law 10/2014"), the Issuer will not be required to levy any withholding tax in Spain on interest payments and income derived from the redemption or repayment paid by Issuer in respect of the Notes only if certain requirements are met, including that the Issuer receives from the Paying Agent, in a timely manner, a duly executed and completed statement providing certain details relating to the Notes (the "Payment Statement").

This information must be provided by the Paying Agent to the Issuer, before the close of business on the business day immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Notes (each a "Payment Date") is due.

It is expected that the Paying Agent and the Issuer will follow certain procedures to facilitate and ensure the timely reception by 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 such Spanish withholding tax is made because of the 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 directly from the Paying Agent, 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.

The paying agency agreement provides that the Paying Agent will, to the extent applicable, comply with the relevant procedures to deliver the required information concerning the Notes to the Issuer in a timely manner. See "*Certain tax considerations—Spanish tax considerations—Compliance with certain requirements in connection with income payments*".

These procedures may be modified, amended or supplemented, among other reasons, to reflect a change in applicable Spanish law, regulation, ruling or an administrative interpretation thereof. None of the Issuer or the Initial Purchasers assumes any responsibility therefor.

Accordingly, while the Notes are represented by one or more global notes, are admitted to trading on the Euro MTF of the Luxembourg Stock Exchange, 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 Purchasers accept 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 Purchasers 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 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 Purchasers).

Accordingly, to the extent a payment of income in respect of the Notes is not exempt from Spanish withholding tax, holders (that are 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 euro. If investors measure their investment returns by reference to a currency other than euro, 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. For example, since the outbreak of the COVID-19 pandemic, both Fitch and Moody's have downgraded our credit ratings. Any 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.

Use of proceeds

We estimate that the gross proceeds from the Offering will be approximately €400 million. We intend to use the gross proceeds from the Offering:

- to redeem in full the 2023 Notes;
- to pay the redemption premium on the 2023 Notes;
- to pay the costs, fees and expenses in connection with the Refinancing; and
- for general corporate purposes.

The following table sets forth our expected estimated sources and uses of funds in connection with the Refinancing. Actual amounts will vary from estimated amounts depending on several factors, including the Issue Date, as well as the differences between estimated and actual fees and expenses.

Sources	Amount	Uses	Amount
	(€ in millions)		
Notes offered hereby	400.0	Redemption of 2023 Notes ⁽¹⁾	356.9
		Redemption premium ⁽²⁾	3.3
		Cash on the balance sheet	28.6
		Estimated fees and expenses ⁽³⁾	11.2
Total	400.0	Total	400.0

- (1) The redemption of the 2023 Notes will be financed in full using the proceeds of the Offering. The amount aggregate amount necessary to repurchase the 2023 Notes is €356.9 million, which comprises the outstanding principal amount of 2023 Notes as of March 31, 2021. Following the Refinancing, the 2023 Notes will have been redeemed in full. See "*Capitalization*".
- (2) Represents the redemption premium of 100.938% of the aggregate principal amount of 2023 Notes to be redeemed.
- (3) Represents, for illustration purposes only, our estimated costs, fees and expenses in connection with the Refinancing. The estimated fees and expenses include Initial Purchasers' fees, professional fees and expenses and other transaction costs in relation to this Offering.

Capitalization

The following table sets forth the cash and cash equivalents and the consolidated capitalization of the Issuer as of March 31, 2021 on (i) an actual basis and (ii) an as adjusted basis to give effect to the Transactions, including the Refinancing and the Shareholder Loan, as described in these Listing Particulars and the application of the proceeds therefrom, as described in *"Use of proceeds"*, as if these transactions had occurred on March 31, 2021. The following table sets forth financial debt and does not include arranging loan expenses and accrued interests.

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

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 these Listing Particulars.

	As of March 31, 2021	
	Actual	As adjusted for the Transactions
Cash and cash equivalents⁽¹⁾	236.3	364.9
2023 Notes	356.9	—
Notes offered hereby	—	400.0
Senior Secured RCF ⁽²⁾	236.0	236.0
Total debt secured by the Collateral	592.9	636.0
Other secured debt ⁽³⁾	26.7	26.7
Total secured debt	619.6	662.7
COVID Related ICO Facilities ⁽⁴⁾	250.0	250.0
Other loans ⁽⁵⁾	138.3	138.3
Shareholder Loan ⁽⁶⁾	—	100.0
Lease liabilities	2,020.0	2,020.0
Total unsecured debt	2,408.3	2,508.3
Total debt	3,027.9	3,171.0
Equity ⁽⁷⁾	675.9	660.4
Total capitalization	3,703.8	3,831.4

- (1) Cash and cash equivalents as adjusted for the Transactions includes €28.6 million of cash on balance sheet from the Refinancing and €100.0 million from the drawing of the Shareholder Loan. See, *"Use of proceeds"*.
- (2) Represents the Senior Secured RCF under which €236.0 million was committed and fully drawn as of March 31, 2021. Subject to completion of the Offering, total commitments under the Senior Secured RCF will increase to €242.0 million on the Issue Date, of which €236.0 million is expected to remain drawn on the Issue Date.
- (3) Represents multiple secured loans as described under *"Description of certain financing arrangements—Secured loans"*.
- (4) Represents the Term Facility Agreement of €225.0 million and the Sabadell Bilateral Facility Agreement of €25.0 million. See *"Description of certain financing arrangements—Term Facility Agreement and Sabadell Bilateral Facility Agreement"*.
- (5) Represents the bilateral loans, under which the outstanding amount of indebtedness was €138.3 million as of March 31, 2021. See *"Description of certain financing arrangements—Unsecured loans"*.
- (6) Represents the Shareholder Loan from MINT of €100.0 million, which, together with accrued interest, is expected to be capitalized in the short-term into share capital of the Issuer. Concurrently with the capitalization, the Issuer intends to address a Rights Offering to all shareholders (other than MINT) to enable such shareholders to avoid dilution of their shareholding. See *"Summary—Recent Developments—Shareholder Loan and Rights Offering addressed to Minority Shareholders"*.
- (7) Represents the book value of the equity of the Issuer as of March 31, 2021. Equity as adjusted for the Transactions includes the impact of the expenses of arranging and underwriting fees and expenses related to our

original Senior Secured RCF and 2023 Notes, which were recorded in our consolidated financial statements as of March 31, 2021 in an amount of €12.2 million, as well as redemption premium related to the Refinancing of the 2023 Notes of €3.3 million. Excludes any impact of the conversion of the Shareholder Loan into equity, which could affect equity according to IFRS.

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 (1) as of and for the years ended December 31, 2018, 2019 and 2020, 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. as of and for the year ended December 31, 2018 and by PricewaterhouseCoopers Auditores, S.L. as of and for the years ended December 31, 2019 and 2020 and have been prepared in accordance with IFRS, and (2) as of March 31, 2021 and for the three months ended March 31, 2021 and 2020, have been derived from the unaudited condensed interim consolidated financial statements of the Group as of and for the three months ended March 31, 2021 which were subject to limited review by PricewaterhouseCoopers Auditores, S.L. and have been prepared in accordance with IAS 34. 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 16 came into force on January 1, 2019, replacing IAS 17. Our financial statements as of and for the year ended December 31, 2019 have been prepared in accordance with IFRS 16. The Group decided to apply the modified retrospective method, as described in Note 2.1.1 of our financial statements as of and for the year ended December 31, 2019. Our financial statements as of and for the year ended December 31, 2018 have consequently not been restated. According to IFRS 16, upon entry into a lease, a liability in an amount equal to the present value of the lease instalments, as well as an asset representing the right-of-use of the underlying asset during the lease term, must be recognized on the balance sheet. The liability includes fixed instalments and those that are in substance fixed installments, as well as variable instalments depending on an index or interest rate.

In accordance with IFRS 5—Non Current Assets Held for Sale and Discontinued Operations, as described in Note 12 of our financial statements as of and for each of the years ended December 31, 2018 and 2019, certain non-strategic assets and liabilities undergoing divestment with committed sales plans 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. As described in Note 16 of our financial statements as of and for the year ended December 31, 2020, the Group decided to reclassify as continuing operations certain assets which had been classified as discontinued operations in the prior year.

According to IAS 29, Argentina became a hyperinflationary economy during 2018 and our financial statements as of and for the year ended December 31, 2018 onwards have been prepared applying this standard. Relatedly, our financial statements as of and for the year ended December 31, 2018 recorded a higher consolidated result derived from hyperinflation at our Argentine subsidiaries, when such recording should have been made directly in reserves for net tax. Our financial statements as of and for the year ended December 31, 2018 were not restated to reclassify such amount; however, such amount was reclassified from profit or loss to equity in the comparative figures for 2018, which are included in our financial statements as of and for the year ended December 31, 2019, as described in Note 2.2 of our financial statements as of and for the year ended December 31, 2019.

This "Selected historical consolidated financial information" should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements and the accompanying notes included elsewhere in these Listing Particulars, and should also be read together with the information set forth in "Summary", "Presentation of financial and other information", "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".

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 these Listing Particulars.

Consolidated statement of profit or loss and other comprehensive income

	For the year ended December 31,			For the three months ended March 31,	
	2018 ⁽¹⁾	2019 ⁽²⁾	2020	2020	2021
				(unaudited)	
Net turnover	1,613.4	1,708.1	536.2	277.0	61.2
Other operating income.....	6.1	9.4	7.9	4.4	1.0
Net gain (loss) on disposal of non-current assets	86.0	(0.7)	(0.5)	(0.1)	2.9
Procurements.....	(74.8)	(76.8)	(25.4)	(13.4)	(2.5)
Personnel expenses.....	(422.7)	(448.8)	(268.2)	(103.7)	(54.4)
Depreciation	(116.3)	(297.1)	(302.5)	(74.6)	(72.0)
Net losses from asset impairment.....	(0.3)	4.9	(76.3)	1.2	2.3
Variation in the provision for onerous contracts	4.3	—	—	—	—
Other operating expenses	(857.3)	(624.2)	(249.5)	(127.9)	(48.2)
Profit (loss) from entities valued through the equity method.....	(0.5)	—	(7.5)	—	-
Financial income	6.0	4.2	1.7	0.5	0.3
Change in fair value of financial instruments	—	0.3	0.3	0.1	0.1
Financial expenses.....	(60.0)	(135.5)	(135.5)	(32.7)	(32.4)
Results from exposure to hyperinflation (IAS 29).....	0.6	(0.1)	0.8	(0.1)	0.6
Net exchange rate differences	1.1	(2.3)	(3.8)	0.4	0.6
Gain (loss) of financial investments	(0.4)	(10.0)	6.7	—	—
Pre-tax profit (loss) from continuing operations.....	185.4	131.4	(515.5)	(68.7)	(140.3)
Corporation tax.....	(79.7)	(38.6)	75.2	12.1	15.4
Profit (loss) from continuing operations...	105.7	92.9	(440.3)	(56.7)	(125.0)
Profit (loss) for the year from discontinued operations net of tax	(0.6)	0.1	(0.1)	—	—
Profit (loss) for the financial year	105.1	92.9	(440.4)	(56.7)	(125.0)
Non-controlling interests	3.5	2.9	(3.2)	0.5	(0.8)
Profit (loss) attributable to shareholders of the Issuer.....	101.6	90.0	(437.2)	(57.2)	(124.1)

- (1) The comparative information for 2018 included in our financial statements as of and for 2019 included a reclassification as of December 31, 2018 between Profit (loss) for the financial year and Reserves of fully consolidated companies, amounting to €19.4 million (comprising Results from exposure to hyperinflation (IAS 29) of €25.1 million, which was partially offset by Corporation tax of €5.7 million); of which €16.2 million are assigned to the Company and €3.2 million to non-controlling interests). This reclassification has no impact on total equity and the financial statements as of and for the year ended December 31, 2018 were not restated. The financial information presented herein is extracted from the comparative period presented in our consolidated financial statements as of and for the year ended December 31, 2019.
- (2) Our consolidated financial statements as of and for the year ended December 31, 2019 reflect the application of IFRS 16, which became effective on January 1, 2019. Our consolidated financial statements as of and for the year ended December 31, 2018 were not restated for the application of IFRS 16. The main impact of the application of IFRS 16 on the consolidated statement of profit and loss as of December 31, 2019 are an increase in amortization of right of use assets of €181.1 million, an increase in financial expenses of €89.6 million and a decrease in rent expenses of €257.3 million. See "Management's discussion and analysis of financial condition and results of operations".

Consolidated statement of financial position

	As of December 31,			As of March 31,	
	2018 ⁽¹⁾	2019 ⁽²⁾	2020	2020	2021
	(€ in millions)				
Assets					
Tangible fixed assets	1,637.7	1,713.1	1,615.9	1,717.8	1,608.1
Real estate investment	—	3.0	3.0	2.9	2.9
Intangible assets	220.0	190.4	229.2	181.3	230.4
Rights of use assets	—	1,701.5	1,693.8	1,781.6	1,652.1
Non-current investments	63.1	44.9	79.4	44.0	42.7
Other non-current assets	152.2	220.0	273.0	229.6	326.2
Total non-current assets	2,073.0	3,872.9	3,894.3	3,957.1	3,862.4
Non-current assets classified as held for sale	56.0	47.8	—	49.3	0.0
Inventories	10.4	11.1	8.0	10.3	7.7
Receivables	145.8	164.9	101.4	133.6	91.3
Cash and cash equivalents	265.9	289.3	320.9	489.2	236.3
Other current assets	12.1	5.8	5.4	9.8	7.8
Total current assets	490.2	519.0	435.6	692.1	343.1
Total assets	2,563.1	4,391.9	4,329.9	4,649.2	4,205.4
Shareholders' equity and liabilities					
Shareholders' equity	1,504.0	1,275.5	798.6	1,193.3	675.9
Debentures and other marketable securities	342.5	345.7	349.1	346.8	350.6
Debts with credit institutions	71.5	106.7	623.0	358.4	621.9
Non-current liabilities for operating leases	—	1,814.4	1,809.1	1,887.3	1,800.3
Non-current provisions	51.2	48.2	47.3	46.2	47.2
Deferred tax liabilities	177.5	180.1	171.5	177.8	174.0
Other non-current liabilities	49.1	8.8	11.5	9.3	11.8
Total non-current liabilities	691.7	2,503.9	3,011.5	2,825.8	3,005.8
Liabilities associated with non-current assets classified as held for sale	2.5	2.6	—	2.6	—
Debentures and other marketable securities	0.1	0.1	0.1	3.2	2.9
Debts with credit institutions	4.9	3.1	25.9	27.6	30.3
Current liabilities for operating leases	—	253.0	250.6	264.0	219.7
Trade creditors and other accounts payable	252.7	257.5	188.5	252.8	206.4
Current provisions	2.7	5.0	6.3	0.6	3.5
Other current liabilities	104.6	91.2	48.4	79.4	61.0
Total current liabilities	367.4	612.5	519.9	630.1	523.8
Total shareholders' equity and liabilities	2,563.1	4,391.9	4,329.9	4,649.2	4,205.4

- (1) The comparative information for 2018 included in our financial statements as of and for 2019 included a reclassification as of December 31, 2018 between Profit (loss) for the financial year and Reserves of fully consolidated companies, amounting to €19.4 million (comprising Results from exposure to hyperinflation (IAS 29) of €25.1 million, which was partially offset by Corporation tax of €5.7 million); of which €16.2 million are assigned to the Company and €3.2 million to non-controlling interests). This reclassification has no impact on total equity and the financial statements as of and for the year ended December 31, 2018 were not restated.
- (2) Our financial statements as of and for the year ended December 31, 2019 reflect the application of IFRS 16, which became effective on January 1, 2019. Our financial statements as of and for the year ended December 31, 2018 were not restated. The main impact of the application of IFRS 16 on the consolidated statement of financial position as of December 31, 2019 are an increase in right of use assets of €1,701.5 million, an increase in liabilities for operating leases €2,067.4 million, an increase in deferred tax assets of €95.8 million and a decrease in reserves of €255.8 million. See "Management's discussion and analysis of financial condition and results of operations".

Consolidated statement of cash flows

	For the year ended December 31,			For the three months ended March 31,	
	2018	2019 ⁽¹⁾	2020	2020	2021
	(€ in millions)				
	(unaudited)				
Total net cash flow from operating activities	252.2	505.3	(94.1)	20.1	(14.0)
Total net cash flow from investing activities.....	67.7	(166.0)	(137.7)	(26.7)	(14.7)
Financial income	0.5	0.7	0.2	0.1	—
Investments.....	(135.3)	(192.1)	(169.5)	(44.0)	(14.9)
Group companies, joint ventures and associated companies	(1.0)	(1.3)	(64.1)	(10.1)	—
Tangible and intangible assets and real-estate investments.....	(133.7)	(190.8)	(105.5)	(34.0)	(14.9)
Non-current financial investments.....	(0.7)	—	—	—	—
Disposals	202.5	25.4	31.7	17.3	0.1
Total net cash flow used in financing activities.....	(134.5)	(319.8)	262.2	205.9	(56.1)
Gross increase/reduction of cash or equivalent assets	185.4	19.5	30.5	199.3	(84.8)
Effect of change in exchange rates on cash and equivalent assets ...	0.3	—	(1.7)	0.5	0.3
Effect of changes in scope of consolidation	(0.1)	4.0	2.8	—	—
Net increase/reduction of cash or equivalent assets.....	185.6	23.5	31.5	199.8	(84.5)
Cash or equivalent assets at beginning of the year	80.2	265.9	289.3	289.3	320.9
Cash or equivalent assets at the end of the year	265.9	289.3	320.9	489.2	236.3

- (1) Our financial statements as of and for the year ended December 31, 2019 reflect the application of IFRS 16, which became effective on January 1, 2019. Our financial statements as of and for the year ended December 31, 2018 were not restated. The main impact of the application of IFRS 16 on the consolidated statement of cash flow as of December 31, 2019 are an increase in adjusted result of 252.3 million and a decrease in net cash flow from financing activities of €252.3 million. See "*Management's discussion and analysis of financial condition and results of operations*".

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 (1) as of and for the years ended December 31, 2018, 2019 and 2020 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, and (2) as of March 31, 2021 and for the three months ended March 31, 2021 and 2020, have been derived from the unaudited condensed interim consolidated financial statements of the Group for the three months ended March 31, 2021 which were subject to limited review by PricewaterhouseCoopers Auditores, S.L. and have been prepared in accordance with IAS 34.

IFRS 16 came into force on January 1, 2019, replacing IAS 17. Our financial statements as of and for the year ended December 31, 2019 have been prepared in accordance with IFRS 16. The Group decided to apply the modified retrospective method, as described in Note 2.1.1 of our financial statements as of and for the year ended December 31, 2019. Our financial statements as of and for the year ended December 31, 2018 have consequently not been restated. According to IFRS 16, upon entry into a lease, a liability in an amount equal to the present value of the lease instalments, as well as an asset representing the right-of-use of the underlying asset during the lease term, must be recognized on the balance sheet. The liability includes fixed instalments and those that are in substance fixed installments, as well as variable instalments depending on an index or interest rate.

In accordance with IFRS 5—Non Current Assets Held for Sale and Discontinued Operations, as described in Note 12 of our financial statements as of and for each of the years ended December 31, 2018 and 2019, certain non-strategic assets and liabilities undergoing divestment with committed sales plans 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. As described in Note 16 of our financial statements as of and for the year ended December 31, 2020, the Group decided to reclassify as continuing operations certain assets which had been classified as discontinued operations in the prior year.

According to IAS 29, Argentina became a hyperinflationary economy during 2018 and our financial statements as of and for the year ended December 31, 2018 onwards have been prepared applying this standard. Relatedly, our financial statements as of and for the year ended December 31, 2018 recorded a higher consolidated result derived from hyperinflation at our Argentine subsidiaries, when such recording should have been made directly in reserves for net tax. Our financial statements as of and for the year ended December 31, 2018 were not restated to reclassify such amount; however, such amount was reclassified from profit or loss to equity in the comparative figures for 2018, which are included in our financial statements as of and for the year ended December 31, 2019, as described in Note 2.2 of our financial statements as of and for the year ended December 31, 2019.

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. Our geographical breakdown is as follows: (1) Spain, which includes Spain, Portugal, France, Andorra, Tunisia and the United States; (2) Italy; (3) Central Europe, which includes Austria, the Czech Republic, Germany, Hungary, Poland, Romania, Slovakia and Switzerland; (4) Benelux, which includes Belgium, Luxembourg, the Netherlands, Ireland and the United Kingdom; and (5) Latin America, which includes Argentina, Brazil, Chile, Colombia, Cuba, Ecuador, Haiti, Mexico and Uruguay. See "Important information for investors—Other data—Other operating measures".

You should read this discussion in conjunction with the sections entitled "Presentation of financial and other information", "Summary—Summary financial and other information", "Selected historical consolidated financial information" and "Capitalization", which are included elsewhere in these Listing Particulars. 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 among the top ten largest hotel chains in Europe by number of hotel rooms, according to the latest available Hospitality On report. As of March 31, 2021, we operated 355 hotels consisting of 54,806 hotel rooms in 29 countries.

Based on a report by an independent market research firm, and measured by number of hotel rooms in operation, as of December 2019, we were the third largest hotel chain in the Netherlands, the fourth largest in Italy and Belgium, the fifth largest in Spain and Portugal and the eighth largest in Germany. Of the 355 hotels we operated as of March 31, 2021, we owned 73 (or 22% by number of hotel rooms), we leased 229 (or 65% by number of hotel rooms) and we managed 53 hotels (or 14% by number of hotel 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 twelve months ended March 31, 2021, our net turnover was €320.4 million and our Adjusted EBITDA was negative €426.5 million. Our net turnover and Adjusted EBITDA increased from €1,613.4 million and €264.5 million, respectively, in the year ended December 31, 2018 to €1,708.1 million and €319.4 million, respectively, in the year ended December 31, 2019. Our net turnover and Adjusted EBITDA decreased from €277.0 million and negative €31.4 million, respectively, in the three months ended March 31, 2020, to €61.2 million and negative €112.3 million, respectively, in the three months ended March 31, 2021. For the three months ended March 31, 2021, our Occupancy, ADR and RevPAR were 14.3%, €65.5 and €9.4, 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 operation—Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)"*.

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 variety of key functions, including sales, reservations, marketing, administrative and IT systems.

We have strengthened our brand proposition by reorganizing our hotels into an upper-upscale segment, an upscale segment and a mid-tier 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;
- *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
- *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.

Since their public tender offer in 2018, we have benefitted from the industry knowledge and support of MINT, which operates over 172 hotels and resorts across Asia, Australia, Africa, the Middle East and South America. As a result of the integration of the Group into Minor Hotels (an affiliate of MINT), the parties have agreed to a joint brand positioning for all markets and segments, on the basis of the reciprocal master licensing agreement signed between the parties on February 7, 2019 allowing each party to use the other party's corresponding commercial brands in the geographical areas where each party operates. The brands covered by this master licensing agreement comprise Anantara, Avani, Tivoli and Oaks (in each case with Minor Hotels as licensor) and the brands NH Collection, NH Hotels and NHOW (in each case with the Group as licensor). As a result of this master licensing agreement, we have increased the number of brands we offer in the luxury and upscale segment and currently operate six hotels in Europe under the luxury Anantara brand and 10 hotels under the upper-upscale Tivoli brand:

- Anantara is an award-winning and world-renowned Asian luxury brand offering both design and service-led timeless experiences. Positioned in key markets around the globe, Anantara hotels, resorts and spas open up a window to the modern character of their destination, upholding world-class operational standards to make every stay uniquely personal; and
- *Tivoli* is a collection of upscale and deluxe properties in prime locations around the world. Tivoli is now a global brand, with destinations ranging from idyllic beach settings in Brazil to cosmopolitan city spots across Europe and luxury locations in the Middle East. Every Tivoli hotel is unique. Some are inspired by exotic surroundings, others offer a touch of metropolitan luxury. Each one delivers consistent premium service combined with impeccable taste and comfort.

Since 2013, we have implemented various upgrades and refined our brands across our operations. This has included investing in upgraded basic facilities, such as flat screen televisions and rain showers, and refining our dining and beverage options. We have worked to align our hotels with particular brand aesthetics to create a comfortable and standardized experience for our customers. We have also implemented a centralized pricing strategy which organizes price by destination, allowing us to structure relative prices among our various hotels in each destination, and by room type. Through this pricing mechanism, guests may choose to upgrade for more desirable features, such as a better view. 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 all business units ("*BUs*").

In the year ended December 31, 2020 as compared to the prior year, all regions reported a decrease in RevPAR, which is principally due to the low levels of occupancy beginning in March 2020 across all regions due to the impact of the COVID-19 pandemic. The second quarter of the year was the most affected quarter during the pandemic due to lockdowns in various countries, temporary hotel closures and travel restrictions, which were reinstated in the last few months of 2020. In particular, for our hotels in Spain, RevPAR, ADR and Occupancy fell by 71.4%, 22.9% and 63.0%, respectively, in 2020 compared with 2019. For our hotels in Central Europe, RevPAR, ADR and Occupancy fell by 67.3%, 16.4% and 60.9%, respectively, in 2020 compared with 2019. For our hotels in Italy, RevPAR, ADR and Occupancy fell by 75.4%, 22.3% and 68.3%, respectively, in 2020 compared with 2019. For our hotels in Benelux, RevPAR, ADR and Occupancy fell by 74.2%, 18.2% and 68.4%, respectively, in 2020 compared with 2019 and, in Latin America, RevPAR, ADR and Occupancy fell by 76.7%, 21.7% and 70.3%, respectively, in 2020 compared with 2019, which was also due to the negative impact of fluctuations in foreign currency exchange rates.

In the first quarter of 2021 as compared to the first quarter in 2020, all regions reported a decrease in RevPAR, which is principally due to the low levels of occupancy beginning in March 2020 across all regions. The first quarter of 2021 has been affected by lockdowns in various countries, temporary hotel closures and travel restrictions, which largely remained in effect during the beginning of 2021. In particular, for our hotels in Spain, RevPAR, ADR and Occupancy fell by 71.2%, 32.7% and 57.3%, respectively in the first quarter of 2021 as compared to the same period in 2020. For our hotels in Central Europe, RevPAR, ADR and Occupancy fell by 88.4%, 29.6% and 83.5% respectively in the first quarter of 2021 as compared to the same period in 2020. For our hotels in Italy, RevPAR, ADR and Occupancy fell by 65.9%, 25.6% and 54.2%, respectively, in the first quarter of 2021 as compared to the same period in 2020. For our hotels in Benelux, RevPAR, ADR and Occupancy fell by 88.2%, 28.7% and 83.5%, respectively in the first quarter of 2021 as compared to the same period in 2020 and in Latin America, RevPAR, ADR and Occupancy fell by 72.5%, 34.1% and 58.2% respectively, in the first quarter of 2021 as compared to the same period in 2020, which was also due to the negative impact of fluctuations in foreign currency exchange rates.

We actively manage our asset portfolio, including our 73 owned hotels which had a book value of €1.3 billion as of March 31, 2021 and December 31, 2020, although we believe that the actual market value of such assets is higher, due to the fact that prices at which we have been able to sell our assets in recent years have been typically higher than their respective book values. Between June 2020 and February 2021, 30 owned hotels were appraised by third parties and were assigned a market value of approximately €875 million, while their book value as of December 31, 2020 is recorded as approximately €593 million. This means that the market value for those 30 appraised hotels exceeds their book value by approximately 48%. We regularly evaluate the performance of individual hotels to identify underperforming properties, and aim to terminate, or not renew, lease agreements and management agreements for underperforming hotels, in particular if they contain undesirable terms (such as management agreements with costly performance guarantees), as well as to sell certain of our underperforming owned hotels and redirect 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.

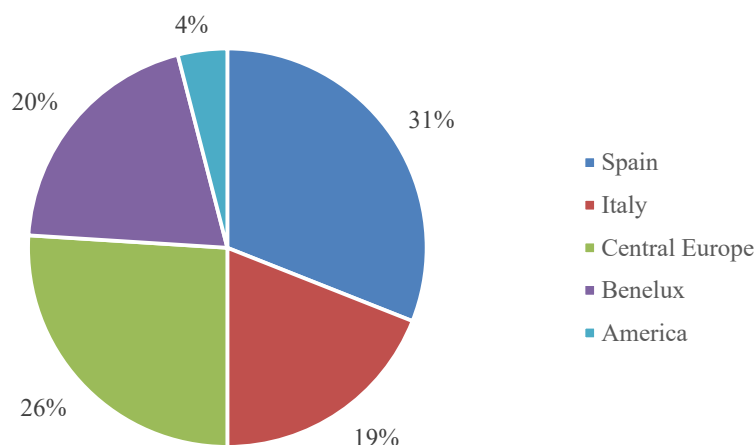
In addition, we are actively working to continue to increase Occupancy and Average Daily Rates through selective investments, including refurbishment of existing hotels and opening new hotels. We also intend to complete the streamlining of our operating platforms to increase efficiency. To date, we have migrated most of our back office systems to SAP, and we have invested in the development of our website (with a focus on a mobile-friendly interface as our customers increasingly access our website through their mobile devices) with increased functionality in order to increase the proportion of direct bookings. In the year ended December 31, 2020 compared to the prior year, the proportion of revenue generated from our website grew from 11.5% to 14.3%. 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 2020, we opened 11 hotels with 1,966 rooms in markets where we believe there is increasing demand for hotel rooms and we closed 17 hotels with 3,866 rooms.

As of March 31, 2021, we have entered into agreements to operate 20 new hotels with 3,739 rooms (our "committed pipeline hotels"), which are expected to commence operations mainly between 2021 and 2023. 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 our core NH Hotels and NH Collection brands. We estimate that we will invest a total of approximately €30 million into our committed pipeline hotels between 2021 and 2023.

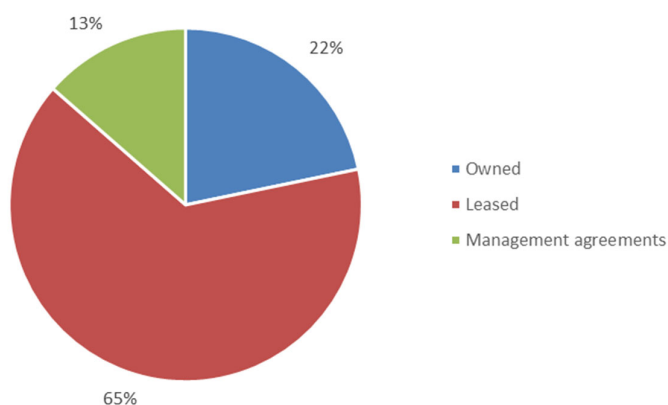
We are a public limited company (*sociedad anónima*) incorporated under the laws of Spain and listed on the Spanish Stock Exchanges with an authorized share capital of €784,360,486 consisting of 392,180,243 shares as of March 31, 2021. Our market capitalization was €1.6 billion as of June 11, 2021.

The following charts set forth the geographic breakdown of our net turnover for the twelve months ended March 31, 2021 and a breakdown of our hotel rooms by owned, leased and managed hotels as of March 31, 2021.

Net Turnover by Geography



Number of Hotel Rooms by Type of Ownership



The COVID-19 pandemic and related measures

Since the start of the outbreak of the COVID-19 pandemic in mid-March 2020, lockdowns, travel restrictions and social distancing measures have severely impacted the hospitality demand in Europe and other regions in which we operate. From March to end of May 2020, approximately 95% of hotels in our portfolio were temporarily closed, and those which remained open had limited activity, remaining open primarily for charitable purposes. As a result, the second quarter of 2020 was our most severely impacted quarter during the pandemic, with an extremely low level of demand. In many cases, temporary closures of our hotels have been mandatory under local laws and regulations.

As a result of the lockdown across Europe and other regions in which we operate, during the months of April and May 2020, RevPAR remained severely reduced as compared to prior to the pandemic, as booking rates decreased significantly due to travel restrictions, lockdowns and cancellation of events. As a consequence, only 1% of the hotel rooms in our portfolio were occupied during the month of April 2020. Starting at the end of May 2020, we gradually reopened our portfolio during the summer months, with approximately 80% open in August and September 2020, until successive waves of COVID-19, primarily in Europe, resulted in our hotels closing again from October, with only 60% of hotels in our portfolio open at the end of December 2020. However, since the beginning of 2021, the gradual roll out of vaccines, together with the progressive easing of restrictions in certain European countries, has allowed us to accelerate the reopening of our portfolio. As such, at the end of May 2021, approximately 78% of hotels in our portfolio were open.

As a result of such temporary closures and low Occupancy and RevPAR, our net turnover decreased to €536.2 million in the year ended December 31, 2020 from €1,708.1 million in the prior year, and our EBITDA decreased to €0.5 million in the year ended December 31, 2020, as compared to €567.0 million in the prior year.

In 2020, the Group implemented "Feel Safe at NH" at all its hotels. This new plan, with measures approved by experts, is intended to address the challenges related to the COVID-19 pandemic. The Group has reviewed its operational procedures and made nearly 700 adaptations to its operating standards to safeguard the health and safety of our guests and employees worldwide. Grouped into 10 main lines of action and supported by specialists in various fields, the measures implemented include the digitization of hotel services, sanitation processes, including social distancing procedures and the use of personal protective equipment, among others. We also reached a collaboration agreement with Société Générale de Surveillance ("SGS"), a world leader in inspection, analysis and certification, which allows us to monitor the implementation of this protocol to verify that the Group's hotels are clean and safe environments.

Additionally, various initiatives were launched in 2020 to adapt to new travel trends:

- *Extended stay:* Discounts of up to 35% on stays from seven days, in order to incentivize guests to work away from home during a longer period or enjoy a longer holiday vacation;
- *Smart spaces:* New innovative business-to-business proposal with exclusive spaces to work and organize small business meetings, while taking advantage of all of the amenities at our hotels (such as a day-use room, a fitness center and restaurants); and
- *Hybrid meetings:* Combining in person and virtual attendees to enhance the value of events, reaching a greater audience from a number of different locations.

In response to the COVID-19 pandemic, we implemented a contingency plan to adapt our operations and preserve liquidity where possible, including temporary lay-offs, reductions in hours and wages of employees at our hotels and central offices, renegotiations with suppliers to reduce procurement costs, renegotiations with hotel proprietors to reduce or defer fixed rent expenses, and reduction or deferral of planned or committed capital expenditures. As further described below, at the end of April 2021, we also implemented a collective dismissal procedure at our central and corporate services in Spain, following negotiations with employee representatives.

Given the lack of visibility on the speed of business recovery, the following measures have been implemented to assure cost control and preserve liquidity and are expected to continue to remain in place in the short-term:

- *Workforce:* The Group has carried out temporary lay-offs, as well as reductions in hours and wages of employees at our hotels and central offices. These processes continued during the second half of 2020, with a view to reducing the work force temporarily, and will continue during the first part of 2021 in various countries. In February 2021, we announced our intention to initiate a collective dismissal procedure in our central and corporate services in Spain, and the related agreement has since been announced as part of the collective dismissal procedure and ratified by the Workers' Assembly. This collective dismissal was implemented at the end of April 2021. This process in Spain is part of a larger global plan being implemented in accordance with local legislation.
- *Other Operating expenses:*
 - The Group has negotiated with suppliers to reduce procurement costs, searched for lower-cost alternative products and negotiated improvements in payment terms;
 - All Group staff travel has been suspended since beginning of March 2020;

- Suspension of non-priority consultancy advisory work from third parties, as well as employee training; and
- Significant reduction in marketing and advertising costs, despite the need to incentivize revenues.
- *Leases:* Certain temporary reduction or deferrals of fixed rent expenses have been obtained since the second quarter of 2020, in light of the pandemic and hotel closure mandated by several European governments. Additional negotiations are in progress with landlords for 2021.
- *Capital expenditures:* Investments were generally discontinued or canceled except those legally required or at an advanced stage. Capital expenditure (such as renovations, maintenance, IT and new openings) in 2020 was approximately €100 million, or 50%, lower than originally planned. Capital expenditures will continue to be limited throughout 2021. Our capital expenditure decreased to €14.9 million in the first quarter of 2021 from €34.0 million in the same period of 2020, representing a 56% reduction. We plan to maintain limited capital expenditure through 2021.
- *Dividend withdrawal:* Withdrawal of the 2019 dividend proposal of €0.15 per share, which would have involved an estimated disbursement of approximately €59 million.

Through these cost reduction measures, in the nine months from April to December 2020, we have been able to minimize our cost base and reduce our non-rent costs by approximately 61% and our costs including rents by approximately 52%, compared to the same period in the prior year. Excluding perimeter changes, the decrease in total rents amounted to approximately 32% over the same period, explained by the €63.6 million increase in our fixed rent concessions and our lower variable rents. Due to our disciplined cost control, we were able to offset approximately 50% of EBITDA decline in 2020. We have continued our effective cost reduction methods through the first quarter of 2021 and have successfully offset 69% of EBITDA decline as a result. Overall, since April 2020 until March 2021, we have been able to minimize our cost base and reduce our non-rent costs by approximately 60% and our costs including rent by approximately 51%, compared to the same period in the prior year, allowing us to offset approximately 54% of EBITDA decline in the twelve months ended March 31, 2021. Likewise, in the first quarter of 2021, our average cash outflow was approximately €29 million per month (75.5% of operating cash flow and 24.5% of investing and financial cash flow), a reduction from our average cash outflow of approximately €42 million per month (67.9% of operating cash flow and 32.1% of investing and financial cash flow) in the year ended December 31, 2020.

With the roll-out of vaccines and the easing of travel restrictions, the Group anticipates renewed consumer confidence and a return to travel to a certain extent. However, it is impossible to predict the change in demand and the length of time it will take for the market to recover once people receive the vaccine and the pandemic subsides. As such, the Group does not expect to see a material improvement in the short term. See, "*Risk Factors—Risks relating to our business and industry—The COVID-19 pandemic has had a significant negative impact on our industry and business, and may continue to have a significant negative impact in the future.*"

Reopening and recovery strategy

Our flexible cost structure has allowed a gradual reopening according to demand with a focus on optimizing profitability since the end of May. Starting at the end of May 2020, we gradually reopened our portfolio during the summer months, with approximately 80% open in August and September 2020, until successive waves of COVID-19, primarily in Europe, resulted in our hotels closing again from October, with only 60% of hotels in our portfolio open at the end of December 2020. However, since the beginning of 2021, the gradual roll out of vaccines, together with the progressive easing of restrictions in certain European countries, has allowed us to accelerate the reopening of our portfolio. As such, at the end of May 2021, approximately 78% of hotels in our portfolio were open.

The recovery in domestic leisure demand is already noticeable and is gaining momentum as Europe increases its vaccination rate and eases restrictions. We believe that the difficulties experienced in 2020 and in early 2021 are behind us and that a gradual recovery will soon begin.

The Group plans to use its strong market positioning in the European countries, with excellent locations and high brand awareness, in addition to increased domestic demand. Our recovery is expected to be initially driven by domestic and intra-European leisure domestic demand as international mobility is expected to remain low. In 2019, intra-European demand represented between 71 and 76% of our revenues, while domestic demand represented 67% in Germany, 60% in Spain, 48% in Italy and 47% in the Netherlands during the same period. In addition, we believe that the business-to-business group may take longer to recover, due to broader socio-economic factors relating to the pandemic

and, in particular, social distancing that restrict the size of events, subject to any advancements in the distribution of vaccines or other scientific advances relating to COVID-19.

Key factors affecting our financial condition and results of operations

Beyond the COVID-19 pandemic discussed above, we consider the following factors, which are discussed further below, as the key business drivers affecting our results of operations:

- economic conditions;
- 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.

Economic Conditions

Our results of operations are affected by the level of consumer travel. The outbreak of the COVID-19 pandemic disrupted our business beginning in March 2020 and caused an immediate economic downturn. The economies of many jurisdictions in which we operate continue to be severely affected. Given these economic uncertainties, we cannot predict what the impact will be on overall travel and leisure spending, or more specifically, on our guest visitation, guest spending, or other related trends. See, "*Risk Factors—Risks relating to our business and industry—The COVID-19 pandemic has had a significant negative impact on our industry and business, and may continue to have a significant negative impact in the future.*"

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 favorable 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.

We also have sold certain of our hotels from time to time, and we may continue to sell, or sell and leaseback, hotels as part of our asset management strategy. We have a strong record of opportunistically selling assets and achieving capital gains on those assets. The following table summarizes our asset sales since 2010.

Hotel	Date	Location	Number of hotel rooms	Sale price (in millions)	Sale price/ book value	Ratio of sale price to EBITDA ⁽¹⁾	Net capital gain (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

Hotel	Date	Location	Number of hotel rooms	Sale price (in millions)	Sale price/ book value	Ratio of sale price to EBITDA ⁽¹⁾	Net capital gain (in millions)
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 other non-hotel assets ⁽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 Apartment.....	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
NH Málaga.....	2017	Spain	133	€23.0	170%	8.8x	€7.2
Eurobuilding Apartment.....	2017	Spain	N/A	€2.0	N/A	N/A	€1.6
LHI Option.....	2017	Spain	N/A	€38.2	N/A	N/A	€27.1
NH Collection Barbizon Palace ⁽⁹⁾	2018	The Netherlands	274	€155.5	155%	15.8x	€55.4
NH Heemskerk Marquette.....	2018	The Netherlands	65	€3.4	92%	N/A	€(0.3)
Other assets.....	2019	Spain	N/A	€16.0	123%	N/A	€2.2
Varallo and minority interests ⁽⁶⁾	2019	Dominican Republic	N/A	€17.1	N/A	N/A	€8.4
NH Gent Sint Pieters.....	2020	Belgium	49	€5.2	112%	14.5x	€(0.3)
NH Best.....	2020	The Netherlands	68	€3.3	101%	12.5x	N/A
NH Geldrop.....	2020	The Netherlands	131	€6.4	101%	8.2x	N/A

- (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.
- (9) Sale and lease back transaction.

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.

Our portfolio and asset management may impact our net income. For example, in 2019, net income was negatively impacted by non-recurring activity (negative €13 million) mainly explained by the impairment of a non-hotel asset, partially offset by asset disposals. In 2018, net income benefitted from non-recurring activity (positive €32 million) mainly from the net capital gains from asset rotation.

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 expect to 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 Average Daily Rates ("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 our 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 geographical breakdown of consolidated RevPAR for our hotels:

	For the year ended December 31,						For the three months ended	
	2018			2019			March 31,	
	2020	2020	2021	2020	2020	2021	2020	2021
	€	% change ⁽¹⁾	€	% change ⁽¹⁾	€	€	% change ⁽¹⁾	€
Spain	70.4	10.6	77.9	(71.4)	22.2	48.0	(71.2)	13.8
Italy	83.7	3.4	86.5	(75.4)	21.3	39.6	(65.9)	13.5
Central Europe	66.6	0.4	66.8	(67.3)	21.9	46.1	(88.4)	5.4
Benelux	80.6	3.4	83.3	(74.2)	21.5	48.6	(88.2)	5.7
Latin America	46.2	(4.0)	44.3	(76.7)	10.3	33.2	(72.5)	9.1
Group	70.5	4.2	73.5	(72.2)	20.5	44.6	(79.0)	9.4

- (1) Represents the percentage change in RevPAR between 2018 and 2019, between 2019 and 2020 or between the three months ended March 31, 2020 and 2021, 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 hotel 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 geographical breakdown of consolidated Occupancy for our hotels:

	For the year ended December 31,				For the three months ended March 31,			
	2018		2019		2020	2020		2021
	(%)	Ppt change ⁽¹⁾		Ppt change ⁽¹⁾			Ppt change ⁽¹⁾	
Spain	74.5	0.3	74.8	(63.0)	27.7	51.1	(57.3)	21.8
Italy	70.1	0.1	70.2	(68.3)	22.2	38.1	(54.2)	17.4
Central Europe	74.5	(1.8)	73.1	(60.9)	28.6	47.4	(83.5)	7.8
Benelux	72.5	(0.1)	72.5	(68.4)	22.9	44.4	(83.5)	7.3
Latin America	62.4	(1.7)	61.4	(70.3)	18.2	48.0	(58.2)	20.1
Group	71.9	(0.5)	71.6	(65.1)	25.0	46.3	(69.1)	14.3

- (1) Represents the percentage point difference in Occupancy between 2018 and 2019, between 2019 and 2020 or between the three months ended March 31, 2020 and 2021, 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 the geographical breakdown of consolidated ADR for our hotels:

	For the year ended December 31,				For the three months ended March 31,			
	2018		2019		2020	2020		2021
	(€)	% change ⁽¹⁾	(€)	% change ⁽¹⁾	(€)		% change ⁽¹⁾	(€)
Spain	94.5	10.2	104.1	(22.9)	80.3	94.0	(32.7)	63.3
Italy	119.5	3.2	123.3	(22.3)	95.8	104.0	(25.6)	77.4
Central Europe	89.4	2.2	91.4	(16.4)	76.4	97.3	(29.6)	68.5
Benelux	111.1	3.5	114.9	(18.2)	94.0	109.4	(28.7)	78.0
Latin America	74.0	(2.4)	72.2	(21.7)	56.5	69.0	(34.1)	45.5
Group	98.1	4.7	102.6	(20.2)	81.9	96.2	(31.9)	65.5

- (1) Represents the percentage change in ADR between 2018 and 2019, between 2019 and 2020 or between the three months ended March 31, 2020 and 2021, as applicable.

Repositioning our brand and hotel portfolio and our refurbishment plan

We reorganized our hotels into three 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 and mid-tier 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.

As a result of the public tender offer and the integration of the Group into Minor Hotels in 2018 (an affiliate of MINT), the parties have agreed to joint brand positioning for all markets and segments, on the basis of the reciprocal master licensing agreement signed between the parties on February 7, 2019 by means of which each party licenses to the other party the use of its corresponding commercial brands in the geographical areas where the other party operates.

The brands covered by the licensing agreement are Anantara, Avani, Oaks and Tivoli (in each case with MINT as licensor) and NH Collection, NH Hotels and NHOW (in each case with the Group as licensor). In accordance with this master licensing agreement, we currently operate six hotels in Europe under the luxury Anantara brand and 10 hotels under the upper upscale Tivoli brand.

As of December 31, 2020, we have completed the execution of the approximately €371 million of investments (€320 million as of December 31, 2019) under our repositioning program since the plan was launched in 2014. As of December 31, 2020, a total of 107 hotels have been refurbished, representing approximately 30% of our hotel portfolio. These hotels were 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 11 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, 13 refurbishments have been completed and eight more are in progress and we intend to refurbish additional 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 have completed or intend to complete a refurbishment of the entire building, including all mechanical, electrical and plumbing systems. The hotels we have refurbished have generally experienced increased RevPAR.

In 2020, we opened 11 hotels: two management agreements (one NHOW in London and one Anantara in Tunisia) and nine lease agreements (one NHOW in Amsterdam, one NH Collection in Verona and eight hotels under the agreement reached with Covivio in Rome, Florence, Venice (two), Nice, Prague and Budapest (two) under Anantara, NH Collection and NH brands) with a total of 1,966 rooms. In the first quarter of 2021, there have not been any new openings.

In addition, we will continue to actively manage our asset portfolio. In the period from 2018 to 2020, there were 17 lease agreements that were not renewed. In 2020, we sold three hotels in Benelux (NH Gent Sint Pieters, NH Best and NH Geldrop) for €14.8 million. In 2019, there were no relevant asset disposals while, in 2018, the sale and leaseback of NH Collection Barbizon Palace in Amsterdam generated net cash inflow of €121.8 million and two leased contracts were also restructured (one cancellation and one acquisition). 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 and lease agreements with variable components. As of March 31, 2021, we have entered into agreements to operate 20 new hotels with 3,739 rooms (our "committed pipeline hotels"), which are expected to commence operations mainly between 2021 and 2023. 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 our NH Hotels and NH Collection brands. We estimate that we will invest a total of approximately €30 million on our committed pipeline hotels between 2021 and 2023.

Expenses

One of the largest components of our operating expenses is personnel expenses. Our personnel expenses represented 26.2% of our net turnover in 2018 and 26.3% in 2019, while they represented 50.0% in 2020 and 88.9% in the first three months of 2021 due to the lower revenues generated as a consequence of the COVID-19 pandemic. 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 favorable 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. In connection with the termination and renegotiation of leases, we paid €9.4 million in 2018, we did not incur any cost in connection with the early termination of leases in 2019 and we paid €2.1 million in 2020. In the first quarter of 2021, we have not incurred any costs in connection with the early termination of leases.

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, the proceeds of which have facilitated the repositioning of our business and the repayment of debt and have 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 by entering into management, franchise and variable lease agreement. During this time, we expect our three core brands, NH Collection, NH Hotels and NHOW, 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 services center with Accenture.

Since 2013, the cost saving initiative 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 achieved savings from: (i) further efficiency improvements in our administrative functions as a result of our shared services center 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; and (iv) optimization of CRM functions through a revenue management software, the NH Gamechanger RMS (a 'white label' solution from Duetto Cloud) that automatizes pricing and related capabilities and provides insights on pricing and demand. 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 than other channels and allow us to gain access to long distance markets.

We have invested approximately €51 million since 2014 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 at our 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.

The Group continues to be at the forefront of innovation. Our digital transformation has allowed processes and systems to be made more efficient, improving basic processes, leading to further differentiation from competition. One of our greatest achievements has been to centralize all our properties and functions into a single integrated system. This allows us to have a fully-integrated digital platform: NH Digital Core Platform, which is a pioneering technological solution in our sector that has allowed the integration of all our hotels' systems which has become the basis for the Group to expand customer knowledge, maximize efficiency and innovate on a larger scale in all value areas.

Additionally, we have implemented a contingency plan to adapt operations and safeguard business continuity in an environment where COVID-19 has created unprecedented challenges and uncertainties in the hotel industry such as, in many cases, temporary closures which have been mandatory under local laws and regulations. See "*The COVID-19 pandemic and related measures*" for more details.

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 recognized 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. Between 2013 and 2018, we overhauled 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. After the completion of our IT transformation plan, we began our digital evolution roadmap in 2019 in order to increase our digitalization. Since 2019, we have launched various digital solutions to improve the client experience, increase revenues and reduce costs, while improving efficiencies and sustainability. Some examples are: "Fastpass", a tool which allows customers to check in online, choose their room and checkout online; a guest mobile service which allows our customers to request any services needed during their stay through their mobile device; tablets at reception which digitize the registration process at the front desk and facilitate GDPR compliance; artificial intelligence at our central reservation office to assist us in responding to customer queries; robotics and additional automations to gain efficiencies and also reduce paper printing; CRM tools for our commercial teams which provide a 360 degree view of our clients, M&E management tools to improve revenue in quotations and to optimize the processes; and added mobility for our employees (through housekeeping mobile, HUB for maintenance and tablets at points of sale). We believe that our digitalization plan has allowed us to improve our business functionality and we will continue to implement new initiatives to continue this trend.

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 the years ended December 31, 2018, 2019 and 2020, food and beverage revenue was, €325.0 million, or 20.1%, of our total net turnover, €340.6 million, or 19.9%, of our total net turnover, and €111.2 million, or 20.7%, of our total net turnover, respectively. In the three months ended March 31, 2020 and 2021, food and beverage revenue was €57.1 million, or 20.6%, of our total net turnover, and €12.9 million, or 21.0%, 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, due to the severe restrictions put in place relating to COVID-19 and their impact on food and beverage services, we have had to adapt our service models, capacities and timetables in order to comply with current legislation.

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 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 healthier and more attractive offer. Moreover, we continue to optimize spaces through external collaborations or own developments in order to maximize the productivity of our restaurants.

Since 2016, we have been continuously developing 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 typically business travelers we generally 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 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, EBITDA generally makes greater 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 twelve months ended March 31, 2021, approximately 6% of our net turnover was recorded in currencies other than the euro, mainly U.S. dollars, Swiss francs, Argentine pesos, Mexican pesos, Colombian pesos, Czech Koruna and Hungarian forint. As a result, we are required to translate those results from the functional currency into Euro 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. We manage our exposure to currency translation risk by incurring indebtedness, if needed, 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. As of March 31, 2021, our NH Rewards loyalty program counted more than 9.8 million members (9.7 million as of December 31, 2020). We are in the process of migrating our loyalty program from NH Rewards to Global Hotel Alliance ("GHA"). GHA is preparing to launch a redesigned version of its DISCOVERY program during the fourth quarter of 2021, which will include a digital rewards currency and unique benefits and offers for local members. The migration to GHA will allow the Company to benefit from a major global program with access to key feeder markets.

Perimeter changes

From time to time, we may acquire or dispose of hotels, enter into or terminate certain management and lease agreements (especially underperforming agreements), refurbish our hotels, or change the type of contract under which we operate our hotels (such as from an owned or leased hotel to a managed hotel). Such activities affect our perimeter and results of operations. In addition, perimeter changes reduce the comparability of our financial results from one period to the next. For example, in 2019, we acquired the Tivoli portfolio in Portugal, adding 2,452 hotel rooms to our portfolio (adding three hotels operated under lease contract (20 years lease term) and 10 hotels operated under management

contract, which have an impact on our management fee, which is based on revenues and gross operating profit). Additionally in 2020, the Group signed a long term sustainable lease contract with Covivio and acquired from Covivio the operating companies that operate eight hotels with an investment of €50 million. These eight hotels, with a total of 1,966 rooms, are located in key European cities such as Budapest (two), Florence, Nice, Prague, Rome and Venice (two).

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.

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

Depreciation mainly includes the expense for the depreciation 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

Depreciation also includes the amortization of our right of use assets resulting from the application of IFRS 16.

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, intangible and right of use 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 contracts

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.

With the application of IFRS 16 from January 1, 2019, the existing onerous provision was allocated to the right of use line item.

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.

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 arrangements.

Financial expenses

Financial expenses include interest incurred on our indebtedness, financial expenses for means of payment, which includes 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.

Results from exposure to hyperinflation (IAS 29)

Results from exposure to hyperinflation (IAS 29) relate to the application of IAS 29 standard to the Group's companies allocated in hyperinflationary economies. Results from exposure to hyperinflation (IAS 29) include gains or losses derived from the effect of the hyperinflation on the net monetary position of the affected companies.

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) of financial investments

Gain (loss) of 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) of 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,			For the three months ended March 31,	
	2018 ⁽¹⁾	2019 ⁽²⁾	2020	2020	2021
	(unaudited)				
	(€ in millions)				
Net turnover	1,613.4	1,708.1	536.2	277.0	61.2
Other operating income	6.1	9.4	7.9	4.4	1.0
Net gain (loss) on disposal of non-current assets	86.0	(0.7)	(0.5)	(0.1)	2.9
Procurements.....	(74.8)	(76.8)	(25.4)	(13.4)	(2.5)
Personnel expenses.....	(422.7)	(448.8)	(268.2)	(103.7)	(54.4)
Depreciation	(116.3)	(297.1)	(302.5)	(74.6)	(72.0)
Net losses from asset impairment.....	(0.3)	4.9	(76.3)	1.2	2.3
Variation in the provision for onerous contracts	4.3	—	—	—	—
Other operating expenses	(857.3)	(624.2)	(249.5)	(127.9)	(48.2)
Profit (loss) from entities valued through the equity method .	(0.5)	—	(7.5)	—	—
Financial income	6.0	4.2	1.7	0.5	0.3
Change in fair value of financial instruments.....	—	0.3	0.3	0.1	0.1
Financial expenses.....	(60.0)	(135.5)	(135.5)	(32.7)	(32.4)
Results from exposure to hyperinflation (IAS 29)	0.6	(0.1)	0.8	(0.1)	0.6
Net exchange rate differences	1.1	(2.3)	(3.8)	0.4	0.6
Gain (loss) of financial investments	(0.4)	(10.0)	6.7	—	—

	For the year ended December 31,			For the three months ended March 31,	
	2018 ⁽¹⁾	2019 ⁽²⁾	2020	2020	2021
	(€ in millions)				
Pre-tax profit (loss) from continuing operations	185.4	131.4	(515.5)	(68.7)	(140.3)
Corporation tax.....	(79.7)	(38.6)	75.2	12.1	15.4
Profit (loss) from continuing operations	105.7	92.9	(440.3)	(56.7)	(125.0)
Profit (loss) for the year from discontinued operations net of tax	(0.6)	0.1	(0.1)	—	—
Profit (loss) for the financial year	105.1	92.9	(440.4)	(56.7)	(125.0)
Non-controlling interests.....	3.5	2.9	(3.2)	0.5	(0.8)
Profit (loss) attributable to shareholders of the Issuer	101.6	90.0	(437.2)	(57.2)	(124.1)

- (1) The comparative information for 2018 included in our financial statements as of and for the year ended December 31, 2019 included a reclassification as of December 31, 2018 between Profit (loss) for the financial year and Reserves of fully consolidated companies, amounting to €19.4 million (Results from exposure to hyperinflation (IAS 29) €25.1 million and Corporation tax €(5.7) million); of which €16.2 million are assigned to the Company and €3.2 million to non-controlling interests). This reclassification has no impact on total equity and the financial statements as of and for the year ended December 31, 2018 were not restated. The financial information presented herein is extracted from the comparative period presented in our consolidated financial statements as of and for the year ended December 31, 2019.
- (2) Our consolidated financial statements as of and for the year ended December 31, 2019 reflect the application of IFRS 16, which became effective on January 1, 2019. Our consolidated financial statements as of and for the year ended December 31, 2018 were not restated for the application of IFRS 16. The main impact of the application of IFRS 16 on the consolidated statement of profit and loss as of December 31, 2019 are an increase in amortization of right of use assets of €181.1 million, an increase in financial expenses of €89.6 million and a decrease in rent expenses of €257.3 million.

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

	For the year ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
	(€ in millions)				
Net turnover					
Spain.....	437.0	501.5	159.9	83.7	23.9
Italy	289.7	305.2	82.7	37.8	15.0
Central Europe.....	387.2	394.1	142.0	67.5	8.7
Benelux	370.7	384.6	121.6	65.4	7.2
Latin America.....	128.8	122.7	30.0	22.6	6.4
Total	1,613.4	1,708.1	536.2	277.0	61.2

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 investment for the periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
	(€ in millions)				
Net turnover					
Owned	392.0	398.8	118.5	61.7	15.1
Leased	1,183.0	1,276.9	402.7	213.1	44.5
Management Agreements.....	29.3	24.3	5.7	3.2	1.5
Others ⁽¹⁾	9.1	8.1	9.3	0.9	0.1
Total	1,613.4	1,708.1	536.2	277.0	61.2

- (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 three months ended March 31, 2021 and 2020

Net turnover

In the three months ended March 31, 2021, our net turnover was €61.2 million, a decrease of €215.8 million, or 77.9%, from €277.0 million in the three months ended March 31, 2020. This decrease was primarily due to the severe impact, since mid-March 2020, of the COVID-19 pandemic, which led to a 31.9% decrease in ADR, a 32.0 percentage point decrease in Occupancy.

Other operating income

In the three months ended March 31, 2021, other operating income was €1.0 million, a decrease of €3.4 million, or 76.6%, from €4.4 million in the three months ended March 31, 2020. This decrease was mainly due to the capitalization of expenses related to the internal refurbishment works performed for certain assets in 2020, which was affected by the reduction of refurbishments performed by the Group during the three months ended March 31, 2021.

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

In the three months ended March 31, 2021, our net gain on disposal of non-current assets was €2.9 million, an increase of €3.0 million, compared to a loss of €0.1 million in the three months ended March 31, 2020. This increase was primarily due to the cancellation of lease contracts which under the IFRS 16 application had a positive effect due to the cancellation of lease liabilities.

Procurements

In the three months ended March 31, 2021, procurements were €2.5 million, a decrease of €10.8 million, or 81.0%, from €13.4 million in the three months ended March 31, 2020. This was primarily due to the decrease of business activity caused by the COVID-19 pandemic and the implementation of the contingency plan to minimize the effect of the COVID-19 pandemic on the business.

Personnel expenses

In the three months ended March 31, 2021, personnel expenses were €54.4 million, a decrease of €49.3 million, or 47.5%, from €103.7 million in the three months ended March 31, 2020. This was primarily due to the decrease of business activity caused by the COVID-19 pandemic and the implementation of the contingency plan to minimize the effect of the COVID-19 pandemic. In addition, the Group received €8.8 million in subsidies from governments to offset personnel expenses.

Depreciation

In the three months ended March 31, 2021, depreciation was €72.0 million, a decrease of €2.6 million, or 3.5%, from €74.6 million in the three months ended March 31, 2020. This decrease was primarily due to the lower capital expenditure investments.

Net losses from asset impairment

In the three months ended March 31, 2021, we recorded net losses from asset impairment of €2.3 million, compared to net losses from asset impairment of €1.2 million in the three months ended March 31, 2020, due to an impairment reversal.

Variation in the provision for onerous contracts

In the period of three months ended March 31, 2021 and 2020, there was not a significant result in this line.

Other operating expenses

In the three months ended March 31, 2021, other operating expenses were €48.2 million, a decrease of €79.6 million, or 62.3%, from €127.9 million in the three months ended March 31, 2020. This was primarily due to the implementation of the contingency plan as a response to the COVID-19 pandemic.

Profit (loss) from entities valued through the equity method

In the period of three months ended March 31, 2021 and 2020, there was not a significant result in this line.

Financial income

In the three months ended March 31, 2021, financial income was €0.3 million, a decrease of €0.2 million from €0.5 million in the three months ended March 31, 2020. This decrease was primarily attributable to a global decrease in the interest rates and a lower level of cash and cash equivalents.

Change in fair value of financial instruments

In the period of three months ended March 31, 2021 and 2020, there was not a significant result in this line.

Financial expenses

In the three months ended March 31, 2021, financial expenses were €32.4 million, a decrease of €0.3 million, or 0.9%, from €32.7 million in the three months ended March 31, 2020. This decrease was primarily explained by higher gross financial debt compared to the first quarter of 2020 (as a result of the drawdown of the Senior Secured RCF and the COVID Related ICO Facilities) which was offset by lower financial expenses for payments to credit card issuers as a consequence of the decrease in business activity caused by the COVID-19 pandemic.

Results from exposure to hyperinflation (IAS 29)

In the period of three months ended March 31, 2021 and 2020, there was not a significant result in this line.

Net exchange rate differences

In the period of three months ended March 31, 2021 and 2020, there was not a significant result in this line.

Gain (loss) of financial investments

In the period of three months ended March 31, 2021 and 2020, there was not a significant result in this line.

Corporation tax

In the period of three months ended March 31, 2021 corporation tax was €15.4 million positive, an increase of €3.3 million, from €12.1 million positive in the three months ended March 31, 2020. This increase was primarily attributable to negative earning before tax ("EBT") which lead to the activation of tax losses in Netherlands and Italy.

Profit (loss) for the year from discontinued operations net of tax

In the period of three months ended March 31, 2021 and 2020, there was not a significant result in this line.

Profit (loss) for the financial year

In the period of three months ended March 31, 2021 loss was €125.0 million negative, a decrease of €68.3 million, from €56.7 million negative in the three months ended March 31, 2020. This decrease was primarily attributable to the negative evolution of business due to the COVID-19 pandemic.

Comparison of the years ended December 31, 2020 and 2019

Net turnover

In the year ended December 31, 2020, our net turnover was €536.2 million, a decrease of €1,171.9 million, or 68.6%, from €1,708.1 million in the year ended December 31, 2019, mainly due to the significant impact, since mid-March 2020, of the COVID-19 pandemic, which caused demand in the hotel sector to decrease significantly due to lockdowns and travel restrictions.

Other operating income

In the year ended December 31, 2020, other operating income was €7.9 million, a decrease of €1.5 million, or 16.0%, from €9.4 million in the year ended December 31, 2019. This was primarily due to a decrease of payroll capitalizations, partially offset by an insurance compensation of €2.3 million linked to a fire incident.

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

In the years ended December 31, 2020 and 2019, we incurred a net loss of €0.5 million and €0.7 million, respectively, on disposals of non-current assets.

Procurements

In the year ended December 31, 2020, procurements were €25.4 million, a decrease of €51.4 million, or 66.9%, from €76.8 million in the year ended December 31, 2019. This was primarily due to the decrease of business activity because of the COVID-19 pandemic and the implementation of the contingency plan to minimize the effect of the COVID-19 pandemic.

Personnel expenses

In the year ended December 31, 2020, personnel expenses were €268.2 million, a decrease of €180.6 million, or 40.2%, from €448.8 million in the year ended December 31, 2019. This was primarily due to the implementation of the contingency plan in response to the COVID-19 pandemic, consisting mainly of temporary layoffs (due to force majeure or production reasons), and voluntary reductions in working days and wages, as well as reduced social security contributions and expenses.

Depreciation

In the year ended December 31, 2020, depreciation was €302.5 million, an increase of €5.4 million, or 1.8%, from €297.1 million in the year ended December 31, 2019. This increase is primarily due to the impact of the repositioning investments in 2019 and by the perimeter changes.

Net profits (losses) from asset impairment

In the year ended December 31, 2020, net profits (losses) from asset impairment was a loss of €76.3 million negative, an increase of €81.2 million, from a gain of €4.9 million positive in the year ended December 31, 2019. This increase is primarily explained by the impairment registered as a result of a worsening of future cash flow expectations.

Variation in the provision for onerous contracts

In the years ended December 31, 2020 and 2019, there was not a significant result in this line.

Other operating expenses

In the year ended December 31, 2020, other operating expenses were €249.5 million, a decrease of €374.7 million, or 60%, from €624.2 million in the year ended December 31, 2019. This was primarily due to the implementation of the contingency plan in response to the COVID-19 pandemic, which included a significant reduction in fixed and variable costs directly corresponding to the decrease in activity of the hotel business in 2020. This was partially offset by the impact of perimeter changes.

Gain (loss) from entities valued using the equity method

In the year ended December 31, 2020, profit (loss) from entities valued using the equity method was a loss of €7.5 million mainly due to the integration of the results of Sotocaribe, S.L., which had been previously classified as available for sale. There was no significant result for this line in the result for the year ended December 31, 2019.

Financial income

In the year ended December 31, 2020, financial income was €1.7 million, a decrease of €2.5 million, or 59.5%, from €4.2 million in the year ended December 31, 2019. This decrease is mainly due to a one-off €1.5 million dividend

received in 2019 from an investment sold in 2019, and reductions in interest income (corresponding to loans valued at amortized cost) and other financial income.

Change in fair value of financial instruments

In the years ended December 31, 2020 and 2019, there was not a significant result in this line.

Financial expenses

In the years ended December 31, 2020 and 2019, there was not a significant variation in this line, excluding IFRS 16 impacts, the result in this line was €41.4 million and €45.9 million in financial expenses, respectively. In the year ended December 31, 2020, there was a decrease of the financial expenses for means of payments of €12.8 million compared to the year ended December 31, 2019, as a result of the decrease of the business activity caused by the COVID-19 pandemic, which was offset by an increase of €8.1 million in interest expenses, mainly due to the full drawdown of the Senior Secured RCF, the COVID Related ICO Facilities, other short-term bilateral credit lines and a €4.5 million increase of lease interest under IFRS 16 due to the perimeter changes.

Results from exposure to hyperinflation (IAS 29)

In the year ended December 31, 2020, we incurred a loss of €0.8 million from exposure to hyperinflation, which includes the net effect recognized from the application of accounting standards to the financial statements of Argentine subsidiaries. In the year ended December 31, 2019, there was not a significant result in this line.

Net exchange rate differences

In the years ended December 31, 2020 and 2019, there was not a significant variation in this line.

Gain (loss) of financial investments

In the year ended December 31, 2020, Gain (loss) of financial investments was a gain of €6.7 million, an increase of €16.7 million from a loss of €10.0 million in the year ended December 31, 2019. This increase is mainly due to the impairment of an investment, the committed investment and a loan related to Sotocaribe, S.L. amounting to €18.6 million expense partially offset by the gain of €8.5 million for the sale of the investment in Varallo Comercial, S.A. and Adquisiciones e Inversiones Europeas, S.L recorded in the year ended December 31, 2019. The gain recognized in the year ended December 31, 2020 is mainly due to the reversal of the impairment recorded on the investment in Sotocaribe, S.L. (the impairment reversed is equal to the loss recorded in the entities valued through the equity method since this investment was previously classified as available for sale).

Corporation tax

In the year ended December 31, 2020, Corporation tax was a gain of €75.2 million, an increase of €113.8 million compared to a €38.6 million expense in the year ended December 31, 2019. This increase was mainly due to the negative EBT, which leads to the activation of tax losses in Netherlands, Italy and Germany.

Profit (loss) for the year from discontinued operations net of tax

In the years ended December 31, 2020 and 2019, there was not a significant result in this line.

Profit (loss) for the financial year

In the year ended December 31, 2020, we incurred a loss of €440.4 million, a decrease of €533.3 million compared to a profit of €92.9 million in the year ended December 31, 2019. This decrease reflects the negative impact of the COVID-19 pandemic on our business.

Comparison of the years ended December 31, 2019 and 2018

Net turnover

In the year ended December 31, 2019, our net turnover was €1,708.1 million, an increase of €94.7 million, or 5.9%, from €1,613.4 million in the year ended December 31, 2018. This was primarily the result of an increase of €73.1 million, or 6%, in room revenues driven by the 5.1% increase in ADR leading to an increase of 4.8% in RevPAR.

Other operating income

In the year ended December 31, 2019, other operating income was €9.4 million, an increase of €3.2 million, or 52.5%, from €6.1 million in the year ended December 31, 2018. This was primarily due to the capitalization of expenses related to refurbishments of our owned hotels.

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

In the year ended December 31, 2019, net gain (loss) on disposal of non-current assets was a loss of €0.7 million, a decrease of €86.7 million from a gain of €86.0 million in the year ended December 31, 2018. This was primarily due to the disposal of NH Collection Barbizon in 2018 (by way of sale and leaseback) with a capital gain amounting to €87 million (before tax) from such disposal.

Procurements

In the years ended December 31, 2019 and 2018, there was not a significant variation in this line, with procurement costs of €76.8 million and €74.8 million, respectively.

Personnel expenses

In the year ended December 31, 2019, personnel expenses were €448.8 million, an increase of €26.1 million, or 6.2%, from €422.7 million in the year ended December 31, 2018, which was partially as a result of the increase in collective labor agreements in Spain, Germany and Benelux and a larger workforce following certain perimeter changes including the integration of the Tivoli acquisition.

Depreciation

In the year ended December 31, 2019, depreciation was €297.1 million, an increase of €180.8 million, or 155.5%, from €116.3 million for the year ended December 31, 2018. This was mainly due to the impact of accounting changes introduced by the application of IFRS 16, which resulted in amortization expense for right-of-use assets (as defined in IFRS 16) amounting to €181.1 million as of December 31, 2019).

Net profits (losses) from asset impairment

In the year ended December 31, 2019, net profits (losses) from asset impairment was a profit of €4.9 million, an increase of €5.2 million, from a loss of €0.3 million in the year ended December 31, 2018. This was mainly a result of the impairment reversal due to the improvement in future cash flow expectations at certain hotels.

Variation in the provision for onerous contracts

In the year ended December 31, 2019, there is no income related to the variation in the provision for onerous contracts as a consequence of the implementation of IFRS 16. With the application of IFRS 16 as of January 1, 2019, the existing onerous provision was allocated to the right of use line item. In the year ended December 31, 2018, variation in the provision for onerous contracts represented an increase of €4.3 million.

Other operating expenses

In the year ended December 31, 2019, other operating expenses were €624.2 million, a decrease of €233.1 million, or 27.2%, from €857.3 million in the year ended December 31, 2018. This was mainly due to the accounting changes introduced by the application of IFRS 16 (in total, we have €257.3 million of lease expenses, without recording such leases as required by IFRS 16) partially offset by the expenses increase due to perimeter changes, including the integration of the Tivoli brand. In 2019, 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 supplies and laundry service, among others. Also, the increase recorded in RevPAR resulted in an increase in associated agency commission expenses. However, savings were achieved in other items such as marketing and merchandising, among others.

Profit (Loss) from entities valued through the equity method

In the year ended December 31, 2019, profit (Loss) from entities valued through the equity method had no impact on our result while resulting in a loss of €0.5 million in the previous year.

Financial income

In the years ended December 31, 2019 and 2018, financial income was €4.2 million and €6.0 million, respectively, representing a year-on-year decrease of €1.8 million, or 30.4%. This was a result of an increase in dividend and interest income partially offsetting a decrease in other financial income.

Change in fair value of financial instruments

In the years ended December 31, 2019 and 2018, there was not a significant result in this line.

Financial expenses

In the year ended December 31, 2019, financial expenses were €135.5 million, an increase of €75.5 million, or 125.8%, from €60.0 million in the year ended December 31, 2018. This increase was mainly due to the accounting changes introduced by the application of IFRS 16 (resulting in an increase of €89.6 million in interest expenses on leases) partially offset by a €10.8 million interest savings, mainly explained by the early redemption of the convertible bond in June 2018 and by the early repayment of a portion of the 2019 Notes in the fourth quarter of 2018.

Results from exposure to hyperinflation (IAS 29)

In the year ended December 31, 2019, exposure to hyperinflation had a negligible impact on our results, while resulting in a loss of €0.6 million the previous year (which reflected the net effect recognized from the application of IAS 29 to the financial statements of Argentine subsidiaries from the date of first application at December 31, 2019).

Net exchange rate differences

In the year ended December 31, 2019, net exchange rate differences reflected an expense of €2.3 million, a decrease of €3.4 million from income of €1.1 million in the year ended December 31, 2018. This decrease was mainly due to exchange rates fluctuations in Latin America.

Gain (loss) of financial investments

In the year ended December 31, 2019, Gain (loss) of financial investments was a loss of €10.0 million, a decrease of €9.6 million, from a loss of €0.4 million in the year ended December 31, 2018. This decrease is mainly due to the impairment of an investment, the committed investment and a loan related to Sotocaribe, S.L. amounting to €18.6 million expense partially offset by the gain of €8.5 million for the sale of the investment in Varallo Comercial, S.A. and Adquisiciones e Inversiones Europeas, S.L.

Corporation tax

In the year ended December 31, 2019, we incurred a Corporation tax expense of €38.6 million, a decrease of €41.1 million, or 51.6%, from an expense of €79.7 million in the year ended December 31, 2018. This decrease was mainly due to the tax effect of the disposal by sale-and-leaseback of NH Collection Barbizon in 2018 amounting to a €32.0 million improvement and the accounting changes introduced by the application of IFRS 16 (decrease of €4.4 million in Corporation tax).

Profit (loss) for the year from discontinued operations net of tax

In the year ended December 31, 2019, there was not a significant result in this line, while in the year ended December 31, 2018, we incurred a loss of €0.6 million, mainly due to the discontinued operations of Sotocaribe, S.L.

Profit (loss) for the financial year

In the year ended December 31, 2019, profit for the year was €92.9 million, a decrease of €12.2 million, or 11.6%, from a profit of €105.1 million in the year ended December 31, 2018. This decrease was mainly due to the disposal of NH Collection Barbizon in 2018 (for consideration of €55 million net of taxes), the accounting changes introduced by the application of IFRS 16 and the increase in personal expenses aforementioned, partially offset by the increase in profitability of the business (increase of 4.8% in RevPAR through 5.1% increase in ADR).

Liquidity

Our primary sources of liquidity are cash flows from operations and cash proceeds and drawings available from our financing activities. Our ongoing asset rotation strategy through sale and leasebacks provide additional liquidity. After giving *pro forma* effect to the Transactions, as of March 31, 2021, our cash and cash equivalents would have been €365 million, with available undrawn amount of €31 million, which is comprised of €25 million from bilateral credit lines and €6 million from the Senior Secured RCF.

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 capital expenditures and our need to meet debt service requirements and to fund. 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.

Due to the impact of COVID-19 pandemic, we have taken several pro-active steps to mitigate its impact on our financial position and to strengthen our liquidity. This includes drawing €250 million under the Senior Secured RCF in March 2020. We have since limited repayments of the Senior Secured RCF to €14 million, leaving €236 million drawn as of March 31, 2021. We also drew €39 million under unsecured short-term bilateral credit facilities through 2020. On April 29, 2020, we entered into a €225 million Term Facility Agreement, which was fully drawn as of March 31, 2021. Our obligations under the Term Facility Agreement are 70% guaranteed by the Instituto de Crédito Oficial (the "ICO") in Spain under the guarantee facility program for businesses and self-employed persons to mitigate the economic effects of COVID-19, which was approved pursuant to the Spanish Royal Decree-law 8/2020 of March 18, 2020, on extraordinary measures to deal with the economic and social impact of the pandemic caused by COVID-19 (the "ICO Guarantees"). On May 18, 2020, we also entered into a €25 million Sabadell Bilateral Facility Agreement, which is also guaranteed by an ICO Guarantee (the "Sabadell Bilateral Facility Agreement" and, together with the Term Facility Agreement, the "COVID Related ICO Facilities"). To further mitigate the impact of the COVID-19 pandemic, in May 2021, we obtained a waiver of financial covenant testing under the COVID Related ICO Facilities until June 30, 2022 (inclusive) so their compliance will not be verified until December 31, 2022, as well as an extension of the maturity from 2023 to 2026. Additionally, we obtained a waiver of the financial covenants set forth in the Senior Secured RCF Agreement up to and including December 31, 2021, as well as a significant reduction to the levels required to be met up to and including June 30, 2022 (returning these ratios to their original levels as of December 31, 2022). In connection with the Offering, the lenders under the Senior Secured RCF have also agreed to a waiver of the financial covenants for the full year of 2022. The effectiveness of this waiver is conditional upon the closing of the Offering on the Issue Date. See "*Business—Our strengths— Proactive strengthening of our capital structure and liquidity position*" and "*Description of certain financing arrangements*."

The liquidity of the Group has been additionally reinforced during the year with new bilateral loans, taking advantage of the different governmental support and guarantee programs, as follows:

- a two-year loan of €10.0 million was signed with Caixabank in May 2020, and guaranteed by an ICO Guarantee. In May 2021, this loan was amended and extended for three additional years, maturing in May 2025;
- a three-year loan of €7.5 million was signed with Abanca in July 2020, and guaranteed by an ICO Guarantee. In April 2021, this loan was amended and extended for three additional years, maturing in July 2026;
- a six-year loan of €15.0 million was signed with Banco Banca Popolare di Milano in October 2020, and guaranteed by the Italian government (SACE guarantee); and
- several additional bilateral loans amounting to €6.6 million were signed in other regions, of which €4.1 million are also guaranteed by local governments.

All these new bilateral loans reinforce the liquidity position of the Company.

Cash flows

The table below sets forth our consolidated statement of cash flows for the periods indicated.

	For the year ended December 31			For the three months ended March 31,	
	2018	2019 ^(A)	2020	2020	2021
	(€ in millions)				
	(unaudited)				
Operating activities					
Consolidated profit (loss) before tax ⁽¹⁾	185.4	131.4	(515.5)	(68.7)	(140.3)
Adjustments to profit (loss)	104.4	442.2	469.4	104.4	88.2
Adjusted result	289.8	573.6	(46.1)	35.7	(52.1)
Net change in assets / liabilities	23.9	(12.3)	(55.8)	(10.5)	30.2
Tax on profits paid	(61.6)	(56.0)	7.8	(5.1)	7.9
Total net cash flow from operating activities	252.2	505.3	(94.1)	20.1	(14.0)
Investing activities					
Financial income	0.5	0.7	0.2	0.1	—
Investments	(135.3)	(192.1)	(169.5)	(44.0)	(14.9)
Disposals	202.5	25.4	31.7	17.3	0.1
Total net cash flow from (used in) investing activities	67.7	(166.0)	(137.7)	(26.7)	(14.7)
Financing activities					
Dividends paid out	(39.8)	(60.6)	(1.2)	(0.8)	(0.0)
Interest paid for debts	(44.7)	(38.7)	(34.3)	(4.8)	(4.8)
Changes in:					
Equity instruments	—	—	(0.3)	—	(0.8)
Liability instruments	(50.0)	(220.5)	297.9	211.5	(50.5)
Total net cash flow used in financing activities	(134.5)	(319.8)	262.2	205.9	(56.1)
Gross increase/reduction of cash or equivalent assets	185.4	19.5	30.5	199.3	(84.8)
Effect of changes in exchange rates on cash and equivalent assets	0.3	—	(1.7)	0.5	0.3
Effect of changes in scope of consolidation	(0.1)	4.0	2.8	—	—
Net increase/reduction of cash or equivalent assets	185.6	23.5	31.5	199.8	(84.5)
Cash or equivalent assets at beginning of the period	80.2	265.9	289.3	289.3	320.9
Cash or equivalent assets at the end of the period	265.9	289.3	320.9	489.2	236.3

- (1) Our financial statements as of and for the year ended December 31, 2019 reflect the application of IFRS 16, which became effective on January 1, 2019. Our financial statements as of and for the year ended December 31, 2018 were not restated for the application of IFRS 16. The main impact of the application of IFRS 16 on the consolidated statement of cash flow as of December 31, 2019 are an increase in adjusted result in €252.3 million and a decrease in net cash flow from financing activities in €252.3 million.
- (2) Represents pre-tax profit (loss) from continuing operations attributable to shareholders of the Issuer and to non-controlling interests.

Cash flows from operating activities

Three months ended March 31, 2021 as compared to three months ended March 31, 2020

Net cash flow from operating activities decreased by €34.1 million to €14.0 million negative for the three months ended March 31, 2021 from €20.1 million for the three months ended March 31, 2020. This decrease was primarily attributable to a decrease of the adjusted result by €87.8 million to €52.1 million negative for the three months ended March 31, 2021 from €35.7 million for the three months ended March 31, 2020 and an increase of net change in assets/liabilities by €40.7 million to €30.2 million positive for the three months ended March 31, 2021 from €10.5 million negative for the three months ended March 31, 2020. In addition, tax on profits paid increased by €13.0 million to €7.9 million for the three months ended March 31, 2021, from €5.1 million negative for the three months ended March 31, 2020.

Adjusted result decreased by €87.8 million to €52.1 million negative for the three months ended March 31, 2021 from €35.7 million for the three months ended March 31, 2020. This decrease was primarily attributable to lower consolidated profit (loss) before tax due to the COVID-19 pandemic.

Net change in assets/liabilities increased by €40.7 million to €30.2 million positive for the three months ended March 31, 2021 from €10.5 million negative for the three months ended March 31, 2020. This increase was primarily attributable to a decrease of €43.6 million in trade creditors accounts in the first quarter of 2021 as compared to the first quarter of 2020, as a consequence of reduced activity due to the COVID-19 pandemic and an improvement in supply change management. In addition, other current liabilities decreased by €19.7 million in the first quarter of 2021 as compared to the first quarter of 2020. This decrease is primarily attributable to lower level of business activity as compared to March 2020 which had higher cash movements of payable VAT and withholding taxes. This decrease was partially offset by a decrease of €25.4 million in trade and other receivables accounts in the first quarter of 2021 as compared to the first quarter of 2020 mainly due to an improvement in the collection of receivables.

Year ended December 31, 2020 as compared to year ended December 31, 2019

Net cash flow from operating activities decreased by €599.4 million from a €505.3 million inflow for the year ended December 31, 2019 to a €94.1 million outflow for the year ended December 31, 2020. This was mainly due to a consolidated loss before tax and discontinued operation of €515.5 million in 2020 due to the COVID-19 pandemic, compared to a consolidated profit before tax and discontinued operations of €131.4 million in 2019.

Net variation in assets and liabilities resulted in a decrease of €43.5 million in 2020, compared to a decrease of €68.3 million in 2019. This was mainly due to reduced advance payments from customers due to lower activity and refunds of certain prepayments and overflow of supplier's invoices from the last months of 2019.

Additionally, tax on profit paid increased €63.8 million from a €56.0 million expense for the year ended December 31, 2019 to a €7.8 million income for the year ended December 31, 2020. This was mainly due to the lower EBT performance.

Year ended December 31, 2019 as compared to year ended December 31, 2018

Net cash flow from operating activities increased by €253.1 million from €252.2 million for the year ended December 31, 2018 to €505.3 million for the year ended December 31, 2019. This increase was mainly due to the implementation of IFRS 16 which changed the recognition and registration of fixed lease payments (fixed lease payments are now recorded as debt repayment as defined in IFRS 16).

In addition, net variation in assets and liabilities decreased €36.3 million from €23.9 million positive to €12.3 million negative mainly due to (i) stabilized average collection period after optimization achieved in previous years and a significant increase in the activity (€28.8 million), (ii) regularization on supply chain process during 2019 reducing average payments terms (€5.0 million) and (iii) the legal provisions and severance payments paid in 2020 (€16.3 million), these effects are partially offset by the variation in other current assets (€10.0 million) mainly explained by the indemnity paid to the NH Zurich owner for the early termination of the lease agreement.

In addition, tax on income paid decreased €5.6 million from a €61.6 million expense to a €56.0 million expense mainly due to the payments of corporation tax corresponding to the asset disposals in the year ended December 31, 2018 (the corporate income tax ("CIT") on the sale and leaseback of NH Collection Barbizon Palace was €32.4 million negative) partially offset by the payment corresponding with the final settlement of the CIT 2018 in Italy amounting to €10 million (payment made in 2019) and by the higher CIT paid in 2019, mainly in Italy and Spain, due to the stronger business performance amounting to €16.8 million.

Cash flows from (used in) investing activities

Three months ended March 31, 2021 as compared to three months ended March 31, 2020

Net cash flow from (used in) investing activities increased by €11.9 million to €14.7 million of cash flow used for the three months ended March 31, 2021 compared to €26.7 million of cash flow used for the three months ended March 31, 2020. The cash flow obtained from disposals by the Group decreased by €17.2 million from €17.3 million for the three months ended March 31, 2020 to €0.1 million for the three months ended March 31, 2021, mainly explained by the disposal of a minority stake in the first quarter of 2020. Regarding investing activities, the cash used decreased by €29.1 million, from €44.0 million for the three months ended March 31, 2020 to €14.9 million for the three months ended March, 2021. This decrease is mainly explained by the loan cancellation of a minority stake in a plot of land in the

Mexican Caribbean (€5.7 million negative) and related taxes (€4.2 million negative) in 2020 and the decrease of the repositioning investment payments in 2021.

Year ended December 31, 2020 as compared to year ended December 31, 2019

Net cash flow from (used in) investing activities increased by €28.3 million to an outflow of €137.7 million for the year ended December 31, 2020 compared to €166.0 million outflow for the year ended December 31, 2019. This was mainly due to the disposal of a minority stake (contributing €17.3 million) and three hotels in Benelux (contributing an aggregate of €14.8 million), the integration of eight hotels previously operated by the Boscolo Collection (costing €51.2 million), the cancellation of a loan on a minority stake in a plot of land in the Mexican Caribbean (costing €5.7 million) and related taxes (costing €4.2 million) and an investment in a managed hotel in London (costing €2.9 million) partially offset by the less capital expenditure in the year ended December 31, 2020.

Year ended December 31, 2019 as compared to year ended December 31, 2018

Net cash flow from (used in) investing activities decreased by €233.7 million to a €166.0 million outflow for the year ended December 31, 2019 compared to a €67.7 million inflow for the year ended December 31, 2018. This was primarily attributable to a decrease of inflow from disposals by €177.1 million from €202.5 million to €25.4 million mainly due to the sale of NH Collection Amsterdam Barbizon in 2018 which provided a cash inflow of €154.1 million. Additionally, investment outflows increased by €56.8 million to €192.1 million for the year ended December 31, 2019 from €135.3 million for the year ended December 31, 2018. This was mainly due to the investments made as part of our repositioning program, particularly the refurbishment works of the NH Collection Flower Market, NH Conference Centre Leeuwenhorst, NH Vienna Airport, NH Palermo, NH Ambassador, NH Luz de Huelva, NH Hamburg Altona and NH New York Jolly Madison Towers.

Cash flows from (used in) financing activities

Three months ended March 31, 2021 as compared to three months ended March 31, 2020

Net cash flow from (used in) financing activities decreased by €262.0 million to €56.1 million negative for the three months ended March 31, 2021 from €205.9 million positive for the three months ended March 31, 2020. This decrease was primarily attributable to the drawdown of €250 million under the Senior Secured RCF on March 26, 2020 (of which €236 million remained drawn as of March 31, 2021) and the drawdown of other credit lines.

Year ended December 31, 2020 as compared to year ended December 31, 2019

Net cash flow from (used in) in financing activities increased by €582.0 million to a €262.2 million inflow for the year ended December 31, 2020 from a €319.8 million outflow for the year ended December 31, 2019. This was mainly due to the drawdown of the €225 million Term Facility Agreement on April 29, 2020, the €25 million Sabadell Bilateral Facility Agreement on May 27, 2020, the €10 million new term loan (with Caixabank) on May 6, 2020, the €250 million Senior Secured RCF on March 26, 2020, with a partial repayment of €14 million on December 1, 2020, and the drawdown of other credits lines, partially offset by the decrease in dividends paid out.

Year ended December 31, 2019 as compared to year ended December 31, 2018

Net cash flow from (used in) financing activities decreased by €185.3 million to a €319.8 million outflow for the year ended December 31, 2019 from a €134.5 million outflow for the year ended December 31, 2018. This was mainly due to the increase in the liability instruments for the application of IFRS 16 amounting to €252.3 million (fixed lease payments are recorded as debt repayment as defined in IFRS 16) and the higher dividend paid in 2019 partially offset by (i) the debt increase regarding the available portion of the New York Capex Term Facility, (ii) the decrease in the interest paid for debts due to debt interest savings, explained by the early redemption of a convertible bond in June 2018 and (iii) the partial early repayment of the Notes and the lower debts repayments made in 2019.

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,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
	(€ in millions)				
Property, plant and equipment and right of use	111.7	176.0	87.5	28.7	7.2
Intangible assets	22.0	14.8	17.9	5.3	7.7
Capital expenditures	133.7	190.8	105.5	34.0	14.9

For the three months ended March 31, 2021 and 2020, investments in property, plant and equipment were mainly related to hotel refurbishment and recent openings such as the refurbishment of the NH Collection Madrid Abascal in Spain, the renovations of the NH Trieste in Italy; the opening of the NH Hannover in Central Europe; refurbishment of the NHOW Brussels Bloom hotel in Benelux and the refurbishment of the NH Collection New York Madison Avenue, in New York.

In 2018, 2019 and 2020, investments in property, plant and equipment mainly related to our brand development initiative, refurbishment program, 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, 2020, we invested approximately €371 million as part of our repositioning initiative launched in 2014. A total of 107 hotels were refurbished, representing approximately 30% 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 11 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, 13 refurbishments have been completed and eight more are in progress and we intend to refurbish additional 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 refurbishment of the entire 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. Between 2013 and 2018, we overhauled 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. After the completion of our IT transformation plan, we began our digital evolution roadmap in 2019 in order to increase our digitalization. Since 2019, we have launched various digital solutions to improve the client experience, increase revenues and reduce costs, while improving efficiencies and sustainability. We invested approximately €14.5 million in 2019 and €8.3 million in 2020 and we plan to continue investing in order to further increase our digitalization in the coming years.

As of March 31, 2021, we were contractually committed to invest €21.4 million in the opening of our committed pipeline hotels in 2021 and 2022.

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,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
	unaudited (€ in millions)				
(Increase)/Reduction in inventories.....	(0.6)	(0.1)	3.4	0.8	0.2
(Increase)/Reduction in trade and other receivables.....	28.4	(0.4)	70.0	31.7	6.3
(Increase)/Reduction in other current assets.....	(10.8)	(0.8)	(28.0)	(1.0)	2.8
Increase/(Reduction) in trade creditors.....	10.5	5.5	(68.6)	(21.0)	22.7

	For the year ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
	unaudited (€ in millions)				
Increase/(Reduction) in other current liabilities	2.9	(4.7)	(30.9)	(19.4)	0.3
Increase/(Reduction) in provisions for liabilities and charges.....	3.3	(12.9)	(2.6)	(2.3)	(2.9)
Change in working capital.....	33.8	(13.5)	(56.6)	(11.1)	29.5

Our working capital requirements largely arise from the timing of receipt of our trade and other receivables, which primarily consist of amounts owed to us by our customers; inventories primarily include 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, through funds generated from 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 decreased by €29.5 million in the three months ended March 31, 2021 compared to an increase of €11.1 million in the three months ended March 31, 2020. This was mainly due to a decrease of €43.6 million in trade creditors accounts in the first quarter of 2021 as compared to the first quarter of 2020, as a consequence of reduced activity due to COVID-19 pandemic and an improvement in supply change management. In addition, other current liabilities decreased by €19.7 million in the first quarter of 2021 as compared to the first quarter of 2020. This decrease was primarily attributable to lower levels of business activity compared to March 2020 which had higher cash movements of payable VAT and withholding taxes. This decrease was partially offset by a decrease of €25.4 million in trade and other receivables accounts in the first quarter of 2021 as compared to the first quarter of 2020 due to an improvement in collection of receivables.

Our working capital increased by €56.6 million in 2020 compared to an increase of €13.5 million in 2019, mainly explained by reduced advance payments from customers due to lower activity, refunds of prepayments and overflow of supplier's invoices from the last months of 2019.

Our working capital increased by €13.5 million in 2019 compared to a decrease of €33.8 million in 2018, mainly due to the (i) stabilized average collection period after optimization achieved in previous years and a significant increase in activity (€28.8 million) (ii) regularization on supply chain processes during 2019, reducing average payment terms (€5.0 million) and (iii) legal provisions and severance payments paid in 2020 (€16.3 million). These effects were partially offset by the variation in other current assets (€10.0 million) mainly explained by the indemnity paid to the NH Zurich owner for the early termination of the lease agreement.

Capital resources

Our main sources of financing following the Refinancing will be the Notes, the Senior Secured RCF, the COVID Related ICO Facilities and various lines of credit. We currently have and, after the issuance of the Notes, will continue to have a significant amount of outstanding debt with substantial debt service requirements. As of March 31, 2021, after giving pro forma effect to the Transactions as described under "*Use of proceeds*", the aggregate amount of our outstanding debt would have been €1,051 million (excluding operating lease liabilities and the Shareholder Loan).

In October 2020, the lenders under the COVID Related ICO Facilities and lenders under the Senior Secured RCF granted a financial covenants waiver with respect to December 2020 and June 2021. In May 2021, the lenders under these facilities granted certain extensions to the financial covenants waiver. In addition, the relevant lenders have agreed an extension of the term of the COVID Related ICO Facilities, from April 29, 2023 to April 29, 2026. See "*Recent Developments Financial Covenant Waivers and Extensions of Maturity of Certain Credit Facilities*" and "*Risk factors—Risks relating to our business and industry—We may not meet certain financial ratios and levels imposed on us by the Senior Secured RCF or the COVID Related ICO Facilities*".

Senior Secured RCF

On September 22, 2016, the Issuer entered into the Senior Secured RCF. The Senior Secured RCF is secured by the same Collateral as the Notes on a *pari passu* basis, as described under "*Description of certain financing arrangements—Intercreditor Agreement*". For a description of the Senior Secured RCF, see "*Description of certain financing arrangements—Senior Secured RCF Agreement*".

Term Facility Agreement

On April 29, 2020, the Issuer entered into the Term Facility Agreement. This facility is unsecured. For a description of this agreement see "*Description of certain financing arrangements—Term Facility Agreement and Sabadell Bilateral Facility Agreement*".

Secured loans

For a description of our secured loans, see "*Description of certain financing arrangements—Secured loans*".

Subordinated loans

For a description of our subordinated loans, including our Shareholder Loan, see "*Description of certain financing arrangements—Subordinated loans*".

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 March 31, 2021, after giving *pro forma* effect to the Transactions:

	As of March 31, 2021					Total
	Less than 1 Year	1 - 2 Years	2 - 3 Years	3 - 4 Years	After 4 Years	
	unaudited (€ in millions)					
Notes offered hereby					400.0	400.0
Senior Secured RCF ⁽¹⁾	0.0	0.0	0.0	0.0	236.0	236.0
COVID Related ICO Facilities ⁽²⁾	0.0	0.0	0.0	0.0	250.0	250.0
Other financial liabilities:						
Other secured debt ⁽³⁾	3.1	2.0	2.1	5.8	13.6	26.7
Unsecured debt ⁽⁴⁾	1.6	7.2	53.1	9.5	9.6	81.0
Subordinated loans ⁽⁵⁾	0.0	0.0	0.0	0.0	40.0	40.0
Credit lines and other debt	12.0	0.0	3.0	0.0	2.0	17.0
Total	16.7	9.2	58.2	15.3	951.2	1051.0

- (1) Expected to remain drawn for €236 million on the Issue Date. See "*Description of certain financing arrangements—Senior Secured RCF Agreement*".
- (2) Represents the €225 million Term Facility Agreement and the €25 million Sabadell Bilateral Facility Agreement.
- (3) Represents multiple secured loans as described under "*Description of certain financing arrangements—Secured loans*".
- (4) Represents multiple various unsecured working capital facilities as described under "*Description of certain financing arrangements—Unsecured loans*".
- (5) Represents an outstanding unsecured and subordinated loan of €40 million as of March 31, 2021. See "*Description of certain financing arrangements—Subordinated loans*".

Off-balance sheet arrangements

We do not currently have any significant off-balance sheet arrangements.

Operating lease agreements

Contractual obligations under operating lease agreements are no longer off-balance sheet arrangements, as they have been included on our financial statements from January 1, 2019 due to the application of IFRS 16.

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 €8.4 million as of March 31, 2021 compared to €9.0 million as of December 31, 2020, €5.1 million as of December 31, 2019, and €6.5 million as of December 31, 2018.

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, a substantial amount of 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 Transactions, approximately 62% of our total gross borrowings as of March 31, 2021 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 March 31, 2021, as adjusted to give pro forma effect to the Transactions, would result in an increase in finance expense of approximately €1.8 million. As of March 31, 2021, we have two interest rate swaps on the mortgages of our Wilan Ander and Wilan Huel hotels.

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 Argentina, Chile, Colombia, the Czech Republic, Hungary, Mexico, Switzerland and the United States. 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 this sense, 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 of this loan as of March 31, 2021 was equivalent to €16.5 million. In Chile, we have also an unsecured loan denominated in Chilean Peso, which has an outstanding balance as of March 31, 2021 of €1.0 million. In Colombia, we have unsecured debt facilities denominated in Colombian Pesos; the outstanding balance on these loans as of March 31, 2021 was equivalent to €1.7 million. In Argentina, we have an unsecured loan denominated in Argentinian Pesos; the outstanding balance of this loan as of March 31, 2021 was equivalent to €1.3 million. In the United States, we have unsecured loans denominated in USD; the outstanding balance on these loans as of March 31, 2021 was equivalent to €42.9 million.

Liquidity & Refinancing 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 Notes, the Senior Secured RCF and the COVID Related ICO Facilities 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 Notes, the Senior Secured RCF and the COVID Related ICO Facilities, 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 ("Refinancing Risk"), 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, 2018, 2019 and 2020, the interim unaudited financial statements, as well as other financial information disclosed therein. 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 (including right of use arising from the application of IFRS 16) are annually, or whenever there are indicators of a loss of value, 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 or whenever there are indicators of a loss of value, tested for impairment, and any impairment losses arising as a result of the impairment test are recognized in the statement of comprehensive income. Generally, the impairment test is performed at the end of the year, but if there are any indicators of loss of value an impairment test is performed before the end of the year. 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 or whenever there are indicators of a loss of value, 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 after-tax discount rates used by the Group for these purposes range in Europe from 7.3% to 11.5% and in Latin America from 10.6% to 16.2% (without taking into account Argentina, where the after-tax discount rate has been calculated taking into account its hyperinflationary economic situation and varies between 44.6% in 2021 and 35.6% in 2025, based on estimated inflation).

Onerous contracts

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 used by the Group for these purposes range from 6.2% to 9.0% in Europe, and from 10.6% to 18.4% in Latin America for the year ended December 31, 2018. With the application of IFRS 16 as of January 1, 2019, the existing onerous provision was allocated to the right of use line item.

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 of our consolidated financial statements as of and for the year ended December 31, 2020 and see Note 1.a) of our condensed interim consolidated financial statements as of and for the three months ended March 31, 2021.

Industry overview

The market information presented in this section is taken or derived from the cited sources. Market data is inherently forward looking and subject to uncertainty and does not necessarily reflect actual market conditions. Such data is based upon market research, which itself is based upon sampling and subjective judgments by both the researchers and other participants involved in such research, 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 "—Information regarding forward-looking statements."

Overview

According to Marketline, in 2019, the hotel industry generated approximately \$946 billion in revenue worldwide compared to approximately \$916 billion in 2018, representing a growth rate of 3.2%. In 2020, the hotel industry is expected to see its worldwide revenue decrease to approximately \$692 billion, as a result of travel restrictions and lockdowns related to the COVID-19 pandemic.

In 2020, Europe is expected to represent the second largest market with 31.7% of worldwide hotel industry revenues, behind the Asia-Pacific region (34.8%) and significantly greater than the United States (22.0%). In Europe, the hotel industry generated approximately \$310 billion in revenue in 2019, representing a decrease of 1.1% compared to the previous year. In 2020, the hotel industry's revenue is expected to decrease to approximately \$220 billion, as a result of travel restrictions and lockdowns related to the COVID-19 pandemic. Within Europe, Italy, the United Kingdom, France and Spain are the largest markets accounting for respectively 16.5%, 15.3%, 10.8% and 10.0% of the revenue in Europe in 2020.

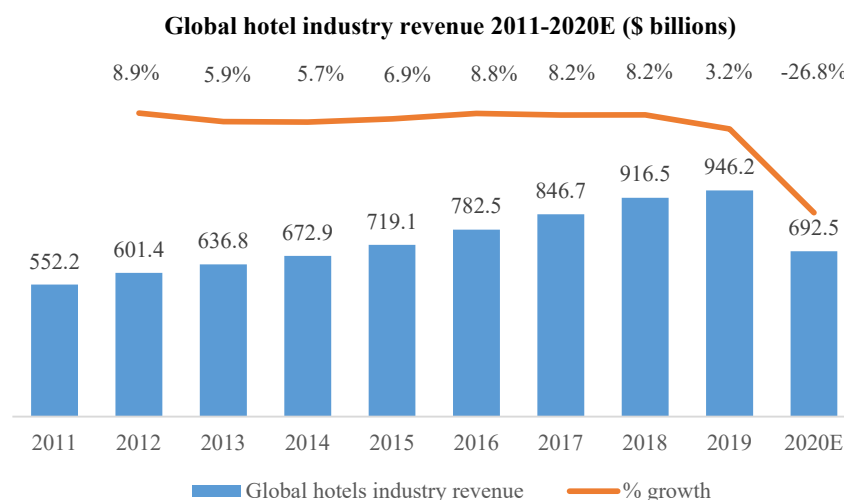
Industry evolution

Historical industry evolution

The global hotel industry has experienced strong and regular growth in recent years at a CAGR of 7.0% between 2011 and 2019. This growth resulted from the worldwide increase in tourism driven by continued global economic growth and a consistent increase in consumer disposable income. These trends have mainly been observed in the Asia Pacific region, especially in China and India, where a growing middle class increasingly has had the means and desire to travel internationally, particularly for tourism reasons. Additional factors supporting the growth of the hotel industry include increased air connectivity and the increasing affordability of flights, particularly from low-cost airline carriers.

Growth slowed during 2019 to 3.2% and a significant decrease of 26.8% is expected for 2020, as a result of the impact of the COVID-19 pandemic.

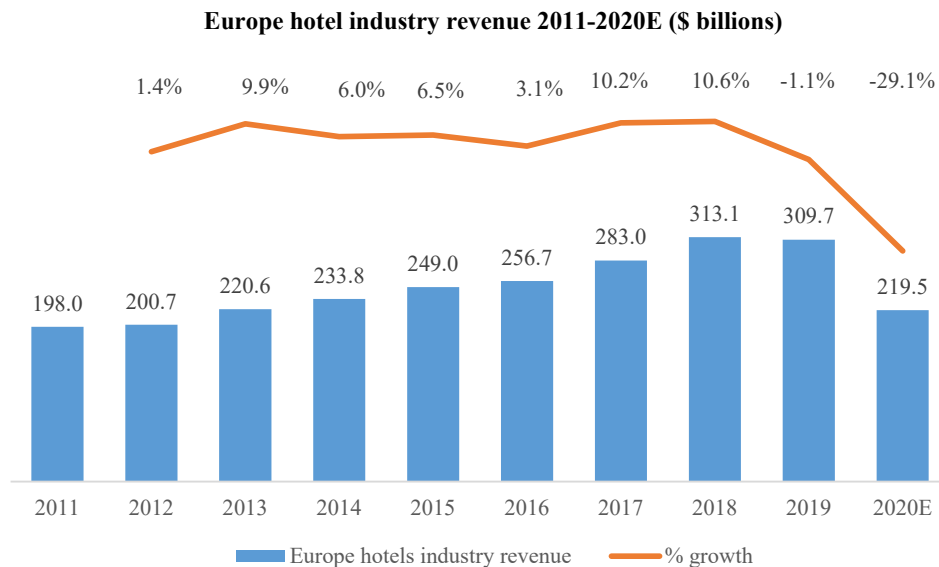
The following chart shows revenue and revenue growth in the global hotel industry from 2011 to 2020 (with figures for 2020 presented on an estimated basis).



Source: Marketline, October 2020

The European hotel industry also experienced consistent growth in recent years, at a CAGR of 5.8% between 2011 and 2019. This growth was led by southern and Mediterranean Europe and, overall, Europe represents 51% of global international arrivals in 2019. Despite the effects of the COVID-19 pandemic, the hotel industry in Europe is still expected to generate an estimated \$219.5 million of revenues in 2020, which remains above the levels achieved in 2011 and 2012.

The following chart shows revenue and revenue growth in the hotel industry in Europe from 2011 to 2020 (with figures for 2020 presented on an estimated basis).



Source: Marketline, October 2020

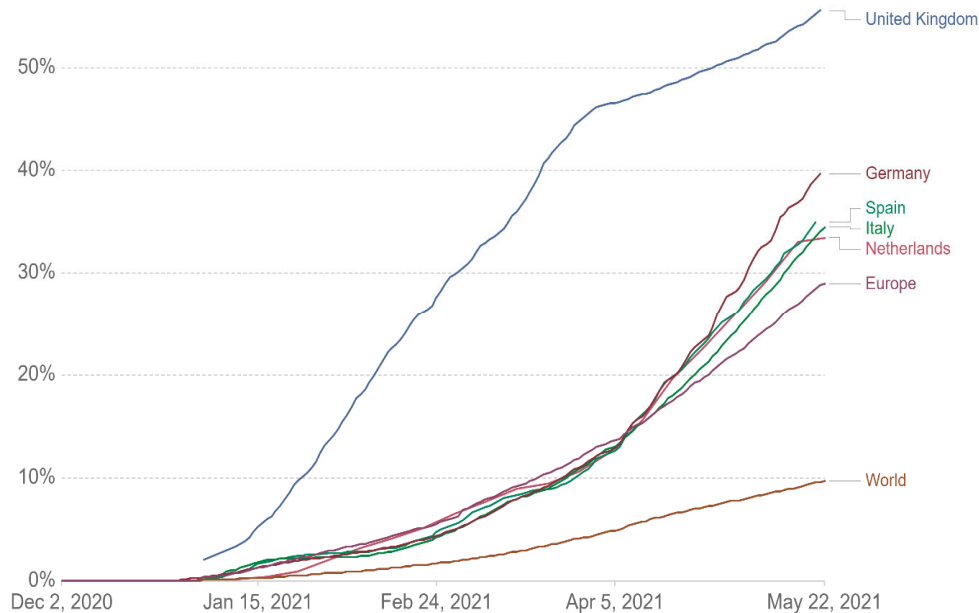
COVID-19 pandemic

The COVID-19 pandemic is an ongoing global pandemic of a contagious disease caused by the severe acute respiratory syndrome coronavirus 2 (or SARS-CoV-2) ("*COVID-19*"). As of May 19, 2021, more than 164 million cases have been confirmed, with more than 3.4 million deaths attributed to COVID-19, making it one of the deadliest pandemics in history. The COVID-19 pandemic has resulted in significant global social and economic disruption, including the largest global recession since the Great Depression. Authorities worldwide have responded in an unprecedented global manner to contain the spread of the disease by implementing international and regional travel bans, lockdowns, quarantines and business closures. Travel restrictions and regional lockdown measures caused many hotels to close between mid-March and May 2020.

Many establishments began reopening in June 2020 but a significant decrease in international arrivals and reduced domestic travel significantly reduced occupancy rates. According to the United Nations World Tourism Organization (the "*UNWTO*"), international travel could have decreased by 60-80% in 2020 as countries across the world imposed flight bans to prevent the spread of the coronavirus. Since December 2020, several vaccines have been developed and are starting to be distributed. On May 17, 2021, 27% of the European total population are estimated to have received at least one vaccine dose and the populations of many Western Europe countries are already above 30%.

The following chart shows the percentage of total population in Europe who have received at least one dose of a COVID-19 vaccine from December 2, 2020 to May 22, 2021 (with a breakdown showing vaccination rates for Italy, Germany, the Netherlands, Spain and the United Kingdom and a comparison against estimated global vaccination rates).

Share of total population in Europe who have received at least one dose of a COVID-19 vaccine



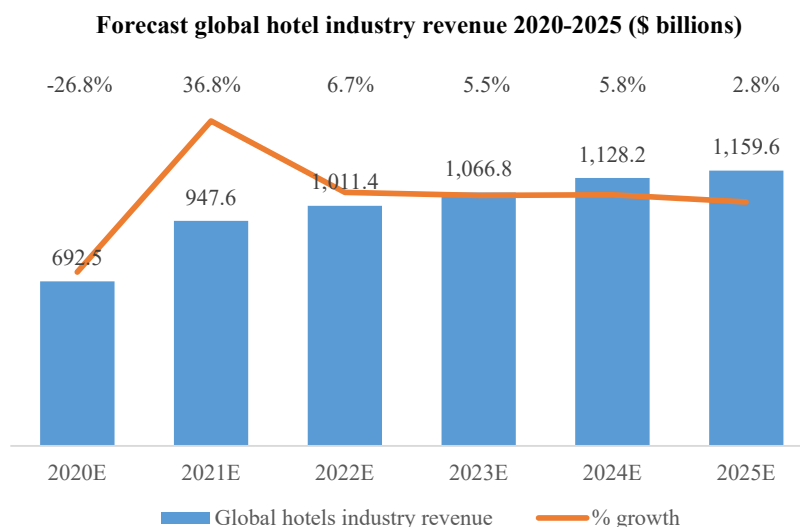
Source: Official data – Our World in Data

According to Savills Research, the ongoing successful vaccination rollout and containment of the virus is beginning to allow certain countries to encourage tourists to travel again. This is also improving consumer attitudes towards travel. For example, in Israel, those with a vaccine certificate can now visit hotels, gyms, bars and concerts, following the world's quickest vaccination campaign. Iceland began welcoming back vaccinated tourists from any country as of March 18, 2021, without a requirement to quarantine, with Greece following suit shortly thereafter. Meanwhile, progress under the UK's vaccination program has allowed the government to outline a roadmap for the reopening of hotels. As of March 31, 2021, the United Kingdom appears to have a far greater share of bookings from May through to September 2021, as compared to other major European countries, in line with more confidence regarding domestic summer travel generated by the higher level of inoculation.

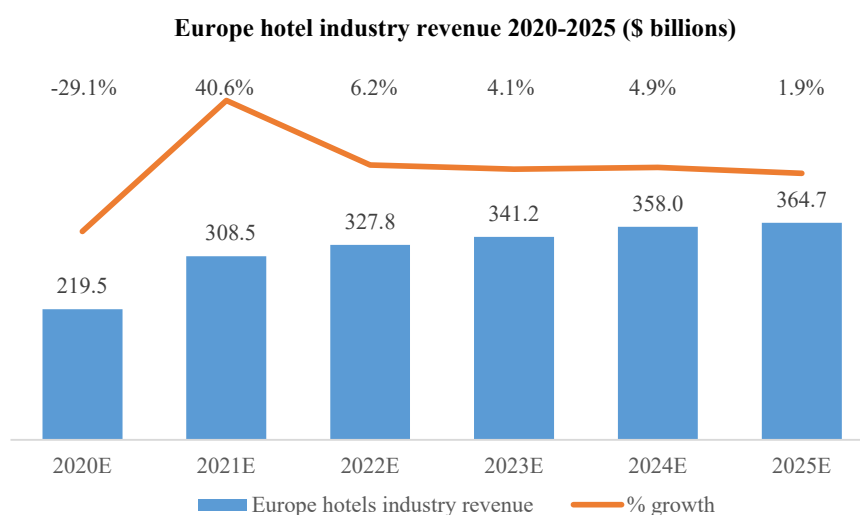
Forecast industry evolution

According to Marketline, the global hotel industry is expected to grow at a CAGR of 10.9% per annum from 2020 to 2025. The industry is forecast to recover as pandemic-related concerns lessen throughout the region, while the improving macroeconomic conditions of several countries serve to stimulate domestic demand as well as overseas demand across the region. An immediate and significant recovery in demand is expected in 2021 once travel restrictions are lifted and consumers resume leisure and business travel. The hotel industry in Europe is expected to grow at a CAGR of 10.7% per annum over the same period from 2020 to 2025.

The following charts show revenue forecasts for the global hotel industry and for the hotel industry in Europe.



Source: Marketline, October 2020



Source: Marketline, October 2020

According to HVS, European hotel performance declined significantly in 2020 compared to 2019, with an average RevPAR for European hotels dropping from €80 in 2019 to €24 in 2020. HVS anticipates that RevPAR will remain low in the first half of 2021 and will build up in the second half of 2021 to recover to 2019 levels by 2023.

The following table shows average European occupancy rate, average ADR and average RevPAR from 2018 to 2024 (with 2018 to 2020 presented on an actual basis and 2021 to 2024 presented on a forecasted basis).

European occupancy rates (%), ADR (€) and RevPAR (€) 2018-2024E							
	Historical			Forecast			
	2018	2019	2020	2021E	2022E	2023E	2024E
Occupancy	72.0%	72.0%	27.0%	45.0%	63.0%	70.0%	72.0%
% change		0.3%	-63.2%	69.9%	40.2%	10.5%	2.9%
ADR	113	111.0	92.0	97	105	111	116
% change		-2.1%	-17.2%	5.7%	7.8%	5.8%	5.0%
RevPAR	82	80	24	44	66	78	84
% change		-1.8%	-69.5%	79.6%	51.1%	16.8%	8.0%

Source: HVS

Recent industry trends

Focus on Western Europe market

Western Europe, including Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom, is the largest tourism market in the world.

Capital cities in Western Europe have generally experienced an increase in hotel demand in past years, but supply has remained relatively stable due to a lack of available sites and relatively high prices of land and buildings with which to establish hotels. 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.

In 2019, RevPAR increased in most Western European countries. Due to the COVID-19 pandemic, RevPAR has significantly decreased in 2020 as a result of lockdowns, travel restrictions and limited tourist activity. Many establishments had to close between mid-March and May 2020 and began reopening in June, but a significant drop in international arrivals and reduced domestic travel significantly reduced occupancy rates. According to Marketline, in France, the hotel occupancy rate was as low as 3.3 % on March 17, 2020 compared to 65.3 % on February 26, 2020.

The following tables show the historical evolution of occupancy rates, ADR and RevPAR by Western European country from 2018 to 2020, as well as the historical evolution of European occupancy rates ADR and RevPAR by type of hotel from 2019 to 2020.

Occupancy rates (%), ADR (€) and RevPAR (€) evolution by Western Europe country, 2018-2020

Countries	2018			2019			2020			CAGR	
	Occ. (%)	ADR (€)	RevPar (€)	Occ. (%)	ADR (€)	RevPar (€)	Occ. (%)	ADR (€)	RevPar (€)	ADR	RevPar
France	69.0%	92.8	64.0	69.1%	94.2	65.1	32.5%	77.1	25.0	-8.9%	-37.5%
Germany	71.7%	94.0	67.4	72.1%	95.3	68.7	29.1%	84.3	24.5	-5.3%	-39.7%
UK	80.3%	101.0	81.1	80.0%	102.3	81.9	30.6%	80.8	24.7	-10.6%	-44.8%
Spain	74.7%	96.0	71.7	75.5%	99.8	75.4	23.9%	80.7	19.3	-8.3%	-48.1%
Italy	72.4%	109.6	79.2	73.6%	113.5	83.5	22.5%	86.7	19.5	-11.0%	-50.4%
Belgium	74.1%	102.1	75.7	75.4%	106.5	80.3	23.1%	94.0	21.7	-4.1%	-46.5%
Netherlands	79.0%	119.2	94.3	79.1%	118.5	93.8	27.7%	89.9	24.9	-13.2%	-48.6%
Luxembourg	76.7%	132.3	101.6	76.9%	139.8	107.6	29.8%	110.7	33.0	-8.5%	-43.0%
Switzerland	72.8%	111.8	81.3	73.1%	113.0	82.5	25.0%	97.5	24.4	-6.6%	-45.2%
Portugal	75.5%	86.7	65.5	76.0%	90.5	68.8	23.1%	74.9	17.3	-7.0%	-48.6%

Source: MKG Destination

European occupancy rates (%), ADR (€) and RevPAR (€) evolution by type of hotel, 2019-2020

	Occupancy			ADR			RevPar		
	2019 (%)	2020 (%)	Change (pts)	2019 (€)	2020 (€)	Change (%)	2019 (€)	2020 (€)	Change (%)
Economy	73.2%	31.6%	-41.6	75.0	66.7	-11.1%	54.9	21.1	-61.6%
Midscale	72.5%	27.9%	-44.6	95.7	83.6	-12.6%	69.3	23.3	-66.4%
Upscale	74.2%	23.2%	-51.0	152.9	128.3	-16.1%	113.4	29.7	-73.8%

Source: MKG Destination

Increased presence of online travel agencies

For hotel operators, distribution can be direct or indirect. Direct distribution means that bookings are made directly through the central reservation office, online or using an application, by telephone or in the hotel directly. Indirect distribution means that that booking is done through a travel agency or an online travel agency such as Expedia or Booking Holdings (which operates booking.com, agoda.com, kayak.com). Over recent years, the share of bookings represented by the online channel has increased as a result of mobile sales development and greater usage of hotels' applications.

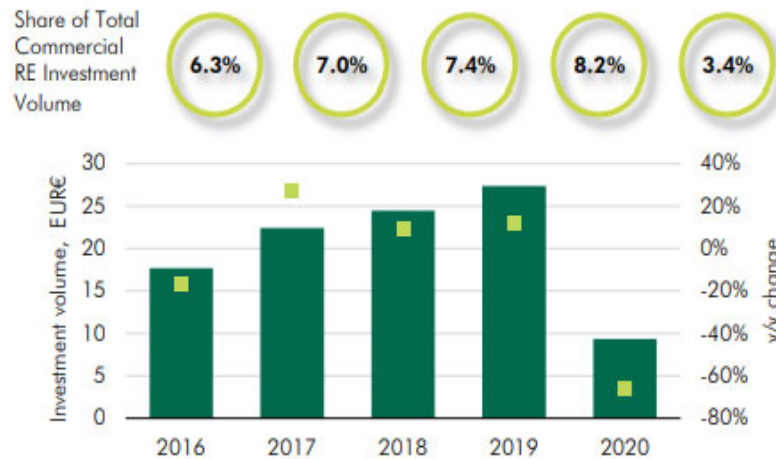
The existence of online hotel search aggregators increases consumer awareness with regards to price, enhancing customer power. Online reviews have a decisive impact on consumer decisions and the ability to easily make cancellations online also gives customers greater power and flexibility. Online travel agencies have impacted the brand appeal of large hotel operators by increasing consumers' awareness of quality and price. They also offer their own loyalty schemes and discounts.

European investment activity

European hotel investment volumes grew between 2016 and 2019 (above 15% growth annually). Simultaneously, the share of hotel investment volumes within total commercial real estate investment across Europe, the Middle East and Africa ("EMEA") has increased from 6.3% in 2016 to 8.2% in 2019, driven by the strong market performance and increasing popularity of the asset class among investors seeking to diversify their portfolios. In 2020, hotel investment volumes decreased by 66% to €9.4 billion, due to the impact of the COVID-19 pandemic.

The following chart shows the evolution of European hotel investment from 2016 to 2020, as well as the year-on-year change and the share it represents of total commercial real estate volume.

European hotel investment volume evolution (2016-2020)



Source: CBRE, March 2021

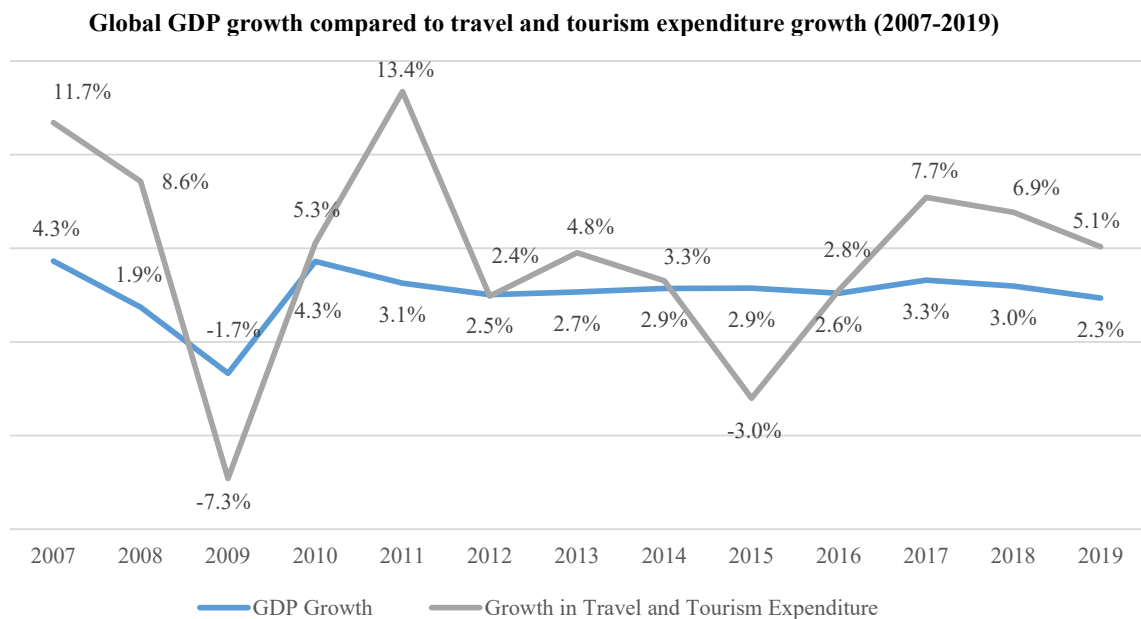
CBRE expect deal flow to pick-up towards the second half of 2021, as a result of sellers revising their position based on further pressure on working capital, funders taking a more aggressive position, greater clarity on recovery and the large volume of capital targeting hospitality real estate. With over 100,000 new rooms planned for 2021, many countries in Europe have a material development pipeline comprising hotels that are already in construction.

Key industry drivers

Macroeconomic trends

The hotel industry is cyclical and generally follows, with a time-lag, general economic conditions, as observed during the economic crisis from 2007 to 2009. There is a history of increases and decreases in demand for hotel rooms, in occupancy levels and in rates obtained 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. Over the past 15 years, there has been a positive correlation between Gross Domestic Product ("GDP") and travel and tourism expenditure.

The following chart presents the evolution of global GDP growth and travel and tourism expenditure growth from 2007 to 2019.



Source: World Bank, Statista

Global GDP continuously grew between 2011 and 2020, with the annual growth rate varying between 2% and 3.5% each year. After growth in global GDP of 2.8% in 2019, GDP is expected to contract by 3.3% in 2020, as a result of the impact of COVID-19 pandemic and the unprecedented global response to contain the spread of the disease. The global economy is projected to grow at 6.0% in 2021 and 4.4% in 2022.

Among advanced economies, the United States is expected to surpass its pre-COVID GDP level in 2021, while many other regions are expected to return to their pre-COVID levels only in 2022.

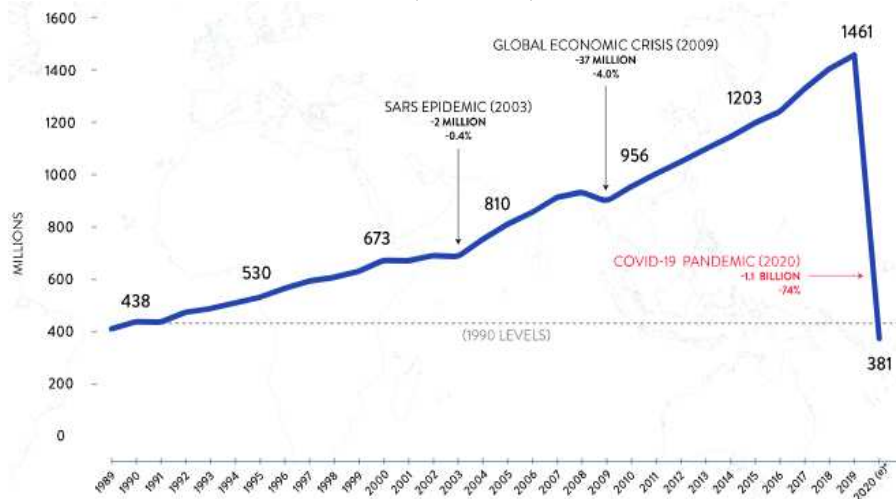
In the euro area, after growth in GDP of 1.3% in 2019, GDP is expected to contract by 6.6% in 2020 and to grow by 4.4% and 3.8% in 2021 and 2022, respectively (source IMF), driven by the roll-out of vaccines.

Travel and tourism activity

Tourist arrivals indicate general levels of activity in the hospitality industry. According to UNWTO, after an increase in international tourists arrivals (overnight visitors) by 3.8% in 2019 reaching a total of 1,461 million globally, demand for international travel decreased by 73.9% in 2020 to 381 million, amid new outbreaks and tighter travel restrictions, and continues to remain weak at the beginning of 2021. The fall in international tourism arrivals by 73.9% observed in 2020 is unprecedented over the past 30 years, and compares with a decrease of 4.0% during the global economic crisis in 2009 and a decrease of 0.4% in 2003 during the SARS epidemic.

The following chart shows the historical evolution in the number of international tourism arrivals between 1989 and 2020 (with figures for 2020 presented on an estimated basis).

**Historical international tourism arrivals (1989-2020E)
(in millions)**



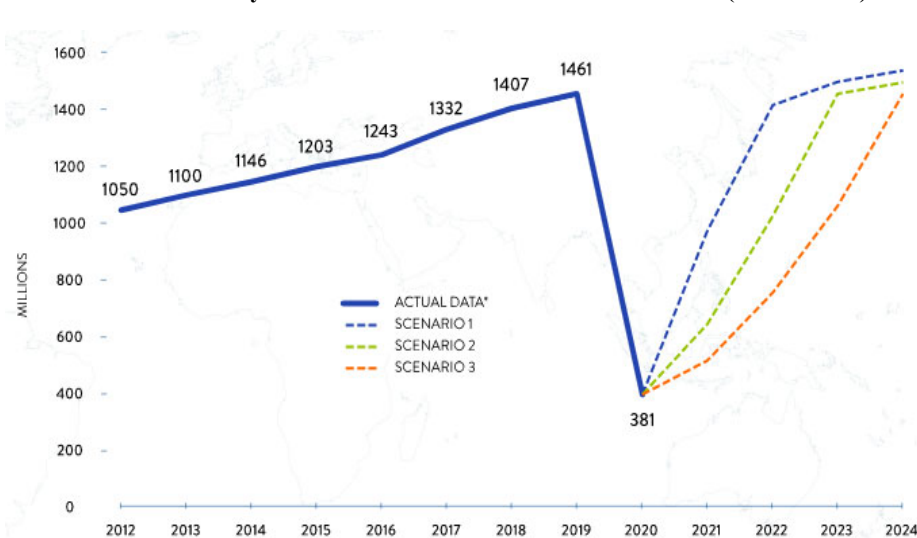
Source: UNWTO

Europe remains the world's most popular tourist destination with a share of 51% of global tourist arrivals in 2019, according to UNWTO. This share increased to 58% in 2020. According to UNWTO, France, Spain and Italy are the first, second and fifth ranked countries, respectively, in terms of the number of international tourist arrivals worldwide in 2019.

In the past decade, domestic and international air traffic volumes have increased, due to greater and cheaper 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.

Looking ahead, the UNWTO anticipates that the level of international tourist arrivals observed in 2019 could be achieved again in 2023 or 2024, depending on the pace of the recovery in demand. A significant recovery is expected in the short-term as vaccine distribution programs across Europe allow governments to ease travel restrictions and, in turn, encourage hotel operators to re-open hotels.

2021-24 recovery scenarios for international tourist arrivals (2012-2024E)



Source: UNWTO

Supply dynamics

Global 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. This supply-demand imbalance is expected to continue.

According to STR data, in 2018, there were a total of 308,000 rooms in the development pipeline with 105,000 in construction and 69,000 in final planning. In some cities, concerns about over-tourism and damage to residential quality of life means that local authorities seek to regulate the development of new hotels in certain areas. For example, in Amsterdam, the policy of "*NEE, tenzij*" meaning "*no, unless*", seeks to ensure that the development of hotels in central Amsterdam is in the city's best interests, with projects that are creative, economically support the neighborhood, have a good social plan and are sustainable. In Barcelona, there has been a four-year moratorium for construction of new hotels that ended in 2019.

Concurrently while some cities have low overall new supply levels, certain cities can have high pipelines (such as London, which we believe has the highest pipeline).

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 cyclicity 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 components, 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.

Barriers to entry

Entry on a small scale for a new player is possible, but given the importance of brand recognition and technology for expansion, significant capital outlay is required to achieve a large-scale business. Regulation and the limited availability of properties for development may also discourage new entrants (e.g. moratorium for new hotel licenses in Barcelona or the policy of "*NEE, tenzij*" in Amsterdam).

Within the industry, where switching costs are negligible and competing on price alone is no longer a key to success, brand recognition, presence in key locations and innovation help to attract first-time customers and repeat business. Differentiation between brands becomes important, as one particular brand becomes synonymous with quality, price, or a specific target audience. Major players therefore have a wide portfolio of brands, ranging from budget to luxury imprints.

Although entry of a new large-scale direct competitor is unlikely, a substitute that is becoming increasingly prominent are online services such as Airbnb, FlipKey and Couchsurfing. For example, according to Marketline, Airbnb listings of available accommodation worldwide as of December 2019 reached over six million, greater than that of the five largest hotel brands combined. The average nightly price for an Airbnb booking varies across Europe. In the United Kingdom, for instance, the average price is \$87, whereas in Poland it is \$36. This represents a relatively newer source of competition to traditional hotel operators which has resulted in traditional hotel operators rolling out brands to attract millennial consumers who typically favor Airbnb. For this reason, many European countries, such as France, Italy, the Netherlands, Spain, Switzerland and Portugal, have regulated the service, imposing booking fees, tourist taxes or limitation on issuance of licenses.

Competition

The industry is dominated by large international players who compete intensely among themselves and with numerous smaller independent local players. Independent, unbranded hotels are typically owned and operated by individual owners whereas branded hotels are generally operated under franchise agreements, management agreements or lease agreements.

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. Some international hotel operators are large, have significant market share and operate under well-known international brand names (e.g. AccorHotels, Best Western, InterContinental Hotels Group, Marriott and Whitbread), 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 and location 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.

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. Europe has the most competitive industry in the world due to the prevalence of small players which encourages a price-competitive environment.

Independent hotel operators are being acquired by large hotel companies or joining them as affiliates to benefit from their marketing power and customer loyalty schemes. This is reducing the share of the market operated by independent hotels and increasing competition between market leaders. The COVID-19 pandemic has accelerated market consolidation with smaller hotels struggling to manage the financial consequences of lockdown and reduced occupancy. Many establishments have been forced to close or be taken over by leading hotel operators. According to Marketline, for larger hotel chains with stronger balance sheets, the pandemic has provided a chance to acquire smaller, struggling establishments, that could help larger companies accelerate their recovery post pandemic. The security that brands offer customers and their economies of scale have generated outperformance relative to independents during previous crises, a trend expected to continue as a consequence of the COVID-19 pandemic, including through further consolidation and consumer preferences.

Business

Overview

We are a leading international hotel operator and we are ranked among the top ten largest hotel chains in Europe by number of hotel rooms, according to the latest available Hospitality On report. As of March 31, 2021, we operated 355 hotels consisting of 54,806 hotel rooms in 29 countries.

Based on a report by an independent market research firm, and measured by number of hotel rooms in operation, as of December 2019, we were the third largest hotel chain in the Netherlands, the fourth largest in Italy and Belgium, the fifth largest in Spain and Portugal and the eighth largest in Germany. Of the 355 hotels we operated as of March 31, 2021, we owned 73 (or 22% by number of hotel rooms), we leased 229 (or 65% by number of hotel rooms) and we managed 53 hotels (or 14% by number of hotel 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 twelve months ended March 31, 2021, our net turnover was €320.4 million and our Adjusted EBITDA was negative €426.5 million. Our net turnover and Adjusted EBITDA increased from €1,613.4 million and €264.5 million, respectively, in the year ended December 31, 2018 to €1,708.1 million and €319.4 million, respectively, in the year ended December 31, 2019. Our net turnover and Adjusted EBITDA decreased from €277.0 million and negative €31.4 million, respectively, in the three months ended March 31, 2020, to €61.2 million and negative €112.3 million, respectively, in the three months ended March 31, 2021. For the three months ended March 31, 2021, our Occupancy, ADR and RevPAR were 14.3%, €65.5 and €9.4, 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 operation—Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)"*.

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 variety of key functions, including sales, reservations, marketing, administrative and IT systems.

We have strengthened our brand proposition by reorganizing our hotels into an upper-upscale segment, an upscale segment and a mid-tier 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;
- *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
- *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.

Since their public tender offer in 2018, we have benefitted from the industry knowledge and support of MINT, which operates over 172 hotels and resorts across Asia, Australia, Africa, the Middle East and South America. As a result of the integration of the Group into Minor Hotels (an affiliate of MINT), the parties have agreed to a joint brand positioning for all markets and segments, on the basis of the reciprocal master licensing agreement signed between the parties on February 7, 2019 allowing each party to use the other party's corresponding commercial brands in the geographical areas where each party operates. The brands covered by this master licensing agreement comprise Anantara, Avani, Tivoli and Oaks (in each case with Minor Hotels as licensor) and the brands NH Collection, NH Hotels and NHOW (in each case with the Group as licensor). As a result of this master licensing agreement, we have increased the number of brands we offer in the luxury and upscale segment and currently operate six hotels in Europe under the luxury Anantara brand and 10 hotels under the upper-upscale Tivoli brand:

- Anantara is an award-winning and world-renowned Asian luxury brand offering both design and service-led timeless experiences. Positioned in key markets around the globe, Anantara hotels, resorts

and spas open up a window to the modern character of their destination, upholding world-class operational standards to make every stay uniquely personal; and

- *Tivoli* is a collection of upscale and deluxe properties in prime locations around the world. Tivoli is now a global brand, with destinations ranging from idyllic beach settings in Brazil to cosmopolitan city spots across Europe and luxury locations in the Middle East. Every Tivoli hotel is unique. Some are inspired by exotic surroundings, others offer a touch of metropolitan luxury. Each one delivers consistent premium service combined with impeccable taste and comfort.

Since 2013, we have implemented various upgrades and refined our brands across our operations. This has included investing in upgraded basic facilities, such as flat screen televisions and rain showers, and refining our dining and beverage options. We have worked to align our hotels with particular brand aesthetics to create a comfortable and standardized experience for our customers. We have also implemented a centralized pricing strategy which organizes price by destination, allowing us to structure relative prices among our various hotels in each destination, and by room type. Through this pricing mechanism, guests may choose to upgrade for more desirable features, such as a better view. 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 all business units ("BUs").

In the year ended December 31, 2020 as compared to the prior year, all regions reported a decrease in RevPAR, which is principally due to the low levels of occupancy beginning in March 2020 across all regions due to the impact of the COVID-19 pandemic. The second quarter of the year was the most affected quarter during the pandemic due to lockdowns in various countries, temporary hotel closures and travel restrictions, which were reinstated in the last few months of 2020. In particular, for our hotels in Spain, RevPAR, ADR and Occupancy fell by 71.4%, 22.9% and 63.0%, respectively, in 2020 compared with 2019. For our hotels in Central Europe, RevPAR, ADR and Occupancy fell by 67.3%, 16.4% and 60.9%, respectively, in 2020 compared with 2019. For our hotels in Italy, RevPAR, ADR and Occupancy fell by 75.4%, 22.3% and 68.3%, respectively, in 2020 compared with 2019. For our hotels in Benelux, RevPAR, ADR and Occupancy fell by 74.2%, 18.2% and 68.4%, respectively, in 2020 compared with 2019 and, in Latin America, RevPAR, ADR and Occupancy fell by 76.7%, 21.7% and 70.3%, respectively, in 2020 compared with 2019, which was also due to the negative impact of fluctuations in foreign currency exchange rates.

In the first quarter of 2021 as compared to the first quarter in 2020, all regions reported a decrease in RevPAR, which is principally due to the low levels of occupancy beginning in March 2020 across all regions. The first quarter of 2021 has been affected by lockdowns in various countries, temporary hotel closures and travel restrictions, which largely remained in effect during the beginning of 2021. In particular, for our hotels in Spain, RevPAR, ADR and Occupancy fell by 71.2%, 32.7% and 57.3%, respectively in the first quarter of 2021 as compared to the same period in 2020. For our hotels in Central Europe, RevPAR, ADR and Occupancy fell by 88.4%, 29.6% and 83.5% respectively in the first quarter of 2021 as compared to the same period in 2020. For our hotels in Italy, RevPAR, ADR and Occupancy fell by 65.9%, 25.6% and 54.2%, respectively, in the first quarter of 2021 as compared to the same period in 2020. For our hotels in Benelux, RevPAR, ADR and Occupancy fell by 88.2%, 28.7% and 83.5%, respectively in the first quarter of 2021 as compared to the same period in 2020 and in Latin America, RevPAR, ADR and Occupancy fell by 72.5%, 34.1% and 58.2% respectively, in the first quarter of 2021 as compared to the same period in 2020, which was also due to the negative impact of fluctuations in foreign currency exchange rates.

We actively manage our asset portfolio, including our 73 owned hotels which had a book value of €1.3 billion as of March 31, 2021 and December 31, 2020, although we believe that the actual market value of such assets is higher, due to the fact that prices at which we have been able to sell our assets in recent years have been typically higher than their respective book values. Between June 2020 and February 2021, 30 owned hotels were appraised by third parties and were assigned a market value of approximately €875 million, while their book value as of December 31, 2020 is recorded as approximately €593 million. This means that market value for those 30 appraised hotels exceeds their book value by approximately 48%. We regularly evaluate the performance of individual hotels to identify underperforming properties, and aim to terminate, or not renew, lease agreements and management agreements for underperforming hotels, in particular if they contain undesirable terms (such as management agreements with costly performance guarantees), as well as to sell certain of our underperforming owned hotels and redirect 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.

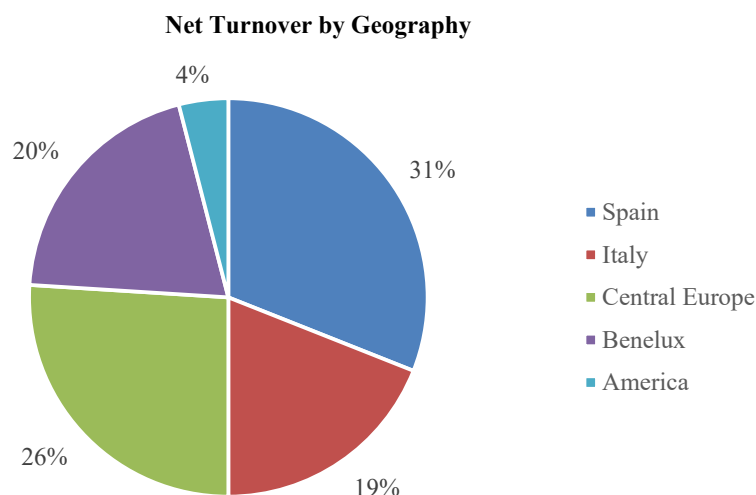
In addition, we are actively working to continue to increase Occupancy and Average Daily Rates through selective investments, including refurbishment of existing hotels and opening new hotels. We also intend to complete the

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 a focus on a mobile-friendly interface as our customers increasingly access our website through their mobile devices) with increased functionality in order to increase the proportion of direct bookings. In the year ended December 31, 2020 compared to the prior year, the proportion of revenue generated from our website grew from 11.5% to 14.3%. 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 2020, we opened 11 hotels with 1,966 rooms in markets where we believe there is increasing demand for hotel rooms and we closed 17 hotels with 3,866 rooms.

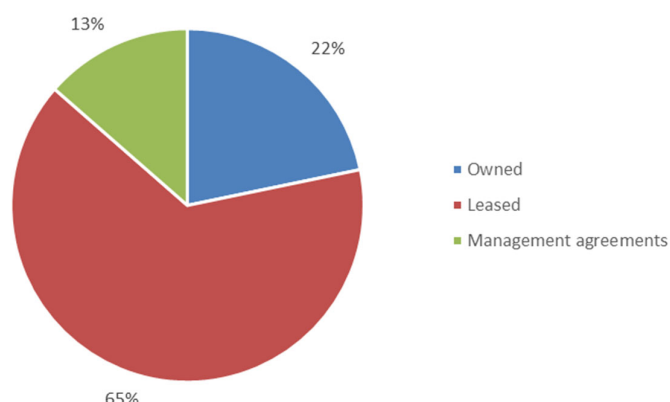
As of March 31, 2021, we have entered into agreements to operate 20 new hotels with 3,739 rooms (our "committed pipeline hotels"), which are expected to commence operations mainly between 2021 and 2023. We will operate our committed pipeline hotels under lease and management agreements with third-party hotel owners and most of our committed pipeline hotels will be operated under our core NH Hotels and NH Collection brands. We estimate that we will invest a total of approximately €30 million into our committed pipeline hotels between 2021 and 2023.

We are a public limited company (*sociedad anónima*) incorporated under the laws of Spain and listed on the Spanish Stock Exchanges with an authorized share capital of €784,360,486 consisting of 392,180,243 shares as of March 31, 2021. Our market capitalization was €1.6 billion as of June 11, 2021.

The following charts set forth the geographic breakdown of our net turnover for the twelve months ended March 31, 2021 and a breakdown of our hotel rooms by owned, leased and managed hotels as of March 31, 2021.



Number of Hotel Rooms by Type of Ownership



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 Spanish Stock Exchanges. 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 at such time, pursuant to which we agreed to manage several hotels owned or operated by Hesperia.

In 2014, we acquired Intesa Sanpaolo's 44.5% shareholding in our joint venture NH Italia, which became a wholly-owned subsidiary as a result of this acquisition, in exchange for an issuance of our shares.

Our arrangements with Hesperia were terminated in connection with the exit of Hesperia from our shareholding in 2018.

In 2018, MINT launched a public tender offer for the share capital of the Issuer, which enabled it to reach a shareholding of 94.13%. As a result of such tender offer and the integration of our businesses, the parties agreed to a joint brand positioning for all markets and segments, on the basis of a reciprocal master licensing agreement, by means of which each party licenses to the other party the use of its corresponding commercial brands in the geographical areas where the other party operates. We operate a number of hotels in Europe under this agreement.

As of March 31, 2021, we operated 355 hotels consisting of a total of 54,806 rooms in 29 countries.

Our strengths

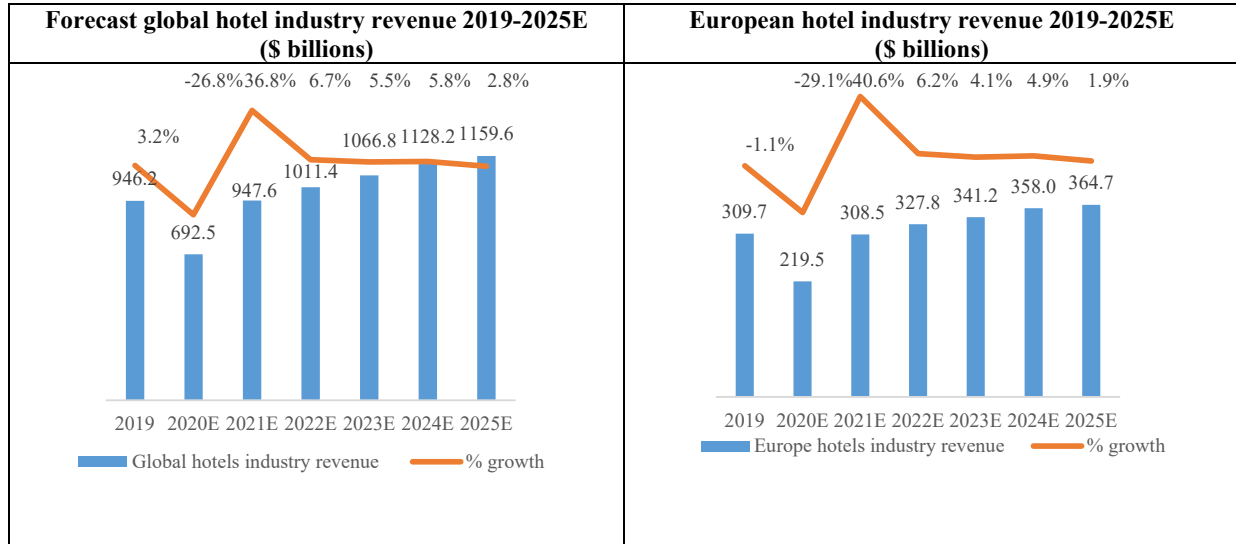
We operate in the hotel and travel industry, which benefits from key growth trends despite the effects of the COVID-19 pandemic

In 2020, the hotel industry is expected to see its worldwide revenue decrease to an estimated \$692 billion from \$946 billion in 2019, as a result of the travel restrictions and lockdowns related to the COVID-19 pandemic. In Europe (which represents 31.7% of the global market), revenue generated by the hotel industry is expected to decrease to an estimated \$220 billion in 2020 from \$310 billion in 2019.

However, according to Marketline, the global hotel industry is expected to recover quickly in the coming years. It forecasts that the global industry will grow at a compound annual growth rate ("CAGR") of 10.9% from 2020 to 2025 and at a CAGR of 10.7% in Europe over the same period. The industry is forecasted to experience a significant recovery from 2021 to 2022 in particular, as pandemic-related concerns are expected to lessen and the vaccination rollouts and containment of the virus are expected to allow countries to encourage tourists to travel again.

The following charts set forth revenue in the global and European hotel industry from 2019 to 2025 (with figures for 2019 presented on an actual basis and figures for 2020 to 2025 presented on a forecasted basis).

Global and European hotel industry revenue (2019-2025) (estimated)



Source: Marketline

According to HVS, European hotel performance declined significantly in 2020 compared to 2019, with an average RevPAR for European hotels dropping from €80 in 2019 to €24 in 2020. HVS anticipates that RevPAR will remain low in the first half of 2021 and will build up in the second half of 2021 to recover to 2019 levels by 2023.

The following table shows average European occupancy rate, average ADR and average RevPAR from 2018 to 2024 (with 2018 to 2020 presented on an actual basis and 2021 to 2024 presented on a forecasted basis).

European occupancy rates (%), ADR (€) and RevPAR (€) 2018-2024E							
	Historical			Forecast			
	2018	2019	2020	2021E	2022E	2023E	2024E
Occupancy	72.0%	72.0%	27.0%	45.0%	63.0%	70.0%	72.0%
% change		0.3%	-63.2%	69.9%	40.2%	10.5%	2.9%
ADR	113	111.0	92.0	97	105	111	116
% change		-2.1%	-17.2%	5.7%	7.8%	5.8%	5.0%
RevPAR	82	80	24	44	66	78	84
% change		-1.8%	-69.5%	79.6%	51.1%	16.8%	8.0%

Source: HVS

Once travel restrictions are lifted, an immediate and significant recovery in tourism-related demand is expected and Europe is anticipated to be well placed to benefit from this trend. According to the United Nations World Tourism Organization ("UNWTO"), Europe is the world's most popular tourist destination with a 51% share of global tourist arrivals in 2019 and a 58% share in 2020. France, Spain and Italy were ranked as first, second and fifth countries, respectively, in terms of the number of tourist arrivals in 2019. The UNWTO anticipates that the level of international tourist arrivals seen in 2019 could be achieved again in 2022-2024, depending on the pace of the recovery in demand.

This recovery is expected to be a result of the continuation of several growth trends, which were paused due to the impact that the COVID-19 pandemic had on the travel and hotel industry. The global hotel industry has experienced strong and regular growth in recent years at a CAGR of 7.0% from 2011 to 2019. This growth was primarily due to the worldwide increase in tourism driven by continued global economic growth and a consistent increase in consumer disposable income. These trends have mainly been observed in the Asia Pacific region, especially in China and India, where a growing middle class increasingly has the means and desire to travel internationally for tourism reasons, particularly to Europe. Additional factors supporting the growth of the hotel industry include improved air connectivity and the increasing affordability of flights, particularly from low-cost airline carriers in Europe. These trends are expected to resume their positive contribution to the travel and hotel industry from 2021 onwards.

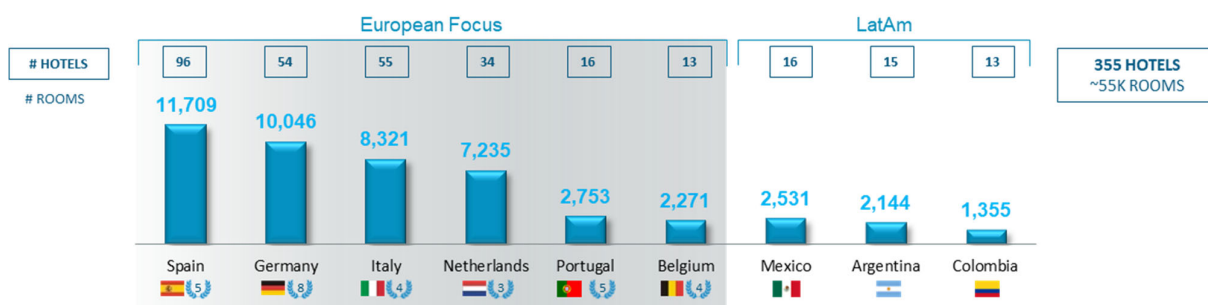
More broadly, improving macroeconomic conditions are also expected to stimulate the travel and hotel industry. The past two decades have seen a positive correlation between growth in GDP and travel and tourism related expenditure. The International Monetary Fund ("IMF") forecasts that the global economy will grow by 6.0% in 2021 and by 4.4% in 2022. Among developed economies, the United States is expected to surpass its pre-COVID GDP level in 2021, while many other regions are expected to return to their pre-COVID levels in 2022. In the euro area, GDP growth is expected to rebound by 4.4% in 2021 and by 3.8% in 2022. This is expected to be driven by the continued roll-out of COVID-19 vaccination programs and a resumption of economic activity.

We are a leading European hotel operator with a large and diversified hotel presence and a strongly recognized brand

We are a leading international hotel operator, ranked among the top ten hotel chains by number of hotel rooms in Europe (as of December 31, 2020) and the top 30 globally (as of December 31, 2019), with 355 hotels offering 54,806 rooms across 29 countries as of March 31, 2021. Based on a report by an independent market research firm, and measured by number of hotel rooms in operation, as of December 31, 2019, we were the third largest hotel chain in the Netherlands, the fourth largest in Italy and Belgium, and the fifth largest in Spain and Portugal, with a significant presence in Latin America. Through our geographically diversified footprint, we are well positioned to take advantage of favorable economic and travel trends in our various local markets, reducing our reliance on particular localities, supported by a greater contribution from domestic demand, which was as follows in certain of our core countries (based on 2019 figures): 67% in Germany; 60% in Spain; 48% in Italy; and 47% in the Netherlands.

The following chart presents our market position by number of hotel rooms in Europe and Latin America.

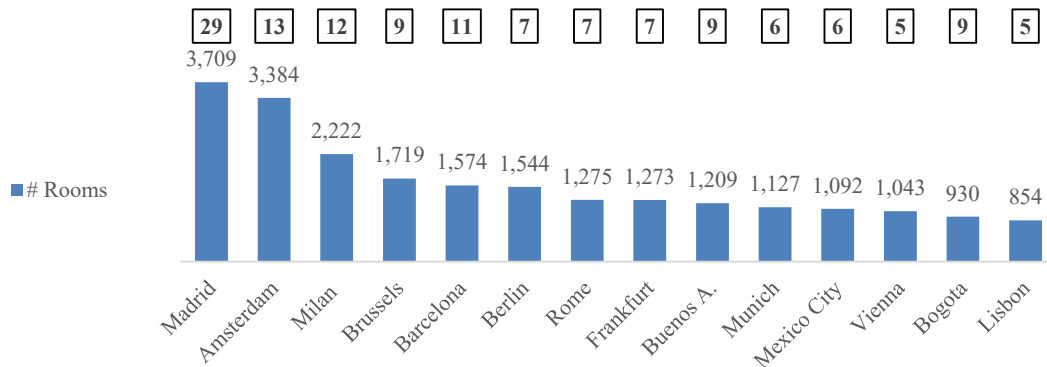
Our market position (2019) and number of hotels and hotel rooms (March 2021)



Source: Ranking from Horwath HTL European Chains & Hotels Report 2019

The following chart presents our footprint by number of hotels and hotel rooms in operation by city in March 2021.

Number of hotels and hotel rooms in operation (by city) (March 2021)



Moreover, 95% of our hotels are located in urban markets and target the upscale segment of those markets.

Our core brands include NH Collection, NHOW and NH Hotels, and we aim to deliver a consistent customer experience across all our hotels:

- *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;
- *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
- *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.

Furthermore, as a result of the integration with MINT, we have increased our brand offer in the luxury and upscale segment. Under a reciprocal master licensing agreement signed in February 2019, we are licensed to use MINT's brands and currently operate six hotels in Europe under the luxury Anantara brand and 10 hotels under the upper upscale Tivoli brand:

- *Anantara* is an award-winning and world-renowned Asian luxury brand offering both design and service-led timeless experiences. Positioned in key markets around the globe, Anantara hotels, resorts and spas open up a window to the modern character of their destination, upholding world-class operational standards to make every stay uniquely personal; and
- *Tivoli* is a collection of upscale and deluxe properties in prime locations around the world. Tivoli is now a global brand, with destinations ranging from idyllic beach settings in Brazil to cosmopolitan city spots across Europe and luxury locations in the Middle East. Every Tivoli hotel is unique. Some are inspired by exotic surroundings, others offer a touch of metropolitan luxury. Each one delivers consistent premium service combined with impeccable taste and comfort.

We operate most of our hotels under our core NH Hotels brand, which provides a strong branding identity. Our brands have remained consistently visible and popular based on our average overall TripAdvisor and Google scores, as set forth in the following chart:

TripAdvisor and Google average overall scores for our brands (2016-2020)



Source: Internal company analysis based on publicly available TripAdvisor and Google Reviews.

For more information on our brands, please see "*Business—Brand development*". Of the hotels included in a survey conducted in 2019 by GFK, we were the most recognized hotel brand in Spain, ranking second 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 fourth and fifth, 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. Furthermore, 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.

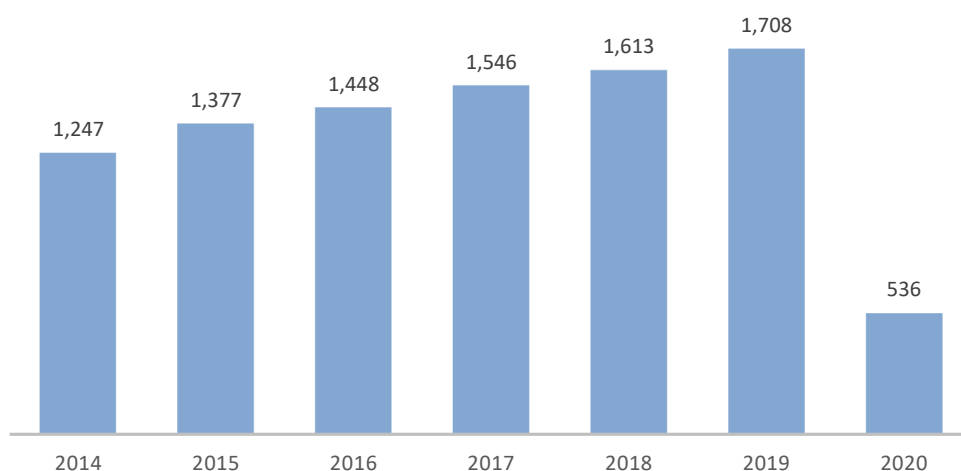
Strong operating performance before the pandemic and well positioned for an industry recovery

Prior to the COVID-19 pandemic, net turnover and Adjusted EBITDA steadily increased from €1,376.6 million and €138.3 million, respectively, in 2015 to €1,708.1 million and €319.4 million, respectively, in 2019, with 2019 being a record year for Adjusted EBITDA which has more than doubled since 2015.

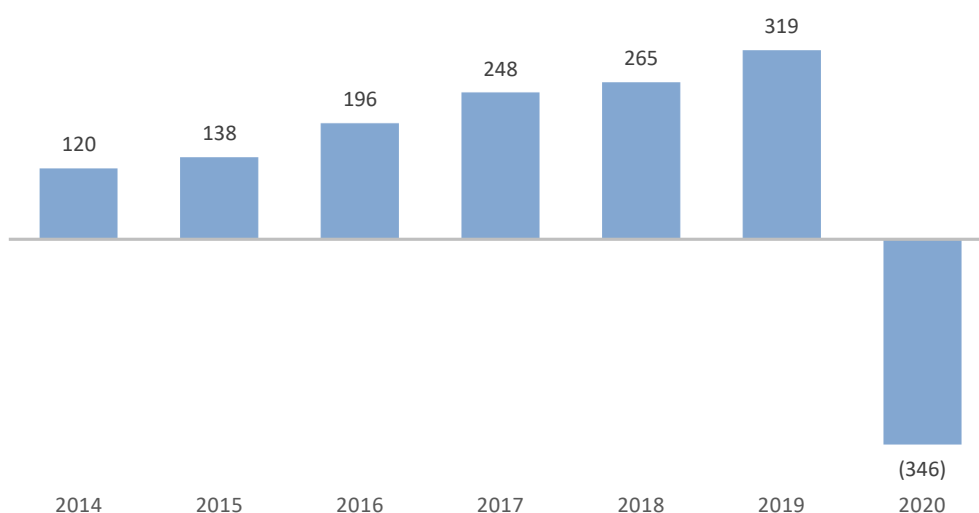
The following charts set forth our net turnover and Adjusted EBITDA from 2014 to 2020. Our Adjusted EBITDA margin in 2019 was 18.7%, which has steadily increased every year from 2015 when it was 10%.

Net turnover and Adjusted EBITDA (2014 to 2020)

Net turnover (in € millions)



Adjusted EBITDA (in € millions)

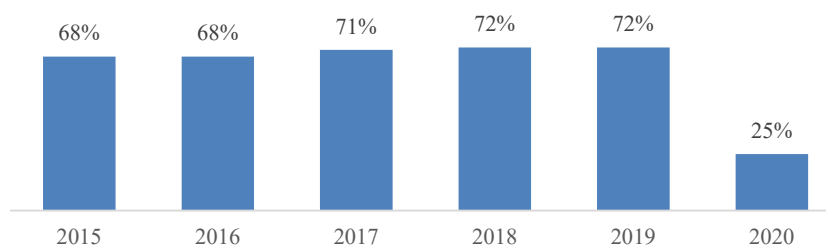


We achieved similar trends of consistent growth in our Occupancy and ADR prior to the COVID-19 pandemic, which we believe was directly due to our upgrading of our hotel portfolio by prioritizing the refurbishment of our hotels, resulting in increased profitability. Profitability has also been impacted by the shift from leased to managed hotels. Additionally, we have improved the quality of leased portfolios through targeted renegotiations, early termination and not renewing certain lease agreements. For example, in the period from 2018 to 2020, there were 17 lease agreements that were not renewed. Our portfolio optimization is focused on an asset-light structure with 14% of our properties managed, 22% owned and 65% leased, as at March 31, 2021. This includes 54,806 hotel rooms, which has remained consistent over the past few years. Operating a similar number of hotel rooms, but higher quality assets, has helped us to build a more profitable business.

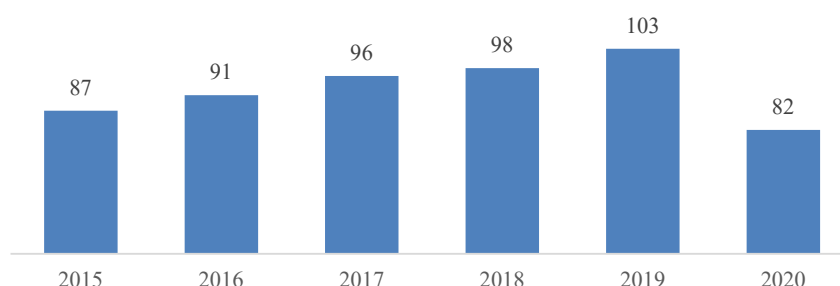
The following charts set forth our Occupancy and ADR for the period from 2015 to 2020:

Occupancy and ADR (2015 to 2020)

Occupancy



ADR



The hospitality sector faced unprecedented challenges in 2020 due to the severe impact of the COVID-19 pandemic. As a result of the COVID-19 pandemic, our net revenue, Adjusted EBITDA, Occupancy and ADR decreased by 68.6%, 202.7%, 65.1% and 20.2%, respectively, during the year ended December 30, 2020. Despite various lockdowns and travel restrictions around the world, the operating and financial transformation we achieved in previous years, together with the contingency measures implemented, have enabled us to address the challenges of this extraordinary complex year and safeguard our business continuity. The flexible cost structure is one of our competitive advantages, which has allowed for the reopening of more than 300 hotels since June 2020 to capture domestic customers' demand, resulting in 80% of our portfolio being open in August 2020. Due to the impact of a second wave of COVID-19, with new travel restrictions and lockdowns imposed after the summer, many hotels closed again, and the percentage of hotels open in December 2020 dropped to 60%. However, since the beginning of 2021, the gradual roll out of vaccination programs, together with the progressive easing of restrictions in some European countries, has allowed us to accelerate the reopening of our portfolio. As such, at the end of May 2021, approximately 78% of hotels in our portfolio were open.

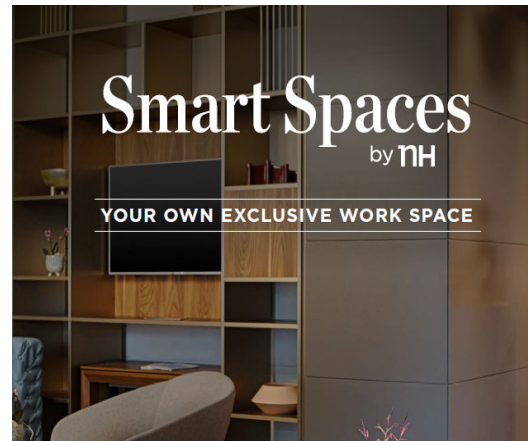
In anticipation of travel restrictions being lifted, we believe we are well positioned for an industry recovery. The recovery in domestic leisure demand is already noticeable and is gaining momentum, as Europe gradually increases its vaccination rate, consumers gain confidence and governments start to ease restrictions. In 2019, the proportion of revenues coming from the business to customer channel was 60% with the remaining 40% coming from the business to business channel. We believe that this historical business mix will facilitate our prospects for a recovery in our operating performance, as we believe that demand from leisure travelers is more likely to rebound quicker than demand from business travelers. Although we expect our leisure travelers to return more quickly than business travelers, we have implemented initiatives to entice business travelers, including extended stays, providing discounts of up to 35% for stays longer than seven days, large work spaces for business travelers to work in or use for group meetings, and virtual meeting capabilities.

The following graph sets forth these initiatives in more detail:



Extended Stay at NH

Up to 35% on stays from seven days to work away from home during a long period or enjoy a longer holiday vacation



New innovative business to business proposal with exclusive spaces to work and organize small business meetings taking advantage of all the benefits of our hotels (day-use room, gyms, restaurant)



To enhance the value of the events reaching a greater audience from different destinations combining in-person and virtual attendees

The recovery phase likely will be driven initially by domestic and intra-European demand. In 2019, intra-European demand representing between 71-76% of our revenues with domestic demand at 67% in Germany; 60% in Spain; 48% in Italy; and 47% in the Netherlands during the same period.

Additionally, our hotels are in desirable and attractive locations and well-visited cities that are among the most popular tourist destinations such as Amsterdam, Barcelona, Madrid and Milan. Our hotels are located in city centers close to tourist attractions. Due to travel restrictions, in the third quarter of 2020, domestic occupancy increased. This demonstrates that our recovery is not fully reliant on international tourism normalizing to their pre-pandemic levels.

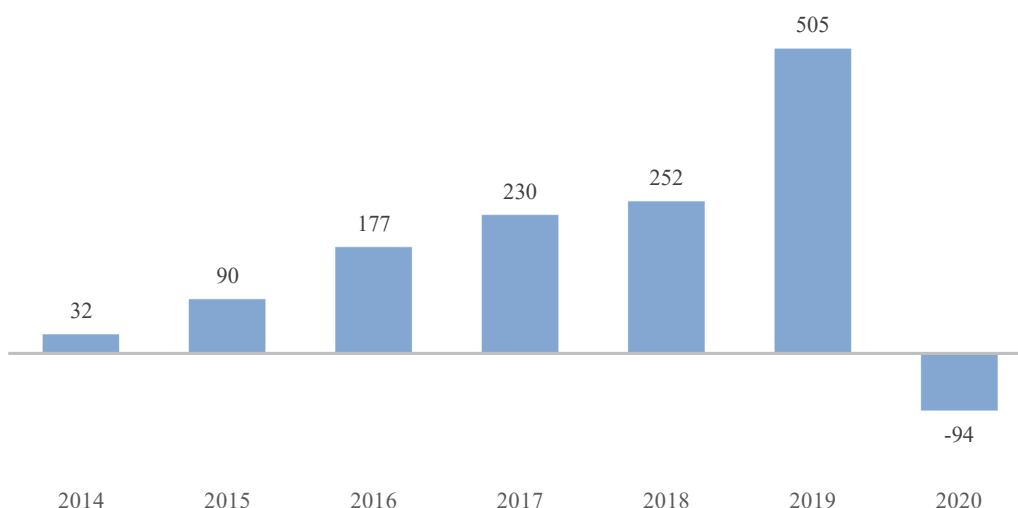
Our ability to benefit from an anticipated recovery in the industry is helped by our strong brand identity. In a survey conducted in 2019 by GFK, we were one of the most recognized hotel brands in Spain, ranking second in the country in the "core target" category in relation to brand prompted awareness, which includes business and city travelers. In the Netherlands and Italy, we ranked fourth and fifth, respectively, in the same category. We also monitor customer satisfaction through our "Quality Focus On Line" tool, which analyzes results for both individual hotels and for our Group in the aggregate.

Robust cash flow generation following the completion of the investment program and significant action taken on costs and cash flow to mitigate the effects of the pandemic

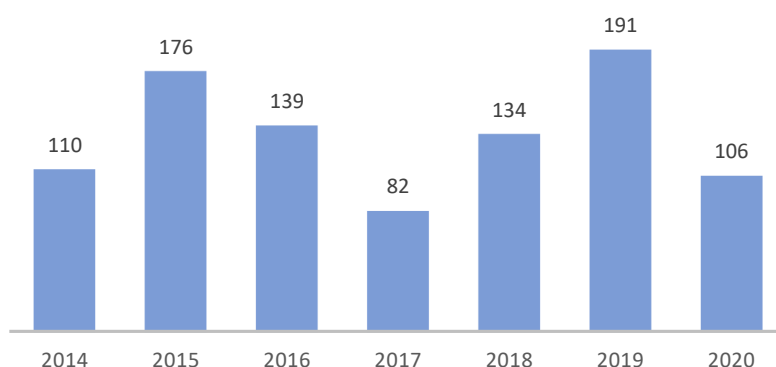
Our robust cash flow generation demonstrates that we are fully oriented toward improving efficiency to improve our profitability. Following the completion of significant capital expenditure investments made from 2014 to 2016, our historical operating cash flow generation has since offset our capital expenditure. Our Total net cash flow from operating activities increased from €32.1 million in 2014 to €505.3 million in 2019, due in large part to the impact of IFRS 16, and decreased to negative €94.1 million in 2020, mainly due to the impact of the COVID-19 pandemic. Over the same period, our capital expenditure increased from €109.9 million in 2014 to €190.8 million in 2019, before decreasing to €105.5 million in 2020. We concluded a phase of heavy capital expenditure investment in 2016. From 2018 until March 2021, we initiated a second phase of repositioning capital expenditure investments. Our adjusted operating cash flow (after capital expenditure) increased from negative €77.8 million in 2014 to positive €37.2 million in 2016. This positive operating cash flow (after capital expenditure) continued from 2017 to 2019 due to lower capital expenditure. The successful completion of our investment program, together with renegotiations of our lease agreements to shift towards variable leases, has enabled us to have a lighter asset structure, requiring less capital expenditure. Over the same period, while maintaining substantially the same number of hotel rooms, our net turnover and Adjusted EBITDA have grown by approximately 1.4x and 2.7x, respectively, or from €1,247.0 million and €119.5 million in 2014 to €1,708.1 million and €319.4 million in 2019, respectively, demonstrating the increase of higher quality assets in our portfolio.

The following charts set forth our Total net cash flow from operating activities, capital expenditure and adjusted operating cash flow (after capital expenditure) from 2014 to 2020.

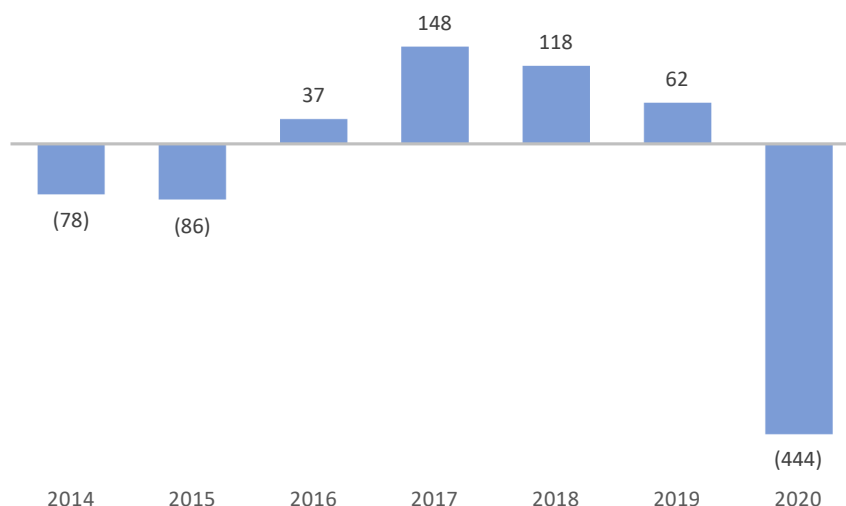
Total net cash flow from operating activities (2014-2020)



Capital expenditure per year (2014-2020)



Adjusted operating cash flow (after capital expenditure) (2014-2020)



In response to the COVID-19 pandemic, we implemented significant cost control measures and developed a contingency plan to reduce our costs. This achieved our aim of minimizing costs whilst hotels were closed, preserving our liquidity to meet operational needs and ensuring that hotel activity could be resumed efficiently and under maximum guarantees in terms of health and safety. Given the lack of visibility on the pace of business recovery, the cost control measures were implemented, and continue to be implemented, to minimize operational expenses and preserve liquidity.

In the nine months from April to December 2020, we were able to minimize our cost base and reduce our non-rent costs by approximately 61% and our costs including rents by approximately 52%. Excluding perimeter changes, the decrease in total rents amounted to approximately 32%, explained by the €63.6 million increase in our fixed rent concessions and our lower variable rents. We were able to secure certain temporary reductions in fixed leases starting in the second quarter of 2020 and negotiations with a view to reducing rents will continue into the first half of 2021. In addition, since April 2020, our cost base has decreased due to a reduction in our staff and operating expenses by approximately 60% and 62.5%, respectively. This was achieved by downsizes in our workforce by means of furloughs, shorter working hours and wage cuts, which have extended through mid-2021. Additionally, all Group staff travel has been suspended since early March 2020 and non-priority third party advisory services have also been suspended. We have also significantly reduced our marketing and advertising spend. Furthermore, members of the board of directors of the Issuer have foregone all their remuneration for the rest of 2021, while the impact of the COVID-19 pandemic on operating performance persists. As a result of our effective cost control measures, we were able to offset approximately 50% of the EBITDA decline in 2020. We continued to implement cost control measures through the first quarter of 2021 and successfully offset approximately 69% of the EBITDA decline during such period. Overall, from April 2020 until March 2021, we have been able to minimize our cost base and reduce our non-rent costs by approximately 60% and our costs including rent by approximately 51%, compared to the same period in the prior year, allowing us to offset approximately 54% of EBITDA decline in the twelve months ended March 31, 2021.

To further preserve cash flow, we withdrew our 2019 dividend proposal of €0.15 per share, which would have involved an estimated payment of approximately €59 million in 2020 and reduced our capital expenditure investments by approximately €100 million, an approximate 50% reduction from our original investment plan for 2020. We reduced our capital expenditure to €14.9 million in the first quarter of 2021 from €34.0 million in the same period of the prior year, representing reduction of approximately 56%, and plan to maintain limited capital expenditure through 2021. In the first quarter of 2021, our average cash outflow was approximately €29 million per month (75.5% of operating cash flow and 24.5% of investing and financial cash flow), a reduction from our average cash outflow of approximately €42 million per month (67.9% of operating cash flow and 32.1% of investing and financial cash flow) in the year ended December 31, 2020.

Proactive strengthening of our capital structure and liquidity position

Throughout the COVID-19 pandemic, we have taken several pro-active steps to mitigate its impact on our financial position and to strengthen our capital structure. During this time, we have maintained liquidity through taking advantage of our available financing. This includes drawing €250 million under the Senior Secured RCF in March 2020 and amending the Senior Secured RCF in October 2020, pursuant to which the existing lenders extended availability from September 2021 to March 2023 and waived the financial covenants stipulated in the Senior Secured RCF agreement up to and including December 31, 2021, as well as a significant reduction to the levels required to be met until June 2022 (inclusive), with the next covenant testing at the original ratio levels not due until December 2022. We have since limited repayments of the Senior Secured RCF to €14 million, leaving €236 million drawn as of March 31, 2021. Subject to completion of the Offering, in June 2021, we again amended and extended the Senior Secured RCF until March 31, 2026 and an additional €6 million will be committed and the amount outstanding as of the Issue Date is expected to remain at €236 million. In addition, in connection with the Offering, the lenders under the Senior Secured RCF have agreed to a waiver of the financial covenants for the full year of 2022. The effectiveness of this waiver is conditional upon the closing of the Offering on the Issue Date. See "*Description of certain financing arrangements—Senior Secured RCF Agreement.*" We also drew €39 million under unsecured short-term bilateral credit facilities during 2020.

On April 29, 2020, we entered into a €225 million Term Facility Agreement, guaranteed up to 70% by the Instituto de Crédito Oficial (the "ICO"), which was fully drawn as of March 31, 2021. In addition, on May 18, 2020 we also entered into a €25 million Sabadell Bilateral Facility Agreement also guaranteed by the ICO. To further mitigate the impact of the COVID-19 pandemic, in May 2021, we obtained a waiver of financial covenant testing until June 2022 (inclusive), as well as an extension of the maturity of these COVID Related ICO Facilities from 2023 to 2026. See "*Description of certain financing arrangements—Term Facility Agreement and Sabadell Bilateral Facility Agreement.*" On May 12, 2021, we entered into the unsecured €100 million Shareholder Loan from our 94% shareholder, MINT. Following the Offering, we intend to capitalize this debt (which we may do solely at our discretion) and carry out a Rights Offering to minority shareholders at the same time. See "*Description of certain financing arrangements—Subordinated Loans—Shareholder Loan.*"

As of March 31, 2021, on a pro forma basis after giving effect to the Transactions, our total net indebtedness (excluding operating lease liabilities and the Shareholder Loan) would have amounted to €686.1 million, comprising €1,051.0 million of indebtedness, less cash and cash equivalents of €364.9 million. Our total liquidity as of March 31, 2020, pro forma for the Transactions, would have been €395.9 million, including €31 million of available undrawn amounts, which is comprised of €25 million available under bilateral credit lines and €6 million which will be made available under the Senior Secured RCF. See "*Capitalization.*" We have no significant debt maturities until 2023 (other than €356.9 million attributable to the 2023 Notes, which are expected to be redeemed using the proceeds of the Offering).

We also intend to continue our ongoing asset rotation strategy through sale and leasebacks during the second and third quarters of 2021, with a focus on higher quality of assets, which we expect will generate net cash proceeds of over €200 million to be applied towards enhancing liquidity and reducing debt.

In the past, we successfully reduced our net leverage from approximately 2.6x in 2017 to 0.6x in 2018 and 2019, a reduction of approximately 200 basis points. We anticipate that our plans for ongoing debt optimization and liquidity reinforcement, as described above, will provide stability and sustainability for the Group in the future.

Large, diversified and well-invested hotel portfolio in key urban locations

As of March 31, 2021, of the 355 hotels we operated, we owned 73, leased 229 and managed 53 hotels owned or leased by third parties pursuant to management agreements. Most of our hotels are strategically located in key urban markets (see "*We are a leading European hotel operator with a large and diversified hotel presence and a strongly recognized brand*"). Our portfolio of 73 owned and operated hotels consists of 11,920 hotel rooms as of March 31, 2021,

which represent approximately 22% of the rooms we operate. Our owned hotels are located in the Netherlands (23% of book value), Italy (21% of book value), Spain (20% of book value), the United States (11% of book value), Belgium (8% of book value), Germany (6% of book value), Argentina (5% of book value) and other countries (6% of book value). The book value of our 73 owned hotels was €1.3 billion as of March 31, 2021 and December 31, 2020, although we believe that the actual market value of such assets is higher, due to the fact that prices at which we have been able to sell our assets in recent years have been typically higher than their respective book values. In addition, out of our 73 owned hotels, 30 hotels have been appraised by third-parties between June 2020 and February 2021, and such hotels, which have a book value of €593 million as of December 31, 2020, have been assigned a total market value of €875 million, meaning that market value for those 30 appraised hotels exceeds their book value by approximately 48%.

In 2020, we completed our investment program which started in 2014, involving €371 million of repositioning capital expenditure, €75 million of investment from the owners of our leased hotels, €60 million in basic capital expenditure and €50 million of IT capital expenditure. Our ADR increased from €79 in 2014 to €103 in 2019. We also improved RevPAR from €53.4 for the year ended December 31, 2014 to €73.5 for the year ended December 31, 2019. We believe this positive result was attributable to the investment program, including the refurbishment of existing hotels and the opening of new hotels. 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 and Google review rankings, showing increases in the levels of quality perceived by customers. In 2020, we continued our repositioning program with an investment of approximately €50 million.

Experienced management team that have a track record of operational improvement and have adapted well during the pandemic, and demonstrable support from MINT

Our experienced and proven management team has an average of approximately 17 years' experience in the hotel industry. We believe this has been instrumental to our growth and has successfully transformed our business into an international hotel chain, with strong footholds in European markets as well as exposure to markets in Latin America.

In January 2017, we appointed 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. Aragonés Marín has approximately 43 years of experience in the hotel industry and has worked at the Group for the last 12 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 strategic initiatives by our management team, our Adjusted EBITDA increased from €120 million in the year ended December 31, 2014 to €319 million in the year ended December 31, 2019.

The hospitality sector has faced unprecedented challenges in 2020 due to the severe impact of the COVID-19 pandemic. Our operating (EBITDA growth) and financial (deleveraging) transformation achieved in previous years together with the comprehensive contingency measures implemented have allowed us to address the challenges of this extraordinary complex year and safeguard business sustainability. In addition, our management team took decisive actions during the pandemic, including cost control measures, through a reduction in our staff and operating expenses through temporary downsizes in our workforce, reductions in hours and wages and successful negotiations with our landlords for temporary rent reductions. The management team also withdrew our 2019 dividend proposal and reduced our capital expenditure investments. These measures enabled us to offset approximately 50% of revenue decline at the EBITDA level in 2020. Our management team continued our effective cost reduction measures through the first quarter of 2021 and successfully offset 69% of the revenue decline. The management team also took a number of measures to protect liquidity. For more information, see "*Robust cash flow generation following the completion of the investment program and significant action taken on costs and cash flow to mitigate the effects of the pandemic*". In addition, members of the board of directors of the Company have suspended their remuneration for 2021.

We also benefit from the industry knowledge and support of our controlling shareholder, MINT, which operates over 172 hotels and resorts across Asia, Australia, Africa, the Middle East and South America. For more information, see "*Shareholders*." MINT has demonstrated its financial support by granting a Shareholder Loan of €100 million to the Company in May 2021. This is intended to enhance our liquidity and further strengthen our capital structure so that we can address the challenges arising from the current industry environment from a stable financial position.

Our strategy

Position the hotel portfolio as best as possible to take advantage of the recovery in the tourism and travel industry

We will continue to position our business as a leading international hotel operator to take advantage of the recovery in the tourism and travel industry and capture expected short term business-to-customer and leisure demand. The vast majority of our sales (93%) are from Europe where vaccination programs are accelerating and countries are now emerging from lockdowns and travel restrictions. We are planning to take advantage of our strong positioning in each of the European countries in which we operate and focus on the business-to-customer segment that represents approximately 60-70% of business. To capture the short term demand, we plan to implement a strategic promotions plan to secure short term business-to-customer and leisure demand.

We are well positioned to take advantage of favorable economic and travel trends in our various local markets, supported by a high contribution of revenue from domestic demand, which was 67% in Germany, 60% in Spain, 48% in Italy and 47% in the Netherlands based on 2019 total revenue figures. Overall, intra-European demand represented between 71-76% of our revenues in 2019.

As a result of our flexible operating structure, we are competitively positioned to take advantage of increasing tourism and travel demand in Europe and to maintain a progressive re-opening strategy that focuses on optimizing profitability. We are focused on enhancing and recovering our brand standards of quality and experience, demonstrated by our notable customer service and amenities, by implementing initiatives that cater to the needs of the business traveler. We will redesign our approach to the corporate segment through new value proposition and account handling model, focusing on unmanaged business. Although we expect leisure customers to return more quickly than business travelers, we do have initiatives in place to entice business travelers. We will continue with the full roll-out of initiatives to adapt to the new trends of business traveler including extended stays, large workspaces, and set ups for virtual meetings. We offer "Smart Spaces," exclusive spaces for customers to work and organize small business meetings to take advantage of all of the hotel's amenities. In addition, we offer hybrid meetings to enhance the value of events for our business travelers, combining in-person and virtual attendees and reaching a greater audience from different destinations. Through initiatives like these, we believe we are able to enhance our brand reputation and maintain our status as a top hotel choice by travelers. For more information on our business initiatives, see "*Business— Sustainability and Environmental, health and safety matters —Sustainability initiatives*" and "*Management's discussion and analysis of financial condition and results of operations—The COVID-19 pandemic and related measures*".

In 2020, as part of our "feel safe" program, a best in class health and safety measure and SGS protocol, we have implemented enhanced cleaning and disinfection protocols, food and beverage management protocols, social distancing rules and air and water purification control, as well as new digital solutions. This new program, which was adopted as part of our COVID-19 recovery strategy, comprises a set of health and safety protocols aimed at safeguarding health and safety and allowing social distancing for both guests and employees. We reviewed all our procedures and made nearly 700 adaptations to our operating standards to preserve the health and safety of guests and employees worldwide. Grouped into 10 main lines of action and supported by specialists in various fields, the measures implemented include the digitization of hotel services and adapting sanitation processes, including social distancing regulations in operations and the use of personal protective equipment, among others. We also reached a collaboration agreement with SGS, the world leader in inspection, analysis and certification, which allows us to follow up on the measurement and diagnostics protocol established to verify that our hotels are clean and safe environments. Due to the involvement of hotel managers and heads of department, this plan progressed and we are committed to ensuring that employees adopt, follow and implement the new health and safety standards at all our hotels and across operations. We have pursued a progressive and flexible reopening of our hotels since June 2020.

Continue optimizing the portfolio in the mid-term

In connection with our repositioning initiative which started in 2014, we have invested approximately €371 million of repositioning capital expenditure between 2014 when the plan was launched and 2020. This initiative is now completed and, as of December 31, 2020, a total of 107 hotels have been refurbished, representing approximately 30% of our hotel portfolio. These hotels were selected as we believed they were 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 involved modernizing rooms and common areas by refreshing paint and floor coverings and replacing furnishings and finishings. In certain hotels, we undertook the refurbishment of the entire building, including all mechanical, electrical and plumbing systems. The hotels we have refurbished have generally experienced increased RevPAR as it can be extracted from the Group RevPAR growth from €53 in 2014 to €74 in 2019 and 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.

In an effort to optimize our lease portfolio, we intend to implement selective refurbishments of certain hotels, identifying attractive repositioning and investment opportunities to implement once the pandemic subsides, and to renegotiate contracts (increase variable terms), extensions and terminations. We also intend to increase the number of managed hotels we operate by utilizing our strong recognition as a hotel operator and our strong market positioning ahead of potential movements in the sector. In Europe, we believe we have an opportunity increase our luxury segment positioning through the Anantara Brand with an additional Anantara marketing campaign expected in the year, as well as in the Resort segment where we have a strong presence, proven track record and high brand awareness, in particular in our core geographies of Spain, Portugal and Italy (see "*Our strengths—We are a leading European hotel operator with a large and diversified hotel presence and a strongly recognized brand*").

Focus on digitalization, our loyalty program and pricing and sales channels to drive improvements in profitability

A key focus of the Group is to continue to be at the forefront of innovation, with an emphasis on digitalization, which we believe will further improve our profitability. In recent years, our digital transformation has improved the efficiency of our processes and systems, with a key achievement being the centralization of all of our properties and functions onto a single integrated system. This fully-integrated digital platform (the "*NH Digital Core Platform*") is a pioneering technological solution in the sector that has become the basis for us to expand our customer knowledge, maximize efficiency and innovate on a large scale in all our value areas.

In 2019, we launched "Fastpass", a combination of three innovative services (Check-in Online, Choose Your Room and Check-out Online), which gives customers full control over their stay. We believe we are the first urban hotel chain in Europe to offer such services on mobile devices. This initiative also allows for quality and experience enhancement by improving contactless and seamless transactions through the optimization of online check in/out processes. In addition, in 2019, we also launched "City Connection", under the slogan "Stay in one hotel, enjoy them all", whereby we offer our customers the convenience and added benefit to access and enjoy selective amenities at any of our hotels in their destination city.

We are in the process of migrating our loyalty program from NH Rewards to Global Hotel Alliance ("*GHA*"), increasing the visibility of our loyalty program and strengthening our guest database, with a view to making the Group more competitive. GHA is the operator of an award-winning, multi-brand hotel loyalty program ("*DISCOVERY*"), and in April 2021 we announced that the Group would join the alliance and merge the NH Rewards Loyalty Program with DISCOVERY in early 2022. As one of the ten largest loyalty programs in the hospitality sector, with over 900 participating hotels, the DISCOVERY program allows the Group to utilize collective buying power and collaborative marketing efforts, and opens up destinations across Asia, Australia and North America to our customers. GHA is preparing to launch a redesigned version of its DISCOVERY program during the fourth quarter of 2021, which will include a digital rewards currency and unique benefits and offers for local members. The migration to GHA will allow the Company to benefit from a major global program with access to key feeder markets.

We plan to continue to optimize our pricing and revenue management strategy through additional technology investments to push for automation.

Enhance operational excellence by additional efficiencies in fixed costs with a continuous optimization of our support functions, including through digitalization

In response to the COVID-19 pandemic, we implemented a contingency plan to unlock structural cost savings and adapt our operations, including reductions, concessions or deferrals of fixed rent expenses, early termination of underperforming leases, certain headcount rationalizations, the negotiation of lower procurement costs with our suppliers, the reduction and cancellation of certain capital expenditures and suspension of all staff travel and non-priority advisory, marketing and advertising costs. In addition, we implemented a collective dismissal process at our central and corporate services at the end of April 2021. We intend to maintain certain of these cost efficiencies after the pandemic into 2022. In addition to the cost control measures taken in response to COVID-19, we are committed to increasing the digitalization of hotel information and services. Our digital transformation has resulted in more efficient and improved systems and processes, which we believe leads to further differentiation from our competition. The introduction of the NH Digital Core Platform has allowed us to centralize all our properties and functions onto a single integrated system. This is a pioneering technological solution in the sector that has allowed us to expand our customer knowledge, maximize efficiency and innovate on a larger scale in all our value areas. In addition, we have utilized an advanced online application, which can be accessed by any guest from their mobile device. The application provides all customers with all the hotel information in an easily-accessible format, from information on the hotel's facilities and hours, to

ordering room service, making a reservation in the restaurant or requesting additional amenities. We have also implemented additional initiatives, such as a housekeeping mobility application, tablets at the reception desks and digitalization of reports, which optimizes our hotel managers' record of customers and supervision processes.

Focus on talent management and return to a "new normal"

Throughout 2020 and into 2021, we have taken measures to alleviate the significant impact of the COVID-19 pandemic on our business and profits. With this aim, and always with the purpose of protecting employment in the long term as much as possible, we launched a contingency plan to temporarily reduce our staff and, as a result, adjust personnel costs to the new reality of the business, with contract suspensions, reductions in working days, hours and wages and other temporary measures taken in accordance with employment legislation in each country. Even in such an adverse context, we strive to maintain our corporate culture and commitment to our values, seeking coherence and fidelity in our strategy with respect to our people, as a key factor in retaining the credibility and trust of our teams.

The initial aim at the beginning of 2020 was to consolidate key policies and projects within the Group's Human Resources Strategic Plan; however all planned projects were put on hold due to the onset of the COVID-19 pandemic. Throughout the year, we still maintained a focus on our strategic pillars, but with each action and initiative re-evaluated in the context of the complicated individual, social and corporate impact of the COVID-19 pandemic:

- *Global leadership and talent management:* We continue to promote leadership within the Group, focusing efforts and investment on internal talent that has the potential to make a difference in the Group's strategy and to become models of our culture.
- *Maximum performance and better workplaces:* All employees are encouraged to develop and fulfil their potential, with high performance differentiated, recognized and rewarded, enabling them to become our best brand ambassadors.
- *Transformation and reinvention:* We continually search for, assess and utilize opportunities to be more efficient (for example, outsourcing and digitization), evolving our working environment and acquiring advanced analytical and predictive skills.

Within this working framework, we launched a multitude of initiatives to care for our employees during these challenging times. For example, "With You" is an internal engagement project designed to give our teams tools, advice and training resources to strengthen key skills during this phase, not just at the professional level but also to improve their personal well-being. Using "With You", among other actions, employees have received content aimed at stress management, accessed digital kiosks free-of-charge, had language classes within reach, been able to collect office material to improve their remote working experience and had access to two external, international e-learning platforms ("Typsy" and "GoodHabitiz"). Both platforms include multiple training resources so that each employee can work on their personal development plan, gain new knowledge and, ultimately, continue investing in their professional growth. Our "Room4People" program supports professional development and creates social projects in the communities in which we operate, by promoting equal opportunities for employees and investing in career training and career support for young people who are in an under-privileged situation. This is based on the premise of sustainable and ethical principles, responsible culture and spirit of citizenship.

During 2020, we employed an average of 11,112 employees. Our corporate culture is based on the cornerstones of diversity, equality and inclusion. Employees comprise 132 different nationalities and, as of December 31, 2020, 51% of all staff were women. As a demonstration of our continuing commitment to gender equality, the Group, for the second year running, was included on the Bloomberg GEI 2021 index, making us the only Spanish hotelier in the 380 companies listed in the index. We pride ourselves on running a company that values our employees and creates a culture where employees wish to continue working for a long time. The average age of employees in 2020 was 39.7 years old and their average time with the Group is 9.4 years.

Best in class positioning on sustainability with continuous focus on areas of improvement

We are committed to improving the sustainability of our business operations, ensuring a safe and inclusive working environment and respecting the communities in which we operate. We seek to safeguard natural resources by reducing the impact of our operations on the environment. We believe that sustainable business practices can foster a sense of community beyond our organization, reflecting a duty of care for the world and generating wealth for society. To that end, we have developed our strategic approach to sustainability, known as "NH ROOM4 Sustainable Business," with three lines of action: NH ROOM4People; NH ROOM4Planet; and NH ROOM4 Responsible Shared Success, all of which are based on the same premise of sustainable and ethical principles, responsible culture and a citizenship mindset:

- Under NH ROOM4People, we promote internal professional development and create social projects in the communities where we are present. We defend diversity and equal opportunities for our employees and we invest in training and career support for our young employees to promote employee engagement and growth. We also encourage volunteer work by our employees and take various initiatives to contribute to a positive impact on local communities where we operate such as "Hotels with a heart", where we provide accommodation for hospitalized children and their families;
- Under NH ROOM4Planet, we commit to the environment, including responsible water management and increasing our use of "green" energy sources, sustainable products consumption and taking action to address climate change. We have formalized our commitment to cut our impact on the environment by announcing our initiative to reduce carbon emissions by 20% by 2030. In December 2020, we scored a B rating with the Carbon Disclosure Project, recognizing our efforts in the battle against climate change. We are continually working towards reduced emissions by increasing green energy with onsite facilities, renewable energy sources, and water optimization. We are working closely with our suppliers to create opportunities for sustainability to benefit everyone in the circular economy.
- Under NH ROOM4 Responsible Shared Success, we convey human rights and ethical business principles throughout our responsible value chain. We work directly with suppliers to develop innovative and sustainable solutions and apply certain social and environmental criteria in selecting partners. We also seek to include and engage our customers in our sustainable initiatives, whether by generating opportunities to contribute socially or by promoting environmentally responsible behavior. In particular, we have launched our "Green Stay" initiative which allows customers on extended stays to decline room cleaning services, contributing to savings in water, energy and other resources.

As the result of our commitment to sustainability, we were awarded "Bronze Class" recognition in the Sustainability Yearbook 2021, which is published by S&P Global, as well as recognized as an "Industry Mover" due to the significant improvements achieved since the previous year. In addition, since 2013, we have been included in the FTSE4GOOD Index due to our management of the business. For more details on our sustainability initiatives, see, *"Business—Sustainability and Environmental, health and safety matters—Sustainability initiatives"*.

Principal business activities

Hotel operations

We are a leading international hotel operator ranked among the top ten largest hotel chains in Europe by number of hotel rooms, according to the latest available Hospitality On report. Based on a report by an independent market research firm, and measured by number of hotel rooms in operation, as of December 2019, we were the third largest hotel chain in the Netherlands, the fourth largest in Italy and Belgium, the fifth largest in Spain and Portugal and the eighth largest in Germany. As of March 31, 2021, we operated 355 hotels consisting of 54,806 hotel rooms in 29 countries. All our hotels are full-service properties that offer a range of 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,						As of March 31,			
	2018		2019		2020		2020		2021	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Owned	76	12,064	76	12,168	73	11,920	76	12,168	73	11,920
Leased	224	33,817	230	35,006	232	35,701	229	35,353	229	35,455
Management agreements.....	50	8,493	62	10,292	56	7,750	57	7,979	53	7,431
Total.....	379	54,374	363	57,466	361	55,371	362	55,500	355	54,806

We strive to actively manage our management and lease agreements by trying to re-negotiate conditions which we believe are not favorable to us. This includes terminating leases of hotels with poor performance. As part of this exercise, (i) we terminated five leases in 2014, five leases in 2015, four leases in 2016, five leases in 2017 and one lease in 2018, one in 2019 and two leases in 2020; (ii) we re-negotiated more than 100 lease agreements from 2014-2019; and (iii) we reduced our hotels with negative EBITDA from 66 in 2014 to 11 in 2019, excluding the allocation of centralized

and corporate costs to the business units. 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 1.3x in 2013 and 1.9x in 2018 and 2019. Likewise, our total rent coverage ratio for the same period was 1.3x in 2013 and 1.8x in 2018 and 2019. In 2020, due to the impact of the COVID-19 pandemic, we agreed a number of temporary rent concessions for our leased hotels. There are two types of temporary agreements: (i) pure rent concessions without changing the terms of the contract and (ii) rent concessions in exchange of non-substantial changes in the contract terms (maturity extension or higher variable rent). We are focused on achieving an optimized asset structure. From the year ended 2014 to the year ended 2019, while maintaining substantially the same number of hotel rooms, our Adjusted EBITDA has grown by approximately 2.7x or from €120 million to €319 million demonstrating an increase in higher quality assets in our portfolio.

The following table sets forth a breakdown of our hotels by fixed rent coverage ratio in 2019.

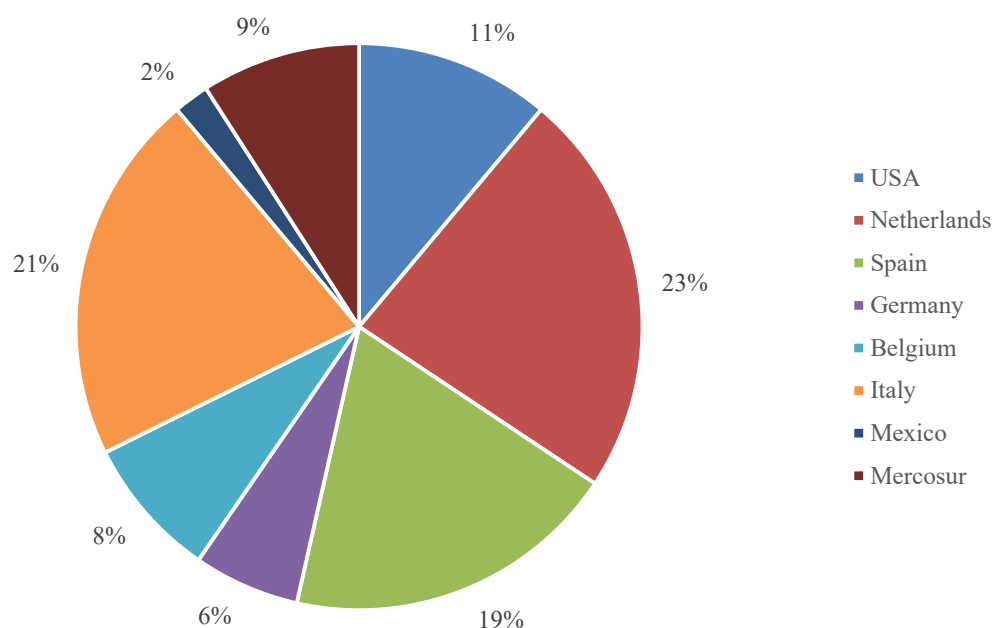
Fixed Rent Coverage Ratio 2019	Number of hotels	Fixed Rent	%
>1.5 x	157	€207 million	71%
1x to 1.5x	39	€72 million	25%
< 1x	11	€12 million	4%
Total	207	€291 million	

As of March 31, 2021, (i) our owned hotels represented 22% of our total rooms; (ii) our leased hotels represented 65% of our total rooms; and (iii) our managed hotels represented 14% of our total rooms.

Owned hotels

As of March 31, 2021, we owned 73 hotels in Spain, Italy, Germany, the Netherlands, Belgium, the United States and Latin America consisting of 11,920 rooms, representing 22% of the total number of hotel 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, 2019, we spent approximately 4% of owned and leased hotel revenues on maintenance capital improvements. 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.

The following diagram sets forth the distribution of our owned hotels per country, based on their book value as of March 31, 2021:



Leased hotels

Our leased hotels account for the largest proportion of our operations by number of hotel rooms and net turnover. As of March 31, 2021, we had 229 leased hotels consisting of 35,455 rooms, representing 65% of the total number of hotel 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 March 31, 2021, we had provided project financing for approximately six of our leased hotels in Austria, Germany, Italy and the Netherlands, 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;
- paying either fixed or variable rent; and
- under certain contracts, paying the property tax of the building.

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 March 31, 2021, the average remaining term of our existing lease agreements was approximately 10 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 March 31, 2021. 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
2021-2025	52	6,585
2026-2030	71	11,025
2031-2035	35	5,916
2036-2040	42	7,684
2041-2080	29	4,245
Total	229	35,455

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 or increasing the variable rent. 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 (and other premises) or to renegotiate the terms of the lease in light of current market conditions and the unprecedented circumstances caused by the COVID-19 pandemic. 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 March 31, 2021, we managed 53 hotels owned or leased by third parties, pursuant to management agreements, consisting of 7,431 rooms, representing 14% of the total number of hotel 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 March 31, 2021, the average remaining term of our existing management agreements with third parties was approximately 5 years. The following table provides information on the expiry profile of our management agreements as of March 31, 2021. 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.

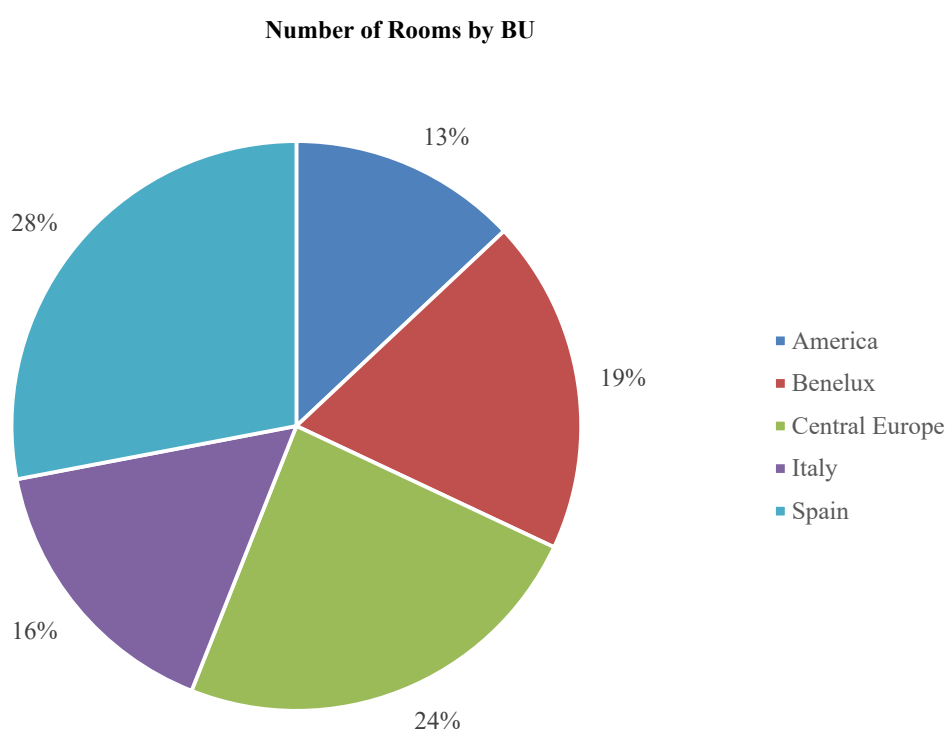
Year	Number of management agreements expiring	Number of rooms
2021-2025	35	4,833
2026-2030	9	917
2031-2043	9	1,681
Total	53	7,431

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 March 31, 2021, we operated 120 hotels consisting of 15,728 rooms in Spain, Portugal, Andorra, France, Tunisia and the United States, which comprise our Spain BU for purposes of our operating structure; 51 hotels consisting of 10,152 rooms in Belgium, Luxembourg, the Netherlands, the United Kingdom and Ireland which comprise our Benelux BU for purposes of our operating structure; 74 hotels consisting of 13,231 rooms in Germany, Austria, Switzerland, the Czech Republic, Hungary, Poland, Romania and Slovakia, which comprise our Central Europe BU for purposes of our operating structure; 55 hotels consisting of 8,321 rooms in Italy which comprise our Italy BU for purposes of our operating structure; and 55 hotels consisting of 7,374 rooms in Mexico, Argentina, Colombia, Chile, Ecuador, Uruguay, Haiti, Cuba and Brazil 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 hotel rooms as of March 31, 2021.



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. However, as part of cost savings initiatives over the past few years, we have outsourced our janitorial services where more efficient to do so, and have outsourced accounts payable and accounts receivable management and general accounting ledger functions to our shared services center with Accenture. 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 March 31, 2021.

Property ⁽¹⁾	Country	City	Rooms	Contract
NH Andorra la Vella	Andorra	Andorra la Vella	60	Management
NH Buenos Aires 9 de Julio	Argentina	Buenos Aires	175	Owned
NH Buenos Aires City	Argentina	Buenos Aires	302	Owned
NH Collection Buenos Aires Centro Histórico	Argentina	Buenos Aires	67	Owned
NH Collection Buenos Aires Jousten	Argentina	Buenos Aires	84	Owned
NH Collection Buenos Aires Lancaster	Argentina	Buenos Aires	115	Owned
NH Collection Buenos Aires Crillon	Argentina	Buenos Aires	96	Owned
NH Bariloche Edelweiss	Argentina	Bariloche	95	Management
NH Buenos Aires Florida	Argentina	Buenos Aires	162	Owned
NH Gran Hotel Provincial	Argentina	Mar del Plata	460	Management
NH Hotel Casino	Argentina	Mar del Plata	65	Management
NH Buenos Aires Latino	Argentina	Buenos Aires	100	Owned
NH Mendoza Cordillera	Argentina	Mendoza	105	Owned
NH Córdoba Panorama	Argentina	Cordoba (AR)	138	Owned
NH Buenos Aires Tango	Argentina	Buenos Aires	108	Owned
NH Córdoba Urbano	Argentina	Cordoba (AR)	72	Owned
NH Collection Wien Zentrum	Austria	Vienna	73	Lease
NH Danube City	Austria	Vienna	252	Lease
NH Graz City	Austria	Graz	157	Lease
NH Salzburg City	Austria	Salzburg	140	Lease
NH Vienna Airport Conference Center	Austria	Vienna	499	Lease
NH Wien Belvedere	Austria	Vienna	114	Lease
NH Wien City	Austria	Vienna	105	Lease
NH Brugge	Belgium	Bruges	149	Owned
NH Brussels Airport	Belgium	Brussels	234	Owned
NH Brussels Bloom	Belgium	Brussels	305	Lease
NH Brussels EU Berlaymont	Belgium	Brussels	214	Lease
NH Brussels Louise	Belgium	Brussels	246	Owned
NH Brussels Carrefour de l'Europe	Belgium	Brussels	65	Lease
NH Collection Antwerp Centre	Belgium	Antwerp	186	Lease
NH Collection Brussels Centre	Belgium	Brussels	241	Lease
NH Collection Brussels Grand Sablon	Belgium	Brussels	192	Lease
NH Gent Belfort ⁽²⁾	Belgium	Ghent	174	Owned
NH Brussels Grand Place Arenberg	Belgium	Brussels	155	Owned
NH Mechelen	Belgium	Mechlin	43	Owned
NH Brussels Stéphanie	Belgium	Brussels	67	Owned
NH Curitiba The Five	Brasil	Curitiba	178	Lease
NH Antofagasta	Chile	Antofagasta	139	Owned
NH Ciudad de Santiago	Chile	Santiago de Chile	122	Owned
NH Collection Santiago Casacostanera	Chile	Santiago de Chile	85	Management
NH Collection Plaza Santiago	Chile	Santiago de Chile	159	Owned
NH Iquique	Chile	Iquique	78	Owned
NH Collection Bogotá Andino Royal	Colombia	Bogota	70	Lease
NH Collection Bogotá Hacienda Royal	Colombia	Bogota	82	Lease
NH Collection Medellín Royal	Colombia	Medellin	134	Lease
NH Collection Barranquilla Smartsuites Royal	Colombia	Barranquilla	118	Lease
NH Collection Bogotá Teleport Royal	Colombia	Bogota	251	Lease
NH Collection Bogotá Terra 100 Royal	Colombia	Bogota	73	Lease
NH Collection Bogotá WTC Royal	Colombia	Bogota	144	Lease
NH Cali Royal	Colombia	Cali	145	Lease
NH Bogotá Boheme Royal	Colombia	Bogota	66	Lease
NH Bogotá Pavillon Royal	Colombia	Bogota	72	Lease
NH Bogotá Urban 26 Royal	Colombia	Bogota	118	Lease
NH Bogotá Urban 93 Royal	Colombia	Bogota	54	Lease

Property⁽¹⁾	Country	City	Rooms	Contract
NH Cartagena Urban Royal	Colombia	Cartagena (CO)	28	Lease
NH Capri La Habana	Cuba	La Habana	220	Management
NH Collection Victoria La Habana	Cuba	La Habana	31	Management
NH Collection Olomouc Congress	Czech Republic	Olomouc	137	Management
NH Collection Prague	Czech Republic	Prague	136	Management
NH Collection Prague Carlo IV	Czech Republic	Prague	152	Lease
NH Prague City	Czech Republic	Prague	308	Management
NH Collection Quito Royal	Ecuador	Quito	124	Lease
NH Collection Marseille	France	Marseille	176	Lease
NH Lyon Airport	France	Lyon	245	Lease
NH Nice	France	Nice	152	Lease
NH Toulouse Airport	France	Toulouse	148	Lease
nhow Marseille	France	Marseille	150	Management
NH Berlin Alexanderplatz	Germany	Berlin	225	Lease
NH Berlin City Ost	Germany	Berlin	99	Lease
NH Berlin Kurfürstendamm	Germany	Berlin	167	Lease
NH Berlin Potsdamer Platz	Germany	Berlin	89	Lease
NH Bingen	Germany	Bingen am Rhein	135	Owned
NH Collection Berlin Mitte Friedrichstrasse	Germany	Berlin	268	Lease
NH Collection Berlin Mitte am Checkpoint Charlie	Germany	Berlin	392	Lease
NH Collection Dresden Altmarkt	Germany	Dresden	240	Lease
NH Collection Frankfurt City	Germany	Frankfurt	256	Lease
NH Collection Hamburg City	Germany	Hamburg	129	Lease
NH Collection Köln Mediapark	Germany	Cologne	217	Lease
NH Collection München Bavaria	Germany	Munich	173	Lease
NH Collection Nürnberg City	Germany	Nuremberg	244	Lease
NH Dortmund	Germany	Dortmund	190	Lease
NH Dresden Neustadt	Germany	Dresden	269	Lease
NH Düsseldorf City	Germany	Düsseldorf	338	Lease
NH Düsseldorf City Nord	Germany	Düsseldorf	330	Lease
NH Düsseldorf Königsallee	Germany	Düsseldorf	111	Lease
NH Erlangen	Germany	Erlangen	138	Lease
NH Essen	Germany	Essen	183	Lease
NH Frankfurt Airport	Germany	Frankfurt	158	Lease
NH Frankfurt Airport West	Germany	Frankfurt	306	Owned
NH Frankfurt Messe	Germany	Frankfurt	65	Lease
NH Frankfurt Mörfelden Conference Center	Germany	Frankfurt	299	Lease
NH Frankfurt Niederrad	Germany	Frankfurt	165	Lease
NH Frankfurt Villa	Germany	Frankfurt	24	Lease
NH Fürth Nürnberg	Germany	Fürth	118	Lease
NH Hamburg Altona	Germany	Hamburg	235	Lease
NH Hamburg Mitte	Germany	Hamburg	134	Lease
NH Heidelberg	Germany	Heidelberg	174	Lease
NH Hirschberg Heidelberg	Germany	Hirschberg	114	Lease
NH Hamburg Horner Rennbahn	Germany	Hamburg	172	Lease
NH Ingolstadt	Germany	Ingolstadt	119	Lease
NH Klösterle Nördlingen	Germany	Nördlingen	98	Lease
NH Köln Altstadt	Germany	Cologne	204	Lease
NH Leipzig Messe	Germany	Leipzig	308	Owned
NH Leipzig Zentrum	Germany	Leipzig	197	Lease
NH Ludwigsburg	Germany	Ludwigsburg	130	Lease
NH Magdeburg	Germany	Magdeburg	142	Lease
NH Mannheim	Germany	Mannheim	225	Lease
NH Mannheim Viernheim	Germany	Mannheim	121	Owned
NH München Airport	Germany	Munich	236	Lease
NH München City Süd	Germany	Munich	163	Lease
NH München Messe	Germany	Munich	253	Lease
NH München Ost Conference Center	Germany	Munich	222	Lease

Property⁽¹⁾	Country	City	Rooms	Contract
NH München Unterhaching	Germany	Munich	80	Lease
NH Oberhausen	Germany	Oberhausen	172	Lease
NH Potsdam	Germany	Potsdam	143	Lease
NH Schwerin	Germany	Schwerin	144	Lease
NH Stuttgart Airport	Germany	Stuttgart	208	Lease
NH Stuttgart Sindelfingen	Germany	Stuttgart	103	Lease
NH Weinheim	Germany	Weinheim	187	Lease
NH Wiesbaden	Germany	Wiesbaden	130	Owned
nhw Berlin	Germany	Berlin	304	Lease
NH Haiti El Rancho	Haiti	Port au Prince	72	Management
Anantara New York Palace Budapest Hotel	Hungary	Budapest	185	Lease
NH Budapest City	Hungary	Budapest	160	Lease
NH Collection Budapest City Center	Hungary	Budapest	138	Lease
Anantara The Marker Dublin	Ireland	Dublin	187	Lease
Anantara Palazzo Naiadi Rome Hotel	Italy	Rome	238	Lease
NH Ancona	Italy	Ancona	89	Owned
NH Bergamo	Italy	Bergamo	88	Lease
NH Bologna de la Gare	Italy	Bologna	156	Lease
NH Bologna Villanova	Italy	Bologna	209	Lease
NH Catania Centro	Italy	Catania	128	Owned
NH Collection Firenze Palazzo Gaddi	Italy	Florence	86	Lease
NH Collection Roma Giustiniano	Italy	Rome	161	Lease
NH Collection Grand Hotel Convento di Amalfi	Italy	Amalfi Coast	53	Lease
NH Collection Genova Marina	Italy	Genoa	140	Lease
NH Collection Roma Palazzo Cinquecento	Italy	Rome	177	Lease
NH Collection Roma Fori Imperiali	Italy	Rome	42	Lease
NH Collection Torino Piazza Carlina	Italy	Turin	160	Management
NH Collection Milano Porta Nuova	Italy	Milan	100	Lease
NH Collection Firenze Porta Rossa	Italy	Florence	70	Lease
NH Collection Milano President	Italy	Milan	274	Lease
NH Collection Palazzo Verona	Italy	Verona	70	Lease
NH Collection Roma Centro	Italy	Rome	257	Lease
NH Collection Taormina	Italy	Taormina	63	Lease
NH Collection Roma Vittorio Veneto	Italy	Rome	199	Owned
NH Collection Venezia Grand Hotel Palazzo Dei Dogi	Italy	Venice	64	Lease
NH Milano Concordia	Italy	Milan	155	Lease
NH Milano Fiera	Italy	Milan	398	Lease
NH Firenze	Italy	Florence	152	Owned
NH Genova Centro	Italy	Genoa	141	Owned
NH La Spezia	Italy	La Spezia - Cinque Terre	110	Owned
NH Venezia Laguna Palace	Italy	Venice	376	Lease
NH Linate	Italy	Milan	67	Lease
NH Torino Lingotto Congress	Italy	Turin	240	Management
NH Milano Machiavelli	Italy	Milan	103	Lease
NH Milano 2	Italy	Milan	143	Lease
NH Milano 2 Residence	Italy	Milan	134	Lease
NH Milano Congress Centre	Italy	Milan	255	Owned
NH Milano Touring	Italy	Milan	282	Lease
NH Napoli Panorama	Italy	Naples	222	Lease
NH Orio al Serio	Italy	Bergamo	118	Lease
NH Padova	Italy	Padua	190	Lease
NH Milano Palazzo Moscova	Italy	Milan	65	Lease
NH Palermo	Italy	Palermo	226	Owned
NH Catania Parco Degli Aragonesi ⁽²⁾	Italy	Catania	124	Owned
NH Parma	Italy	Parma	120	Lease
NH Pisa	Italy	Pisa	100	Owned
NH Lecco Pontevecchio	Italy	Lecco - Lago di Como	111	Lease
NH Ravenna	Italy	Ravenna	84	Owned

Property⁽¹⁾	Country	City	Rooms	Contract
NH Venezia Rio Novo	Italy	Venice	144	Lease
NH Torino Santo Stefano	Italy	Turin	134	Lease
NH Savona Darsena	Italy	Savona	92	Lease
NH Siena	Italy	Sienna	129	Lease
NH Torino Centro	Italy	Turin	182	Lease
NH Trento	Italy	Trent	89	Management
NH Trieste	Italy	Trieste	173	Owned
NH Roma Villa Carpegna	Italy	Rome	201	Lease
NH Caltagirone Villa San Mauro	Italy	Caltagirone	91	Owned
NH Venezia Santa Lucia	Italy	Venice	100	Lease
nhow Milano	Italy	Milan	246	Lease
NH Luxembourg	Luxembourg	Luxembourg	148	Owned
Hilton Aeropuerto	Mexico	Mexico City	129	Lease
NH Cancún Airport	Mexico	Cancun	140	Lease
NH Coatzacoalcos	Mexico	Coatzacoalcos	104	Owned
NH Collection Mexico City Airport T2	Mexico	Mexico City	287	Management
NH Collection Guadalajara Providencia	Mexico	Guadalajara (MX)	137	Management
NH Collection Mérida Paseo Montejo	Mexico	Merida (MX)	120	Lease
NH Collection Mexico City Centro Histórico	Mexico	Mexico City	105	Lease
NH Collection Mexico City Reforma	Mexico	Mexico City	306	Owned
NH Collection Monterrey San Pedro	Mexico	Monterrey	217	Lease
NH Collection Mexico City Santa Fe	Mexico	Mexico City	135	Owned
NH Monterrey La Fe	Mexico	Monterrey	152	Lease
NH Puebla Centro Histórico	Mexico	Puebla	180	Management
NH Puebla Finsa	Mexico	Puebla	138	Management
NH Queretaro	Mexico	Queretaro	140	Owned
NH San Luis Potosí	Mexico	San Luis Potosi	111	Management
NH Mexico City Valle Dorado	Mexico	Mexico City	130	Lease
NH Poznan	Poland	Poznan	93	Franchised
Anantara Vilamoura Algarve Resort	Portugal	Vilamoura	280	Management
AVANI Avenida Liberdade Lisbon	Portugal	Lisbon	119	Lease
NH Lisboa Campo Grande	Portugal	Lisbon	88	Lease
NH Collection Lisboa Liberdade	Portugal	Lisbon	83	Lease
NH Collection Porto Batalha	Portugal	Porto	107	Management
NH Porto Jardim	Portugal	Porto	79	Management
Tivoli Avenida Liberdade Lisboa	Portugal	Lisbon	285	Lease
Tivoli Carvoeiro Algarve Resort	Portugal	Carvoeiro	248	Management
Tivoli Coimbra	Portugal	Coimbra	100	Management
Tivoli Lagos Algarve Resort	Portugal	Lagos	296	Management
Tivoli Marina Portimão Algarve Resort	Portugal	Portimao	196	Management
Tivoli Marina Vilamoura Algarve Resort	Portugal	Vilamoura	383	Management
Tivoli Oriente Lisboa	Portugal	Lisbon	279	Lease
Tivoli Palácio de Seteais	Portugal	Sintra	30	Management
Tivoli Sintra	Portugal	Sintra	77	Management
The Residences at Victoria Algarve	Portugal	Vilamoura	103	Management
NH Bucharest	Romania	Bucharest	76	Management
NH Timisoara	Romania	Timisoara	83	Lease
NH Bratislava Gate One	Slovakia	Bratislava	117	Management
Anantara Villa Padierna Palace Benahavis Marbella Resort	Spain	Marbella	132	Lease
Centro de Formación BBVA La Moraleja	Spain	Madrid	206	Management
NH Alcorcon	Spain	Madrid	102	Lease
NH Alicante	Spain	Alicante	100	Lease
NH Madrid Alonso Martinez	Spain	Madrid	101	Lease
NH Amistad Murcia	Spain	Murcia	144	Lease
NH Madrid Atocha	Spain	Madrid	68	Lease
NH Avenida Jerez	Spain	Jerez de la Frontera	95	Owned
NH Valladolid Bálago	Spain	Valladolid	120	Lease
NH Madrid Balboa	Spain	Madrid	111	Lease

Property⁽¹⁾	Country	City	Rooms	Contract
NH Madrid Barajas Airport	Spain	Madrid	173	Lease
NH Barcelona Stadium	Spain	Barcelona	106	Lease
NH Córdoba Califa	Spain	Cordoba (ES)	65	Franchised
NH Campo Cartagena	Spain	Cartagena (ES)	100	Lease
NH Campo de Gibraltar	Spain	Algeciras	100	Lease
NH Canciller Ayala Vitoria	Spain	Vitoria	174	Lease
NH Cartagena	Spain	Cartagena (ES)	100	Lease
NH Valencia Center	Spain	Valencia	192	Lease
NH Madrid Chamberí	Spain	Madrid	54	Management
NH Ciudad de Cuenca	Spain	Cuenca	74	Lease
NH Pozuelo Ciudad de la Imagen	Spain	Madrid	76	Lease
NH Ciudad de Santander	Spain	Santander	62	Owned
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 Reus	Spain	Reus	84	Owned
NH Collection Madrid Abascal	Spain	Madrid	183	Lease
NH Collection Amistad Córdoba	Spain	Cordoba (ES)	108	Lease
NH Collection San Sebastián Aránzazu ⁽²⁾	Spain	San Sebastian	180	Owned
NH Collection Madrid Colón	Spain	Madrid	146	Lease
NH Collection Barcelona Constanza	Spain	Barcelona	308	Lease
NH Collection Madrid Eurobuilding	Spain	Madrid	413	Owned
NH Collection A Coruña Finisterre	Spain	A Coruna	92	Lease
NH Collection Gran Hotel de Zaragoza	Spain	Zaragoza	133	Lease
NH Collection Barcelona Gran Hotel Calderón	Spain	Barcelona	255	Owned
NH Collection Madrid Gran Vía	Spain	Madrid	94	Lease
NH Collection Palacio de Aranjuez ⁽²⁾	Spain	Aranjuez	86	Owned
NH Collection Palacio de Avilés	Spain	Aviles	78	Management
NH Collection Palacio de Burgos	Spain	Burgos	110	Owned
NH Collection Salamanca Palacio de Castellanos	Spain	Salamanca	62	Owned
NH Collection Cáceres Palacio de Oquendo	Spain	Caceres	86	Lease
NH Collection Madrid Palacio de Tepa	Spain	Madrid	83	Lease
NH Collection Madrid Paseo del Prado	Spain	Madrid	113	Lease
NH Collection León Plaza Mayor	Spain	Leon (ES)	51	Lease
NH Collection Barcelona Pódium	Spain	Barcelona	140	Lease
NH Collection Santiago de Compostela	Spain	Santiago de Compostela	150	Lease
NH Collection Sevilla	Spain	Seville	252	Lease
NH Collection Madrid Suecia	Spain	Madrid	123	Lease
NH Collection Valencia Colón	Spain	Valencia	47	Management
NH Collection Granada Victoria	Spain	Grenada	69	Lease
NH Collection Vigo	Spain	Vigo	108	Management
NH Collection Villa de Bilbao	Spain	Bilbao	142	Lease
NH Bilbao Deusto	Spain	Bilbao	71	Franchised
NH Barcelona Diagonal Center	Spain	Barcelona	129	Lease
NH Barcelona Eixample	Spain	Barcelona	81	Lease
NH Barcelona Entenza	Spain	Barcelona	48	Lease
NH Gijón	Spain	Gijón	64	Management
NH Gran Hotel Casino de Extremadura	Spain	Badajoz	58	Franchised
NH Logroño Herencia Rioja	Spain	Logrono	83	Lease
NH Imperial Playa	Spain	Las Palmas de Gran Canaria	162	Owned
NH Pamplona Iruña Park	Spain	Pamplona	213	Lease
NH La Avanzada	Spain	Bilbao	120	Franchised
NH Madrid Lagasca	Spain	Madrid	100	Owned
NH Valencia Las Artes	Spain	Valencia	174	Lease
NH Valencia Las Ciencias	Spain	Valencia	121	Lease
NH Madrid Las Tablas	Spain	Madrid	149	Lease
NH Leganes	Spain	Madrid	78	Lease

Property⁽¹⁾	Country	City	Rooms	Contract
NH Barcelona Les Corts	Spain	Barcelona	81	Lease
NH Logroño	Spain	Logrono	110	Lease
NH Luz Huelva	Spain	Huelva	106	Owned
NH Madrid Sur	Spain	Madrid	62	Lease
NH Malaga	Spain	Malaga	245	Lease
NH Marbella	Spain	Marbella	163	Management
NH Castellón Mindoro	Spain	Castellon	102	Lease
NH Madrid Nacional	Spain	Madrid	206	Lease
NH Ourense	Spain	Ourense	41	Management
NH Zamora Palacio del Duero	Spain	Zamora	49	Management
NH Madrid Paseo de la Habana	Spain	Madrid	155	Lease
NH Lleida Pirineos	Spain	Lleida	92	Lease
NH Las Palmas Playa las Canteras	Spain	Las Palmas de Gran Canaria	67	Lease
NH Sevilla Plaza de Armas ⁽²⁾	Spain	Seville	262	Owned
NH Porta Barcelona	Spain	Barcelona	99	Lease
NH Oviedo Principado	Spain	Oviedo	89	Management
NH Madrid Príncipe de Vergara	Spain	Madrid	155	Lease
NH Salamanca Puerta de la Catedral	Spain	Salamanca	37	Lease
NH Madrid Ribera del Manzanares	Spain	Madrid	224	Lease
NH San Pedro de Alcántara	Spain	Marbella	60	Management
NH Sant Boi	Spain	Barcelona	124	Lease
NH Sants Barcelona	Spain	Barcelona	203	Lease
NH Sport	Spain	Zaragoza	64	Lease
NH Tenerife	Spain	Santa Cruz de Tenerife	64	Lease
NH Castellón Turcosa	Spain	Castellon	70	Lease
NH Madrid Ventas	Spain	Madrid	199	Lease
NH Villa de Coslada	Spain	Madrid	78	Franchised
NH Madrid Zurbano	Spain	Madrid	257	Lease
NH Geneva Airport	Switzerland	Geneva	190	Lease
NH Geneva City	Switzerland	Geneva	70	Lease
NH Amersfoort	The Netherlands	Amersfoort	114	Lease
NH Amsterdam Centre	The Netherlands	Amsterdam	237	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 Atlanta Rotterdam	The Netherlands	Rotterdam	215	Owned
NH Atlantic Den Haag	The Netherlands	The Hague	152	Lease
NH Capelle	The Netherlands	Capelle aan den IJssel	105	Owned
NH Amsterdam Caransa	The Netherlands	Amsterdam	66	Lease
NH Centre Utrecht	The Netherlands	Utrecht	47	Lease
NH City Centre Amsterdam	The Netherlands	Amsterdam	213	Lease
NH Collection Amsterdam Flower Market	The Netherlands	Amsterdam	233	Owned
NH Collection Amsterdam Barbizon Palace	The Netherlands	Amsterdam	274	Lease
NH Collection Amsterdam Doelen	The Netherlands	Amsterdam	81	Lease
NH Collection Eindhoven Centre	The Netherlands	Eindhoven	132	Lease
NH Collection Amsterdam Grand Hotel Krasnapolsky	The Netherlands	Amsterdam	451	Management
NH Eindhoven Conference Centre Koningshof	The Netherlands	Eindhoven	509	Owned
NH Noordwijk Conference Centre Leeuwenhorst	The Netherlands	Noordwijkerhout	513	Owned
NH Den Haag	The Netherlands	The Hague	205	Lease
NH Groningen	The Netherlands	Groningen	127	Owned
NH Groningen Hotel de Ville	The Netherlands	Groningen	66	Lease
NH Bussum Jan Tabak	The Netherlands	Bussum	84	Owned
NH Maastricht	The Netherlands	Maastricht	275	Lease
NH Amsterdam Museum Quarter	The Netherlands	Amsterdam	163	Lease
NH Naarden	The Netherlands	Naarden	128	Owned
NH Amsterdam Schiller	The Netherlands	Amsterdam	94	Lease
NH Amsterdam Schiphol Airport	The Netherlands	Amsterdam	419	Owned

Property ⁽¹⁾	Country	City	Rooms	Contract
NH Veluwe Sparrenhorst	The Netherlands	Nunspeet	117	Owned
NH Utrecht	The Netherlands	Utrecht	276	Lease
NH Waalwijk	The Netherlands	Waalwijk	120	Lease
NH Zandvoort	The Netherlands	Zandvoort	216	Owned
NH Zoetermeer	The Netherlands	Zoetermeer	104	Owned
nhow Amsterdam Rai	The Netherlands	Amsterdam	650	Lease
nhow Rotterdam	The Netherlands	Rotterdam	278	Lease
Anantara Sahara Tozeur Resorts & Villas	Tunisia	Tozeur	93	Management
NH London Kensington	United Kingdom	London	121	Lease
nhow London	United Kingdom	London	190	Management
NH Montevideo Columbia	Uruguay	Montevideo	136	Owned
NH Collection New York Madison Avenue	USA	New York	242	Owned

- (1) Following March 31, 2021, we have opened NH Hannover, a leased hotel which includes 91 hotel rooms.
- (2) The following hotels are administrative concessions: NH Sevilla Plaza de Armas, NH Collection San Sebastián Aránzazu, NH Collection Palacio de Aranjuez, NH Gent Belfort and NH Catania Parco Degli Aragonesi.

The book value of our owned hotels as of March 31, 2021 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. As of March 31, 2021, we entered into agreements to operate 20 new hotels with 3,739 rooms (our "committed pipeline hotels"), which are expected to commence operations mainly between 2021 and 2023. 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 three core brands will become more developed and our hotel portfolio will become stronger.

Valuation of the Collateral

Duff & Phelps has carried out a market valuation as of December 31, 2020 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 (excluding lease liabilities) of NH Italia, which were €38.8 million as of December 31, 2020 (the date of valuation in the Duff & Phelps Report). Based on the Duff & Phelps Report, the aggregate market value of the Mortgage Properties and the Share Collateral as of December 31, 2020 was €1,319.0 million. During this same period, our unencumbered asset portfolio had a book value of €0.6 billion.

The market value attributable to the Collateral as of December 31, 2020 is as follows.

Asset	Market value attributable to the Collateral (€ in millions)
Mortgage Properties	
NH Noordwijk Conference Centre Leeuwenhorst	136.5
NH Eindhoven Conference Centre Koningshof	80.9
NH Veluwe Conference Centre Sparrenhorst	6.3
NH Zoetermeer	9.5
NH Naarden	4.5
NH Capelle	9.2
	246.9
Diegem Properties	
NH Brussels Airport	49.7
NH Brugge	22.2

Asset	Market value attributable to the Collateral (€ in millions)
NH Brussels Stéphanie.....	13.4
NH Mechelen	6.0
	91.3
Zandvoort Property	
NH Zandvoort	44.9
NH Italia⁽¹⁾	
NH Italia Shares	936.0
Total	1,319.0

- (1) According to the Duff & Phelps Report, as of December 31, 2020, the market value of the NH Italia Shares was €936.0 million. The Duff & Phelps' valuation of the NH Italia Shares deducts total financial liabilities of NH Italia, which were €38.8 million as of December 31, 2020. As the projections include rent expenses, lease liabilities are excluded from total financial liabilities.

After giving pro forma effect to the Transactions, as of March 31, 2021, an aggregate amount of €636.0 million of our outstanding indebtedness would have been secured by the Collateral, of which €400.0 million would have consisted of indebtedness under the Notes.

Basis of valuation and assumptions

The valuation described above was prepared on the basis of certain qualifications, assumptions, estimates and projections. In delivering its conclusion of value, Duff & Phelps considered the three generally accepted approaches used for estimating the market value of an asset: market, cost and income. The appropriate approach for estimating the market value depends on the nature and the circumstances surrounding the asset under consideration.

Valuation of the hotels

Duff & Phelps based its valuation of the appraised hotel properties on historical financial information of the appraised hotel properties from 2008 through 2020, the book value of non-current fixed assets of the appraised hotel properties as of December 31, 2020, prospective financial information for the appraised hotel properties for 2021 through 2025, which reflect our estimates of the future performance of the assets included in the valuation, 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 as of December 31, 2020.

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 the discounted free cash flow ("DCF") 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 historical financial information of NH Italia from 2008 through 2020, the consolidated balance sheet of NH Italia as of December 31, 2020, prospective financial information for NH Italia for 2021 through 2025, which reflect our estimates of the future performance 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 as of December 31, 2020.

Duff & Phelps considers the financial and other information we have provided 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.

Other appraisers may reach different valuations of our properties and assets. Moreover, the valuation of our properties and assets included herein could significantly differ from 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 these Listing Particulars and the book value of our hotels and assets included in these Listing Particulars 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 may suffer severe devaluations due to the COVID-19 pandemic"*.

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 305 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. The vast majority of our sales come from Europe, making up 89.5% of our net turnover in the twelve months ended March 31, 2021.

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 follow an advanced and sophisticated "Open Pricing" pricing strategy, which adds flexibility to our pricing policy, as we are not tied to fixed price points or fixed discounts. "Open Pricing" allows us to quickly adjust our prices to market trends and price our offers at any value that we consider appropriate. We intend to continuously develop and refine our revenue management, using technology and increased automation. The Group has recently launched NH+, a new corporate segment aimed at ensuring market penetration in the business travel sector, given large corporations are expected to cut travel budgets in the short term. This program offers a new value proposition and account handling model, with the aim of capturing market share in small, medium and "unmanaged" accounts.

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 2020, 50% 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 2020, 27% of our sales were booked through OTAs.

The following table presents the percentage of revenue by sales channels from 2017 to 2020:

Percentage revenue by sales channel (2017-2020)

% of Revenue	2017	2018	2019	2020
Online	10%	10%	11%	13%
Other direct	37%	35%	33%	37%
Total direct	47%	45%	44%	50%
Agencies	20%	20%	21%	18%
OTAs	25%	27%	27%	27%
Tour operators	8%	8%	8%	5%
Total indirect	53%	55%	56%	50%

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 Wi-Fi and guaranteed room availability. We first made our NH Hotel Group Rewards loyalty program available to our customers in 2004, under the name NH World. In 2014, it was renamed NH Rewards and was re-launched again in 2018. The NH Hotel Group Rewards loyalty program reached approximately 9.8 million members by March 31, 2021. 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. On February 28, 2021, the Issuer signed an agreement with Global Hotel Alliance (GHA), operator of the multi-brand hotel loyalty program DISCOVERY, whereby in early 2022, the Group will join the alliance and outsource the NH Hotel Group Rewards loyalty program and its loyalty platform operation to GHA. This is intended to expand rewards available to customers and attract new and repeat customers.

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. NH Hotel Group hotels have increased their average TripAdvisor score, obtaining an average score of 8.5 during the year ended December 31, 2020, as compared to 8.4 during the years ended December 31, 2019 and 2018. 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 8.3 for the NH Hotels brand for the year ended December 31, 2020. All hotel scores and written reviews 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 also includes capability to respond via email directly to guests who have made comments or inquiries through the NH Customer Survey or Google review 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 2019 survey by GFK, we were one of the most recognized hotel brands in Spain, ranking second 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 fourth and fifth, respectively, in the same category. We will seek to continue to strengthen our reputation and brand through marketing initiatives and campaigns. In the year ended December 31, 2020, we have completed the execution of the approximately €371 million of investments (€320 million as of December 31, 2019) as part of our repositioning initiative launched in

2014. We plan to convert most of the eight high-end hotels that we agreed to operate as part of an agreement with Covivio to the Anantara and NH Collection brands, after carrying out a repositioning program, which will be promoted by Covivio, over the coming months.

We have adapted our pricing strategy in order to improve our competitiveness, as well as address the new business environment as a result of the pandemic. After the first lockdown in March 2020, we shifted towards a more flexible pricing strategy. For example, we implemented cancellation upon request policies, as well as a volume strategy to gain market share. This change in strategy has created an advantage in overall RevPAR growth, as compared to our competitors given the change in business mix, with a decrease in business to business groups. We believe that our strategy for 2020 has been effective, which can be seen through our increase in market share, which we believe has increased by 8.6% as compared to 2019 for European consolidated hotels.

In 2020, we adapted our marketing activities and investment as the wider market was significantly affected by the pandemic, and implemented an operational strategy of re-opening hotels in destinations where there was demand and where it made financial sense to do so based on applicable local laws and regulations relating to the pandemic. In our key markets, namely Spain, Italy, Germany, the Netherlands, and Portugal, we opportunistically targeted domestic business-to-customer demand (business-to-customer demand represented about 60-70% of business in 2019) and business-to-business demand, and the leisure demand which built in the summer, experiencing an unprecedented increase in CRM-Loyalty and direct web sales as a percentage of total company revenues. We primarily utilized online media to implement our advertising campaigns, with a strict focus on performance key performance indicators, taking advantage of our historical brand awareness in relevant markets and doubled by public relations and communication efforts. Additionally, we adapted and optimized our global commercial and marketing teams, as well as external key partnerships to cover immediate tactical needs of capturing market share to ensure strategic flexibility for to meet future trends in travel.

Furthermore, we have capitalized on our new brand architecture. The reorganization of our hotels into three 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 three 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. 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. As of March 31, 2021, NH Collection, NHOW and NH Hotels represented approximately 24%, 3% and 66% of our total number of hotel rooms, respectively. Our upper upscale collection, which is comprised of NH Collection and NHOW, increased from approximately 24% at December 31, 2018 to approximately 28% at December 31, 2020, and remained at approximately 28% as of March 31, 2021.

As part of our repositioning program, we intended to continue investing in several of our core hotels to develop them into upper-upscale hotels. However, our repositioning program was postponed due to COVID-19 and we are currently investing in extraordinary capital expenditures and working on non-cancellable repositioning projects. 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—Continue optimizing the portfolio in the mid-term*".

Over the next few years, we intend to continue to develop and consolidate our brand portfolio and invest in all our brands, building upon our brand reorganization and recent repositioning.

Our customers

Our customers are leisure and business travelers, including travelers staying at our hotels for meetings, conventions and other events held at our hotels. During 2020, approximately 1.8 million customers stayed at one of our hotels, a lower number than the 4.4 million customers that stayed in 2019, due to the impact of the COVID-19 pandemic on travel. Of these 1.8 million customers, approximately 50% were business travelers, compared to 64% in 2019.

Competition

Our main competitors are other midscale and upscale international and local chains. We primarily compete with Meliá Hotels International, H10 Hotels, Barcelo, Eurostars, Best Hotels and AC Hotels by Marriott in Spain; Ibis, Holiday Inn, Novotel, Marriott, Mercure, Park Inn; B&B Hotels, Best Western and Motel One in Germany; Sheraton, Best Western, TH Resorts, Blusarena, Mercure, Unahotels and AC Hotels by Marriott in Italy; Holiday Inn, Novotel, Van der Valk Hotels, Best Western, 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 hotel rooms and the provision of doormen.

Sustainability and Environmental, health and safety matters

Regulatory matters

Our properties and operations are subject to certain legal requirements under various national and regional environmental, health and safety laws and regulations, including those related air and drinking water quality, air emissions, the use and disposal of solid and hazardous materials or wastes and prevention and control for the contamination of water, air and soil. We also be subject to restrictions under the terms and conditions of any licenses and permits required for our facilities and operations. Violations of environmental laws or permits may result in the imposition of fines or penalties, obligations to install pollution control or prevention equipment, damage claims for personal injury or property damage and, among other things, suspension, either indefinitely or temporarily, of operations. Environmental laws may also impose liability for clean up of contamination without regard to whether the owner or operator knew of, or was responsible for causing, 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, a discovery of hazardous or toxic substances in the future at any of our owned or operated properties 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. In addition, persons who arrange for the disposal or treatment of hazardous or

toxic wastes at or to third-party locations may be liable for the costs of removal or remediation of such wastes at such locations, 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 and 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 reputation, 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 for compliance with current regulations and control of 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 the hospitality industry.

Sustainability initiatives

We are committed to improving the sustainability of our business operations, ensuring a safe and inclusive working environment and respecting the communities in which we operate. We seek to safeguard natural resources by reducing the impact of our operations on the environment. We believe that sustainable business practices can foster a sense of community beyond our organization, reflecting a duty of care for the world and generating wealth for society. To that end, we have developed our strategic approach to sustainability, known as "NH ROOM4 Sustainable Business," with three lines of action: NH ROOM4People; NH ROOM4Planet; and NH ROOM4 Responsible Shared Success, all of which are based on the same premise of sustainable and ethical principles, responsible culture and a citizenship mindset:

- Under NH ROOM4People, we promote internal professional development and create social projects in the communities where we are present. We defend diversity and equal opportunities for our employees and we invest in training and career support for our young employees to promote employee engagement and growth. In particular, we have created "With You", an initiative that channels communications to all our employees offering advice and resources to foster their wellbeing and self-development. We also encourage volunteer work by our employees and take various initiatives to contribute to a positive impact on local communities where we operate such as 'Hotels with a heart', where we provide accommodation for hospitalized children and their families;
- Under NH ROOM4Planet, we commit to the environment, including responsible water management and increasing our use of "green" energy sources, sustainable products consumption and taking action to address climate change. We have approved an Environment and Energy Policy which, along with our Corporate Environment Department, aims to prevent and reduce environmental risks and impacts. We have formalized our commitment to cut our impact on the environment by announcing our initiative to reduce carbon emissions by 20% between 2018 and 2030. As part of our environmental certification program, we have an ISO 14001-certified environmental management system and an ISO 50001-certified energy efficiency system for accommodations, restaurants, meetings and events services; and
- Under NH ROOM4 Responsible Shared Success, we convey human rights and ethical business principles throughout our responsible value chain. We have implemented numerous sustainability initiatives which are integrated into our business strategy, as we believe sustainability and the safety of our guests, employees and suppliers and other partners affects all areas of our business. As part of our "feel safe" program, we have implemented enhanced cleaning and disinfection protocols, food and beverage management protocols, social distancing rules and air and water purification control, as well as new digital solutions.

We also seek to include and engage our customers in our sustainable initiatives, whether by generating opportunities to contribute socially or by promoting environmentally responsible behavior. In particular, we have launched our "Green Stay" initiative which allows customers on extended stays to decline room cleaning services, contributing to savings in water, energy and other resources.

As part of our sustainability and safety initiative, we are also committed to the digitalization of the hotel information and services through our Progressive Web App which can be accessed by any guest from their mobile device. The application provides all customers with all the hotel information in an easily-accessible way; from information on the hotel's facilities and hours, to ordering room service, making a reservation in the restaurant or

requesting additional amenities. This initiative not only contributes to supporting a safe environment for our community, but also provides alternatives to face-to-face interactions and reduces paper printouts contributing to the sustainability of our business. Apart from this mobile guest service, we have implemented other projects, such as a housekeeping mobility app, tables at the reception desks and digitalization of reports, which improves our environmental impact by considerably reducing the number of daily printouts and by optimizing hotel managers' record of customers and supervision processes and "Fastpass", a combination of three innovative services (Check-in Online, Choose Your Room and Check-out Online) which was launched in 2019, which gives customers full control over their stay.

As the result of our commitment to sustainability, we were awarded "Bronze Class" recognition in the Sustainability Yearbook 2021, which is published by S&P Global, as well as recognized as an "Industry Mover" due to the significant improvements achieved since the previous year. In addition, since 2013 we have been included in the FTSE4GOOD Index due to our management of the business. In December 2020 we scored a B rating with the Carbon Disclosure Project, recognizing our efforts in the battle against climate change. In 2021, we were recognized for the second year for our efforts in promoting equality and diversity by the Bloomberg Gender Equality Index.

In addition, under our Senior Secured RCF, the applicable margin can be increased or reduced by 5 basis points based on certain environmental, social and governance ("ESG") performance scores of the Issuer.

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 €14.5 million in 2019 and €8.3 million in 2020 continuing the overhaul our IT management systems across our entire business, including centralizing our data collection, increasing automation of certain processes, continuing the development of our website (with a focus on a mobile-friendly interface as our customers increasingly access our website through their mobile devices) and also working on our new digital evolution roadmap, which we expect will further contribute to increase our revenues, reduce our costs and positively affect our net turnover. As of March 31, 2021, all regions 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. In the year ended December 31, 2020 compared to the same period in 2019, the weight of revenue generated from our website grew from 11.5% to 14.3%. 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.

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

The Group strives to sustain our corporate culture and commitment to our values, seeking coherence and loyalty in our current strategy with respect to our people, as a key factor in retaining the credibility and trust of our team members. Our employees comprise 132 different nationalities and, as of December 31, 2020, 51% of all staff were women. For the year ended December 31, 2020, we had an average of 11,112 full time equivalent employees who worked at our owned and leased hotels or in corporate positions. As of December 31, 2020, 1,411 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. In 2020, we had an average of 1,824 temporary workers and 11,026 permanent workers out of our total average of 12,850 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.

As a result of the COVID-19 pandemic, we carried out temporary layoffs during 2020 and 2021 and, at the end of April 2021, we implemented a collective dismissal procedure at our central and corporate services in Spain.

Within this working framework, we launched a multitude of initiatives to care for our employees during these challenging times. For example, "With You" is an internal engagement project designed to give our teams tools, advice and training resources to strengthen key skills during this phase, not just at the professional level but also to improve their personal well-being. Using "With You", among other actions, employees have received content aimed at stress management, accessed digital kiosks free-of-charge, had language classes within reach, been able to collect office material to improve their remote working experience and had access to two external, international e-learning platforms ("Typsy" and "GoodHabit"). Both platforms include multiple training resources so that each employee can work on their personal development plan, gain new knowledge and, ultimately, continue investing in their professional growth. Our "Room4People" program supports professional development and creates social projects in the communities in which we operate, by promoting equal opportunities for employees and investing in career training and career support for young people who are in an under-privileged situation. This is based on the premise of sustainable and ethical principles, responsible culture and spirit of citizenship.

During 2020, we employed an average of 11,112 employees. Our corporate culture is based on the cornerstones of diversity, equality and inclusion. Employees comprise 132 different nationalities and, as of December 31, 2020, 51% of all staff were women. As a demonstration of our continuing commitment to gender equality, the Group, for the second year running, was included on the Bloomberg GEI 2021 index, making us the only Spanish hotelier in the 380 companies listed in the index. We pride ourselves on running a company that values our employees and creates a culture where employees wish to continue working for a long time. The average age of employees in 2020 was 39.7 years old and their average time with the Group is 9.4 years.

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.

Former Shareholder

Hesperia, our former shareholder, filed a claim against NH before the Commercial Court of Madrid no. 8 (the "Hesperia Claim"), pursuant to which Hesperia seeks the annulment of certain resolutions passed by the meeting of the

board of directors held on June 12, 2018, including the appointment of Dillipraj Rajakarier as proprietary member of the board of directors and the dismissal of José Antonio Castro Sousa as member and chairman of the executive committee of the board of directors. On October 10, 2018, the Commercial Court of Madrid no. 8 admitted the Hesperia Claim, and on November 12, 2018, we filed the relevant writ of defense arguing against and requesting the full dismissal of the Hesperia Claim.

The hearing took place on the September 17, 2019, and the Court will have to resolve, either by indicating a trial date, or by dismissing the claim. A new preliminary hearing took place on April 13, 2021, scheduling the main hearing on February 8, 2022.

Tax proceedings

From time to time, we are subject to various tax proceedings and audits with tax authorities in respect of our operations.

The Group assumed liability for any real estate transfer tax ("RETT") in connection with the sale of a hotel (in the Netherlands) executed in 2013. The sale was executed as a transfer of a going concern, and we believe it was exempt from RETT. However, the Dutch Tax Authorities subsequently claimed that the exemption was not available because the transaction did not qualify as a transfer of a going concern. As of March 31, 2021, the total amount of this claim, plus the corresponding default interest, was €12.9 million. On March 25, 2021, the Court of First Instance rejected the Group's defense. The Group does not agree with the decision of the Court of First Instance and we believe we have a meritorious defense to the claim by the Dutch Tax Authorities. Accordingly, we have filed an appeal before the second judicial instance.

We are also currently subject to a tax audit with tax authorities in Germany which is at an early stage. In addition to the Dutch tax liability aforementioned, we are also subject to judicial tax proceedings in the Italy, Germany and Colombia. We estimate that any potential tax liability which might arise in connection with the aforementioned tax proceedings (including the potential Dutch tax liability), including penalties and interest, to be approximately €19 million. In connection with the Italian tax liability, we have made provisions in our financial statements of €0.4 million. Tax proceedings (both judicial and administrative) 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.

Claim against the Spanish Government

The Company has filed a claim of economic liability of the public administration ("*Responsabilidad Patrimonial del Estado*") for damages arising from its actions in the context of the COVID-19 pandemic, under the provisions of Article 106.2 of the Spanish Constitution, and Article 3.2 of "*Ley Orgánica 4/1981, de los estados de alarma, excepción y sitio*", among other regulations.

Leases

In relation to the renegotiation and early termination 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.

Management

The following is a summary of certain information concerning our management, and 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 these Listing Particulars, the number of members of the board of directors, as approved by the most recently held general shareholders' meeting, is nine members. Members of the board of directors are appointed by the shareholders of the Issuer at general shareholders' meetings for a term of three years. The board of directors may fill any vacancies that may arise using the cooptation procedure ("*cooptación*") under Spanish law on an interim basis until the next general shareholders' meeting.

The following table sets forth, as of the date of these Listing Particulars, the name, age, title and type of the members of the board of directors of the Issuer and is followed by a summary of biographical information of each director or representative:

Name	Age	Title
Alfredo Fernández Agras	52	Chairman
Ramón Aragonés Marín	66	Executive Director and CEO
José Maria Cantero de Montes-Jovellar	52	Independent director
Kosin Chantikul.....	39	Proprietary Director representing MINT
Stephen Andrew Chojnacki.....	48	Proprietary Director representing MINT
William Ellwood Heinecke	71	Proprietary Director representing MINT
Fernando Lacadena Azpeitia	65	Independent director
Emmanuel Jude Dillipraj Rajakarier	55	Proprietary Director representing MINT
Rufino Pérez Fernández	47	Executive 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 Founding Partner and Chairman at Everwood Capital. Additionally, he is a member of the board of directors of several companies. 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).

Ramón Aragonés Marín. Mr. Aragonés studied hotel management and tourism at hotel management schools in 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. From September 2011 to January 2017, Mr. Aragonés acted as our Chief Operations Officer and, in January 2017, he was appointed Chief Executive Officer and Managing Director of the Issuer. Mr. Aragonés has approximately 43 years of experience in the hotel industry and has worked at the Group for the last 12 years.

José Maria Cantero de Montes-Jovellar. Since 2019, Mr. Cantero has been Chairman at Growth Partners Capital, a venture capital fund. From September 2015 to end of 2018, he was a founding partner and Managing Partner of Results Mazimizador, a consulting firm for marketing, sales and communication projects, and Enubes, a digital marketing company. Mr. Cantero previously served at the Mutua Madrileña group in various capacities, including as Director of Mutuaactivos Inversiones and Director of Segur Caixa Adeslas. He has also worked at the Amenda/Orange group in Spain and at Procter & Gamble. Mr. Cantero 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 Program of the Instituto de Estudios Superiores de la Empresa (IESE).

Kosin Chantikul. Mr. Chantikul holds a degree in Economics from Wesleyan University and has completed a Director Certification Program (DCP). In 2014, Mr. Chantikul became a member of the Thai Institute of Directors (IOD).

Mr. Chantikul started his career at Lehman Brothers, where he was an Associate at Lehman Brothers Principal Transactions Group until 2008 and then at Nomura Asia Asset Finance until 2010. In 2012, he was appointed Investment Director at Boutique Asset Management and, between 2013 and 2015, he held the position of Acquisitions Director at MINT. Since 2015, he has been Vice President of Investments and Acquisitions at MINT. He has led investments, strategic alliances and merger and acquisition activities in the hospitality sector on behalf of MINT, including in Australia, Botswana, Brazil, Cambodia, Indonesia, Lesotho, Malaysia, Maldives, Mozambique, Portugal, Seychelles, Spain, South Africa, Thailand, the United Kingdom, Vietnam and Zambia.

Stephen Andrew Chojnacki. Mr. Chojnacki obtained a Bachelor of Foreign Affairs and Economics at the University of Virginia and a Juris Doctor from the University of Virginia School of Law. Mr. Chojnacki developed his professional career at the law firm Linklaters at the New York, Hong Kong and Bangkok offices. Currently, he is the Chief Commercial Officer and General Counsel of MINT, Director of MHG Continental Holding (Singapore) Pte. Ltd., as well as Director of several other companies of the Minor group. During his years leading commercial activities and legal advice at the Minor group, he has carried out mergers and acquisitions with other leading companies in the hospitality sector, with a presence in Africa, Brazil, China, Indonesia, Portugal and Vietnam.

William Ellwood Heinecke. Mr. Heinecke received an Honorary Doctoral of Business Administration in Management by the Yonok University, Lampang, and was certified with the Director Certification Program (DCP) by the Thai Institute of Directors Association (IOD). Mr. Heinecke is the founder of MINT, and today holds the positions of Group Chief Executive Officer and Chairman of the Board of Directors of MINT. Over the five decades since the establishment of Minor Group, Mr. Heinecke has led the company to expand its business portfolio, and MINT is now listed on the Stock Exchange of Thailand, with revenue of €1.8 billion in 2019 (excluding the Group) and market capitalization of €4.3 billion as of May 20, 2021.

Fernando Lacadena Azpeitia. Mr. Lacadena Azpeitia has over 35 years of experience in finance. Since 2014, he has served as Chief Executive Officer of Testa Inmuebles en Renta SOCIMI S.A., a leading real property company in the tertiary sector, and led the listing transaction that concluded with the entry of Merlin Properties into its share capital, a deal valued at approximately €2.0 billion. Mr. Lacadena Azpeitia is also the president of ASIPA, the Spanish association of rental property companies. He previously served as Chief Financial Officer for Grupo Sacyr Vallehermoso and has held positions in ACS-Dragados Group and Arthur Andersen. Mr. Lacadena Azpeitia holds a degree in economics and business management as well as a degree in law from ICADE (Major E-3) in Madrid.

Emmanuel Jude Dillipraj Rajakarier. Mr. Rajakarier obtained a degree in Computer Systems Analysis and Design in Sri Lanka in 1984 and a Master in Business Administration in Finance in the United Kingdom. Mr. Rajakarier has developed his professional career from 2007 to date at MINT as Chief Operating Officer and Director and Chief Executive Officer at Minor Hotel Group Limited. From 2001 to 2007, he acted as Deputy Chief Financial Officer and Internal Audit Manager at Orient-Express Hotels, Trains & Cruises (Belmond). Since January 2020, he has been Group CEO of MINT.

Rufino Pérez Fernández. Mr. 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. Currently, he holds the position of Chief Operations Officer and Global Transformation Leader.

Corporate governance

The current composition of the board of directors comprises, external directors (*consejeros externos*), external proprietary directors (*consejeros externos dominicales*) and external independent directors (*consejeros externos independientes*). Executive directors are those who have executive authorities granted by the board of directors. 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.

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, Circular 1/2020 of October 6, Circular 2/2018, of June 12, as well as Circular 7/2015, of December 22 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

The following table sets forth, as of the date of these Listing Particulars, 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	66	Chief Executive Officer
Fernando Córdova Moreno	50	Chief People Officer
Laia Lahoz Malpartida	43	Chief Assets & Development Officer
Isidoro Martínez de la Escalera Álvarez.....	56	Chief Marketing Officer
Rufino Pérez Fernández	47	Chief Operations officer & Global Transformation Leader
Luis Martinez Jurado.....	45	Chief Financial Officer
Carlos Ulecia Palacios.....	54	Chief Legal & Compliance Officer and General Counsel
Fernando Vives Soler	42	Chief Commercial Officer

Fernando Córdova Moreno. Mr. Córdova, who holds a degree in Industrial Engineering and Organizational Systems from La Salle University in Mexico, has developed most of his career in Human Resources, where he has held positions of responsibility in various countries. After years working at ING Mexico, he was appointed Corporate Subdirector of HR at ING The Netherlands and, subsequently, Executive VP for the same company in Spain. In 2014, Córdova joined NH Hotel Group as Senior VP of Human Resources and Internal Communication and, in 2017, he was appointed Chief People Officer. In this role, Mr. Córdova – who is now part of NH Hotel Group's Executive Committee and reports directly to the CEO – leads the Company's global HR and internal communication strategy and has co-led the transformation of its operational model. In 2017, the International Organization of Human Capital Directors (DCH) recognized him for his outstanding trajectory in Human Resources with the Factum Award, which he received during the Annual HR Gala of the same year. Since 2018, he has also assumed Global Sustainable Business responsibilities in addition to his People role.

Laia Lahoz Malpartida. Ms. Lahoz, who holds a law degree from the Pompeu Fabra University and a Master's Degree in International Cooperation from the University of Barcelona, has a vast professional experience in Mergers & Acquisitions, Asset Management and Legal Affairs. She started her career at the renowned law firm Garrigues and transitioned to the hospitality industry in 2004 when she joined Hesperia Hotels as Head of the Legal Affairs Department. A few years later, she became Managing Director of the Hesperia Investor Group and, in 2013, after the integration of the Hesperia hotel chain into NH Hotel Group, she was appointed Senior VP of Portfolio Management, becoming responsible for the Company's global asset management strategy. In June 2017, Ms. Lahoz was appointed NH Hotel Group's new Chief Assets and Development Officer, becoming a part of the Company's Executive Committee and reporting directly to the CEO. In this role, she continues to lead the Group's asset strategy and also takes on the responsibility of our global expansion and development.

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. He 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.

Luis Martínez Jurado. Mr. Martínez Jurado boasts an extensive career in finance, having held a number of executive positions in the corporate finance departments of multinationals such as Degremont (Suez), Telvent-Schneider Electric and Prosegur. An economics graduate from the University of Seville, Luis also holds an MBA from IE Business School. He has an extensive track record in financing and capital markets transactions at listed companies and has played a key role in our financing strategy and liquidity management transformation.

Carlos Ulecia Palacios. Mr. Ulecia Palacios has a degree in law and a degree in business management from the University of Zaragoza, and he pursued a Masters in Company and Tax Law from IE Business School (Madrid). Mr. Ulecia has worked as a senior associate at Landwell, which performs legal services for PricewaterhouseCoopers. In 2000, he was appointed as Director of the Legal Department at 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. He is currently the Chief Legal and Compliance Officer and General Counsel of the Issuer.

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 was co-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.

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, the committees may also inform certain decisions of the board of directors. As of the date of these Listing Particulars, the committees of the board of directors were as described below.

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

The aggregate cash compensation (including fixed salary, variable remuneration and allowances) received by the Group's senior management and by the board of directors of the Issuer in 2020 amounted to €1.8 million and €1.3 million, respectively. Additionally, the Group's senior management participates in an incentive compensation plan, the third cycle of which commenced on January 1, 2019, as described below.

The General Shareholders' Meeting of the Issuer, held on June 29, 2017, 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 cycle commenced on January 1, 2017, the second cycle on January 1, 2018 and the third cycle on January 1, 2019. The maximum amount set aside for the three cycles of the Plan is €16.2 million. The number of final shares to be delivered to the beneficiaries will be determined by the achievement of certain objectives set at the beginning of each cycle, which relate to business performance (recurring EBITDA and recurring net profit) and value generated for the shareholders (share price growth and total shareholder return).

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.

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 June 11, 2021. All shares are entitled to identical voting and economic rights and are listed on the Spanish Stock Exchanges and traded through the Automated Quotation System.

Name of owner of record ⁽¹⁾	Percentage of shares
Minor International Public Company Limited ("MINT") ⁽²⁾	94.13%
Others	5.87%
Total	100.000%

- (1) Shareholder information is derived from the information disclosed by the Spanish National Securities Market Commission as of June 11, 2021.
- (2) MINT is the indirect shareholder through MHG Continental Holding (Singapore) Pte Ltd. MINT operates 172 hotels and resorts, over 2,300 restaurants and 428 retail trading outlets across Asia, Australia, Africa, the Middle East and South America. In 2019, MINT generated €1.8 billion in revenue (excluding the Group). MINT is listed on The Stock Exchange of Thailand and has a market capitalization of €4.3 billion as of May 20, 2021.

The aforementioned (indirect) shareholding of MINT in the Issuer is the result of the tender offer made by MHG Continental Holding (Singapore) Pte Ltd. on June 11, 2018 for 100% of the shares that were part of the share capital of the Issuer, as a result of which MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, shares representing 94.13% of the share capital of the Issuer.

Related party transactions

We maintain various business relationships with related parties. Our material transactions and agreements with related parties are summarized below.

Hotel Management Agreements

MINT management agreement

On February 7, 2019, the Issuer entered into a framework agreement with Minor International Public Company Limited ("MINT") which regulates, among others, the provision and exchange of information amongst MINT and the Issuer, the demarcation of MINT and the Issuer's preferred business geographical areas and market segments, in order to avoid overlaps and to promote business opportunities, the establishment of a protocol for the approval of mutual business dealings and related party transactions and the creation of a framework of rules to prevent potential conflicts of interest. The framework agreement will remain in force as long as MINT maintains, directly or indirectly, control over the Group and the Issuer remains a listed company. The framework agreement demarcates Asia, Africa, the Middle East and Oceania as MINT's preferred business geographical area and Europe and America (excluding Canada and the United States) as the Issuer's preferred business geographical area and calls for MINT and the Issuer to adjust their businesses in order to accommodate the preferred business geographical areas. Such adjustments include intra-group transactions and transfers or assignments of the management of properties.

In connection with the framework agreement, on February 7, 2019, the Issuer and MINT entered into a reciprocal master licensing agreement, whereby both parties licensed the use of their respective trademarks in the geographical areas where the other party operates.

From to time, the Group and MINT enter into management or management support arrangements in connection with management and management support services relating to their hotels. On June 27, 2019, MINT sold to Invesco Real Estate three hotels located in Lisbon and Invesco Real Estate simultaneously leased such hotels to the Issuer under lease agreements with variable rent and minimum guarantees. In connection with this transaction, the Issuer and MINT also entered into management agreements relating to the management by the Issuer of nine additional MINT's hotels in Portugal.

On February 7, 2019, the Issuer and MINT entered into a Data Transfer Agreement for the purpose of sharing personal data, in compliance with General Data Protection Regulation (GDPR).

On November 11, 2020, the Issuer approved the provision by NH Hoteles España (an affiliate of the Issuer) of hotel management services to Lodging Management Ltd (an affiliate of Minor Hotels, which in turn is an affiliate of MINT) for the management of the hotel "Anantara Tozeur", an Anantara branded hotel located in Tunisia.

Affiliation agreement with *Coperama* purchasing center

On February 25, 2020, the Board of Directors of the Issuer approved an affiliation agreement between *Coperama*, a wholly owned subsidiary of the Company which provides procurement services in the hotel and restaurant industry, and Minor Hotels (an affiliate of MINT). Through the affiliation agreement, *Coperama* provides Minor Hotels and its hotel affiliates with procurement services with the same scope, terms and conditions as provided to other non-related hospitality companies.

Agreement regarding NH Hotel Group Rewards loyalty program

On February 28, 2021, the Issuer signed an outsourcing and membership agreement with GHA Loyalty DMCC ("GHA"), operator of the multi-brand hotel loyalty program DISCOVERY, whereby in early 2022, the Group will join this alliance and outsource the NH Hotel Group "Rewards" loyalty program and its loyalty platform operation to GHA. Under the terms of the agreement, the NH Hotel Group "Rewards" loyalty program will be called NH DISCOVERY and the Issuer will retain ownership of the database and the information on NH DISCOVERY and its participants.

The joining of the Group into GHA was qualified by the Issuer as a related party transaction given the fact that MINT holds an approximate 30% shareholding interest in GHA, and Mr. Dillip Rajakarier (CEO of MINT and Director of the Issuer) is also a Director on GHA's Board of Directors.

As a result of this transaction, Mr. Ramón Aragonés (CEO of the Group) has become a Director on GHA's Board of Directors.

Shareholder Loan

In addition, on May 12, 2021, the Issuer, as borrower, and MHG Continental Holding (Singapore) Pte Ltd, an affiliate of MINT, as lender, entered into an unsecured subordinated convertible term loan facility (the "Shareholder Loan") for a principal amount of €100 million. The Issuer shall convert amounts owed under the Shareholder Loan into shares of the Issuer. For more details, see "*Summary—Recent developments*" and "*Description of certain financing arrangements—Subordinated Loans—Shareholder Loan*".

Payments

On March 31, 2021, the Issuer had a net balance pending payment of €297,000 (as compared to a net balance pending collection of €342,000 in 2020, €1,443,000 in 2019 and €978,000 in 2018) with the Minor group.

In the year ended December 31, 2019, as a result of an analysis of the fair value of the Issuer's holding recorded as an asset available for sale, a provision for impairment was recorded in relation to loan receivables from associated companies of €9.5 million and an expense of €5.6 million for the contribution undertaken to be made to the Issuer at the close of the 2019 financial year, to carry out cancellation of such bank loans for which the Issuer acted as guarantor for 35.5%. The impact of both these items were recorded under "Impairment on financial investments" in our consolidated comprehensive profit and loss statement.

Description of certain financing arrangements

The following is a summary of the material terms of our principal financing arrangements. 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., CaixaBank, S.A. (acquiring company of Bankia S.A.), Deutsche Bank Aktiengesellschaft, BNP Paribas, Sucursal en España, Bankinter, S.A. and Banco de Sabadell, S.A., as lenders (the "Lenders"), and Banco Bilbao Vizcaya Argentaria, S.A., as agent (the "Agent"), which was amended and extended on October 16, 2020. On June 8, 2021, the parties to the Senior Secured RCF Agreement entered into an amendment and extension agreement (the "Second Amendment Agreement").

Condition to effectiveness of the Second Amendment Agreement

The effectiveness of the Second Amendment Agreement is subject to, *inter alia*, (i) the execution of the Indenture in the terms described in these Listing Particulars, (ii) the reception by the Issuer of gross proceeds from the Offering in an amount equal to or greater than €370 million, (iii) the redemption in full of the 2023 Notes, (iv) accession of the guarantors to the Second Amendment Agreement, (v) ratification of confirmation of the security granted in respect of the Senior Secured RCF Agreement and (iv) absence of an Event of Default (as defined in the Senior Secured RCF Agreement) which is continuing as of the Amendment Effective Date (as defined below), in each case on or before November 12, 2021 (or any such extended deadline agreed by the majority of lenders (the "Conditions Precedent"). The date on which the Conditions Precedent are satisfied shall be referred to as the "Amendment Effective Date".

Facilities

The Senior Secured RCF Agreement provides for a committed senior secured revolving credit facility of up to €250 million (the "Senior Secured RCF"). Currently the total commitments amount to €236 million. As from the Amendment Effective Date, the total commitments will amount to €242 million.

Availability and purpose

The Senior Secured RCF is available until the date falling one month before its maturity. 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 one, three or six 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 2.92% 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.....	2.92
Greater than or equal to 3.5:1 but less than or equal to 4.0:1	2.77
Less than 3.5:1	2.52

As from the Amendment Effective Date, the margin will be increased by 10 basis points (bps) across all levels of the margin ratchet, resulting in the following margin ratchet:

Net Financial Indebtedness to consolidated EBITDA**Margin %
per annum**

Greater than 4.0:1	3.02
Greater than or equal to 3.5:1 but less than or equal to 4.0:1	2.87
Less than 3.5:1	2.62

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 applicable margin can be increased or reduced by 5 bps based on the ESG performance score of the Issuer.

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 utilization 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 Notes. The Senior Secured RCF benefits from the same security as the 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;
- during the period commencing on the date October 16, 2020 until December 31, 2021, make any capital expenditure disbursement, acquisitions or other investments resulting in cash-out in excess of €70,000,000 plus the amount of net proceeds of asset sales;
- beginning in October 2022, maintain less than €100,000,000 liquidity for the Group (in the aggregate and consisting of cash, cash equivalents and amounts available under credit facilities). As from the Amendment Effective Date, this minimum liquidity undertaking shall cease to apply upon the expiry of the Covenant Holiday (as defined below) (that is, the earlier of January 1, 2023 or such date upon which the Covenant Holiday is waived by the Company);
- during the period commencing on October 16, 2020 until December 31, 2021, pay dividends or other forms of distributions of any kind. Following December 31, 2021, such distributions will continue to be limited; *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

As from the Amendment Effective Date, the prohibition to pay or make distributions shall be extended until the termination of the Covenant Holiday (that is, until the earlier of January 1, 2023 or such date upon which the Covenant Holiday is waived by the Company).

- 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, tested semi-annually at the end of June and December:

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

The Issuer and the lenders under the Senior Secured RCF have agreed a waiver of the financial covenants set forth in the Senior Secured RCF Agreement up to and including December 31, 2021 (the "Covenant Holiday"), as well as a significant reduction to the level required to be met up to and including June 30, 2022, with the result that the ratios required to be met will be returned to their original levels starting on December 31, 2022. As from the Amendment Effective Date, the Covenant Holiday shall be extended up to and including December 31, 2022.

Additionally, the obligors must comply with the Loan to Value maximum levels (to be calculated in accordance with the defined terms in the Senior Secured RCF Agreement and tested quarterly at the end of March, June, September and December), 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 March 31, 2023. As from the Amendment Effective Date, the maturity date shall be extended to March 31, 2026.

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 in the Issuer so that the shares that it owns following such acquisition represent, 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;
- (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 alia*, 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 alia*, 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 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 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.

Term Facility Agreement and Sabadell Bilateral Facility Agreement

The following is a summary of the provisions of (a) the Term Facility Agreement for a maximum amount of €250,000,000 dated April 29, 2020, entered into among the Issuer (the "Borrower"), as borrower, various subsidiaries of the Issuer, as guarantors, Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Instituto de Crédito Oficial, E.P.E., CaixaBank, S.A. (acquiring company of Bankia S.A.), and Bankinter, S.A., as original lenders, and Banco Bilbao Vizcaya Argentaria, S.A., as agent (the "Agent"), and (b) a bilateral facility agreement for a maximum amount of €25,000,000 dated May 18, 2020, entered into among the Issuer (the "Borrower"), as borrower, various subsidiaries of the Issuer, as guarantors, and Banco de Sabadell, S.A., as lender (jointly, with the lenders under the Term Facility Agreement referred to in limb (a), the "Lenders") (the "Sabadell Bilateral Facility Agreement"), as both agreements were amended pursuant to the framework agreement in respect of certain financing agreements dated May 18, 2020 and subsequently amended and extended on April 29, 2021.

Nature and government support

70% of the loans advanced by each lender under the Term Facility Agreement and the Sabadell Bilateral Facility Agreement are guaranteed by the Kingdom of Spain through the Ministry of Economic Affairs and Digital Transformation (*Ministerio de Asuntos Económicos y Transformación Digital*) (the "ICO Guarantees") under the Spain-backed guarantee facility for businesses and self-employed persons to mitigate the economic effects of COVID-19 (the "Spanish Government Covid Support Guarantee Facility") managed by Instituto de Crédito Oficial, Entidad Pública Empresarial ("ICO") created pursuant to Royal Decree Law 8/2020 of March 18, 2020, on extraordinary measures to deal with the economic and social impact of the pandemic caused by COVID-19 ("Royal Decree Law 8/2020").

The Spanish Government Covid Support Guarantee Facility was implemented by the Spanish Government to promote bank financing to temporarily support companies suffering from liquidity problems as a result of the discontinuance or reduction of their activity caused by the COVID-19 health crisis.

Availability and purpose

The total commitments available under the Term Facility Agreement (€225,000,000) and the Sabadell Bilateral Facility Agreement (€25,000,000) were utilized in full upon the satisfaction of the customary conditions precedent and each lender obtaining the ICO Guarantee.

The Issuer shall apply all amounts borrowed by it under the Term Facility Agreement and the Sabadell Bilateral Facility Agreement towards general corporate and working capital purposes and cashflow requirements of the Group permitted under the regulation applicable to ICO Guarantees including, without limitation:

- payrolls and social or employee insurances or benefit schemes;
- suppliers' invoices issued during 2020 which have not been settled;
- rent payable in respect of premises, offices and facilities;

- energy, water and other supplies' costs;
- externalized labour costs;
- taxes payable as from March 17, 2020;
- matured financial obligations which fall due after March 17, 2020 (including, for the avoidance of doubt, any matured ordinary payment of principal and/or interest in respect of any loan made under the Senior Secured RCF Agreement, which ordinary repayment falls due after March 17, 2020).
- any other ordinary operating expenses; and
- in general, financing and liquidity requirements of the Group.

Interest rates and fees

Interest accrues during interest periods with a duration of 3 months in the case of the Sabadell Bilateral Facility Agreement and 1, 3 or 6 months, at the Borrowers' choice, in the case of the Term Facility Agreement, in both cases at a rate equal to EURIBOR plus the applicable margin (set forth in the table below). The margin applicable is adjusted based upon the ratio of Net Financial Indebtedness to consolidated EBITDA (as defined in the Term Facility 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 or equal to 4.0:1	3.305
Greater than or equal to 3.5:1 but less than 4.0:1	3.155
Less than 3.5:1	2.905

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 Borrower shall pay to Banco Bilbao Vizcaya Argentaria, S.A. and Banco Santander, S.A. a coordination fee to be distributed among the Lenders in proportion to their respective commitments.

The Borrower shall pay to the Lenders an arrangement/ structuring fee to be distributed among the Lenders in proportion to their respective commitments.

Guarantees and security

The Term Facility Agreement and the Sabadell Bilateral Facility Agreement are guaranteed on a senior basis by the Guarantors on the same terms as the Notes and the Senior Secured RCF.

The Term Facility Agreement and the Sabadell Bilateral Facility Agreement are unsecured.

Without prejudice to the above, 70% of the principal amount due under the Term Facility Agreement and the Sabadell Bilateral Facility Agreement will be partially guaranteed by the Kingdom of Spain pursuant to the ICO Guarantees.

Undertakings

The Term Facility Agreement and the Sabadell Bilateral Facility Agreement contain certain customary negative undertakings in substantially similar terms as provided for under the Senior Secured RCF Agreement 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 Senior Secured RCF Agreement;

- 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 Term Facility 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)
Higher than 4.0:1	0
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 Senior Secured RCF Agreement;
- 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 Senior Secured RCF Agreement;
- carry out corporate reorganisations and mergers, in substantially similar terms as provided for under the Senior Secured RCF Agreement;
- change its businesses or corporate purposes;
- carry out any transactions that are not in arms-length terms; and
- in accordance with the regulation applicable to ICO Guarantees, as long as there is any indebtedness owed by the Borrower to any Lender under the Term Facility Agreement or the Sabadell Bilateral Facility Agreement which is covered by an ICO Guarantee, the Company shall not (and shall ensure that no other member of the Group will) exercise any right to perform any total or partial voluntary prepayment in relation to any indebtedness owed by the Borrower or any of its subsidiaries to such Lender. Consequently, the Lenders will reject any request to such end or any voluntary prepayment made by the Borrower or any other member of the Group in breach of this undertaking.

Likewise, the Term Facility Agreement and the Sabadell Bilateral Facility Agreement contain certain customary positive undertakings in substantially similar terms as provided for under the Senior Secured RCF Agreement 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.

Furthermore, the Term Facility Agreement and the Sabadell Bilateral Facility Agreement contain certain undertakings to comply with the regulation applicable to ICO Guarantees and to carry out such actions and provide such information as may be necessary in order for the Lenders to obtain and maintain the ICO Guarantee.

Financial covenants

The Term Facility Agreement and the Sabadell Bilateral Facility Agreement contain 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 Term Facility Agreement

The Borrower and the Lenders have agreed to a waiver of the financial covenants stipulated in Term Facility Agreement and Sabadell Bilateral Facility Agreement until June 30, 2022 (inclusive).

In addition, the maximum investment on capital expenditure effectively disbursed by the Group during the financial year ending on December 31, 2020 shall not, subject to certain carveouts, exceed €200,000,000 (including accrued VAT).

Maturity

Any amounts drawn under the Term Facility Agreement and the Sabadell Bilateral Facility Agreement outstanding must be repaid on April 29, 2026.

Voluntary cancellation and prepayment

Subject to certain conditions, the Issuer may voluntarily cancel any available commitments, or voluntarily prepay any outstanding loans, under the Term Facility Agreement and the Sabadell Bilateral Facility Agreement by giving seven business days' prior notice, provided that the Borrower shall pay to the Lenders the proportional part of the latest annual fee effectively paid in advance to ICO by such Lenders in respect of the ICO Guarantee granted to them corresponding to the period of time starting on (but excluding) the prepayment date and ending (and including) the date on which the 12 months period covered by such fee ends.

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 Term Facility Agreement and the Sabadell Bilateral Facility Agreement or to fund or maintain its participation in any loan thereunder, upon serving notice to the Borrower, 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 Term Facility Agreement and the Sabadell Bilateral Facility Agreement, the 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 Term Facility Agreement and the Sabadell Bilateral Facility Agreement 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 Term Facility Agreement and the Sabadell Bilateral Facility 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 (other than MHG Continental Holding (Singapore) Pte. Ltd. or any other affiliate of Minor International Public Company Limited) acting in concert:

- (a) acquiring shares in the Issuer so that the shares that it owns following such acquisition represent, 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.

If:

- (i) all or part of the ICO Guarantee granted in respect of a Lender's commitment is or becomes inexistent, illegal, invalid or unenforceable for any reason or cause other than as a direct consequence of: (1) it ceasing to be an eligible Lender for the purposes of being the beneficiary of an ICO Guarantee or having breached its obligations vis-à-vis ICO, (2) a waiver, termination or rescission by such Lender of such ICO Guarantee, or (3) an assignment of rights under this Agreement made by or to such Lender; and
- (ii) such Lender so requires and notifies the Agent and the Borrower,

the Company and the relevant Lender (and, if appropriate or convenient, the rest of the Lenders) shall negotiate in good faith for a period of two months from the date of such notification the alternatives to the prepayment of such Lender's participation in the loans including, without limitation, providing liens on assets of the Borrower or any guarantor to secure such Lender's or all of the Lenders' obligations under the Term Facility Agreement and the Sabadell Bilateral Facility Agreement or the refinancing of all or part of the loans outstanding. If the referred negotiation period lapses without a solution satisfactory to the relevant Lender (and, to the extent their consent is required, the rest of the Lenders), then the Borrower shall repay that Lender's participation in the loans made to the Borrower under the Term Facility Agreement and the Sabadell Bilateral Facility Agreement within three (3) Business Days from the notification delivered by the Lender to the Agent and the Borrower following the lapse of the negotiation period.

Representations and warranties

The Term Facility Agreement and the Sabadell Bilateral Facility Agreement contain representations and warranties in substantially similar terms as provided for under the Senior Secured RCF Agreement and which are customary for financings of this nature (with customary and agreed thresholds, qualifications and carveouts) including, *inter alia*, 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, 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.

Furthermore the Term Facility Agreement and the Sabadell Bilateral Facility Agreement contain representations and warranties in relation to the requirements for financings to be eligible for an ICO Guarantee and other matters relating to the regulation applicable to ICO Guarantees including, *inter alia*, the limits provided for under the Temporary Framework for State Aid to support the economy in the context of the COVID-19 outbreak, adopted on March 19, 2020 by the European Commission.

Events of default

The Term Facility Agreement and the Sabadell Bilateral Facility Agreement contain events of default in substantially similar terms as provided for under the Senior Secured RCF Agreement which are customary for financings of this nature (with customary and agreed thresholds, qualifications, carveouts and cure periods), including, *inter alia*, 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 majority of Lenders (as defined in the Term Facility Agreement) to cancel all available commitments under the Term Facility Agreement and the Sabadell Bilateral Facility Agreement and declare all amounts owed under the Term Facility Agreement and the Sabadell Bilateral Facility 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 Term Facility Agreement and the Sabadell Bilateral Facility Agreement and declare all amounts owed to such Lender under the Term Facility Agreement and the Sabadell Bilateral Facility Agreement due and payable.

Governing law

The Term Facility Agreement and the Sabadell Bilateral Facility Agreement are governed by Spanish law.

Intercreditor Agreement

The following is a summary of the provisions of the Intercreditor Agreement dated as of November 8, 2013, among, *inter alios*, the Issuer, NH Finance, S.A. and certain other parties who entered into the Intercreditor Agreement to establish the relative rights of certain of the Group's creditors, including any Additional Senior Financings. The Intercreditor Agreement was amended on September 29, 2016 and is expected to be further amended within five business days of the Issue Date. For the purposes of the Intercreditor Agreement, "Additional Senior Financings" means debt, including the 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 Indenture, the Senior Secured RCF Agreement or any other Senior Financing Documents (as defined thereunder).

The Intercreditor Agreement sets forth:

- the ranking of the indebtedness under the 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 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, with the exception of the security interests over the NH Italia Shares, the Zandvoort Shares and the Mortgage Properties, which shall secure the Senior Secured RCF on a first-ranking basis and the Notes on a second-ranking basis.

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 66²/3% 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 Trustee on its own behalf and on behalf of the holders of the Notes; 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, the Notes (in accordance with the Indenture) 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 (as defined in the Intercreditor Agreement) 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 Security Agent, Trustee, Senior Secured Creditors and creditors in respect of intra-Group debt) 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 March 31, 2021, interest rates per annum and the assets securing the loan.

Group Entity Borrower	Maturity date	Amount outstanding as of March 31, 2021 (€ in millions)	Interest rate per annum	Collateral
NH Italia S.p.A.....	2021	0.4	EURIBOR+0.9%	NH Villa San Mauro
Hoteles Royal, S.A.	2021	0.3	Fixed rate: 3.15%	NH Plaza Santiago
Hoteles Royal, S.A.	2022	0.7	Fixed rate: 3.15%	NH Plaza Santiago
Hoteles Royal, S.A. ⁽¹⁾	2036	15.6	Fixed rate: 5.20%	NH Plaza Santiago
Wilan Ander, S.L. ⁽²⁾	2024	3.9	Swap 4.8%+ 1.2%	NH Santander
Wilan Huel, S.L. ⁽²⁾	2024	2.8	Swap 4.8%+ 1.2%	NH Huelva
Palacio de la Merced, S.A. ⁽³⁾	2025	2.9	EURIBOR+1.5%	NH Palacio de la Merced
Total Secured Loans.....		26.7		

- (1) This facility was used to refinance former mortgage debt of Hoteles Royal, S.A. in Chile denominated in Chilean Peso. On June 28, 2018, this facility was refinanced at improved conditions: fixed rate from 8.55% to 7.10%, mortgage release of the NH Antofagasta hotel and modification of the amortization schedule in order to adapt the repayment of the loan to cash generation. In October 2019, this facility was repriced: fixed rate from 7.10% to 5.20%.
- (2) These mortgage loans are fully consolidated on the Issuer's accounts, following the acquisition of 100% of both companies in 2017.
- (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.. Current stake of NH Hoteles España, S.A. is 88%

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 loans

The following loans represent unsecured and subordinated obligations 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, 2020, €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.

Shareholder Loan

On May 12, 2021, the Issuer, as borrower, and MHG Continental Holding (Singapore) Pte Ltd., as lender, entered into a subordinated convertible term loan facility agreement for an amount of €100,000,000 (the "*Shareholder Loan*").

The Issuer shall apply all amounts borrowed by it under the Shareholder Loan towards the general corporate and working capital purposes of the Group.

Interest on the loan under the Shareholder Loan accrues during interest periods with a duration of 12 months at a rate equal to EURIBOR plus a margin of 6% per annum. By way of exception, the first interest period will be from May 12, 2021 to December 31, 2021. Any interest accrued during each interest period shall be automatically capitalized on the last day of such interest period.

The Issuer shall repay or convert into shares in the Issuer the loan under the Shareholder Loan in full on or before: (a) if the Issuer exercises its right to convert the loan into shares in the Issuer, the date of conversion, and (b) if the Issuer does not exercise its right to convert the loan into shares in the Issuer on or before December 31, 2026, on December 31, 2026.

If the lender or its Affiliates cease to directly or indirectly control the Issuer or if a substantial part or all of the Group's business and assets are transferred, the lender may accelerate the loan made under the Shareholder Loan, provided that the Issuer shall be entitled to convert the loan into shares in the Issuer if that occurs. The Issuer may prepay the whole or any part of the loan subject to certain requirements.

The Issuer is entitled to convert into newly-issued and/or existing ordinary shares in the Issuer, at any time on or prior to December 31, 2026, the whole (but not part only) of the outstanding principal amount of the loan under the Shareholder Loan, the capitalized interest thereof from time to time (if any) and the interest accrued (and not already capitalized) up to (but excluding) the date of conversion. The issue price of the shares in the Issuer for the purposes of the conversion shall be determined by the Issuer at its discretion, provided that such issue price will not exceed the arithmetic average of the daily volume weighted average price of the shares on the Spanish Stock Exchanges during the period of 5 consecutive trading sessions ending immediately prior to (but excluding) the date of conversion. The issue price of the shares that are expected to be issued in the context of the share capital increase that will capitalize the amounts owed under the Shareholder Loan will be equivalent to the subscription price of the Rights Offering.

The rights of the lender under the Shareholder Loan are expressly subordinated to the rights of all other unsubordinated creditors of the Issuer. Due to such subordination the lender shall not be entitled to receive or claim any payment under the Shareholder Loan or otherwise in respect of the loan made thereunder or accelerate the loan or otherwise declare the loan to be early matured, unless permitted under all the financing documents or agreements binding on the Issuer (provided that such subordination may not prevent the Issuer from converting the Shareholder Loan into shares as referred to herein above).

Unsecured loans

Unsecured Working Capital Facilities

Borrower	Lender	Limit (€ in millions)	Amount outstanding (€ in millions) as of March 31, 2021
NH Hotel Group, S.A.	Bankinter	10.0	3.0
NH Finance, S.A.	HSBC	6.0	5.0
NH Finance, S.A.	BNP	8.0	-
NH Hotel Group, S.A.	BBVA	10.0	2.0
NH Hotel Group, S.A.	Santander	8.0	7.0
Total		42.0	17.0

Other Unsecured Loans

New York Capex Term Facility

On July 25, 2018, Jolly Hotels USA Inc. and the Company, as co-borrowers, signed a five-year \$50 million term facility with Banco Sabadell to fund the repositioning capital expenditure of our hotel on Madison Avenue in New York (the "*New York Capex Term Facility*"). This facility is unsecured and has a full and unconditional guarantee from the Company. The final maturity date of this facility falls on July 25, 2023. This facility includes similar financial covenants to the Senior Secured RCF and the COVID Related ICO Facilities. As of March 31, 2021, this facility was fully drawn in an amount of \$50 million (€42.6 million)

New bilateral loans

Since the COVID-19 pandemic began in March 2020, we have benefited from various governmental support and guarantee programs. In particular, we have entered into the following bilateral loans:

- In May 2020, the Company signed a bilateral loan agreement with Caixabank in the amount of €10 million for a term of two years, within the legal framework established by the Spanish government to mitigate the economic impact of the COVID-19 pandemic, including a guarantee provided by ICO. The facility is unsecured and the final maturity date of the loan falls in May 2022. In May 2021, this loan was amended and extended for three additional years, maturing in May 2025 with quarterly amortization until maturity; and
- In July 2020, the Company signed a bilateral loan agreement with Abanca in the amount of €7.5 million for a term of three years, also within the legal framework established by the Spanish government to mitigate the economic impact of the COVID-19 pandemic, including a guarantee by ICO. The facility is unsecured and the final maturity date of the loan falls in July 2023. In April 2021, this loan was amended and extended for three additional years, maturing in July 2026 with monthly amortization from August 2022 until maturity; and
- In October 2020, NH Italia S.P.A. signed a bilateral loan agreement with Banco Banca Popolare di Milano in the amount of €15 million for a term of six years, which is guaranteed by the Italian government (SACE guarantee). This facility is unsecured and the final maturity date of the loan falls in September 2026. This loan is amortizing from September 2022, with quarterly amortization until maturity; and
- Several additional bilateral loans amounting €6.6 million have been signed between June and September 2020 in other regions, out of which €4.1 million are also guaranteed by local governments.

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.

The Company will issue €400 million aggregate principal amount of senior secured notes due 2026 (the “Notes”) under an Indenture (the “*Indenture*”) dated the Issue Date among itself, the Guarantors, BNP Paribas Trust Corporation UK Limited, as the trustee (in such capacity, the “*Trustee*”), BNP Paribas Trust Corporation UK Limited, as the security agent (in such capacity, the “*Security Agent*”), and BNP Paribas Securities Services, Luxembourg Branch, as paying agent, transfer agent and registrar, and pursuant to a public deed of issuance (*escritura de emisión*) to be granted pursuant to Spanish law on or before the Issue Date. The 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.

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 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 may be obtained 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.

In accordance with applicable Spanish law, the Company will grant, on or prior to the Issue Date, before a Spanish notary public, a public deed relating to the issuance of the Notes (the “*Spanish Deed of Issuance*”) that will be presented for registration with the Commercial Registry of Madrid, on or around Issue Date. Additionally, the Indenture will obtain the status of public document through the execution of the relevant public deed by the Company, the Trustee and the Security Agent before a Spanish notary public on or around Issue Date.

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 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 Notes offered hereby and any Additional Notes actually issued.

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 obligations of the Company;
- be secured on a first-priority basis along with obligations under 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 and the COVID Related ICO Facilities;

- rank senior in right of payment to existing and future obligations of the Company that are subordinated to the Notes, including obligations under the Shareholder Loan;
- 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 March 31, 2021, after giving pro forma effect to the Transactions, we would have had total Indebtedness, including the Notes, of €1,051.0 million (excluding operating lease liabilities and the Shareholder Loan), of which €28.8 million represented Indebtedness of the Company's Restricted Subsidiaries that are not Guarantors.

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 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 such Guarantor's Notes Guarantee, including guarantees of obligations under the Revolving Credit Facility and the COVID Related ICO Facilities;
- rank senior in right of payment to existing and future obligations of the applicable Guarantor that are subordinated to such 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 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

Latina de Gestión Hotelera, S.A.
NH Hoteles Austria, GmbH
Hotel Exploitiemaatschappij Diegem N.V.
IMMO HOTEL BCC NV
IMMO HOTEL BELFORT NV

Jurisdiction

Argentina
Austria
Belgium
Belgium
Belgium

IMMO HOTEL BRUGGE NV
IMMO HOTEL DIEGEM NV
IMMO HOTEL GENT NV
IMMO HOTEL GP NV
IMMO HOTEL MECHELEN NV
IMMO HOTEL STEPHANIE NV
Jolly Hotels Belgium S.A.
Hotelera de Chile
NH Hotels Czequia, s.r.o.
NH Hoteles France S.A.S.U.
NH Central Europe, GmbH & Co. KG
Jolly Hotels Deutschland, GmbH
NH Hotelbetriebs.-u. Dienstleistungs, GmbH
NH Hotelbetriebs-u. Entwicklungs, GmbH
NH Hoteles Deutschland, GmbH
NH Italia, S.p.A.
NH Finance, S.A.
Chartwell de Nuevo Laredo, S.A. de C.V.
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.
Grupo Hotelero Monterrey, S.A. de C.V.
Servicios Corporativos Hoteleros, S.A. de C.V.
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.
Operadora Nacional Hispana S.A. de C.V.
Hotelera de la Parra, S.A. de C.V.
NH Hotels Polska, Sp. zo.o.
NH Hotel Rallye Portugal, Lda.
NH Management Black Sea, S.R.L.
NH Central Reservation Office, S.A.U.
NH Cash Link, S. L.U.
NH Europa, S.L.U.
NH Hotel Group, S.A.
NH Hoteles España, S.A.U.
NH Atardecer Caribeño, S. A.U.
Nuevos Espacios Hoteleros, S.A.U
NH Hoteles Switzerland GmbH
De Sparrenhorst B.V.
Exploitatiemaatschappij Doelen Hotel B.V.
Exploitatiemaatschappij Schiller Hotel B.V.
Hotel Exploitatiemaatschappij Atlanta Rotterdam B.V.
Hotel Exploitatiemaatschappij Forum Maastricht B.V.
Hotel Exploitatiemaatschappij Jaarbeursplein Utrecht B.V.
Hotel Exploitatiemaatschappij Janskerkhof Utrecht B.V.
Hotel Exploitatiemaatschappij Onderlangs Arnhem B.V.
Hotel Exploitatiemaatschappij Spuistraat Amsterdam B.V.
Hotel Exploitatiemaatschappij Stadhouderskade Amsterdam B.V.
Hotel Exploitatiemaatschappij Van Alphenstraat Zandvoort B.V.
Hotel de Ville B.V.
Hotel Exploitatiemaatschappij Amsterdam Noord B.V.
Hotel Exploitatiemaatschappij Leijenberghlaan Amsterdam B.V.
Hotel Exploitatiemaatschappij Capelle a/d IJssel B.V.
Hotel Exploitatiemaatschappij Stationsstraat Amersfoort B.V.
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam B.V.
Hotel Exploitatiemaatschappij Vijzelstraat Amsterdam B.V.
Jolly Hotels Holland N.V.
Koningshof B.V.
Leeuwenhorst Congres Center B.V.
NH Private Equity BV
Olofskapel Monumenten B.V.
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam B.V.

[illegible]

Guarantor

Onroerend Goed Beheer Maatschappij Capelle aan den IJssel B.V.
 Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer B.V.
 Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden B.V.
 Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp B.V.
 Onroerend Goed Beheer Maatschappij Marquette Heemskerk B.V.
 Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort B.V.
 Palatium Amstelodamum N.V.
 Highmark Hoofddorp B.V.
 Museum Quarter B.V.
 Hotel Exploitiemaatschappij Eindhoven B.V.
 Hotel Exploitiemaatschappij Epen Zuid-Limburg B.V.
 NHOW Rotterdam B.V.
 Hotel Exploitiemaatschappij Flowermarket B.V.
 Columbia Palace Hotel, S.A.
 Jolly Hotels USA, Inc.

Jurisdiction

The Netherlands
 The Netherlands
 The Netherlands
 The Netherlands
 The Netherlands
 The Netherlands
 The Netherlands
 The Netherlands
 The Netherlands
 The Netherlands
 The Netherlands
 The Netherlands
 The Netherlands
 The Netherlands
 The Netherlands
 Uruguay
 USA

The Guarantors will consist of certain of the Company's Subsidiaries incorporated in Argentina, Austria, Belgium, Chile, Czech 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 68.6% of our total assets as of December 31, 2020 and represented 84.4% and 73.9% of our net turnover and EBITDA, respectively, for the year ended December 31, 2020, and the Company and the Guarantors together comprised 80.5% of our total assets as of December 31, 2020 and represented 86.6% and 83.6% of our net turnover and EBITDA, respectively, for the year ended December 31, 2020.

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 will be limited to €90 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 "*—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 covenant described under the caption "*Certain Covenants—Limitation on sales of assets and equity interests in Restricted Subsidiaries*", and all obligations of the Guarantor with respect to Indebtedness under the Revolving Credit Facility and the COVID Related ICO Facilities 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 "*—Amendments, Supplements and Waivers*";

- (5) in the case of a Notes Guarantee granted pursuant to the covenant described under the caption “*Certain Covenants—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;
- (6) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement; or
- (7) in connection with a transaction permitted by the covenant described under “*Certain Covenants—Merger, Consolidation or Sale of Assets*,” including, for the avoidance of doubt, any Permitted Reorganization and the Mexican Reorganization.

Security

The Collateral

Pursuant to the Security Documents, the obligations of the Company and the Guarantors under the Notes or the Notes Guarantees, as applicable, will initially be secured by (i) a lien on the shares of capital stock representing 100% of the share capital of (A) Immo Hotel Brugge NV, (B) Immo Hotel Diegem NV, (C) Immo Hotel Mechelen NV, (D) Immo Hotel Stephanie NV, (E) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort B.V., (F) Hotel Exploitiemaatschappij Diegem N.V. and (G) NH Italia, S.p.A., which shall be a first-priority lien in the case of subclauses (A) through (D) and (F) and a second-priority lien in the case of subclauses (E) and (G) but deemed and treated as first-ranking security interests under the Intercreditor Agreement (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) second priority mortgages, but deemed and treated as first-ranking mortgages under the Intercreditor Agreement, over the following properties located in the Netherlands: NH Eindhoven Conference Centre Koningshof owned by Koningshof, B.V.; NH Conference Centre Leeuwenhorst owned by Leeuwenhorst Congres Center, 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 Capelle owned by Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.; and NH Naarden owned by Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V. (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 and the Notes Guarantees on a *pari passu* basis with the Revolving Credit Facility (with the exception of the security interests over the NH Italia Shares, the shares of capital stock representing 100% of the share capital of Zandvoort and the Mortgage Properties, which shall secure the Senior Secured RCF on a first-ranking basis and the Notes on a second-ranking basis but deemed and treated as first-priority security interests under the Intercreditor Agreement), subject to the Intercreditor Agreement and any Additional Intercreditor Agreement, as described under “*Description of Certain Financing Arrangements—Intercreditor Agreement*”.

The Security Documents will be executed on 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 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 Security Interests over the Collateral may also be released 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 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 enforce Security Interests over 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 Collateral may be restricted by Spanish law"*, *"—Fraudulent conveyance laws may limit your rights as a holder of Notes"* and *"—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 interests 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 Security Interests created under the Security Documents, the Security Agent will take direction from the Trustee (subject to the terms of the Intercreditor Agreement). 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 Security Interests 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 issues, 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 under 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.

Neither the Indenture nor the Security Documents will restrict the Company from accessing any insurance proceeds payable under insurance policies relating to the Collateral. If requested by the Company, the Security Agent shall provide written confirmation to such effect directed to any relevant insurance provider.

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 Security Interests 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 covenant described under *"Certain Covenants—Impairment of Security Interests"*, the Security Documents and the Intercreditor Agreement.

The Security Interests over the Collateral granted under 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 the Release LTV; and
(b) all Security Interests over such Collateral securing any Secured Pari Passu Indebtedness, including the Revolving Credit Facility, are also released;

- (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 is disposed of pursuant to an enforcement of the Security Interests 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 pledged on a first-priority basis 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 (i) “*—Amendments, Supplements and Waivers*” or (ii) the second paragraph under “*Certain Covenants—Liens*” so long as immediately after the release there is no other Indebtedness secured by a Lien on the property or assets that was the subject of the Initial Lien that would result in the requirement for the Notes to be secured equally and ratably with, or prior to, such Lien; or
- (7) in connection with a transaction permitted by the covenant described under “*Certain Covenants—Merger, Consolidation or Sale of Assets,*” including, for the avoidance of doubt, any Permitted Reorganization and the Mexican Reorganization.

The Security Agent will take all reasonable action required to effectuate any release of Security Interests over the 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

On the Issue Date or within five business days thereafter, the Trustee shall become a party to the Intercreditor Agreement, 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 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 of the Security Interests over the Collateral will be applied (subject to certain claims of the 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 Revolving Credit Facility and the guarantees of obligations under 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 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 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

The Company will issue €400,000,000 in aggregate principal amount of Notes on the Issue Date. The Notes will mature on July 2, 2026.

Interest on the Notes will accrue at the rate of 4.00% per annum and will be payable semi-annually in arrears on January 2 and July 2 of each year, commencing on January 2, 2022. The Company will make each interest payment to the holders of record of the Notes on the immediately preceding Business Day. 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*”. 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*”) and a transfer agent (the “*Transfer Agent*”) for the Notes. 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.

The Company also will maintain one or more registrars (each a “*Registrar*”). The initial Registrar will be 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. Notice of any change of Paying Agent, Transfer Agent or Registrar may be published on the official website of the Luxembourg Stock Exchange (www.bourse.lu), to the extent and in the manner required by the rules of the Luxembourg Stock Exchange.

Form of Notes and Minimum Denomination

The Notes will be initially 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 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; or
- (3) any other jurisdiction from or through which payment on the Notes or a Note 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 (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 (including the delivery of a certificate of tax residency issued by the relevant tax authorities) 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 or beneficial owner (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 Taxes imposed on or with respect to any payment to a holder or beneficial owner 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 but not limited to 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 July 29 and any implementing legislation or regulation thereof;
- (7) 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 Spanish tax authorities determine that the Notes do not comply with exemption requirements specified in the ruling of the General Directorate of Taxation (*Dirección General de Tributos*) dated July 27, 2004, and require a withholding to be made;
- (8) any Taxes withheld or deducted 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 amended or successor version of such Sections), any regulations, official interpretations with respect to such Sections, or any intergovernmental agreements entered into in connection with the implementation of such Sections or any law, regulation or other official guidance enacted by any other jurisdiction relating to such intergovernmental agreement; or
- (9) any combination of (1) through (8) 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 required by applicable law and (ii) remit the full amount deducted or withheld in accordance with applicable law of the Relevant Taxing Jurisdiction. 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 (including any premium payable in respect of Notes, any redemption amount and any other amounts in the nature of principal payable),
- (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 (and indemnify the holder for) any present or future stamp, issue, registration, transfer, court or documentary or similar Taxes or any other excise, property or similar Taxes which arise in any Relevant Taxing Jurisdiction in connection with the execution, issuance, delivery, enforcement or registration 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 July 2, 2023, 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 104% 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 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 July 2, 2023, 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 July 2 of the years indicated below:

Year	Percentage
2023.....	102.000%
2024.....	101.000%
2025 and thereafter.....	100.000%

Prior to July 2, 2023, the Company may redeem during each twelve-month period commencing with the 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 July 2, 2023, 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).

Tender Offers

Notwithstanding the foregoing, in connection with any tender offer for the Notes (including, without limitation, any Change of Control Offer and any Asset Disposition Offer), if holders of Notes of not less than 90% in aggregate

principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Company, or any third-party making such a tender offer in lieu of the Company, purchases all of the Notes validly tendered and not withdrawn by such holders, all of the holders of the Notes will be deemed to have consented to such tender or other offer and, accordingly, the Company or such third-party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) following such purchase at a price equal to the price (excluding any early tender fee) offered to each other holder of Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but excluding, such redemption date. In determining whether the holders of at least 90% of the aggregate principal amount of the then-outstanding Notes have validly tendered and not validly withdrawn such Notes in a tender offer, Notes owned by the Company or its Affiliates or by funds controlled or managed by any Affiliate of the Company, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer.

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 Issue Date (or, if a Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the 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 Issue Date (or, if a Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the 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. 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 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 may 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 or in Subordinated Shareholder Funding, (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) (i) 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 (ii) make any cash interest payment or any principal payment on, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding; 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 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 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; *provided, however*, that any deficit relating to any quarter ending on or prior to March 31, 2022 shall be disregarded), *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 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 Issue Date) or Subordinated Shareholder Funding 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) or Subordinated Shareholder Funding, *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 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 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 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 any of the following (collectively, "*Permitted Payments*"):

- (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), Subordinated Shareholder Funding 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), Subordinated Shareholder Funding 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 Issue Date *plus* the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding) 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 Refinancing;
- (12) other Restricted Payments made after the 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); and
- (13) the conversion of the Shareholder Loan into Equity Interests as described in this Offering Memorandum under the caption “*Summary—Recent Developments—Shareholder Loan*”,

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.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) through (13) of the second paragraph of this covenant, or is permitted pursuant to the first paragraph of this covenant and/or one or more of the clauses contained in the definition of “Permitted Investment,” the Company will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as an Investment pursuant to one or more clauses contained in the definition of “Permitted Investment.”

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 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;
 - (3) the incurrence (a) by the Company of Indebtedness represented by the Notes to be issued hereby (but not including any Additional Notes), and (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);
 - (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 to be repaid from the proceeds of the 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 described under “—*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) (i) 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) and (ii) Indebtedness arising from Cash Management Services;
- (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;
- (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 Subordinated Shareholder Funding or 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 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; and

- (18) Indebtedness incurred under any Regulatory Debt Facility in a maximum aggregate principal amount at any time outstanding not exceeding €60 million;

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* that if at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall 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 this covenant, then the Company shall be in Default of 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 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 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.

Any such Lien created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under “—*Security—Release of Security Interests.*”

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,

provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (1) agreements governing Existing Indebtedness, the Revolving Credit Facility and the Bilateral Credit Facilities as in effect on or prior to the 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 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 not materially 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 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 Notes and the Intercreditor Agreement, together with the Security Documents associated therewith, as in effect on the 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 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 Notes, the Security Documents and the Intercreditor Agreement (as in effect on the 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.

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.

General

Notwithstanding anything to the contrary contained herein, this “—*Merger and Consolidation or Sale of Assets*” covenant will not apply to (i) a sale, assignment, transfer, conveyance or other disposition of assets between or among the Company and any of the Guarantors, (ii) a sale, assignment, transfer, conveyance or other disposition of assets of a Restricted Subsidiary that is not a Guarantor into the Company or a Guarantor or into another Restricted Subsidiary, (iii) any transaction or arrangement that is a Permitted Reorganization or (iv) the Mexican Reorganization. Notwithstanding clause (4) under “—*Merger and Consolidation—The Company*”, 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.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

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, 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.

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 or Subordinated Shareholder Funding; provided that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by the Board of Directors of the Company in their reasonable determination;
- (5) Permitted Investments or Restricted Payments that are permitted by the covenant 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 lessors, customers, licensors, licensees, 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 Refinancing and the conversion of the Shareholder Loan into Equity Interests as described in this Offering Memorandum under the caption "*Summary—Recent Developments—Shareholder Loan*";
- (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 Issue Date, as such agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time after the Issue Date (to the extent not more disadvantageous to the holders of the Notes in any material respect); and
- (9) any Permitted Reorganization or the Mexican Reorganization.

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 (including by way of relief from, or by any other Person (other than the Company or any of its Restricted Subsidiaries) assuming responsibility for, any liabilities, contingent or otherwise) 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 an amount equal to such Net Cash Proceeds, if any, at its option:

- (1) (a) to repay, repurchase, prepay or redeem (including through open market purchases, voluntary tender offers or privately negotiated transactions at market prices) (i) any Indebtedness incurred under clause (1) of the second paragraph of the covenant described under “—*Incurrence of Indebtedness and Issuance of Preferred Stock and Disqualified Stock*”; (ii) the Notes; (iii) 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 (iv) 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; or *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness (other than the Notes or any revolving Indebtedness (including, for the avoidance of doubt, under the Revolving Credit Facility)), 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; or (b) unless included in clause (a), to prepay, repay or purchase *Pari Passu* Indebtedness and/or the COVID Related ICO Facilities; *provided* that the Company shall redeem, repay or repurchase *Pari Passu* Indebtedness and/or the COVID Related ICO Facilities 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 and/or the COVID Related ICO Facilities, as applicable;
- (2) purchase Notes pursuant to an offer to all holders at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest thereon and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date);
- (3) 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;
- (4) to make a capital expenditure;
- (5) to acquire or invest in other long-term assets (other than Indebtedness or Capital Stock) that are used or useful in a Permitted Business;
- (6) to enter into a binding commitment to apply the Net Cash Proceeds pursuant to clauses (3),(4) or (5) 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
- (7) 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, to the extent the Company elects, to repay, repurchase, prepay or redeem *Pari Passu* Indebtedness containing similar asset sale provisions and the COVID Related ICO Facilities, to repay, repurchase, prepay or redeem the maximum principal amount of Notes, such *Pari Passu* Indebtedness and COVID Related ICO Facilities, as applicable, that may be repaid, repurchased, prepaid or redeemed 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 repayment or 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 and COVID Related ICO Facilities, as applicable, surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes on the one hand and Pari Passu Indebtedness and COVID Related ICO Facilities on the other hand to be repaid, repurchased, prepaid or redeemed on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes, Pari Passu Indebtedness and COVID Related ICO Facilities, as applicable. 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 covenant described above under “—*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 accedes to the Intercreditor Agreement (or enters into an Additional 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 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 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 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 Issue Date becomes a Property Company as promptly as practicable following such Restricted Subsidiary becoming a Property Company.

Notwithstanding the preceding paragraphs of this covenant, this covenant shall not apply to: (1) the granting by any Restricted Subsidiary of a Permitted Lien or Permitted Collateral Lien or (2) any guarantees incurred in connection with Cash Management Services.

Impairment of Security Interests

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 Revolving Credit Facility, the Term Facility Agreement, the Bilateral Facility Agreement and Hedging Obligations relating to the Notes, the Revolving Credit Facility and the COVID Related ICO Facilities, (y) guarantees of the Term Facility Agreement and the Bilateral Facility Agreement or (z) 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 Issue Date, (1) the Notes are rated (a) BBB- or better by Fitch and (b) Baa3 or better by Moody's (or, if either Fitch or Moody's ceases to rate the Notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from S&P 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*”;
- (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 BBB- or Baa3, 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 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 deemed to have been outstanding on the 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, 2021, annual reports containing a level of detail that is comparable in all material respects to this 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 two 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 and material changes in liquidity and capital resources; (d) a description of the business, management and shareholders of the Company, and a description of all 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, 2021) 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, 2021), 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 and material changes in liquidity and capital resources; 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 publicly, 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 Summary Valuation Report with respect to the Collateral and may deliver any Interim Summary Valuation Report or Supplemental Summary 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 and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, 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.

For so long as the equity securities of the Company or any Parent are listed on the regulated market of an internationally recognized stock exchange and the Company or such Parent is subject to the reporting requirements applicable to issuers of equity securities admitted to trading on such regulated market, the requirements of this covenant shall be considered to have been fulfilled for all purposes if the Company or such Parent complies in all material respects with the reporting requirements of such regulated market; *provided, however*, that the Company shall in any event continue to comply with the second paragraph of this covenant.

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 on the Collateral 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).

Financial Calculations

When determining whether any transaction is permitted under the Indenture, the Company shall be permitted to test it, at its option, (i) on the date binding documentation for such transaction is entered into, (ii) on the date that any

notice of any repayment, redemption, repurchase or refinancing of any Indebtedness is given to the holders thereof (if applicable), or (iii) on the date such transaction is consummated. If the Company elects to test the transaction as described in clauses (i) or (ii) above, the determination as to whether the transaction is permitted under the Indenture shall be made assuming that the transaction and other transactions to be entered into in connection therewith were consummated on the date binding documentation was entered into or such notice was given (each, an “*Alternative Testing Date*”), as applicable. If the transaction was permitted on the Alternative Testing Date chosen by the Company, it shall continue to be deemed so permitted under the Indenture even if it would have otherwise resulted in a Default or an Event of Default on the date it is consummated. When determining whether any transaction is permitted under the Indenture as of the Alternative Testing Date, the Company will make all necessary calculations as set forth under the definitions of “Consolidated EBITDA”, “Leverage Ratio” and “Fixed Charge Coverage Ratio.”

If the Company has elected to test a transaction on an Alternative Testing Date (an “*Alternative Testing Date Election*”), the transaction shall be deemed to have occurred on such date for the purposes of making any other determination under the Indenture, until such time (the “*Election Termination Time*”) as (a) the transaction is definitively terminated, cancelled or abandoned or (b) the Company has revoked its Alternative Testing Date Election and has instead opted to test the transaction on the date it is consummated, which the Company will be entitled to do, irrevocably and only once, at any time until the transaction is consummated. From the time the Company makes an Alternative Testing Date Election to the related Election Termination Time, the provisions of the Indenture will apply assuming that the relevant transaction was consummated on the Alternative Testing Date. No action properly taken by the Company or any of its Restricted Subsidiaries between an Alternative Testing Date Election and the related Election Termination Time will constitute a Default or an Event of Default under the Indenture. In addition, the Indenture will permit, without causing a Default or Event of Default, the Company or any of the Restricted Subsidiaries to honor any contractual commitments undertaken during such period of time, so long as they were not undertaken in anticipation of the Election Termination Time.

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 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 €35 million or more;

- (7) failure by the Company, or 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, 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 €35 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) with respect to Collateral having a Fair Market Value in excess of €35 million, 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 Collateral if such default results in the creditors under such Indebtedness commencing an enforcement action of their security rights over the Collateral, with respect to Collateral having a Fair Market Value in excess of €35 million; 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 will provide 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 respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of holders holding not less than 90% of the then outstanding amount of the Notes affected, in which case the consent of the holders of at least 90% shall be required, as described under “*Certain Covenants—Amendments, supplements and waivers*”).

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. Such waiver may not be effective to waive liabilities under the federal securities laws of the United States, and it is the view of the SEC that such a waiver is against public policy.

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 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.

Amendments, Supplements and Waivers

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 on 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, the Trustee and the Security Agent, if applicable, 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 Interests*” 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.

Except as otherwise set forth herein, any amendments permitted by the Indenture need only be duly authorized and executed by the Company, the Trustee and the Security Agent, if applicable, *provided* that, only the consent of the

Company, the Trustee and the relevant Notes Guarantor shall be required to give effect to any amendment or supplement providing for Additional Notes Guarantees or security or modifying the terms of Notes Guarantees or security pursuant to the immediately preceding paragraph.

Unless otherwise specified by the Company, a waiver authorized as described under this caption “*Amendments, Supplements and Waivers*” will become effective once the requisite consent of holders has been obtained, without execution of any supplemental indenture or other documentation. The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. Consent by a holder to any amendment or waiver under the Indenture given in connection with a tender of such holder’s Notes will not be rendered invalid by such tender.

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 are 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.

If requested in writing by the Company, which request may be included in the applicable notice of redemption or pursuant to the applicable Officer’s Certificate, the Trustee or the Paying Agent (or such other entity directed, designated or appointed (as agent) by the Trustee, for this purpose) shall distribute any amounts deposited to the holders prior to the applicable redemption date or Stated Maturity, as applicable, of the Notes; *provided* that holders shall have received at least three Business Days’ notice from the Company of such earlier repayment (which may be included in the notice of redemption). For the avoidance of doubt, the distribution and payment to holders prior to the applicable redemption date or Stated Maturity, as applicable, of the Notes as set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts. To the extent the applicable series of Notes are represented by a Global Note deposited with a common depository for a clearing system, any payment to the beneficial holders holding Book-Entry Interests as participants of such clearing system will be subject to the then applicable procedures of such clearing system.

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

The Indenture will provide that the Company and each Guarantor will appoint 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 will submit 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 will be governed by the laws of the State of New York.

Certain Definitions

“*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 acceding to the intercreditor agreement (or executing and delivering an Additional 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 Summary Valuation Report*” means (1) in the case of the Property Collateral, a property summary 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 summary 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.

For the avoidance of doubt, the Annual Summary Valuation Report shall set forth only the amounts described in clauses (1) and (2) above and not any explanations of how such amounts were determined.

“*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 July 2, 2023 (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 July 2, 2023 (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 Lien not prohibited by the covenant described above under the caption “—*Certain Covenants—Liens*” or foreclosures on assets;
- (13) the receipt of insurance proceeds relating to Property Collateral or other property or assets; and
- (14) 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*”, a sale, lease, conveyance or other disposition of our hotel located on Madison Avenue, which is being refurbished using the proceeds of the New York Capex Facility; *provided* that an amount equal to the proceeds thereof are used to repay the New York Capex Facility or any Permitted Refinancing Indebtedness in respect thereof (or other obligations arising under related finance documents, such as Hedging Obligations).

“*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.

“*COVID Related ICO Facilities*” means the Term Facility Agreement and the Bilateral Facility Agreement, collectively.

“*Bilateral Credit Facilities*” means:

- (i) the credit facility dated March 23, 2021 entered into among, *inter alios*, Hoteles Royal SA., as borrower, and Bancolombia, as lender;
- (ii) the credit facility dated March 23, 2021 entered into among, *inter alios*, Hoteles Royal SA., as borrower, and Bancolombia, as lender;

- (iii) the credit facility dated March 23, 2021 entered into among, *inter alios*, Hoteles Royal SA., as borrower, and Bancolombia, as lender;
- (iv) the credit facility dated March 23, 2021 entered into among, *inter alios*, Hoteles Royal SA., as borrower, and Bancolombia, as lender;
- (v) the credit facility dated March 23, 2021 entered into among, *inter alios*, Hoteles Royal SA., as borrower, and Bancolombia, as lender;
- (vi) the credit facility dated March 23, 2021 entered into among, *inter alios*, Hoteles Royal SA., as borrower, and Bancolombia, as lender;
- (vii) the credit facility dated March 23, 2021 entered into among, *inter alios*, Hoteles Royal SA., as borrower, and Bancolombia, as lender;
- (viii) the credit facility dated March 23, 2021 entered into among, *inter alios*, Hoteles Royal SA., as borrower, and Bancolombia, as lender;
- (ix) the credit facility dated March 8, 2021 entered into among, *inter alios*, Hoteles Royal SA., as borrower, and Bancolombia, as lender;
- (x) the credit facility dated January 23, 2019 entered into among, *inter alios*, Sociedad Hotelera Cien Internacional S.A., as borrower, and Bancolombia, as lender;
- (xi) the credit facility dated July 8, 2020 entered into among, *inter alios*, NH Hotel Group, S.A., as borrower, and Abanca, as lender;
- (xii) the credit facility dated May 7, 2020 entered into among, *inter alios*, NH Hotel Group, S.A., as borrower, and CaixaBank S.A., as lender,
- (xiii) the New York Capex Term Facility,
- (xiv) the credit facility dated October 23, 2020 entered into among, *inter alios*, NH Italia S.P.A., as borrower, and Banco Banca Popolare di Milano, as lender,
- (xv) the credit facility dated July 30, 2020 entered into among, *inter alios*, Latina de gestion Hotelera S.A., as borrower, and Banco BBVA Argentina S.A., as lender;
- (xvi) the credit facility dated August 17, 2020 entered into among, *inter alios*, Royal Santiago Hotel S.A., as borrower, and Itaú Corpbanca, as lender;
- (xvii) the credit facility dated May 30, 2020 entered into among, *inter alios*, NH Hotel Rallye Portugal, Unipessoal LDA., as borrower, and Banco BPI, S.A., as lender,
- (xviii) the credit facility dated July 24, 2020 entered into among, *inter alios*, Jolly Hotels USA, Inc., as borrower, and Bank of America, N.A., as lender,
- (xix) the credit facility dated November 22, 2006 entered into among, *inter alios*, NH Hoteles S.A., as borrower, and Merrill Lynch International, as lender
- (xx) the credit facility dated July 29, 2016 entered into among, *inter alios*, Inmobiliaria Royal SA as borrower, and Itau Corpbanca, as lender;
- (xxi) the credit facility dated June 18, 2018 entered into among, *inter alios*, Wilan Ander, S.L., as borrower, and Banco Bilbao Vizcaya Argentaria, S.A., as lender
- (xxii) the credit facility dated June 16, 2018 entered into among, *inter alios*, Wilan Huel, S.L., as borrower, and Banco Bilbao Vizcaya Argentaria, S.A., as lender;

- (xxiii) the credit facility dated December 20, 2006 entered into among, *inter alios*, NH Italia S.P.A., as borrower, and Unicredit Banca d'impresa SpA., as lender;
- (xxiv) the credit facility dated December 10, 1998 entered into among, *inter alios*, Palacio de la Merced S.A., as borrower, and CaixaBank, S.A., as lender;
- (xxv) the credit facility dated June 25, 2020 entered into among, *inter alios*, NH Hotel Group SA, as borrower, and Bankinter, S.A., as lender;
- (xxvi) the credit facility dated June 4, 2020 entered into among, *inter alios*, NH Hotel group SA, as borrower, and Banco Bilbao Vizcaya Argentaria, S.A., as lender;
- (xxvii) the credit facility dated March 12, 2020 entered into among, *inter alios*, NH Hotel Group SA, as borrower, and Banco Santander S.A., S.A., as lender;
- (xxviii) the credit facility dated December 21, 2017 entered into among, *inter alios*, NH Hotel Group SA, as borrower, and BNP Paribas Sucursal en España, as lender; and
- (xxix) the credit facility dated November 17, 2020 entered into among, *inter alios*, NH Hotel Group SA, as borrower, and HSBC France, Sucursal en España, S.A., as lender;

in each case, as amended and restated from time to time prior to the Issue Date.

“*Bilateral Facility Agreement*” means a bilateral term facility agreement entered into on May 18, 2020, for a maximum amount of €25.0 million, as may be amended or supplemented from time to time (including, in particular, pursuant to a framework agreement dated May 18, 2020 and an amendment and restatement agreement dated April 29, 2021), among, *inter alios*, the Company, the Guarantors and Banco de Sabadell, S.A..

“*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 July 2, 2023, 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 July 2, 2023; *provided, however*, that, if the period from such redemption date to July 2, 2023 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 prior to the entry into force of IFRS 16 (Leases) on January 1, 2019.

“*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 Kingdom, the United States, Canada, Norway, 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 or at least “F-1” or the equivalent thereof by Fitch 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 or at least “F-2” or the equivalent thereof by Fitch; 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); or

- (2) the Company becomes aware of (by way of a report or any other filing pursuant to any regulatory filing, proxy, vote, written notice or otherwise) of 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.

“Cash Management Services” means any customary cash management, cash pooling or netting or setting off arrangements or arrangements for the honoring of checks, drafts or similar instruments, including automated clearing house transactions, treasury, depository, credit or debit card, purchasing card, stored value card, electronic fund transfer services, operational intra-group balances and/or cash management services, controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts and merchant services or other cash management arrangements of the Company and its Restricted Subsidiaries in the ordinary course of business or consistent with past practice.

“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 Summary Valuation Report and calculated to give pro forma effect to any additions to or release of property from the Collateral based on any Supplemental Summary Valuation Report since the date of the Summary 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; *less*
- (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 and the Refinancing; *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—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.

“*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 Brugge NV, Immo Hotel Diegem NV, Immo Hotel Mechelen NV, Hotel Exploitiemaatschappij Diegem N.V. and Immo Hotel Stephanie NV, in each case, a wholly owned subsidiary of the Issuer 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 Danny Kayelaan Zoetermeer B.V., De Sparrenhorst B.V., Onroerend Goed Beheer Maatschappij Capelle aan den IJssel B.V. and Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden B.V. and any of the Guarantors and any other subsidiaries of the Company and Dutch Holdco; *provided that*, in each case, such entity is (A) a wholly owned subsidiary of the Company and Dutch Holdco and (B) 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 or Subordinated Shareholder Funding, in each case, after the 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 Issue Date but excluding any Indebtedness under the Revolving Credit Facility or the Bilateral Credit Facilities; *provided* that Indebtedness that is intended to be repaid from the proceeds from the Notes as described in this Offering Memorandum under the heading “*Use of proceeds*”, shall constitute Existing Indebtedness only until such Indebtedness is so repaid.

“*Fair Market Value*” means, with respect to any asset or property, the sale value which could be negotiated in an arm’s length market transaction between a willing seller and a willing buyer, 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 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 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) for the purposes of determining whether any lease, concession, rental agreement, license of property or any similar arrangement constitutes a Capital Lease Obligation or an operating lease under the Indenture (and any related ratios, calculations or determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture), IFRS shall mean IFRS as in effect prior to the entry into force of IFRS 16 (Leases) on January 1, 2019, which the Company shall apply consistently (in the good faith determination of the Company) to each element of the relevant calculation or determination.

“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 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 for services or products to be provided or delivered in the future and obligations in relation to any loyalty card or gift card scheme and the issuance of related vouchers, in each case, in the ordinary course of business, (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 in effect prior to the entry into force of IFRS 16 (Leases) on January 1, 2019, and (viii) indebtedness Incurred by the Company or one of the Restricted Subsidiaries in connection with a transaction where (x) such indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of

at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (y) a substantially concurrent Investment is made by the Company or a Restricted Subsidiary in the form of cash deposited with the lender of such indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such indebtedness, (ix) any Subordinated Shareholder Funding; and (x) obligations of any other Person except as provided by (B) above.

For the avoidance of doubt, any funds received in the form of grants derived, directly or indirectly, from the Next Generation EU recovery program shall not constitute Indebtedness.

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.

"Initial Investor" means Minor International Public Company Limited or any of its Affiliates or direct or indirect Subsidiaries.

"Intercreditor Agreement" means the Intercreditor Agreement dated November 8, 2013, among, *inter alios*, the Company, various subsidiaries of the Company and the Security Agent, as amended from time to time, and to which the Trustee will accede on or within five business days of the Issue Date.

"Interim Summary Valuation Report" means (1) in the case of the Property Collateral, a property summary 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 summary 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.

For the avoidance of doubt, an Interim Summary Valuation Report shall set forth only the amounts described in clauses (1) and (2) above and not any explanations of how such amounts were determined.

"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 June 28, 2021.

“*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.

“Mexican Reorganization” means the potential reorganization in Mexico of certain of the Issuer’s subsidiaries after the Issue Date, whereby assets of certain Mexican Guarantors shall be transferred to Operaciona Nacional Hispana S.A. de C.V., a Guarantor, and the transferring Guarantors may subsequently be liquidated; *provided* that reasonably promptly after such transfer, substantially equivalent Guarantees and Collateral, if applicable, be granted, confirmed, extended or otherwise maintained.

“Moody’s” means Moody’s Investors Service, Inc.

“Nationally Recognized Statistical Rating Organization” means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of 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, Subordinated Shareholder Funding 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 after taking into account any available tax credits or deductions and any tax sharing arrangements.

“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.

“New York Capex Term Facility” means the unsecured term facility dated July 25, 2018, for an amount of \$50 million, entered into by Jolly Hotels USA Inc. and the Company, as borrowers, and the lenders thereunder, for the purposes of funding capital expenditure at our hotel on Madison Avenue, and any amendments thereto.

“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; and
- (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).

“*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.

“*Parent*” means any Person of which the Company at any time is or becomes a Subsidiary after the 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 to be repaid from the proceeds of the Refinancing or (b) granted to cash management banks in connection with Cash Management Services 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 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) without duplication, any other Liens

on the Collateral outstanding on the Issue Date; 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.

For purposes of determining compliance with this definition, (a) Liens need not be Incurred solely by reference to one category of Permitted Collateral Liens described in this definition but are permitted to be Incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Collateral Liens, the Company will, in its sole discretion from time to time, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

“*Permitted Holders*” means (a) the Initial Investor, (b) Management Investors and (c) any Person or each Person in any group that after the Issue Date becomes a Beneficial Owner, directly or indirectly, of Voting Stock of the Company or forms a group, that 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 or 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 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 outstanding 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 Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date;
- (14) any Investments in Permitted Joint Ventures made after the 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;
- (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; and
- (17) Investments acquired after the Issue Date as a result of the acquisition by the Company or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Company or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption “—*Merger, Consolidation or Sale of Assets*” to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation.

For purposes of determining compliance with this definition, (a) Permitted Investments need not be made solely by reference to one category of Permitted Investments described in this definition but are permitted to be made in part under any combination thereof and of any other available exemption and (b) in the event that a Permitted Investment (or any portion thereof) meets the criteria of one or more of the categories of Permitted Investments, the Company will, in its sole discretion, classify or reclassify such Permitted Investment (or any portion thereof) in any manner that complies with this definition.

“*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 a Restricted Subsidiary over 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 not incurred in 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 not incurred in 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 €175 million and 11.0% of the Net Tangible Assets at any one time outstanding;

- (20) Liens existing on the 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) (i) banker’s Liens, rights of set off or similar rights and remedies as to cash or Cash Equivalents, deposit accounts (including non-cash securities accounts), cash pooling arrangements, net balance or balance transfer agreements, including Liens arising in connection with Cash Management Services, (ii) Liens arising out of judgments or awards not constituting an Event of Default and (iii) 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 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 not extend to the property or assets of the Company or any Guarantor;
- (26) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under applicable jurisdiction) in connection with operating leases in the ordinary course of business;
- (27) Liens on property or assets under construction (and related rights) in favour of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (28) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;
- (29) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;
- (30) Liens to secure Indebtedness incurred under clause (18) of the second paragraph of the covenant described under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*”;
- (31) Liens to secure Indebtedness incurred under the New York Capex Term Facility or any Permitted Refinancing Indebtedness in respect thereof (as well as other obligations arising under related finance documents, such as Hedging Obligations); *provided* such Liens shall be limited to our hotel located on Madison Avenue which is being refurbished using the proceeds of such facilities; and
- (32) 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 Issue Date, released on the Issue Date or to be released in connection with the 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.

For purposes of determining compliance with this definition (a) Liens need not be Incurred solely by reference to one category of Permitted Liens described in this definition but are permitted to be Incurred in part under any combination thereof and of any other available exemption, and (b) in the event that a Lien (or any portion thereof) meets the criteria of one or more of the categories of Permitted Liens, the Company will, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

“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 fees, costs and expenses and premiums incurred in connection therewith, including underwriting discounts, defeasance costs, indemnity fees, upfront fees and any required additional tax gross-up amounts);
- (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.

“Permitted Reorganization” means any Reorganization involving the Company or any Restricted Subsidiary that is made on a solvent basis; *provided that*:

- (1) any payments, business, property or assets distributed in connection with such Reorganization remain within the Group;
- (2) if any Collateral is released in connection with such Reorganization in accordance with the security release provisions of the Indenture, Liens must be granted reasonably promptly following the completion of such Reorganization such that the assets and Capital Stock pledged as Collateral following the Reorganization are substantially equivalent to the pre-existing Collateral (in the good faith judgment of the Company); and
- (3) if any Notes Guarantees are released in connection with such Reorganization in accordance with the Notes Guarantee release provisions of the Indenture, Notes Guarantees must be provided reasonably promptly following the completion of such Reorganization such that the Notes Guarantees in place following the Reorganization are substantially equivalent to the pre-existing Notes Guarantees (in the good faith judgment of the Company).

Promptly upon consummation of a Permitted Reorganization, the Company will provide to the Trustee and the Security Agent a copy of the resolution of the Board of Directors of the Company or the applicable Parent or Restricted Subsidiary authorizing such Permitted Reorganization and deliver an Officer’s Certificate certifying that such Permitted Reorganization complied or will comply with the terms of the Indenture and did not result or will not result in a Default or Event of Default. The Security Agent and the Trustee shall take any action necessary to effect any releases of Notes Guarantees or Collateral requested by the Company in connection with a Permitted Reorganization.

“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 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 Notes offered hereby and the application of the proceeds therefrom as described in this Offering Memorandum under the heading “*Use of proceeds*”.

“*Regulatory Debt Facility*” means, with respect to the Company or any of its Restricted Subsidiaries, one or more Credit Facilities entered into pursuant to any laws, legislation, regulations, acts or other similar rules (as amended from time to time) (“*Rules*”) of any government (including, for the avoidance of doubt, any agency or instrumentality of thereof and including, without limitation, the Federal Reserve, the European Central Bank, the Bank of Spain, the Bank of England and other federal or central banks or regulatory agencies); *provided* that, in each case, such Rules are in response to, or related to the effect of, COVID-19. For the avoidance of doubt, the definition of “*Regulatory Debt Facility*” shall include any Indebtedness derived, directly or indirectly from funds provided under the Next Generation EU recovery program.

“*Release LTV*” means (a) 100% if the Net Leverage Ratio of the Company and its Restricted Subsidiaries does not exceed 3.50 to 1.00, or (b) 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 (c) 70% if the Net Leverage Ratio of the Company or its Restricted Subsidiaries is 4.00 to 1.00 or more.

“*Reorganization*” means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, change of corporate form, re-incorporation, winding up or corporate reconstruction and the assignment, transfer or assumption of intercompany receivables and payables among the Company and its Restricted Subsidiaries in connection therewith.

“*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 revolving credit facility entered into on September 22, 2016, for a maximum amount of €250.0 million, as may be amended or supplemented from time to time (including, in particular, pursuant to an amendment and restatement agreement dated on or about the date hereof), 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 on at least a pari passu basis with the Notes.

“*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.

“*Shareholder Loan*” refers to the €100 million unsecured, subordinated and convertible loan dated May 12, 2021 between the Company, as borrower, and MHG Continental Holding (Singapore) Pte Ltd, an affiliate entity of the majority shareholder of the Company, Minor International Public Company Limited, as lender, which, together with accrued interest, is expected to be capitalized in the short-term into share capital of the Company.

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

- (1) 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
- (2) 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 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.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to the Company by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the date that is six months after the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition);

(2) does not require, prior to the date that is six months after the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months after the Stated Maturity of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and

(5) pursuant to its terms is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

Subordinated Shareholder Funding shall be deemed to include the Shareholder Loan and any additional Subordinated Shareholder Funding issued in payment of interest thereon.

“*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 Summary Valuation Report*” means (1) in the case of the Property Collateral, a property summary 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 summary 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 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 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 and in connection with the addition or disposal of such Share Collateral.

For the avoidance of doubt, a Supplemental Summary Valuation Report shall set forth only the amounts described in clauses (1) and (2) above and not any explanations of how such amounts were determined.

“*Summary Valuation Report*” means, the Company’s most recently available Annual Summary Valuation Report or Interim Summary Valuation Report.

“*Term Facility Agreement*” means the term loan facility entered into on April 29, 2020, for a maximum amount of €250.0 million, as may be amended or supplemented from time to time (including, in particular, pursuant to a framework agreement dated May 18, 2020 and an amendment and restatement agreement dated April 29, 2021), among, *inter alios*, the Company, the Guarantors and the lenders named therein.

“*Transactions*” refers to the Refinancing and the drawing in full of the Shareholder Loan, collectively;

“*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) except as permitted by the covenant described under “—*Certain Covenants—Transactions with Affiliates*”, 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; and
- (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,

as well as any Subsidiary of any such Unrestricted Subsidiary.

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.

“*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 one or more Wholly Owned Restricted Subsidiaries of such Person or a combination thereof.

Book-entry, delivery and form

General

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 depository (the "Common Depository") 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 Depository 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 Depository for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the Common Depository.

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 depositories. 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 Depository (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 Depository 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

depository 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. 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 Purchasers 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*) or to the extent and in the manner permitted by such rules and regulations, post such notice on the official website of the Luxembourg Stock Exchange (www.bourse.lu). 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 Purchasers take 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 these Listing Particulars 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 (for the purposes of this section the "Noteholders") and payments made by the Issuer to the Noteholders.

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 these Listing Particulars:

- (i) of general application, First Additional Provision of Law 10/2014, as well as Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, of July 29;
- (ii) for individuals resident for tax purposes in Spain who are subject to the Individual Income Tax ("IIT"), Law 35/2006, of November 28, 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, promulgating the IIT Regulations, along with Law 19/1991, of June 6, on the Net Wealth Tax, as amended, and Law 29/1987, of December 18, 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, and Royal Decree 634/2015, July 10, 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, promulgating the Consolidated Text of the NRIT Law, as amended, and Royal Decree 1776/2004, of July 30, promulgating the NRIT Regulations, along with Law 19/1991, of June 6, on the Net Wealth Tax and Law 29/1987, of December 18, on the IGT.

Whatever the nature and residence of the Noteholders, the acquisition, holding and transfer of Notes will be exempt from indirect taxes in Spain (i.e., exempt from transfer tax and stamp duty, and exempt from value added tax, in accordance with Article 314 of the Consolidated Text of the Spanish Securities Market Law and related provisions).

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 €6,000.01 and €50,000, 23% between €50,000.01 up to €200,000 or 26% for any amount in excess of €200,000.

Income from the transfer of Notes must be computed as the difference between the amounts obtained in the transfer, redemption or reimbursement of the debt securities and their acquisition or subscription value. Costs and expenses effectively borne on the acquisition and/or disposal of the Notes must be taken into account, insofar as adequately evidenced, in calculating the income. When calculating the net income, expenses related to the management and deposit of the debt securities will be deductible, excluding those pertaining to discretionary or individual portfolio management.

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 of 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 Noteholders 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 3.5% 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.

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 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 applicable rate (currently 19%). See "*Compliance with certain requirements in connection with income payments.*"

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 Noteholders 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 Noteholders 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 Noteholder 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, Noteholders 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, Noteholders 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 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 Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes)*"), Noteholders 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, Noteholders who benefit from a treaty for the avoidance of double taxation with respect to wealth tax that provides for taxation only in that Noteholder'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 €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 3.5% 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 EEA 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.

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 EEA 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 Noteholders.

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 Noteholders in respect of the Notes will be subject to Spanish withholding tax at the then applicable rate (currently 19%) except in the case of Noteholders that are: (a) residents of an EU Member State or an EEA Member State with an effective exchange of tax information under the terms of Law 36/2006 of 29 November on measures for the prevention of tax fraud other than Spain and obtain such income either directly or through a permanent establishment located in another EU Member State or EEA 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 EU or EEA 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 with respect to income payable in respect of the Notes to such Noteholders. Individuals and entities that may benefit from 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 First Additional Provision of Law 10/2014, in particular, that the Notes are listed on a regulated market, multilateral trading facility or other organized markets and that the procedure 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 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 with respect to which the relevant payment is made;
- (ii) the income payment date (or redemption if the Notes are issued at discount or are segregated);
- (iii) the total amount of income (or total amount to be reimbursed if the debt securities are issued at discount or are segregated) 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 Noteholders should note that neither the Issuer nor the Initial Purchasers 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 Purchasers will be liable for any damage or loss suffered by any Noteholder 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. See "Risk Factors—There are risks related to withholding tax in Spain, including in connection with the delivery of certain documentation by the Paying Agent".

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 Noteholders 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, Noteholders 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.

Set out below is Exhibit I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Exhibit I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.

The language of these Listing Particulars is English. The Spanish language text of Exhibit I has been included in order that the correct technical meaning may be ascribed to such text under applicable Spanish law. Any foreign language text included in these Listing Particulars do not form part of these Listing Particulars.

EXHIBIT 1

Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007

Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Don (nombre), con número de identificación fiscal (...) ⁽¹⁾, en nombre y representación de (entidad declarante), con número de identificación fiscal (...) ⁽¹⁾ y domicilio en (...) en calidad de (marcar la letra que proceda):

Mr. (name), with tax identification number (...) ⁽¹⁾, in the name and on behalf of (entity), with tax identification number (...) ⁽¹⁾ and address in (...) as (function - mark as applicable):

(a) Entidad Gestora del Mercado de Deuda Pública en Anotaciones.

(a) Management Entity of the Public Debt Market in book entry form.

(b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.

(b) Entity that manages the clearing and settlement system of securities resident in a foreign country.

(c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.

(c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.

(d) Agente de pagos designado por el emisor.

(d) Issue and Paying Agent appointed by the issuer.

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

1 En relación con los apartados 3 y 4 del artículo 44:

1 In relation to paragraphs 3 and 4 of Article 44:

1.1 Identificación de los valores

1.1 Identification of the securities

1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados)

1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)

1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora

1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved

1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).

1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).

2 En relación con el apartado 5 del artículo 44.

2 In relation to paragraph 5 of Article 44.

2.1 Identificación de los valores

2.1 Identification of the securities

2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

2.2 Income payment date (or refund if the securities are issued at discount or are segregated)

2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados)

2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.

2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

Lo que declaro en a de de

I declare the above in on the.... of..... of....

(1) En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia

(1) In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

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 "issue price" (the first price at which a substantial amount of Notes is sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial offering 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 the Notes 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, accrual-method U.S. Holders who prepare an "applicable financial statement" (as defined in Section 451 of the Code) 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.

Payments of interest

General

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.

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 may be able to claim a foreign tax credit for foreign taxes imposed with respect to the Notes where such U.S. Holder satisfies certain requirements, including 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

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 U.S. 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 (as described above), regardless of whether the payment is in fact converted into U.S. dollars.

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).

On a sale, exchange, retirement or other taxable disposition of a Note, a U.S. Holder will recognize exchange gain or loss that is generally equal to the difference between the U.S. dollar value of the principal amount of the Note in foreign currency determined as of (i) the date of disposition (or the settlement date, 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) and (ii) the date on which the U.S. Holder acquired the Note. The exchange gain or loss with respect to the disposition of the Note will be recognized only to the extent of the total gain or loss realized by such the applicable U.S. Holder on the disposition. Any such exchange gain or loss 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. In the case of Notes traded on an established securities market, a non-electing accrual basis U.S. Holder may also recognize exchange gain or loss upon a taxable disposition of a Note for euro (or other non-U.S. dollar currency) if the relevant spot rate fluctuates between the date of disposition and the date the U.S. Holder actually receives such euro (or other non-U.S. dollar currency).

Except as otherwise described in the immediately preceding paragraph, 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 may be subject to preferential U.S. federal income tax rates. The deductibility of capital losses is subject to 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.

Disposition of euro

Euro 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. A U.S. Holder will generally recognize gain or loss on a sale, exchange, retirement or other taxable disposition of the euro equal to the difference between (i) the amount of U.S. dollars or the fair market value in U.S. dollars of other property received in such disposition and (ii) the U.S. Holder's tax basis in such euro. 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, in each case 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

Information reporting requirements may apply to payments of principal and interest 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 Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), "foreign financial institutions" and certain other foreign entities may be required to withhold U.S. tax on certain "foreign passthru payments" (a term not yet defined) to the extent such payments are treated as attributable to U.S. source payments.

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. Notes issued on or prior to the date that is six months after the date on which final regulations defining the term "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. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, under proposed regulations, any withholding on foreign passthru payments on Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued.

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 as of June 16, 2021, the Initial Purchasers have severally agreed to purchase, and the Issuer has agreed to sell to them, severally, the entire principal amount of the Notes as provided in the Purchase Agreement.

The Purchase Agreement provides that the obligations of the Initial Purchasers 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 Purchasers propose 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 Purchasers certain customary fees for their services in connection with the Offering and to reimburse them for certain out-of-pocket expenses.

Persons who purchase Notes from the Initial Purchasers 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.

Bankinter, S.A. is only participating in the Offering outside the United States under Regulation S of the Securities Act. Bankinter, S.A. is not a registered broker-dealer registered with the SEC and will not be offering or selling securities in the United States or to US nationals or residents.

CaixaBank is not a registered broker-dealer nor has an agreement with a registered broker dealer in place. Therefore, CaixaBank will be participating in the Offering exclusively in reliance on Regulation S under the U.S. Securities Act and will not offer the Notes to any U.S. Person.

The Purchase Agreement provides that the Issuer will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed that, except with the prior written consent of the Initial Purchasers, for a period of 90 days after June 16, 2021 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. Any Initial Purchaser that is not a broker-dealer registered with the U.S. Securities and Exchange Commission 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. One or more of the Initial Purchaser may sell the Notes through affiliates or other appropriately licensed entities in jurisdictions in which they are 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*".

Each 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 Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of these Listing Particulars 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 these Listing Particulars 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. These Listing Particulars do 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 these Listing Particulars come are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of these Listing Particulars 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(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.

The Notes are a new issue of securities for which there currently is no market. We have applied, 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 such admission to trading will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes after completing the Offering. The Initial Purchasers are 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 Purchasers 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*".

The delivery of the Notes was made against payment on the Notes on June 28, 2021, which was eight 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+8"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise.

The Initial Purchasers 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 relevant Initial Purchasers. 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 Purchasers 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*".

Certain of the Initial Purchasers or their respective affiliates from time to time have provided in the past, are currently providing and may provide in the future, investment banking, consultancy, financial advisory, commercial banking and cash management services to the Issuer and its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. The Initial Purchasers or their affiliates may also receive allocations of the Notes.

The proceeds from the Offering will be used as described under "*Use of proceeds*". The Initial Purchasers and their respective 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.

In the ordinary course of their business activities, the Initial Purchasers and their 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 Purchasers or their respective 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 Purchasers and their 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 Purchasers and their 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 Purchasers 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 these Listing Particulars, which Listing Particulars have 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 these Listing Particulars. 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 any of the Initial Purchasers.
- (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". IN THE CASE OF REGULATION S NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

BY ITS ACQUISITION OF THIS NOTE, THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS NOTE OR INTEREST THEREIN CONSTITUTES ASSETS OF ANY "EMPLOYEE BENEFIT PLAN" SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, ("**ERISA**"), ANY PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR ARRANGEMENT SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF SUCH PLANS, ACCOUNTS OR ARRANGEMENTS OR A GOVERNMENTAL PLAN, NON-U.S. PLAN OR OTHER PLAN NOT SUBJECT TO THE FOREGOING, THAT IS SUBJECT TO PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON U.S. LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, "**SIMILAR LAWS**") (EACH SUCH PLAN, ACCOUNT OR ARRANGEMENT, A "**PLAN**") OR (2) THE ACQUISITION, HOLDING AND DISPOSITIONS OF THIS NOTE OR INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS, AND NONE OF THE ISSUER, THE TRUSTEE, THE SECURITY AGENT, THE PAYING AGENT, THE CALCULATION AGENT, THE REGISTRAR, THE TRANSFER AGENT, THE INITIAL PURCHASERS OR ANY GUARANTORS OR ANY OF THEIR RESPECTIVE AFFILIATES IS ACTING AS A FIDUCIARY TO ANY PLAN WITH RESPECT TO THE DECISION TO PURCHASE OR HOLD THIS NOTE OR IS UNDERTAKING TO PROVIDE IMPARTIAL INVESTMENT ADVICE OR GIVE ADVICE IN A FIDUCIARY CAPACITY WITH RESPECT TO THE DECISION TO PURCHASE OR HOLD THIS NOTE.

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 Purchasers 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 Purchasers 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
 - (j) 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 Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of these Listing Particulars 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 these Listing Particulars and/or in the front of these Listing Particulars 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.
- (13) You represent that you are not, nor are you acting for the account of, a "retail investor" in the EEA. For the purposes of this paragraph, the expression "retail investor" means a person who is one (or more) of the following:
 - (a) a "retail client" as defined in point (11) of Article 4(1) of MiFID II;
 - (b) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (c) not a "qualified investor" as defined in the Prospectus Regulation.
- (14) You understand and acknowledge that the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been or will be prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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 that 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

New Civil and Commercial Code

Law 26,994 established a new Civil and Commercial Code (the "New Code") with an effective date of August 1, 2015. The New Code is a legal amalgamation in the path of the Italian Civil Code of 1942, since Argentina previously had 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 in 1859 and 1869, respectively, with subsequent amendments over time, have 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 of August 2015 there are no more "Civil" and "Commercial" pledges, but rather "Common" pledges. The rules are basically the same but, before the New Code, if the debtor defaults on a secured debt, the creditor would need to sell the pledged asset through a court auction but, in principle, could not obtain ownership of the asset. In this regard, 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 assessment of an expert appointed by both parties. If the pledged asset consists of securities listed on a stock exchange, then the sale may be conducted at the quotation price.

Personal guarantees

The Civil and the Commercial Codes as well as the New Code regulate the security agreement. The New Code did 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, coincidentally 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 must be granted in writing but it is not required to be implemented in a public deed. 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, in which case each guarantor 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 mortgages, pledges or other privileges accessory 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 (i.e., same currency). 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 a few 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 rescission 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. Such cases of "abusive drawdown" (*rechtmisbräuchliche Inanspruchnahme*) are extremely rare.

Under the Notes Guarantees given by the Austrian Guarantor, such abuse of law would be assumed if

- the beneficiaries of the Notes Guarantees approach the Austrian Guarantor for payment other than in connection with the Notes or
- the Notes Guarantees violate capital maintenance restrictions on guarantees provided as "upstream security" (*i.e.*, by an affiliate in favor of its parent or sister company).

Austrian capital maintenance rules

Guarantees benefitting a guarantor's parent or sister company are considered financial assistance and may conflict with mandatory Austrian capital maintenance rules pursuant to Art 82 et seq. 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 (direct or indirect) parent or sister company to the extent (a) the affiliate consideration (*äquivalente Gegenleistung*) or, in case there is no adequate consideration (*äquivalente Gegenleistung*), such transaction would also have been concluded - at least at these conditions - with a non-shareholder (*keine causa societatis*) or (b) the transaction is "commercially justified (*betrieblich gerechtfertigt*)", whereas, a transaction which puts the existence of the respective affiliate at risk (*existenzbedrohendes Risiko*) can never be commercially justified.

A case generally accepted by Austrian legal scholars in which financial assistance shall be valid is an on-lending scenario where a parent company obtains financing for its group companies and distributes the funds to subsidiaries providing guarantees of the parent company's obligations under the financing arrangements. 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 granted 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 (three 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 defenses 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 guarantor's or 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, and this principle is 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 and provision of the financial assistance is prohibited, 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.

Guarantee Limitation

The obligations and liabilities of a Guarantor organized under the laws of the Czech Republic (a “**Czech Guarantor**”) under the Indenture shall be limited to an amount equal to the limitation amount (the “**Czech Limitation Amount**”), being materially calculated as follows:

$$\text{Czech Limitation Amount} = (G / O) * A$$

where:

“A” means the net book value of all assets of the relevant Czech Guarantor recorded in its latest annual unconsolidated financial statements available to the Trustee or, if they are more up-to-date and supplied to the Trustee within 15 Business Days of its request and if the Trustee has no reason to doubt the accuracy thereof, its latest interim unconsolidated financial statements available to the Trustee;

“G” means the amount of all obligations that would have been guaranteed by the relevant Czech Guarantor under the Indenture had the Czech Limitation Amount not been applied;

“O” means the total liabilities and equity (*pasiva celkem*) of the relevant Czech Guarantor recorded in its latest annual unconsolidated financial statements available to the Trustee or, if they are more up-to-date and supplied to the Trustee within 15 Business Days of its request and if the Trustee has no reason to doubt the accuracy thereof, its latest interim unconsolidated financial statements. The term “liabilities” shall have the meaning attached to it under the accounting standards applicable to the relevant Czech Guarantor but, notwithstanding the foregoing, shall at all times:

- (1) exclude financial obligations of the Czech Guarantor vis-à-vis any other member of the Group;
- (2) exclude equity capital (*vlastní kapitál*) of the Czech Guarantor; and
- (3) include the “G” amount calculated based on the definition set out above; and
- (4) include all other liabilities guaranteed by (and other off-balance sheet liabilities of) the relevant Czech Guarantor hereunder or otherwise.

For the avoidance of doubt, any identical obligations of the Czech Guarantor or any third party mentioned in the previous sentence will only be included in the “O” amount once. The term “net book value” used for the purpose of the calculation of the Czech Limitation Amount means the book value reduced by corrections and provisions (in Czech *opravné položky a oprávky (korekce)*) as set out in decree no. 500/2002 Coll., as amended (the “Decree”), implementing Act No. 563/1991 Coll., on Accountancy, as amended or in any other legislation which may supersede the Decree in the future.

The obligations of any Czech Guarantor shall not include any liability or obligation if that would result in the guarantee constituting unlawful financial assistance (including, without limitation, within the meaning of sections 41 and 200 of the Act No. 90/2012 Coll., on Business Companies and Cooperative, as amended).

Parallel debt

Generally, under Czech law a guarantee must be made in favor of a person who is the creditor of the claim that the guarantee intends to secure. The beneficial holders of the Notes from time to time will not be party to the guarantees. In order to permit the holders of the Notes from time to time to have a secured claim, the documentation relating to the Notes will provide for the creation of a “parallel debt.” Pursuant to the parallel debt, the Security Agent becomes the

holder of a claim equal to each amount payable by an obligor under the Notes. The parallel debt procedure has not been tested under Czech law, and there is no certainty that it would eliminate or mitigate the risk of unenforceability posed by Czech law.

Limitations on validity and enforceability of Notes Guarantees granted by any French subsidiaries

Under French law, claims may become time-barred (five 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 defenses 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)

Under German law, claims may become barred under statutory limitation period rules (the general limitation period being 3 years) and may be subject to defenses 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.-u. Dienstleistungs, GmbH, NH Hoteles Deutschland GmbH, NH Hotelbetriebs-u. 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 or the collateral (or retain the proceeds of an enforcement of the collateral) 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. This could lead to a situation in which the Notes Guarantees provided by the German Guarantors cannot be enforced at all. Details of the application of Sections 30 and 31 (or capital maintenance rules) are subject to evolving case law.

Furthermore, Section 15b para. 5 sentence 1 of the German Insolvency Code (*Insolvenzordnung*) restricts payments if and to the extent such payments under any Note Guarantee 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 Note Guarantee.

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 Section 15b of the German Insolvency Code (*Insolvenzordnung*)) 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 provided by the German Guarantors or of the beneficiaries of the Notes Guarantees provided by the German Guarantors to enforce the Notes Guarantees provided by the German Guarantors.

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 provided by the German Guarantors. 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.

Under a special law regarding the temporary suspension of insolvency filing obligations ("COVInsAG"), to the extent that the obligation of the management of a debtor to file for insolvency is or was suspended pursuant to the specific requirements of the COVInsAG in the time period of 27 March 2020 to 30 April 2021, certain payments enjoy privileges in respect of avoidance in case of a later insolvency. In particular, any repayment, on or before 30 September 2023, of loans granted within the suspension period and any grant of security to secure such loans is not deemed to be prejudicial to the creditors, if and to the extent that, at the time of the grant of the loan or the relevant collateral, the debtor's obligation to file for insolvency was suspended.

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, corporate authorization and certain other Italian mandatory provisions. If a guarantee or a 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 granting a guarantee must receive a real and adequate benefit in exchange for the guarantee. Such principle on corporate benefit applies equally to down-stream, cross-stream and up-stream guarantees issued by Italian companies. While the existence of a corporate benefit in relation to a downstream guarantee is usually self-evident (i.e., a guarantee guaranteeing financial obligations of direct or indirect subsidiaries of the relevant guarantor), the existence of a corporate benefit in relation to a cross-stream or an up-stream guarantee (i.e., a guarantee guaranteeing financial obligations of direct or indirect parent companies or sister companies of the relevant guarantor) may be challenged unless it can be proved that the guarantor may derive some benefits or advantages from the granting of the guarantee, therefore it should be carefully considered on a case-by-case basis (such as in the case of subsidiary guarantors which are providing the Guarantees in connection with the Notes offered hereby). The concept of real and adequate corporate benefit is not expressly defined in under Italian law and is assessed by and determined on a case- by-case basis, further its existence is purely a business decision of the directors and the statutory auditors. As a general rule, corporate benefit is assessed at the level of the relevant company on a standalone basis, although in certain circumstances, and subject to specific rules, the interest of the group to which such company belongs may also be taken into consideration. In particular, in case of upstream and cross-stream guarantees for the financial obligations of group companies, examples may 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, while transactions featuring debt financing of distributions to shareholders are

largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest.

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.

In principle, absence of a real and adequate benefit could render the guarantee or the collateral *ultra vires* and potentially affected by conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be subject matter of challenges and annulment.

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 or were against mandatory provisions of Italian law. 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. However, no liability can be attributed where no prejudice or actual damage is suffered by the Italian Guarantor because of the determination of the controlling shareholder as provided under Article 2497 of the Italian Civil Code having regard to the overall result of the controlling activity. 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 providing such guarantee. In addition, the granting of a guarantee by an Italian company cannot include any liability that would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, 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 or subscription of its own shares or quotas by a third party or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness in originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interest of the company.

In the light of the above, in no event shall the obligations and liabilities of the Italian Guarantor under a guarantee include the obligation to guarantee financial indebtedness which was incurred, in full or in part, to purchase the shares of such Italian Guarantor (or of any of its direct or indirect holding company) and which would therefore constitute the provision of financial assistance within the meaning of Article 2358 and/or 2474, as the case may be, of the Italian Civil Code whereas, in the latter case, an authorization proceeding in the shareholders’ meeting is not implemented. To this extent, the total value of the guarantee cannot exceed the profits and the distributable reserves as resulting from the approved financial statements.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of the Legislative Decree No. 385 of 1 September 1993 (the “Italian Banking Act”), whose exercise is exclusively demanded to banks and authorised financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, *inter alia*, cause the Guarantees to be considered null and void. In this respect, the Ministerial Decree No. 53 of 2 April 2015, implementing Article 106, paragraph 3, of the Italian Banking Act, states that the issuance of guarantees or security by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby “group” includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies, which are under the control of the same entity. As a result of the above described rules, subject to the Italian Guarantor and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

In addition, under Article 1938 of the Italian Civil Code, if a personal guarantee is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate

document, such as the Indenture). It has been held, that such determination must be proportionate to the relevant guarantor's assets. It is uncertain, however, whether courts are entitled to debate and to rule over such determination.

Italian Law No. 108 of 7 March 1996, as amended, implemented or supplemented from time to time (the "Italian Usury Law"), prevents lenders from applying interests higher than certain rates, as set forth in accordance with the Italian Usury Law (the "Usury Rates"). In addition, even where the Usury Rates are not exceeded, the interest rate applicable may be held usurious if: (i) it is considered to be disproportionate to the amount lent (taking into account the specific circumstances of the transaction and the average rate applicable to similar transactions in the market) and (ii) the debtor is deemed to have been in financial and economic difficulties at the time the indebtedness was incurred. In order to comply with (i) the Italian Usury Law and Article 1815 of the Italian Civil Code) and (ii) the mandatory provisions of Italian law in relation to capitalization of interests (including Article 1283 of the Italian Civil Code), the obligations of any Italian Guarantor under a guarantee shall not include and shall not extend to (x) Usury Rates and (y) any interest on overdue amounts compounded in violation of the provisions set forth by Article 1283 of the Italian Civil Code, respectively.

In any event, pursuant to Article 1938 of the Italian Civil Code, a guarantee granted by an Italian Guarantor must be capped to a maximum guaranteed amount.

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 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.

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 Guarantees.

The conditions to be satisfied by the granting of guarantees relate to (i) corporate power, (ii) corporate authority, and (iii) corporate benefit. These rules are derived from general principles and must be applied to specific circumstances, which have to be analyzed on a case by case basis. Corporate power limits on corporate power can be imposed either by (i) law or (ii) the articles of association of the guarantor.

1. Limitations imposed by law

Pursuant to the Luxembourg Civil Code, a company is incorporated with a view to participate in the profits (and the losses) which may arise therefrom. The goal to share the profits is an essential element of every company and therefore, a purely free (or gratuitous) act, without consideration, may be outside the scope of the activities of a company as contemplated by law. A company may however carry out gratuitous acts whenever these acts are accomplished with a

view to the realization, directly or indirectly, of the guarantor's corporate objective. It is normally understood that except in exceptional circumstances, an intragroup security is a type of act which may serve the purpose of realizing a profit.

Thus, it is only in exceptional circumstances where there is no reasonable indirect potential benefit of, or a motivated interest for, a proposed guarantee/security to be given by a company, that the validity of such a guarantee could be challenged for lack of any interest by the guarantor in providing the guarantee.

Further to this general legal restriction, additional limitations are imposed by specific laws, such as the prohibition to exercise a financial activity without a specific authorization (which in the case of a Luxembourg company, does not apply to financial activities within a group of companies) or the limitation on financial assistance to shareholders in the case of subscription or purchase of shares of the guarantor.

2. Limitations imposed by the articles of association

The provision of guarantees by a Luxembourg company must be within the limits of the object clause of its articles of association. Should the provision of a guarantee by a Luxembourg company be considered to exceed the corporate objective as expressed in the articles of association, it is still bound by such action, unless there is evidence that the beneficiary of such acts knew that the acts exceeded the corporate objective or that the beneficiary could not, in light of the circumstances, have been unaware of that fact.

Corporate authority

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 (if any). In addition, the granting of the envisaged guarantees must comply with the Luxembourg company's corporate object as set out in the company's constitutional documents.

Corporate benefit

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 to be made by the management body of the company and is ultimately a matter of fact.

With respect to guarantors incorporated in Luxembourg, even if the Luxembourg law of August 10, 1915 on commercial companies, as amended and reinstated (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, if, without limitation (and subject in any event to all the factual circumstances of the matter):

- (i) such guarantee is 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 or security is not 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 or any other financial commitments must not exceed the financial capabilities of the committing company.

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 guarantees.

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 (*abus de biens sociaux*) provided for by Article 1500-11 of the Companies Act.

There is a limited risk that the directors or managers of the Luxembourg company be held liable if, inter alia:

- the guarantee so provided would materially exceed the (direct or indirect) benefit deriving from the secured obligations for the Luxembourg company; or
- the Luxembourg company derives no personal benefit or obtains no direct or indirect consideration for the guarantee granted; or
- the commitment of the Luxembourg company exceeds its financial means.

The failure to demonstrate a 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 (*abus de biens sociaux*) 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 1500-11 of the Companies Act will be held null and void, as mentioned above.

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 guarantor.

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 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. This 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*) suspension of payments (*surseance van betaling*) or emergency measures (*noodregeling*) 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*) as well as a public limited liability company (*naamloze vennootschap*) 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 (with a six-year general term established for claims and a three-year term for claims pertaining to periodical performances and claims resulting from an economic activity; however, the end of the limitation period is on the last day of a calendar year, unless the limitation period is shorter than two years) according to the Polish Civil Code (*Kodeks Cywilny*). It is worth noting that claims under bonds, including claims for periodical benefits, become barred by limitation after the elapse of 10 years. Additionally, claims 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 3 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 10 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.

The scope of the guarantor's obligation is determined each time by the scope of the debtor's obligation. 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, as a rule claims may become time-barred (three years being the general term established for obligations under Article 2.517 of the Romanian Civil Code (*Codul Civil*)) or may be or become subject to the defense of set-off or counterclaim.

Under Romanian law, corporate guarantees are a form of personal guarantees (as opposed to real security interests) called sureties (in Romanian, *fidejusiune*).

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 guaranteed 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 discutie*). 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;
 - As a rule, both such rights of the guarantor can be contractually waived.
 - However, when undertaking a guarantee as a joint guarantor or joint co-debtor, a guarantor can no longer invoke either of the benefits referred above. A guarantor is only jointly and severally liable with the debtor if this is expressly indicated in the guarantee agreement.
 - All defenses that the debtor can invoke against the creditor, except those that are personal to the debtor or are excluded by the surety agreement.

Under Romania law, the guarantee obligations of an Romanian entity are subject to compliance with, *inter alia*, the rules on corporate benefit and corporate authorization. The concept of corporate benefit is not explicitly defined in the Romanian law and is determined on a case-by-case basis, considering the overall risk undertaken by the Romanian guarantor by comparison with its (direct or indirect) economic benefit and its interest to provide such Guarantee.

Limitations on validity and enforceability of Notes Guarantees and security interests granted by any Spanish subsidiaries

Under Spanish law, claims may become time-barred (five 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.

A Spanish court may not accept acceleration (*vencimiento anticipado*) of an agreement if the default is of minimal importance. To be recognized by the Spanish courts as giving rise to the remedy of acceleration, a default must be material. The decision to accelerate an agreement must be based on objective facts and cannot be left to the sole discretion of one party as this would not be permitted by article 1,256 of the Spanish Civil Code.

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;
- Spanish public policy; 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.

The validity and enforceability of the Notes Guarantees is also subject to the laws regulating insolvency or liquidation proceedings and to other laws of general application relating to or affecting the enforcement of creditors rights and remedies.

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, and may be affected by any amendment, supplement, waiver, repayment, novation or extinction of the Issuer's obligations under the Notes. In addition, an extension of maturity granted to a debtor by a creditor without the

consent of the guarantor extinguishes the guarantee.

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 being a Spanish public limited company (*sociedad anónima*) or a Spanish private limited company (*sociedad de responsabilidad limitada*), to the extent that the same would constitute unlawful financial assistance within the meaning of Articles 150 and 143 of the Spanish Capital Companies Law, respectively, 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.

The interpretations of the laws of Spain by the courts may limit the ability of Spanish Guarantors to guarantee the Notes. Although the law does not establish any limit, certain judgments indicate (and certain scholars understand) that risks associated with a guarantee or a security interest provided by a company to secure the indebtedness held by other companies within its corporate group shall be reasonable and economically and operationally justified from the guarantor's own perspective and justified under the corporate interest of such guarantor and all this must be evidenced to the judge.

Under Spanish law, the valid creation of an in rem right of security requires at least the formalization of the relevant security document as a public deed (*escritura o póliza*), without prejudice to any additional formalities or perfection requirements that may be required depending on the type of secured asset. Without notarization of the security documents, the secured parties (i) will not have access to the executive summary proceedings (*juicio ejecutivo*) in case of judicial enforcement of the security documents in Spain, having the secured parties to follow necessarily the ordinary judicial proceedings (*juicio ordinario*) and (ii) will not be considered as secured creditors having a special privilege over the assets part of the security package in case of insolvency of the relevant Spanish security provider.

Security interests must be granted in favor of each and every one of the Secured Parties under the relevant security document, and each secured party must accept said security interest.

Spanish law neither expressly recognizes the concept of security agent nor the concept of trustee and, therefore, the security agent or trustee structure may not be recognized by Spanish courts. Therefore, when an entity acts as security agent of the actual beneficiaries of a security interest or a guarantee (i.e., the creditors of the secured obligations), such security agent must be duly empowered for that purpose by the relevant secured creditors at the time it acts as security agent. Otherwise the security interest or guarantee will not be validly created in favor of its purported beneficiaries. Particularly, since holders of the Notes will not have any power to enforce the Collateral securing the Notes except through the Security Agent, there is some uncertainty as to whether or not a Spanish court would actually recognize holders of the Notes as Secured Parties, whether obligations to beneficial owners of the Notes that are not identified as registered holders in a security document will be validly secured or whether the Security Agent would only be able to enforce the guarantees or the security interest in respect of its portion of the secured obligations but not that of the other secured parties. Therefore, validity and enforceability of security interests granted in favor of the secured parties through the Security Agent, and enforcement thereof by the Security Agent, may be subject to a due and express power of attorney granted by each of the secured parties in favor of the Security Agent for such purpose, duly notarized and legalized (or, if applicable, duly apostilled in accordance with the Hague Convention of October 5, 1961).

Although it could be argued that Article 429 of the Spanish Companies Law (which allows the representative of the syndicate of the holders of the Notes (*comisario*) to enforce any security interest on behalf of all holders of the Notes under certain circumstances) could apply by analogy, it cannot be disregarded that, if enforcement of the security interest is carried out by the Security Agent, it may be necessary to prove that the Security Agent is duly and expressly empowered for such purpose by means of a power of attorney granted in favor of the Security Agent by each of the Secured Parties duly notarized and, if not granted in Spain, with the apostille of The Hague Convention dated October 5,

1961 or legalized. In the absence of the abovementioned powers of attorney, the Security Agent may not be able to enforce the relevant Spanish security interest on behalf of all of the secured creditors (including the holders of the Notes), and there is a risk that the Security Agent would only be able to enforce the security interest against the debt that it individually holds, and not for the full amount owed to creditors for whom it may be acting as Security Agent. Further, those beneficial holders of the security who have not duly accepted the security or duly empowered (by means of notarial and apostilled powers of attorney) the Security Agent to do so may be treated, from a Spanish law perspective including without limitation in an insolvency scenario, as unsecured creditors.

In addition, the effects that might arise due to application of the Spanish Insolvency Law include, among others, that when confronted with Spanish security in which only a security agent (or similar entity) is acting on behalf of itself and other secured creditors, the insolvency court may challenge the distribution of any enforcement proceeds amongst the different creditors made by such security agent under intercreditor agreements or provisions. Such challenge would be made on the basis that in order for a secured creditor to have a privileged claim, such secured creditor has to be the beneficiary of the security from a Spanish perspective and that the eventual intercreditor provisions may only bind the signatories to such agreement, but may not be enforced vis-à-vis third parties.

Furthermore, the relevant court or notary public before whom any Spanish security interest may be enforced might request both the notarization of the documents from which the relevant obligations arise, and the notarization of each and every one of the transfer certificates regarding each and every transfer of the Notes.

Given that the concept of "trust" and/or "parallel debt" is not recognized under Spanish law, guarantees/security interests require that the beneficiary of the guarantee/security interests and the creditor to be the same person. Such guarantee/security interests cannot be held by a third-party which does not hold the guaranteed/secured claim but purports to hold guarantees/security interests for the parties that do. If Spanish law security documents are entered into only by the Security Agent (and not by the creditors on account of whom it would be acting), the Security Agent will be the only party entitled to enforce the guarantees or the security interest in respect of those obligations. However, the Security Agent may only be able to enforce against the debt it individually holds, and not for the full amount owed to creditors for whom it is acting as security agent. This limitation may be overcome if such creditors grant formal powers of attorney in favor of the Security Agent (duly notarized and legalized or, if applicable, duly apostilled in accordance with the Hague Convention of October 5, 1961) in order for the latter to represent them in the Spanish law security documents enforcement proceedings. Moreover, the concept of "parallel debt" may be questioned under Spanish law and we are not aware of any court precedent where it has been recognized by a Spanish Court.

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 in relation to any obligation, undertaking, indemnity or liability of the Issuer or any subsidiary of the Issuer, including the Notes Guarantee granted by each of the Swiss Guarantors, will be limited to the maximum amount permitted by law at the time of fulfilment or enforcement (as the case may be). This in particular reflects the requirement that payments under a Notes Guarantee may in certain cases 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 20 years, and actions seeking enforcement of personal rights are barred after 10 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

The need of an international bankruptcy law was satisfied with the entry into force, in the European Union, of the Council Regulation (EC) no. 1346 of May 29, 2000 (the “**EC Bankruptcy Regulation**”) on cross-border insolvency procedures, which uniformly regulated the main issues of jurisdiction and applicable laws in the insolvency procedures by referring to the center of main interests (so-called COMI) located in a Member State. Article 3, paragraph 1, of the EC Bankruptcy Regulation provided that the court of the member state “*within the territory of which the center of the debtor's main interests is situated*” is competent to commence the main insolvency proceedings. “Centre” referred to, in the case of a company or legal entity, the place of its registered office. As set forth in Article 3, paragraph 2, the courts of a member state in which the debtor has a permanent establishment can initiate secondary insolvency proceedings against

a debtor whose center of main interests is within another member state. In such an event, the effects of the secondary proceedings are limited to the assets situated in the territory of the first member state and aimed at the liquidation of the insolvent company.

On May 20, 2015, the European Parliament and the Council enacted the EU Regulation no. 848/2015 (the “**Recast Bankruptcy Regulation**”), which entered into force on June 25, 2015 and is applicable to insolvency proceedings starting from June 26, 2017, with few exceptions (Articles 24, first paragraph, 25 and 86). The new rules also apply to proceedings which provide for the restructuring of a debtor, the so-called “hybrid proceedings”, for example the Italian debt restructuring agreements pursuant to Article 182-*bis* of the Bankruptcy Law. This reform does not change the main framework of cross-border insolvency proceedings as set out under the EC Bankruptcy Regulation, but does introduce some important changes. The aforementioned “centre of the debtor’s main interests” pursuant to Article 3 has been more precisely defined as the “*place where the debtor carries on the administration of its interest on a regular basis and which is verifiable by third parties*”.

Another important amendment is set forth by Article 4 of the Recast Bankruptcy Regulation, stating that the court before which a request to start insolvency proceedings has been filed shall have to examine *ex officio* whether it has jurisdiction on the case. Should the court decide to open the proceedings, it shall have to specify in its decision if the proceedings are the main proceedings or secondary proceedings, pursuant to Article 3. Immediate recognition of the foreign bankruptcy judgments and measures are denied by Italian courts (only) if they may produce effects that are contrary to Italian public policy, for example, if they do not grant all creditors equal treatment.

Where the EC Bankruptcy Regulation is not applicable, Italian Bankruptcy Law applies. Article 9, paragraph 1 provides that bankruptcy can be declared by the court of the place where the debtor has its “*main office*”. In order to give emphasis to the notion of “main office”, Italian case law does not make reference to the place where the productive activity is usually carried out, but to the management center of the business, i.e. the place where the business decisions of the company are taken. Pursuant to Article 9, paragraph 2, the transfer of the registered office of a company in the year prior to the filing of the petition for bankruptcy is disregarded for the purpose of determining the venue and jurisdiction of the bankruptcy proceedings of such company. According to Article 9, paragraph 3, the debtor who has its main office abroad can be declared bankrupt in Italy, even if a declaration of bankruptcy has been rendered abroad. Furthermore, the relocation of the business to a foreign country does not exclude the jurisdiction of Italian courts, if it occurred after the filing of a petition for bankruptcy or the request of the Public Prosecutor.

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 Recast Bankruptcy Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the insolvency proceedings. Insolvency proceedings opened in one Member State under the Recast Bankruptcy 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), 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 be avoided under the following circumstances, *inter alia*, as set out in the IO.

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.

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 favorable for one creditor (Art 30 IO)

Under Art 30 (1) IO, the insolvency administrator is entitled to avoid transactions made during the 60 days prior or after the insolvency of the debtor or during the 60 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 has 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) judicial reorganization procedures; and
- (b) the bankruptcy procedure (*faillite/faillissement*)

both included in Book XX of the Belgian Economic Code.

Note that in addition, Belgian law allows for liquidation in deficit (*liquidation déficitaire/déficitaire vereffening*). The latter proceedings will not be further discussed.

The judicial reorganization

The judicial reorganization 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 instruments, 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 gerechtelijk 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 legislation, 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 crédit/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 above mentioned 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 bankrupt, 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 legislation 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 ongoing 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 claims 117. 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. However, a debtor which is a legal entity is deemed to be able to meet its monetary obligations even though it fulfills above mentioned conditions, if the difference between its due monetary liabilities and its disposable funds ("coverage gap" or *mezera krytí*) is less than one tenth of its due date monetary liabilities or if the liquidity outlook shows that the coverage gap will be less than one tenth of its due monetary liabilities.

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 impending insolvency (*hrozící úpadek*). An impending 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.

Procedures for resolution of insolvency

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*). The Czech Insolvency Act also establishes discharge from debts (*oddlužení*) as a third procedure for resolution of insolvency, but this procedure cannot be used to resolve insolvency of a legal entity that is an entrepreneur.

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-à-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.

Clawback risks under Czech insolvency law

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 blízka*) 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 blízka*) 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.

Claims satisfaction

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 not 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 came into effect in January 2008 and, as such, there is only a limited history of its application by Czech courts.

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 "*Applicable insolvency laws—European Union*" 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 legal entities 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. Furthermore, on January 1, 2021, the 'Act on the confirmation of restructuring plans' or "WHOA" (*Wet homologatie onderhands akkoord*) has entered into effect. The WHOA is a pre-insolvency procedure designed for financially distressed, yet viable, businesses to restructure their debts (or have their debts restructured) so as to be able to prevent their bankruptcy. Under WHOA, a framework is introduced under which tailor-made (financial) restructuring plans can be implemented outside formal insolvency proceedings. The WHOA combines elements of the English Scheme of Arrangements, US Chapter 11 and the EU Restructuring Directive (EU 2019/1023). The laws applicable on suspension of payments, bankruptcy and the WHOA are set out in the Dutch Bankruptcy Act. A general description of the principles of these 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 (*hypothek*) 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 (*hypothek*) 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.

The new WHOA procedure comprises the offering of a 'restructuring plan' (*akkoord*) to those creditors and shareholders affected by such restructuring plan, which restructuring plan is submitted to a voting process and may – once voted upon in favor in accordance with the WHOA – be put forward to the court for court confirmation (*homologatie*). The WHOA will apply to (i) legal entities (*rechtspersonen*) and (ii) natural persons practicing an independent profession or exercising a business, with the exception of insurance companies and banks. The requirement to start a WHOA procedure is that the debtor should be in a position where it can be reasonably assumed that the debtor will not be able to continue paying its debts as they fall due. Other than in a suspension of payments procedure or bankruptcy procedure the debtor will retain both the possession of its property and the authority to dispose of it during the proceedings. A WHOA procedure can be initiated by a debtor itself or by a court appointed restructuring expert (see below) upon request of the debtor, the creditors, shareholders or works council (if established) of the debtor who will prepare a restructuring plan on the debtor's behalf. A WHOA procedure provides with two different tracks, a private procedure and a public procedure. The choice for a public or private procedure is to be made as of the time the court first becomes involved, which is expected to usually be either at the time of filing the first declaration, or at the time of the request to appoint a restructuring expert. Besides the difference in confidentiality of the procedures (private procedure requests to the court are dealt with in the judge's chambers, i.e. behind closed doors), the other main difference lies in the ability to have a confirmatory verdict of the restructuring plan be automatically recognized in other EU member states since the public procedure will be submitted to be included in Annex A of the European Insolvency Regulation.

The restructuring plan forms the basis of the WHOA procedure and is, in many ways, a document which is similar to an agreement (*overeenkomst*) under Dutch law. Its contents are subject to the freedom of contract -principle (*contractsvrijheid*), based on that a debtor has lot of freedom to decide how to restructure its debts and which creditors will be taken into account in the restructuring plan. Except for the rights of employees, the restructuring plan may lead to an amendment of the rights of any creditor or shareholder, including preferential and secured creditors. Once the restructuring plan has been confirmed by the court, the plan becomes legally binding to all aforementioned creditors and shareholders affected by the restructuring plan. Subject to certain safeguards provided under the WHOA, creditors and shareholders who have voted against the restructuring plan can be (cross-class) crammed down and also become bound by the restructuring plan. This sets out the main difference with a regular agreement under Dutch law: not all parties to the restructuring plan necessarily have to agree to the plan in order to be legally bound by it.

A restructuring plan affects the rights of the parties involved and could include for example a reduction and/or restructuring of debts by offering a percentage on claims of the class of creditors, an amendment of future recourse rights, a debt-for-equity swap or the issuance of new shares. Moreover the WHOA procedure provides with the possibility to amend existing contracts and – if such amendment cannot be agreed upon to terminate burdensome contracts.

The debtor company will have to decide what creditors and/or shareholders will be affected by the plan and shall in most circumstance have to divide such creditors/shareholders in separate classes. Each class will have to vote separately on a restructuring plan. The debtor has a large amount of freedom to divide its creditors and/or shareholders into separate classes. However, the WHOA sets out a few formalities and requirements. Creditors and shareholders should be placed in different classes if the rights they would have in case of bankruptcy of the debtor, or the rights they are offered under the restructuring plan are so different, that such creditors and/or shareholders are not in a comparable position. Creditors or shareholders should also be placed in different classes if upon enforcement against the debtor's assets, they would have a different ranking based on Dutch law or under an agreement. In addition the debtor is free to subdivide one category of creditors (e.g. unsecured creditors into different classes). It may also make different proposals to those classes, even if it means that one class is treated more favorable than another. However, for the restructuring plan to then fulfil the conditions for court confirmation, the debtor must ensure that (i) a required majority of the class that is treated less favorable accepts the restructuring plan, or (ii) it offers reasonable grounds for the distinction and can demonstrate that the interests of the creditors in the class that is treated less favorable are not affected. The same applies for leaving out certain creditors of the same class, whilst including others. Unclearities or disputes on the class formation can be tackled prior to putting the restructuring plan to a vote, by submitting a request to the court. The determination by the court is legally binding for the purposes of the rest of the WHOA procedure, but only for those creditors and shareholders who were given an opportunity by the court to express their views in the relevant hearing. Therefore this may provide a powerful tool to pre-empt difficult discussions at the confirmation hearing.

With the WHOA two new court-appointed practitioners have been introduced: the restructuring expert (*herstructureringsdeskundige*) and the observer (*observator*). A restructuring expert can be appointed upon request of the debtor itself, the creditors or the shareholders or the works council (if established). The restructuring expert will prepare an propose the restructuring plan on behalf of the debtor and will therefore largely take over any decision in the WHOA procedure from the debtor. The appointment of a restructuring expert lowers the amount of control by the debtor on the WHOA process and the debtor will be required to provide the restructuring expert with all documentation and

information that the restructuring expert requires in order to fulfil his duties. However, the restructuring expert has no formal representative or decision-making authority in respect of the debtor. The observer may be appointed by the court upon the request of the debtor, the restructuring expert, or at the court's own initiative. The request will be granted if the court deems this to be in the best interests of the joint creditors. In addition the court will appoint an observer on its own initiative in case the court is requested to confirm a restructuring plan with regard to which at least one class of creditors voted and no restructuring expert or observer has yet been appointed yet. The observer's task is to represent the interests of the joint creditors and its role is to observe on the process of the preparation of a restructuring plan instead to prepare a restructuring plan. The observer has to notify the court as soon as it becomes clear to him that the debtor will be unable to put a restructuring plan into effect, or that the debtor's actions will harm the interests of the joint creditors.

After a restructuring plan has been prepared all parties affected by the plan will be invited to vote on the plan. At least eight days prior to the actual vote, all creditors and shareholder(s) should be provided with the restructuring plan by the debtor or the restructuring expert. A two thirds (2/3) majority in amount of the (nominal amount of) claims of all class participants who have cast a vote is required for class acceptance. If at least one class of creditors has formally voted in favor of the plan, the debtor or the restructuring expert, may request the court to confirm the restructuring plan. However, if the restructuring plan affects a class of creditors whose claims would be expected to be (partially) paid in a bankruptcy scenario (an 'in-the-money class'), it is required that at least one such in-the-money class should have voted in favor of the restructuring plan in order for the debtor, or restructuring expert, to file the request for confirmation with the court. After the submission of the final restructuring plan with the court the court will schedule a hearing within eight to fourteen days after submission of the plan. Within this period of time creditors or shareholders that have voted against the plan can request the court to reject the confirmation of the restructuring plan. The court can withhold its approval based on the grounds for refusal (*afwijzingsgronden*) as specified in the Dutch Bankruptcy Act. A distinction is made between general grounds for refusal and specific grounds for refusal. The general grounds for refusal may be put forward by any party eligible to object to the request for confirmation. The general grounds for refusal may also be used by the court at its own initiative to deny the request for confirmation, if it is evidently clear one of the general grounds for refusal applies. The specific grounds of refusal can only be invoked by creditors or shareholders who have not voted in favor of the restructuring plan and in some cases who also are included in a voting class that has voted against the plan. After the hearing, the court will render its decision as soon as possible. Upon confirmation by the court the restructuring plan will be binding on the debtor and all creditors that were entitled to vote on the plan.

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*".

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 and the Recast Bankruptcy Regulation 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 conciliation 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.-u. Dienstleistungs, GmbH, NH Hoteles Deutschland GmbH, NH Hotelbetriebs-u. 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. There are a number of factors that are taken into account to ascertain the "center of main interests", which should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third-parties. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened.

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. On 21 April 2018, the Bill to Facilitate the Handling of Group Insolvencies (*Gesetz zur Erleichterung der Bewältigung von Konzerninsolvenzen*) entered into force. While the bill does not abolish the principle of separate insolvency proceedings in relation to each group entity, it provides for the following four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity's insolvency proceeding; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordination insolvency administrator" (*Koordinationsverwalter*) with the ability to propose a "coordination plan" (*Koordinationsplan*).

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 for the following 12 months 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 (i) three weeks after the mandatory insolvency situation of illiquidity arose or (ii) six weeks after the mandatory insolvency situation of 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 within the following 24 months. 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.

Subject to the Company Stabilisation and Restructuring Act (as defined below) the management of a company with limited liability company or limited liability partnership has the right, as long as the company is not illiquid (*zahlungsunfähig*) or over-indebted (*überschuldet*) but imminent illiquidity (*drohende Zahlungsfähigkeit*) has occurred, to initiate a voluntary preinsolvency restructuring procedure. If the company has commenced a procedure for the voluntary restructuring under the Company Stabilisation and Restructuring Act, the obligation to file for insolvency is suspended as long as the restructuring procedure is pending, however, the restructuring court has to be noticed by the occurrence of such a mandatory insolvency reasons.

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. In particular, the debtor-in-possession proceedings may be revoked if (i) the relevant debtor has substantial outstanding payments to certain persons, (ii) stabilization orders pursuant to the Company Stabilisation and Restructuring Act have been filed in the preceding three years or (iii) the relevant debtor has been in breach of any disclosure obligations within the preceding three years, in each case unless despite these circumstances it is to be expected that the relevant debtor will be able to align his management with the interests of the creditors.

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, however, it will not be possible to force a creditor into a debt-to-equity conversion if it does not consent to such 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 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.

On June 20, 2019, the European Parliament and the council adopted a new directive (Directive of the European Parliament and the Council EU 2019/1023 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending directive (EU) 2017/1132 (the "*Preventive Restructuring Directive*")). The Preventing Restructuring Directive is not directly applicable in the EU member states but needs to be implemented in national law. In order to implement the preventive restructuring directive, the Act on a Stabilisation and Restructuring Framework for Enterprises ("*Company Stabilisation and Restructuring Act*") came into force on January 1, 2021.

The Company Stabilisation and Restructuring Act provides for a new framework allowing the stabilization and restructuring of companies outside and before an insolvency procedure, on the basis of a restructuring plan prepared by the company in financial crisis. The Company Stabilisation and Restructuring Act in particular allows a company that is in a financial crisis to restructure its debt (as well as any collateral provided for its own debt or for debt of third parties), including by way of a "hair-cut", by majority decisions of the creditors of the debt to be restructured, subject to judicial confirmation of the restructuring plan. In addition, the Company Stabilisation and Restructuring Act provides for a potential court appointment of a restructuring trustee (*Restrukturierungsbeauftragter*) or a restructuring moderator (*Sanierungsmoderator*).

The restructuring proceeding is only available in the situation of imminent illiquidity (*drohende Zahlungsunfähigkeit*). The relevant debtor can file for debtor-in possession proceeding pursuant to the Company Stabilisation and Restructuring Act, in which a restructuring plan will put the creditors of the relevant debtor in voting classes. A majority of 75% in value can bind a minority within each voting class and the restructuring court has the power to impose on the restructuring plan in dissenting classes if the majority of all voting classes has voted in favor of the restructuring plan, no creditor is placed at a disadvantage by the restructuring plan compared with its situation without such restructuring plan and the members of the relevant voting class participates appropriately in the economic value of the restructuring plan.

Upon request of the relevant debtor and if necessary to preserve the prospects of achieving the restructuring goal, the restructuring court may order (i) a stay of execution as a result of which any execution measures against the relevant debtor will be suspended or discontinued and (ii) a stay of enforcement as a result of which any rights to moveable assets that might be asserted as a separate satisfaction right or right to segregation in the event of insolvency proceedings may not be enforced by the creditor and that such assets may be used to continue the relevant debtor's business (together a "Stabilisation Order"). The maximum period for such Stabilisation Order are eight months.

Italian insolvency law

The following is a brief description of certain aspects of the insolvency laws of Italy, which does not include special provisions applying to banks, insurance and other companies authorised to carry out certain reserved activities (except for the description of certain insolvency proceeding to which they may be subject) nor does it provide a comprehensive description of insolvency laws applicable to public companies.

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. Several recent reforms of Italian insolvency laws expanded the discipline of restructuring proceedings.

On January 12, 2019, the government enacted a new bankruptcy code implementing the guidelines contained in Law No. 155 dated October 19, 2017, which enacts a new comprehensive legal framework in order to regulate, *inter alia*, insolvency matters (so-called "*Code of Business Crisis and Insolvency*," the "*BCIC*" or "*Insolvency Code*"). The purpose of the 2019 Reform was mostly (i) to ensure the rationality of the provisions on insolvency, affected over the years by various amendments (especially in the civil sector) which caused a great degree of legal uncertainty, (ii) to allow early awareness of the financial distress of a business and (iii) to safeguard the business' entrepreneurial potential during a crisis. On February 14, 2019, the Insolvency Code has been published in the official journal. Except for minor changes in some provisions of the Italian Civil Code (and certain express repeals in the criminal sector) which already entered into force on March 16, 2019, according to Article 389 of the Legislative Decree No. 14 of January 12, 2019, the Insolvency Code will enter into force 18 months following its publication in Italy's official journal (i.e., August 15, 2020). Nevertheless, in response to the COVID-19 pandemic, such entry into force of the Insolvency Code has been currently postponed to September 1, 2021, according to Article 5 of the Law Decree No. 23 of April 8, 2020, subject to conversion in law by the Italian Parliament. Until that date, insolvency proceedings will continue to be governed by Italian Bankruptcy Law, as in force before.

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:

- out of court debt restructuring plans pursuant to Article 67, paragraph 3(d), of the Italian Bankruptcy Law (*piani attestato di risanamento*);
- debt restructuring agreements with creditors pursuant to Article 182-bis of the Italian Bankruptcy Law (*accordi di ristrutturazione dei debiti*);
- composition with creditors (*concordato preventivo*);
- bankruptcy (*fallimento*) and post-bankruptcy composition with creditors (*concordato fallimentare*);
- 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 straordinaria delle grandi imprese in crisi di cui alla Legge Marzano*);
- compulsory administrative winding-up (*liquidazione coatta amministrativa*).

The primary aim of the Italian Bankruptcy Law used to be to liquidate the debtor's assets (with the continuation of the assets as a going-concern (where applicable) only if this would satisfy a creditor's claim). This competing aim often has been balanced by the sale of businesses as going-concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been subsequently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial 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. Subject to certain conditions, the company who implements a *concordato preventivo* or *accordi di ristrutturazione dei debiti* may benefit of an automatic stay, preventing all creditors from instituting or continuing any proceeding or enforcement against its assets. Furthermore, all the acts, payments and guarantees over assets of the distressed company executed and/or performed according to a validated (*omologato*) *accordo di ristrutturazione dei debiti* or *concordato preventivo* are exempt from clawback actions (*revocatoria fallimentare*) and from certain bankruptcy crimes provided under Articles 216, third paragraph (preferential bankruptcy), and 217 (simple bankruptcy) of the Italian Bankruptcy Law in the event of subsequent Bankruptcy.

Bankruptcy

Bankruptcy (*fallimento*) is a court-supervised procedure for the liquidation of an insolvent company's assets and for the distribution of the proceeds. It results in the company's dissolution. A company is declared bankrupt when insolvent. 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 debtor is dispossessed and the administration of the debtor company and the management of its assets pass from the debtor company to the bankruptcy receiver (*curatore fallimentare*), who manages and disposes of the assets under the direction of the delegated judge;
- 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;
- certain payments made, securities given or transactions entered into by the debtor in a certain period before the debtor's submission to a bankruptcy procedure (varying from six months to two years) can be set aside and clawed-back if certain conditions are met (Article 67 of the Italian Bankruptcy Law);
- the beginning of bankruptcy involves the cessation of all the activities of the company with a view to a sale of all assets. However, the bankruptcy court may order that business operations be continued whenever cessation could cause greater damage to the company, provided that the continuation does not adversely affect the creditors of the bankrupt debtor. If the bankruptcy court authorizes the continuation of the business (*esercizio provvisorio dell'impresa del fallito*), the management of the business is entrusted to the bankruptcy receiver (who may in turn avail himself of qualified third-parties for this purpose); and
- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over..

The bankruptcy proceeding is carried out and supervised by a court-appointed receiver (*curatore fallimentare*), a deputy judge (*giudice delegato*) and a creditors' committee (*comitato dei creditori*). 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 claims with super priority (*crediti prededucibili*) are so qualified by a specific provision of law or when they arise as part of the bankruptcy (i.e., claims originated in the insolvency proceedings, such as costs related to the procedure). These claims are paid for the entire amount and before

other claims (secured, preferred, unsecured and subordinated). Examples of these claims are bankruptcy receiver's fees and costs. Such claims are satisfied in full (including costs and interests) with the proceeds of the liquidation of movable and immovable debtor's assets, according to their rank (preferred, secured, unsecured), with the exclusion of the proceeds of the sale of assets subject to other creditors' security interests (mortgages and pledges), which are directed to payment of secured creditors. *Crediti prededucibili* are followed by 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 Luxembourg and have their registered offices in the Grand Duchy of Luxembourg (together the "Luxembourg Guarantors"). Accordingly, Luxembourg courts should have, in principle, jurisdiction to open main insolvency proceedings with respect to these Luxembourg Guarantors, as entities having their registered office and central administration (*administration centrale*) and COMI, as used in the EU Insolvency Regulation, in the 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 Guarantors is in 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 Guarantors:

- bankruptcy proceedings (*faillite*) as set forth in articles 437 and seq. of the Luxembourg Code of Commerce (*code de commerce*), the opening of which is initiated by the relevant guarantor, by any of its representatives (*aveu de faillite*), by any of its creditors or by Luxembourg courts *ex officio* (*faillite d'ecclar'ee d'office*)—absent a request made by the company or a creditor). The managers/directors of the Luxembourg Guarantors 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 cessation of payments (*cessation des paiements*) *i.e.* the company is unable to pay its debts as they fall due (*dettes certaines, liquids et exigibles*) 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 Guarantor.

The main effects of such proceedings are (i) the suspension of all measures of enforcement against the relevant Luxembourg Guarantor, except, subject to certain limited exceptions, for secured creditors and (ii) the payment of the Luxembourg Guarantor's creditors in accordance with their ranking upon the realization of the guarantor's assets;

- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the relevant Luxembourg Guarantor and not by its creditors, applying to companies facing financial difficulties and being considered by the Luxembourg district court sitting in commercial matters to have real prospects of either (i) reorganizing and restructuring its debts and business or (ii) realizing its assets in the best interest of 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 Guarantor and the purpose of which is to obtain a restructuring of the company's liabilities. 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 Guarantors' 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.

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, as amended (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" (*période 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.

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, reorganization or other laws relating to or affecting the enforcement of the rights of creditors in general.

Under article 10 of the Law on Bankruptcy dated February 28, 2003 (Journal of Laws 2020, item 1228) (the "Bankruptcy Law"), the condition for declaring the debtor's bankruptcy is his insolvency. A debtor is considered insolvent if he is no longer able to pay his liabilities as they fall due. It is presumed that the loss of the ability to pay due liabilities takes place if the debtor is delayed in fulfilling such liabilities by more than three months. With respect to debtors being legal persons and unincorporated entities in which a separate law vests legal capacity, a distinct prerequisite for the declaration of bankruptcy is excessive indebtedness, meaning that liabilities (due and not due) exceed the value of all the assets of such entity and such situation continues for more than 24 months. 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.

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").

An alternative solution may be restructuring proceedings, regulated in a separate legal act, i.e. in the Law on Restructuring dated May 15, 2015 (Journal of Laws 2020, item 814) (the "Restructuring Law"). The restructuring proceedings may be conducted against an insolvent debtor or a debtor threatened by insolvency. The Restructuring Law understands the state of insolvency in the same way as the Bankruptcy Law, indicating that "insolvent debtor" shall mean the insolvent debtor as defined in the Bankruptcy Law. On the other hand, debtor is considered to be at risk of insolvency if his economic situation indicates that he may become insolvent in short time.

The purpose of the restructuring proceedings is to avoid declaration of bankruptcy of a debtor through enabling him to undergo restructuring by making an arrangement with creditors and, in the case of remedial proceedings, also through conducting remedial actions, while securing legitimate rights of creditors. 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. Arrangement proceedings enable the debtor to make an arrangement after the preparation and approval of the inventory of receivable debts (the “arrangement proceedings”). However, the Restructuring Law introduces three other restructuring proceedings: proceedings 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 “proceedings for the approval of arrangement”), accelerated arrangement proceedings in which the arrangement is concluded at the meeting of creditors called by the court and which are intended to be quicker than the standard arrangement proceedings (the “accelerated arrangement proceedings”) and remedial proceedings aimed at advanced restructuring of the debtor’s enterprise (the “remedial proceedings”).

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.

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.

Where a declaration of bankruptcy has been issued, court, administrative, as well as court and administrative proceedings in respect of the bankruptcy estate may be instituted and continued by no other than the bankruptcy trustee, or against him. Proceedings instituted against the bankrupt before the date of declaration of bankruptcy for a claim that is subject to notification to the bankruptcy estate, may be taken against the trustee only if, in bankruptcy proceedings, the claim, after exhausting the prescribed procedure, is not included in the list of receivables. If court proceedings are pending, then when the one of the participants is declared bankrupt, such proceedings are suspended by operation of law. All of these consequences of a declaration of bankruptcy also apply to arbitration proceedings. Additionally, if arbitration is not commenced on the date of declaration of bankruptcy, the bankruptcy trustee may, with the judge-commissioner’s (managing the course of the proceedings) permission, withdraw from the arbitration clause if the assertion of a claim before the arbitration court hinders the liquidation of the bankruptcy estate, and in particular if the latter’s condition makes it impossible to cover the costs of initiating and continuing arbitration. The withdrawal shall cause the arbitration clause to lose its legal effect.

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 in order to have them included in the list of claims. 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 trustee, 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 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 on the debtor’s property by a mortgage, pledge or registered pledge, to the extent covered by the value of the object of security, unless the creditor expressed consent for covering such claim by the arrangement.

Arrangement proposals may provide for the division of creditors into groups covering individual categories of interests, in particular: (i) creditors who are entitled to claims under employment relationships and who expressed

consent for covering them by the arrangement; (ii) farmers who are entitled to claims under contracts for delivering products from their own agricultural farms; (iii) creditors whose claims are secured on components of the debtor's assets with a mortgage, pledge, registered pledge, Treasury pledge or ship's mortgage, as well as by transfer to the creditor of ownership of a thing, receivable debt or another right and who expressed consent for covering them by the arrangement; (iv) creditors being shareholders of a debtor that is a company and holding company shares ensuring at least 5 per cent of votes at the meeting of shareholders or the general meeting of shareholders, even if they are entitled to claims mentioned in points (i) to (iii) above.

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 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 favorable 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 amending, exchanging or repealing the security securing the specific debt. 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 may be concluded if at least 1/5 of the creditors entitled to vote on the arrangement attend the meeting. The arrangement will be adopted if the majority of the voting creditors who have cast a valid vote are in favor of it. The majority of creditors voting in favor of the arrangement must also have at least 2/3 of the sum of claims due to voting creditors.. 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 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 bankruptcy trustee. 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. However, the judge-commissioner, at the request of the trustee, deems ineffective the burden of the bankrupt's assets with a mortgage, lien, registered pledge or sea mortgage, if the bankrupt was not a personal debtor of the secured creditor, and this burden was established within one year before the date of submitting the application for announcement bankruptcy and in connection with its establishment, the bankrupt did not receive any benefits. The same applies if an encumbrance was created in exchange for a performance incommensurately low in relation to the value of the security given. 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, unless the other party shows that no damage has been inflicted thus on the creditors. In respect of the above, an action to the court may be brought by the trustee, court supervisor or receiver.

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, as well as interest on those sums deposited in the bank. 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.

These categories are as follows:

- (i) the first category - receivables under employment relationships attributable to the period prior to the declaration of bankruptcy, save for claims for remuneration of the bankrupt's representative or remuneration of the person performing acts connected with administration or supervision over the bankrupt's enterprise, receivables of farmers under agreements for providing produce from their own agricultural farms, dues under maintenance and alimonies and pensions by way of indemnity for causing an illness, incapacity to work, disability or death and pension by way of conversion of rights covered by the substance of the right to annuity into a pension for life, social insurance premiums within the meaning of the Act of 13 October 1998 on Social Insurance System due for the last three years before the declaration of bankruptcy, as well as receivables arisen in the course of restructuring proceedings due to actions of the receiver, or receivables arisen due to actions of the debtor taken after the opening of restructuring proceedings, which actions did not require permission of the committee of creditors or consent of the court supervisor, or which were taken with permission of the committee of creditors or consent of the court supervisor if bankruptcy was declared after examination of a simplified bankruptcy petition, as well as receivables under credits, loans, bonds, guarantees or letters of credit, or other financing provided for in the arrangement adopted in the course of restructuring proceedings and granted in connection with the performance of the said arrangement if bankruptcy was declared after examination of the bankruptcy petition filed no later than three months after the arrangement was validly set aside;
- (ii) the second category - other receivables if they are not subject to satisfaction in other categories, in particular taxes and other public tributes, and the remaining receivables under social insurance premiums;
- (iii) the third category - interest on receivables included in higher categories in the order in which the principal is subject to satisfaction, as well as judicial and administrative penalties of fine and receivables in respect of donations and legacies;
- (iv) the fourth category - receivables of shareholders under a loan or another act in law of similar effects, in particular supply of goods with deferred due date made to the bankrupt being a company in the period of five years before the declaration of bankruptcy, along with interest.

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

Apart from the cases mentioned above, in which the security on the debtor's property will be considered ineffective, the following actions performed with respect to the bankrupt entity's assets are legally ineffective against the bankrupt entity under the Bankruptcy Law:

- acts in law whereby the bankrupt exercised control of his assets, performed by the bankrupt within one year before the filing of the bankruptcy petition, provided that such acts were performed gratuitously, or for a consideration but with the value of the bankrupt's performance being drastically in excess of that received by the bankrupt, or of that reserved for the bankrupt or for a third party; or
- security and the payment of an unenforceable debt, given or made by the bankrupt within six months before the filing of the bankruptcy petition; however, one who received the payment or the security may, by bringing an action or charge, seek the recognition of such acts as effective if at the time when the same were performed he was unaware of the existence of grounds for the declaration of bankruptcy.

Additionally, the judge-commissioner acting *ex officio* or on motion of the trustee pronounces 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), without effect on the bankruptcy estate unless the other party to the act shows that no damage has been inflicted thus on the creditors.

Portuguese insolvency law

The Insolvency and Enterprise Rescue Code (the "CIRE") was approved by Decree-Law 53/2004, of March 18, and has been subject to several amendments, the most important of which 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.

The revitalization process is available only for companies that are experiencing economic difficulties (*i.e.*, imminent solvency) 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.

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 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. 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 50,000 Lei (approximately €10,000) 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 50,000 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 compan* 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 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.

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The insolvency procedure may be requested only by a creditor having a receivable that is certain, liquid in an amount exceeding 50,000 Lei (approximately €10,000) 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 50,000 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, (with a possible extension of up to 1 year), during which the activity of the debtor shall be managed by the debtor itself under the supervision of the judicial administrator, unless the debtor's right to manage its business is withdrawn by the court.

(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 the court. A liquidator is appointed by court with the purpose to liquidate debtor's patrimony. Upon completion of 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, subject to certain conditions provided by law. As the Romanian subsidiary (NH Management Black Sea S.R.L.) shall be a personal guarantor under the Notes and the Senior Secured RCF, the creditors thereunder are unsecured creditors in the meaning of the Romanian Insolvency Law.

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.

Notwithstanding any contractual agreements made by the parties with respect to payments order, in case that a Romanian company is subject to bankruptcy, such agreements may be unenforceable against such company, be set aside in the bankruptcy proceedings and instead the rules set out by the Romanian Insolvency Law will be applied by the insolvency officials.

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 Royal Legislative Decree 1/2020 approving the consolidated text of the Insolvency Law, which entered into force recently on September 1, 2020 (the "Spanish Insolvency Law"), a debtor is considered insolvent when it cannot comply with its due and payable obligations on a regular basis (*insolventia 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 583 et. seq. 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). This legal duty to file for insolvency has been legally suspended until December 31, 2021 (even if a pre-insolvency notice was filed) so that the two months period to file for insolvency will start by then. A debtor may also file for insolvency when it expects that it will be unable to comply with its due obligations on a regular and timely manner (*insolventia imminente*). 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 (creditor's petitions for the debtor insolvency filed since March 14, 2020 shall be not admitted for process until December 31, 2021). 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*), 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, 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 subject to challenge 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 or link to the insolvency (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 227 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 pursuant to Article 228 of the Spanish Insolvency Law, 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 Articles 697 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 in case of subsequent insolvency (*concurso consecutivo*) as provided in the referred Articles.

Accordingly, a Guarantor's acts of disposal with "specially related parties" (such as the Issuer), as defined in the Spanish Insolvency Law, including intragroup guarantees or security, are presumed to be detrimental unless proved otherwise.

If the action for rescission against a transaction of a bilateral nature is successful, reciprocal restitution of the consideration will be ordered, along with any proceed and interest accrued. When it is no longer possible to return the item received, the cash equivalent of its value at the time they left the debtor's estate, plus interest must be delivered. The obligation arising from the action for restoration is considered a credit against the insolvency estate (*créditos contra la masa*) so that the counterparty to the debtor will settle such credit simultaneously with the restoration of the assets and rights to the insolvency estate, 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 and the liable party must indemnify the debtor for loss and damages suffered. When the transaction subject to claw back is of an unilateral nature, the judge will order the restoration of the assets that are the subject of the transaction and the inclusion of the relevant counterparty claim in the list of creditors, with the relevant ranking in accordance to its nature unless such creditor is deemed in bad faith, so that its claim will be classified as subordinated.

Notwithstanding the foregoing, acts and transactions governed by laws other than Spanish law will not be subject to claw back actions if such act or transaction cannot be rescinded or challenged by any means and under any grounds whatsoever (i.e., not only in insolvency scenarios) under the relevant non-Spanish applicable laws.

The general principle of "no termination effect" is also established such that all agreements 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, agreements creating reciprocal obligations for both parties 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 (i) the requirements for the set-off were satisfied prior to the declaration of insolvency (even if such set-off is alleged afterwards, or the creditor communicated the existence of the claim to the insolvency administrator); or (ii) the claims and debts arise from the same legal relation. 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) non-moratorium interests 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 CVA in accordance with article 332 of the Spanish Insolvency Law, except for new funds granted by the debtor or by persons specially related to the debtor through a share capital increase, loans or acts with an analogous purpose (temporary COVID-19 legislation has provided for an exception of this limitation in case of default of CVA approved or modified until 14 March 2022, as long as the CVA or the amended one identify the borrower and the maximum amount of the financing to be granted or the guarantee to be perfected), (ix) 50% of the new funds lent under a refinancing arrangement entered into in compliance with the requirements set forth Title II (*Título II*) of the Second Book (*Libro Segundo*) of the Spanish Insolvency Law which is

not subject to claw back (except for new funds granted by the debtor or by persons specially related to the debtor through a share capital increase, loans or acts with an analogous purpose).. 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. Enforcement of claims against the insolvency estate can be commenced only when a CVA comes into force. 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 as determined pursuant to the rules of the Spanish Insolvency Law (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, as well as to specific additional limitations in case of sale and repayment set forth in the Spanish Insolvency Law depending on whether the secured asset is sold on an individual basis, or as part of a business unit on a going concern as provided in Article 209 at. seq. of the Spanish Insolvency Law. 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 new funds lent under a refinancing agreement entered into in compliance with the requirements set forth in Title II (*Título II*) of the Second Book (*Libro Segundo*) of the Spanish Insolvency Law not subject to claw back in the amount not admitted as a claim against the insolvency estate (except for new funds granted by the debtor or by persons specially related to the debtor through a share capital increase, loans or acts with an analogous purpose). 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: labor, 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, as well as in case of sales of the collateral as part of a business unit on a going concern
- Ordinary creditors (non-subordinated and non-privileged claims) rank *pari passu* and will be paid *pro rata*.
- 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; 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 debtors, 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 debtors, the following shall be deemed to be "specially related parties": (i) shareholders with unlimited liability (in case such shareholders are natural persons it would include any special related party to these shareholders, as described herein); (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 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 common shareholders to the legal entity in insolvency and any other company of the group provided such common 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 Title II (*Título II*) of the Second Book (*Libro Segundo*) of the Spanish Insolvency Law or a CVA (even if those creditors have assumed a position on the board of directors of the debtor on account of the capitalization) 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 arrangements. Additionally, those creditors executing a collective refinancing agreement, or a CVA, will not be deemed as shadow directors as a result of the covenants assumed by the debtor in relation to the viability plan, unless the existence of a circumstance justifying the shadow directorship is proven. 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. Lastly, claims different from loans and acts with an analogous purpose held by shareholders and common shareholders will not be subordinated.

Spanish temporary COVID-19 regulations set forth that as regards insolvency proceedings declared until March 14, 2022, new money provided since the declaration of the state of emergency in Spain (i.e. 14 March 2020) by specially related persons and any claims in which such specially related person is subrogated after such date due to a payment of debts on behalf of the debtor will have the consideration of ordinary claims, thus not subordinated, regardless the privileges which could exist.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings (excluding enforcement proceedings with regard to financial collateral (as defined in Royal Decree Law 5/2005, of 11 March 2005, as amended from time to time), or collateral located in an EU Member State other than Spain, or labor and administrative enforcement proceedings in certain circumstances). 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. Moreover, the effects of insolvency proceedings on a creditor's in rem rights attached to property or rights –of any kind– of the debt or which, at the time of the declaration of the insolvency proceedings, are located in a state (other than a EU Member State bound by the EU Insolvency Regulation) must be exclusively governed by the law of that state.

Refinancing agreements

The Spanish Insolvency Law excludes 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:

- Collective refinancing agreements are agreements entered into by the debtor who is in a state of actual or imminent insolvency and has not been declared in insolvency by a court 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 $\frac{3}{5}$ 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 $\frac{3}{5}$ 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. In case of the pre-insolvency notice has been filed, the execution of the refinancing agreement must take place in a three months period; and
- Non-collective refinancing agreements that are those agreements entered into by a debtor who is in a state of actual or imminent insolvency complying with the requirements set forth in Article 604 of the Spanish Insolvency Act, namely: (a) the agreement responds to a viability plan seeking the continuity of the business activity in the short and mid-term; (b) as a result of the refinancing, the initial proportion of assets in relation to liabilities is increased; (c) the resulting current assets are equal to or greater than current liabilities; (d) the security and personal guarantees proportion in favor of participating creditors does neither exceed the previous one, nor exceeds 90% of the value of the total liabilities affected by the refinancing (the value of the collateral shall be calculated in accordance with the mechanisms set forth in the Spanish Insolvency Law); (e) the interest rate in favor of the intervening creditors does not exceed in more than $\frac{1}{3}$ the average rate applicable to the debt before the refinancing; and (f) 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.

Neither refinancing agreements, homologated as described below but also not homologated when complying with the legal requirements, nor those acts, transactions and payments executed in compliance with the refinancing agreement, irrespective of its nature and legal form, nor any security or guarantee perfected in accordance to those, may be subject to clawback or rescission actions in the event of subsequent insolvency (*concurso consecutivo*) declared pursuant to Article 695 et. seq. of the Spanish Insolvency Act. On the contrary, in the event the refinancing agreement is declared null in case of subsequent insolvency, acts detrimental to the debtor's estate executed by the debtor in the preceding two (2) years before the declaration of insolvency, as well as those carried out when complying with the refinancing agreement, may be subject to claw back or rescission. Additionally, in case of subsequent insolvency, any act carried out by the debtor before the declaration of insolvency, as well as those carried out when complying with the refinancing agreement, are subject to any other challenging action different from the claw back one as so generally allowed by Law, which should be brought by the insolvency administrator exclusively.

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, labor 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. Additionally, adhesions to the refinancing agreement by creditors not holding financial claims are not included in the calculation, as well as claims held by creditors who are "specially related to the debtor", although these claims are affected by the sanction of the refinancing agreement. Claims not represented in euro will be converted in accordance to the official exchange rate as of the date of the public instrument formalizing the refinancing agreement.

If part of the 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 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 homologated refinancing arrangement (because they supported it or because its effects were extended to it) may start or resume separate enforcement of their collateral upon court declaration of a breach of the arrangement (which will imply termination of the refinancing agreement and the cease of its effects on the financial claims), 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. Enforcement cannot be brought in case the homologated refinancing agreement provides, in case of default, for the extinction of either the pre-existing security interests or the ones perfected under the refinancing agreement. Default claims filed between January 30 and September 30, 2021 will not be admitted until October 30, 2021, so that the debtor may communicate within such month it intends to negotiate an amendment or replacement of the refinancing agreement, so that it may have three additional months until the default claim is admitted for process.

The following cramdown effects of homologated refinancing agreements may be imposed on (i) dissenting or non-participating unsecured creditors holding financial claims; 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 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 (nevertheless, those creditors that have not supported such refinancing agreement -either because they did not sign the agreement or because they oppose it- may choose between (a) the debt for equity swap contemplated by the agreement; or (b) a haircut of their claims equal to the nominal amount (including any share premium) of the shares/quota shares that would have corresponded to that creditor as a consequence of the relevant debt for equity swap);
 - (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 in or for 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.

CVA regime

A similar regime than that of the homologated refinancing agreements explained above applies to the CVA. The proposals in the CVA shall include a payment schedule as well as a viability plan, and shall be filed and voted in the moment and manner determined by the Spanish Insolvency Law.

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 favorable 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 "labor" creditors, for a period not exceeding five years; and
- (iii) the favorable vote of creditors representing at least 65% of ordinary claims is required for a CVA providing for any other content among those allowed by the Spanish Insolvency Law (for instance, (a) haircuts exceeding 50%; (b) extensions, either of principal, interest or any other amount due, for a period between five and ten years; (c) the conversion of claims into profit participating loans (*préstamos participativos*), excluding "public" and "labor" creditors, for a period between five and ten years; (d) debt-for-assets deals in relation to some assets and under certain circumstances, or (e) proposals for allocation of the debtor's business on a going concern to a specific person with a commitment from the acquirer to continue the activity for the minimum period of time provided in the CVA and to pay off, totally or partially, the debt as established in the CVA).

For the purposes of the majorities, ordinary claims also include those special and general privileged claims voting in favor to the CVA. The holders of subordinated credits, as well as creditors considered as specially related to the debtor who purchased claims after the declaration of insolvency, are not entitled to vote. If part of the 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 favor.

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 favor of the proposal are the following:

- (i) the favorable 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 favorable 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.

Default of the CVA leads to liquidation of the debtor. Exceptionally, COVID-19 regulation has included some temporary exceptions to the creditors' right and debtor's duty to file for liquidation, as well as the possibility for the debtor to pursue an amendment to a CVA previously approved, subject to certain limitations and requirements.

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").

Other jurisdictions outside the European Union may not require a center of main interests shift in order for a Spanish company to make a filing in those jurisdictions. Nevertheless, recognition of foreign insolvency proceedings not based on the center of main interests or pursuant to a reasonable connection of an equivalent nature in Spain by means of an exequatur process should not be possible and, furthermore, any creditor could file for a non-main insolvency proceedings in Spain.

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 263.2 of the current Spanish Insolvency Law would apply. Article 263.2 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 determined 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 rebuttable and non-rebuttable 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 unless COVID-19 benefit applies in relation to new money provided since the declaration of the state of emergency in Spain in the event the insolvency proceeding is declared by March 14, 2022 at the latest.

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 necessary 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 or after the one (i) year moratorium period ends, it could lose its right to enforce separately within the insolvency proceeding if liquidation is declared, 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 individually at an upfront price which is higher than the minimum price agreed when the security was perfected, or, when sold as part of a business unit on a going concern, 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 the asset is sold at a price implying the amount to be paid to such special privileged creditors, as determined by the Spanish Insolvency Law, is lower than the value of the collateral..

Insolvency proceedings may, normally (although the Spanish Insolvency Law foresees other (unusual) conclusions in Article 465), lead either to the restructuring of the business financing in place through the implementation of a CVA or to the liquidation of the debtor's assets.

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.

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). However, as soon as the debtor loses the going-concern assumption for accounting purposes, going-concern values become irrelevant and over-indebtedness is assessed solely based on liquidation values. While the criterion of over-indebtedness is based on a balance sheet test, it is important to note that a debtor's inability to pay its debts as and when they fall due may cause the debtor to lose the going-concern assumption for accounting purposes and lead to an obligation to account for liquidation values. This, in turn, will mostly result in over-indebtedness. 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 both damage claims as well as sanctions under criminal law in extreme cases. The debtor's board of directors need not file for bankruptcy if (i) creditors with claims in an aggregate amount no lower than the amount of the debtor's over-indebtedness subordinate their claims against the claims of all other creditors, or (ii) if there is a substantiated likelihood for an informal (i.e. out-of-court) workout within a relatively short period of time. It is not settled in Swiss case law as to how long such period of time is supposed to be.

A revision of the Swiss Code of Obligation regarding the stock corporation will presumably enter into force on January 1, 2023. Part of the revision covers new solvency requirements to be complied with by the board of directors. According to the revised Art. 725 Swiss Code of Obligations, the board of directors has to monitor the solvency of the stock corporation. If the corporation threatens to become insolvent, the board of directors shall take measures to ensure solvency. The act does not define when the company faces a threatened insolvency. If necessary, the board of directors shall take further actions to restructure the company or shall propose such actions to the general meeting of shareholders to the extent that they fall within the latter's competence. If necessary, the board of directors shall submit an application

for a stay (*Nachlassstundung*). The board of directors shall act with due haste. By reference, these duties are also applicable to the managing directors of a limited liability company (*Gesellschaft mit beschränkter Haftung*).

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 (*Konkursoröffnung*), 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 (*audiencia*) and the registration of the declaration of insolvency in the National Registry of Personal Acts and its publication in the Official Gazette. 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 of *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 mortgages 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 immature 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 intervener 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) noncompliance 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 cannot 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 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 bankrupt 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 bankrupt entity (or its controlling shareholder). The third party must prove that the act did not cause damage to the bankrupt 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 Avoidance Act (*Anfechtungsordnung—AnfO*) which, however, ceases to apply at the end of June 30, 2021. It shall continue to apply to legal acts before July 1, 2021 and for any legal acts as of July 1, 2021, sec. 438 et seq. of the Austrian Execution Act (*Exekutionsordnung - EO*) shall apply, which basically resembles the provisions of the AnfO:

(a) Intentional discrimination of creditors (Sec 2 AnfO / as of July 1, 2021 Sec 439 EO):

- 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;

- (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; or
- (iii) (solely as of July 1, 2021 pursuant to Sec 439 EO) in respect to purchase, exchange and supply contracts entered into by the debtor in the year preceding the avoidance, and delivery contracts entered into by the debtor in the year preceding the avoidance, provided the other party recognised or should have recognised the intentional discrimination.

- 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 / as of July 1, 2021 Sec 440 EO):

- 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 / as of July 1, 2021 Sec 443 EO, all creditors of a debtor are entitled to challenge the validity of the debtor's transactions pursuant to the above provisions of the AnfO / EO 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 assumed 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

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 reorganization 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 “Clawback risks 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 blízka*) or for the benefit of a debtor's affiliate (*osoba blízka*) 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.

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 Notes Guaranteed 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, after the bankruptcy declaration, 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 at the time the transaction was entered into:

- the onerous transactions entered into in the year preceding the insolvency declaration, where the value of the debt or of the obligations undertaken by the debtor exceeds by 25 per cent. the value of the consideration received by and/or promised to the debtor;
- payments of debts, due and payable, made by the debtor, which were not paid in cash or by other customary means of payment in the year preceding the insolvency declaration;
- pledges and mortgages granted by the bankrupt in the year preceding the insolvency declaration in order to secure pre-existing debts which have not yet fallen due; and
- pledges and mortgages granted by the bankrupt in the six months preceding the insolvency declaration in order to secure which had fallen due.

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 action (*azione revocatoria fallimentare*) - could always resort to the action described in the following paragraph (as provided for by Article 66 of the above-mentioned Royal Decree).

The following transactions are exempt from clawback actions:

- a payment for goods or services made in the ordinary course of business according to market practice;
- a remittance on a bank account, provided that it does not reduce the bankrupt entity's debt towards the bank in a material and lasting manner;
- a sale, including an agreement for sale registered pursuant to Article 2645-bis of the Italian Civil Code, in force as at the date of these Listing Particulars, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser, on the condition that, as of the date of the insolvency declaration, such activity is actually exercised or the investments for the start of such activity have been carried out;
- transactions entered into, payments made and guarantees granted with respect to the bankrupt entity's goods, provided that they concern the implementation of a *piano di risanamento attestato*;
- a transaction entered into, payment made or guarantee issued to implement a *concordato preventivo* or an *accordo di ristrutturazione dei debiti* and transactions entered into, payments made and security interests granted after the filing of the application for a *concordato preventivo*;
- remuneration payments to the bankrupt entity's employees and consultants; and
- payment of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedure.

The limitation period for initiating clawback action is three years from the declaration of bankruptcy or, if earlier, five years from the act or transaction to be clawed-back.

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.

The Code of Business Crisis and Insolvency provides special regimes on preferences and avoidances of intra-group transactions. Under Article 290 the limitation period for initiating intra-group clawback actions (referring to acts and transactions entered into by companies belonging to the same group that jeopardize the creditors' interest) is extended to five years from the filing for bankruptcy declaration.

Law no. 132/2015 also introduced new Article 2929-bis to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings

over the relevant assets without previously obtaining a Court decision clawing back/nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g. gratuitous transfers, or creation of shield instruments such as trusts or the so-called fondo patrimoniale - "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third-party purchaser

Luxembourg

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—Luxembourg 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. 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 (*Código Civil Federal*), acts executed by a debtor in prejudice of its 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 Bankruptcy Law (*Ley de Concursos Mercantiles*) provides 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 by a legal entity: (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"; (vi) granting or increasing in guarantees, when the original obligation did not required such guarantees, (vii) debt payments made in kind, when such payments differ from the payment originally agreed or the consideration was established in cash; (viii) may be deem as fraudulent such transaction that were carried out as of the "retroaction date" by the board members or relevant officers with: (a) family members; or (b) companies controlled over fifty percent by such board members or officers, or; (c) that share the same board or officers.

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.

With the introduction of the WHOA procedure, a new exception to the applicability of insolvency claw back (fraudulent conveyance) has been introduced for certain legal acts (*rechtshandelingen*) entered into as part of the implementation of a WHOA restructuring plan. The WHOA-debtor can request the court to determine that certain legal acts are exempt from fraudulent conveyance claims by a (future) bankruptcy trustee of the debtor in case of the debtor's (post-WHOA) bankruptcy. This request will be granted if (i) the legal act is necessary to continue the debtor's business during the preparation of a restructuring plan, and (ii) it could reasonably be assumed at the time approval was granted that this legal act would be in the interests of the joint creditors and would not materially prejudice the interests of any individual creditors. This exception under the WHOA procedure introduces an instrument that intends to encourage rescue (or DIP) financing for the debtor to assist with putting a restructuring plan into effect (including the granting of any related security rights). It is not limited to financing in the form of a cash loan but also, for example, the supply of goods on credit.

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 favoring 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, 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.

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 232 and 238 of the Spanish Insolvency Law) may bring an action to rescind a contract or agreement (*acción rescisoria pauliana*) 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). Pursuant to Article 1,292 of the Spanish Civil Code, payments of non-due debts made in insolvency may also be rescinded.

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 226 et. seq. 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 avoidance 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 ancillary 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 these Listing Particulars) 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)

According to Section 406 of the Enforcement Act (Exekutionsordnung), foreign acts and instruments shall be declared enforceable in Austria if they are enforceable under the law of the foreign state in which they are drawn up and reciprocity is guaranteed by bilateral or multilateral treaties or regulations.

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 la 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 (*exequatur*). 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., 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., 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.

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.-u. Dienstleistungs, GmbH, NH Hoteles Deutschland GmbH, NH Hotelbetriebs-u. Entwicklungen, 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)⁽¹⁾;

(1) 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 formed 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 final and 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, 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 indentures, the guarantees and the transaction documents (and any document in connection therewith) with the *Administration de l'Enregistrement et des Domaines et de la TVA* in Luxembourg may be required should the indentures, the guarantees and the transaction documents (and any documents in connection therewith) be (i) used, or referred to, in a notarial deed, a bailiff deed or another public deed, or before a Luxembourg court (*théorie de l'usage*), (ii) attached as an annex (*annexé(s)*) to a public deed subject to mandatory registration mentioned under (i), or (iii) lodged with the notary's records (*déposés au rang des minutes d'un notaire*). 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) may be payable depending on the nature of the document to be registered, or in the case of voluntary registration. A Luxembourg court or an official Luxembourg authority may require that the indentures, the guarantees and the transaction documents (and any documents in connection therewith) and any judgment obtained in a foreign court be translated into French or German.

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 or companies 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 recognized 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 1215/2012 of the European Parliament and 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 non-revisable in the state where it was issued;
- (2) it was issued in a case which falls under the exclusive jurisdiction of Polish courts;
- (3) the defendant who did not defend on the merits of the case had not been duly served with an originating pleading in sufficient time to enable him to arrange for his defense;
- (4) a party was deprived of the possibility to defend the proceedings;
- (5) an action involving the same claim between the same parties had been brought before a court in Poland before it was brought before a court of a foreign state;
- (6) it is irreconcilable with an earlier final and non-revisable judgment of a Polish court or an earlier final non-revisable judgment of a court of a foreign state recognized in Poland, given in a case involving the same claim between the same parties;
- (7) such recognition would be contrary to the fundamental principles of the Polish legal order (public policy clause).

Any party with a legal standing is entitled to file a motion with the relevant Polish District Court 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 District Court.

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 would be recognized and enforced in accordance with the terms set forth thereby.

Portugal

Any judgment obtained against the Portuguese Guarantor outside of Portugal (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 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 pendens 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 1.094-1.109 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 matter 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 defense 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.

Contracts concluded under the laws of another state (including under Spanish or U.S. law) are not to be recognized by the Romanian courts as writs of execution in Romania, therefore their enforcement against the relevant debtors (such as the Romanian Guarantor) will be subject to obtaining a final and irrevocable court decision or arbitration award on the merits of the case.

Enforcement against the a Romanian company will be subject to Romanian rules of civil procedure which are the rules in force at the time of such enforcement, particularly the commencement of enforcement is subject to the prior authorization of enforcement (Romanian: *incuviintarea executarii silite*) by judicial enforcement courts, in accordance with the Civil Procedure Code.

Any receivable may be enforced against a Romanian company only for a secured amount which is certain (Romanian: *certă*), determined (Romanian: *lichidă*), due and payable (Romanian: *exigibilă*) and which is not contested at the time of the enforcement.

The provisions entitling one party to recover its legal and other enforcement costs and expenses from the other party may be limited in terms of items or amounts as a Romanian court of law deems appropriate.

Spain

Under Spanish Law of Civil Procedure 1/2000 of January 7, 2000, process must be served personally on each defendant. The Spanish Supreme Court, taking into account the circumstances of the case, may construe that service of process on an agent appointed by the Issuer or any Guarantor incorporated in Spain has infringed Spanish public policy or their rights of defence. Thus, a process agent shall be appointed at all times in the jurisdiction of the relevant courts for serving of process on the Issuer or any Guarantor incorporated in Spain pursuant to Spanish Law of Civil Procedure 1/2000 of January 7, 2000.

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 subject to Article 523 of the Spanish Law of Civil Procedure 1/2000 of January 7, 2000 and to the Spanish Law for International Legal Cooperation in Civil Matters 29/2015 of July 30, 2015 provided that the following conditions are met (which conditions, under prevailing Spanish case law, do not include a review by the Spanish courts of the merits of the foreign judgment):
 - (i) the foreign judgment is final and conclusive;
 - (ii) such judgment was rendered by a court having jurisdiction over the matter, 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 and must be reasonably connected with the dispute;
 - (iii) there is no material contradiction or incompatibility with an earlier judgment rendered in Spain or in any other state provided that such judgment complies with the applicable conditions to be enforceable in Spain;
 - (iv) the rights of defense of the defendant have been protected where rendering the foreign judgment, including but not limited to a proper service of process carried out with sufficient time for the defendant to prepare its defense and appear before the courts;
 - (v) the foreign judgment was not rendered by default (i.e. without appearance or without the possibility to appear for the defendant);
 - (vi) the foreign judgment does not contravene Spanish public policy or mandatory provisions and the obligation to be fulfilled is legal in Spain;
 - (vii) there are no ongoing or pending proceedings between the same parties and dealing with the same subject that were opened before a Spanish court prior to the opening of the proceedings before the foreign court ;
 - (viii) 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 satisfies the conditions to be enforceable in Spain;
 - (ix) to the extent the party against which the judgment is enforced in Spain has been declared insolvent, the foreign judgment must comply with the requirements provided for in the Spanish Insolvency Law approved by Royal Legislative Decree 1/2020, of May 5;
 - (x) the documentation prepared for the purposes of requesting the enforcement of the judgment is accompanied by a translation into Spanish in accordance with Article 144 of the Spanish Law of Civil Procedure 1/2000 of January 7, 2000;
 - (xi) the copy of the judgment presented to the Spanish court has the apostille properly affixed; and
 - (xii) although reciprocity is not a legal requirement, if it were proven that the foreign jurisdiction (e.g. the United States) in which the judgment was obtained does not enforce judgments issued by Spanish courts on a general basis, then the Spanish courts could be compelled to deny the enforcement of the foreign judgment in Spain.

According to Article 3.2 of Spanish Law for International Legal Cooperation in Civil Matters 29/2015 of July 30, 2015, the Spanish Government may deny cooperation with another state's authorities if there has been a reiterated refusal to cooperate or a legal prohibition of providing cooperation is imposed by such other state's authorities provided that the Spanish Government passes a Royal Decree for these purposes.

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*), as the case may be.

The competence to hear applications for recognition and authorization for enforcement of foreign judgments in Spain corresponds to the trial courts of the domicile of the party against which the recognition or enforcement is sought, or of the person who referred to the effects of the foreign judgment. Secondly, the territorial jurisdiction shall be determined by the place of execution or the place in which resolution should produce its effects, being competent, in the latter case, the First Instance Court before which stands the application for recognition.

Once a judgment has been recognized under the exequatur procedure, it will be enforceable in Spain in accordance with the Spanish Law of Civil Procedure 1/2000 of January 7, 2000; in particular, the deadline for filing enforcement requests will be applicable (five years).

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 or may convert such amount into euro on the date of discharge of such judgment (at the exchange rate prevailing on the date on which such amount became due and payable), but in case of enforcement in Spain, the court costs and interest shall be payable in euro as per Article 577 of the Spanish Law of Civil Procedure 1/2000 of January 7, 2000. Any judgment obtained against the Issuer or any of the Guarantors in any 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 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 judgments in Spain involves, among others, the following principal actions and costs: (a) documents in a language other than Spanish must be accompanied by a sworn translation into Spanish (translator's fees will be payable); (b) foreign documents may need to be legalized and apostilled; (c) payment of certain professional fees required for the verification of the legal authority of a party litigating in Spain (if needed); (d) the payment of certain court fees and/or judicial taxes; (e) 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*); and (f) the content and validity of foreign law must be evidenced to the Spanish courts (which could entail additional costs). 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.

Furthermore, recognition and enforcement proceedings under Spanish courts may be affected by the emergency measures taken by the Spanish Government in the framework of the COVID-19 pandemic, which could be updated from time to time.

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*). The judgment of a Swiss court or authority of first instance concerning recognition and enforcement of a foreign judgment, including a U.S. Judgment, is generally subject to appeal.

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 (*formeller schweizerischer Ordre public*), 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 (*materieller schweizerischer Ordre public*). The recognition and enforcement of punitive damage awards may be denied by Swiss courts as incompatible with Swiss public policy (*materieller 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.

From a Swiss law perspective, a foreign court or authority is deemed to have had jurisdiction over a proceeding in the following cases:

- if a provision of the Swiss Federal Act on International Private Law so provides or, in the absence of such provision, if the defendant had its legal domicile in the country in which the judgment was rendered;
- if the parties, in a pecuniary dispute, entered into an agreement valid under the Swiss Federal Act on International Private Law submitting their dispute to the jurisdiction of the court or authority which rendered the judgment;
- if the defendant, in a pecuniary dispute, unconditionally consented to the proceeding before the respective court; or
- if, in the event of a counterclaim, the court or authority which rendered the judgment had jurisdiction over the principal claim and if there is a factual connection between the principal claim and the counterclaim.

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. Due to the nature of enforcement proceedings in Switzerland, no statement can be made as to the time required to obtain recognition and enforcement of a judgment in Switzerland. Finally, Judicial documents may not be served directly from abroad on a person in Switzerland (see Switzerland's reservation to the Hague Convention on Service Abroad of Judicial or Extra Judicial Documents in Civil and Commercial Matters concluded on November 15, 1965) and service must be effected by way of judicial assistance.

Under Swiss law, any amount denominated in a foreign currency and ordered to be paid pursuant to a final judgment will be enforced by Swiss debt collection authorities (*Schweizerische Zwangsvollstreckungsbehörden*) and must be converted into Swiss Francs. 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 above mentioned 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 *exequatur* 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 Purchasers by Vinson & Elkins LLP as to matters of United States federal and New York law and by DLA Piper as to matters of Spanish, Dutch, Italian, Luxembourg and Belgian law.

Independent auditors

The Issuer's consolidated financial statements, included in these Listing Particulars, as of and for the period ended (i) December 31, 2018 have been audited by Deloitte, S.L.; and (ii) December 31, 2019 and 2020 have been audited by PricewaterhouseCoopers Auditores, S.L., both independent auditors, as stated in their reports appearing herein.

The unaudited condensed interim consolidated financial statements of the Group as of and for the three months ended March 31, 2021 have been subject to limited review by PricewaterhouseCoopers Auditores, S.L. With respect to the unaudited condensed interim consolidated financial statements of the Group as of and for the three months ended March 31, 2021 included in these Listing Particulars, PricewaterhouseCoopers Auditores, S.L. reported that they have applied limited procedures in accordance with professional standards for a review of such unaudited condensed interim consolidated financial statements. However, their separate report dated May 28, 2021 appearing herein states that they did not audit and they do not express an opinion on that unaudited condensed interim consolidated financial statements. Accordingly, the degree of reliance on their report on such condensed interim consolidated financial statements should be restricted in light of the limited nature of the review procedures applied.

Deloitte, S.L. with registered office in Madrid, Spain, is registered under number S0692 in the register of official auditors.

PricewaterhouseCoopers Auditores, S.L with registered office in Madrid, Spain, is registered under number S0242 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 Purchasers will be furnished a copy of these Listing Particulars and any related amendments or supplements to these Listing Particulars. Each person receiving these Listing Particulars and any related amendments or supplements to the Listing Particulars 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 Purchasers or any person affiliated with any of the Initial Purchasers 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 Purchasers.

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 these Listing Particulars 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 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.

The Notes have been 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:

- 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 Offering Memorandum.

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 these Listing Particulars, neither the Issuer nor any of the Guarantors is involved, or has been involved during the twelve months preceding the date of these Listing Particulars, 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 these Listing Particulars, 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, 2020 (being the last day of the period in respect of which the Issuer published its latest annual audited consolidated financial statements).

Clearing information

The Notes have been accepted for clearance through Euroclear and Clearstream under common code 235728117 for the Notes sold pursuant to Regulation S and under common code 235728125 for the Notes sold pursuant to Rule 144A. The international securities identification number (the "ISIN") for the Notes sold pursuant to Regulation S is XS2357281174 and the ISIN for the Notes sold pursuant to Rule 144A is XS2357281257.

Legal information

The Issuer

The Issuer 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, and its telephone number at that address is (+34) 91 451 97 35. The Issuer's financial year ends on December 31. The LEI code of the Issuer is 959800LM1RW3PKJ4A296.

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, which has merged with Edificio Metro S.A. and Polis Corporation S.A., companies that were also 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 and 6801, respectively. The registered office of Latina de Gestión Hotelera, S.A. is located at Av. Santa Fe N° 796, 8° Piso (CP C 1009), Ciudad Autónoma de Buenos Aires, Argentina.
- (2) 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.
- (3) Hotel Exploitiemaatschappij 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 Exploitiemaatschappij, mij. Diegem, N.V. is located at De Kleetlaan 14, B-1831 Diegem, Belgium.
- (4) Jolly Hotels Belgium, S.A. 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 Belgium, S.A. is located at rue Bodenbroek 2-4, B-1000 Bruxelles, Belgium.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) 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 Mechelen NV is located at De Kleetlaan 14, B-1831 Diegem, Belgium.
- (12) 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 Stefanie NV is located at De Kleetlaan 14, B-1831 Diegem, Belgium.

- (13) Hotelera de Chile 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 is located at 11100 CP Santiago de Chile, Chile, Avda. Condell, 40.
- (14) NH Hotels Czequia, 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 Hotels Czequia, s.r.o. is located at Praha 5-Smíchov, Radlická 3276/46, Postal Code 150 00, Czech Republic.
- (15) 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.
- (16) 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 Lorenzweg 5, 12099 Berlin, Germany.
- (17) NH Hotelbetriebs.-u. 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 Hotelbetriebs.-u. Dienstleistungs, GmbH is located at Lorenzweg 5, 12099 Berlin, Germany.
- (18) NH Hotelbetriebs-u. 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-u. Entwicklungs, GmbH is located at Lorenzweg 5, 12099 Berlin, Germany.
- (19) 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 Lorenzweg 5, 12099 Berlin, Germany.
- (20) 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 Lorenzweg 5, 12099 Berlin, Germany.
- (21) 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.
- (22) NH Finance, S.A. is a public limited company (*société anonyme*) formed and existing under the laws of Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*Registre de commerce et des sociétés, Luxembourg*) 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.
- (23) Chartwell Inmobiliaria de Coatzacoalcas, S.A. de C.V. is a company established under the laws of Mexico and registered with the Public Property and Companies Register of Coatzacoalcas, 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 Coatzacoalcas, S.A. de C.V. is located at Av. De las Palmas No. 2, Col. Paraíso, Z.C. 96520, Coatzacoalcas, State of Veracruz, Mexico.
- (24) 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, 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.

- (25) 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 City of Mexico 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.
- (26) 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, 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. Cuauhtemoc, Mexico.
- (27) Grupo Hotelero Monterrey, S.A. de C.V. is a company established under the laws of Mexico and registered with Public Registry of the City of Mexico 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.
- (28) 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 City of Mexico under the registration number 287,034. The registered office of 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.
- (29) Operadora Nacional Hispana 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 under the registration number 226025. The registered office of Operadora Nacional Hispana S.A. de C.V. is located at 06600 CP Mexico D.F. Calle Liverpool No 155 Piso 2 Col. Juárez Del. Cuauhtemoc, Mexico.
- (30) NH Hotels Polska, Sp. zo.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 Hotels Polska, Sp. zo.o. is located at Św. Marcin 67, Poznań 61-806, Poland.
- (31) NH Hotel Rallye Portugal, 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, 185, 1250-141 Lisbon, Santo António, Lisbon, Portugal.
- (32) 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.
- (33) 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. A.U. is located at 28003 CP Madrid, Spain, CL Santa Engracia 120.
- (34) 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.
- (35) 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.A.U. is located at Santa Engracia 120, 28003 Madrid, Spain.
- (36) 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.A.U. is located at 28037 CP Alfonso Gomez 30-32, Madrid.
- (37) NH Cash Link, S.L.U. is a company established under the laws of Spain and registered with the Commercial

Registry of Madrid under the registration number M708778. The registered office of NH Cash Link, S.L.U. is located at Santa Engracia 120, 28003 Madrid, Spain.

- (38) NH Europa, S.L.U. is a company established under the laws of Spain and registered with the Commercial Registry of Madrid under the registration number M597946. The registered office of NH Europa, S.L.U. is located at Santa Engracia 120, 28003 Madrid, Spain.
- (39) NH Hoteles Switzerland GmbH is a company established under the laws of Switzerland and registered with the Commercial Registry (*Handelsregisteramt*) of the Canton Zug under the registration number CHE-101.290.195. The registered office of NH Hoteles Switzerland GmbH is located at Poststrasse 30, CH 1700, Zug, Switzerland.
- (40) Hotel Exploitiemaatschappij 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 Exploitiemaatschappij Vijzelstraat Amsterdam B.V. is located at Vijzelstraat 2, 1017 HK, Amsterdam, the Netherlands.
- (41) NH Private Equity BV 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 BV is located at Kruisweg 577, 2132 NA Hoofddorp, the Netherlands.
- (42) 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.
- (43) Hotel Exploitiemaatschappij 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 Hotel Exploitiemaatschappij Onderlangs Arnhem B.V. is located at Onderlangs 10, 6812 CG, Arnhem, the Netherlands.
- (44) Hotel Exploitiemaatschappij 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 Hotel Exploitiemaatschappij Stadhouderskade Amsterdam B.V. is located at Stadhouderskade 7-9, 1054 ES, Amsterdam, the Netherlands.
- (45) Hotel Exploitiemaatschappij 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 Hotel Exploitiemaatschappij Forum Maastricht B.V. is located at Forum 110, 6229 GV, Maastricht, the Netherlands.
- (46) Hotel Exploitiemaatschappij Capelle a/d 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 Hotel Exploitiemaatschappij Capelle a/d IJssel B.V. is located at Barbizonlaan 2, 2908 MA, Capelle aan den IJssel, the Netherlands.
- (47) Hotel Exploitiemaatschappij 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 Hotel Exploitiemaatschappij Van Alphenstraat Zandvoort B.V. is located at Burgemeester van Alphenstraat 63, 2041 KG, Zandvoort, the Netherlands.
- (48) Hotel Exploitiemaatschappij 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 Hotel Exploitiemaatschappij Atlanta Rotterdam B.V. is located at Aert van Nesstraat 4, 3012 CA, Rotterdam, the

Netherlands.

- (49) Hotel Exploitiemaatschappij 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 Hotel Exploitiemaatschappij Leijenberghlaan Amsterdam B.V. is located at Van Leijenberghlaan 221, 1082 GG, Amsterdam, the Netherlands.
- (50) Hotel Exploitiemaatschappij Flowermarket B.V. is a company established under the laws of the Netherlands, having its corporate seat at Hilversum, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 32067663. The registered office of Hotel Exploitiemaatschappij Flowermarket B.V. is located at Marquettelaan 34, 1968 JT Heemskerk, the Netherlands.
- (51) Exploitiemaatschappij 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 Exploitiemaatschappij Doelen Hotel B.V. is located at Nieuwe Doelenstraat 24, 1012 CP, Amsterdam, the Netherlands.
- (52) Exploitiemaatschappij 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 Exploitiemaatschappij Schiller Hotel B.V. is located at Rembrandtplein 26-36, 1017 CV, Amsterdam, the Netherlands.
- (53) Hotel Exploitiemaatschappij 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 Hotel Exploitiemaatschappij Jaarbeursplein Utrecht B.V. is located at Jaarbeursplein 24, 3521 AR, Utrecht, the Netherlands.
- (54) Hotel Exploitiemaatschappij 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 Hotel Exploitiemaatschappij Amsterdam Noord B.V. is located at Distelkade 21, 1031 XP, Amsterdam, the Netherlands.
- (55) 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.
- (56) 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.
- (57) Hotel Exploitiemaatschappij 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 Hotel Exploitiemaatschappij Spuistraat Amsterdam B.V. is located at Singel 347, 1012 WK, Amsterdam, the Netherlands.
- (58) Hotel Exploitiemaatschappij 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 Hotel Exploitiemaatschappij Janskerkhof Utrecht B.V. is located at Janskerkhof 10, 3512 BL, Utrecht, the Netherlands.
- (59) 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.

- (60) 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.
- (61) 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.
- (62) 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.
- (63) 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.
- (64) 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.
- (65) 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.
- (66) 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.
- (67) 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.
- (68) 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.
- (69) 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.

- (70) Hotel Exploitiemaatschappij 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 Hotel Exploitiemaatschappij Stationsstraat Amersfoort B.V. is located at Stationsstraat 75, 3811 MH, Amersfoort, The Netherlands.
- (71) 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.
- (72) Highmark Hoofddorp B.V. is a company established under the laws of the Netherlands, having its corporate seat at Hoofddorp, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 34041580. The registered office of Highmark Hoofddorp B.V. is located at Kruisweg 495, 2132 NA, Hoofddorp.
- (73) Museum Quarter 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 32067664. The registered office of Museum Quarter B.V. is located at Hobbemakade 50, 1071 XL Amsterdam.
- (74) Hotel Exploitiemaatschappij Eindhoven 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 32067046. The registered office of Hotel Exploitiemaatschappij Eindhoven B.V. is located at Vestdijk 5, 5611 CA Eindhoven.
- (75) Hotel Exploitiemaatschappij Epen Zuid-Limburg B.V. is a company established under the laws of the Netherlands, having its corporate seat at Epen (municipality of Wittem), Gemeente Wittem, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 14624251. The registered office of Hotel Exploitiemaatschappij Epen Zuid-Limburg B.V. is located at Prinses Margrietplantsoen 100, 2595 BR 's-Gravenhage, The Netherlands.
- (76) NHOW Rotterdam B.V. is a company established under the laws of the Netherlands, having its corporate seat at 's-Gravenhage, and registered with the Dutch Commercial Register (*Handelsregister*) under the registration number 33009583. The registered office of NHOW Rotterdam B.V. is located at Wilhelminakade 137, 3072 AP, Rotterdam, the Netherlands.
- (77) 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.
- (78) 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 June 7, 2021. 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 these Listing Particulars. To the best of our knowledge, except as otherwise noted, the information contained in these Listing Particulars are in accordance with the facts and does not omit anything likely to affect the import of these Listing Particulars.

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NH Hotel Group, S.A. and its subsidiaries

Report on limited review

Abridged interim consolidated

financial statements corresponding to the period
of three months finished at 31 March 2021



Free translation of the limited review report on the abridged interim consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails

Report on limited review of abridged interim consolidated financial statements

To the shareholders of NH Hotel Group, S.A.:

Introduction

We have performed a limited review of the accompanying abridged interim consolidated financial statements (hereinafter, the interim financial statements) of NH Hotel Group, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the Balance Sheets as at March 31, 2021, and the statement of comprehensive profit and loss, statement of changes in equity, cash flow statement and related notes, all abridged and consolidated, for the three months period then ended. The parent company's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of abridged interim financial information. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the three months period ended March 31, 2021 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of abridged interim financial statements.



Emphasis of Matter

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2020. Our conclusion is not modified in respect of this matter.

Other Matters

Interim consolidated directors' Report

The accompanying interim consolidated directors' Report for the three months period ended March 31, 2021 contains the explanations which the parent company's directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the three months period ended March 31, 2021. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from NH Hotel Group, S.A. and its subsidiaries' accounting records.

Comparative figures

The figures for the three-month period ended March 31, 2020 which are included for comparative purposes in the interim financial statements for the three-month period ended March 31, 2021, have not been audited or reviewed.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed

by Mariano Cortés Redín

May 28, 2021

NH Hotel Group, S.A. and Subsidiaries

Abridged Interim Consolidated Financial Statements
corresponding to the three-month period ended
31 March 2021.

Translation of Abridged Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with the International Financial Reporting Standards adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES
ABRIDGED CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2021 AND 31 DECEMBER 2020
(Thousands of euros)

ASSETS	Note	31/03/2021	31/12/2020	NET ASSETS AND LIABILITIES
NON-CURRENT ASSETS:				EQUITY:
Property, plant and equipment	4	1,608,074	1,615,924	Share capital
Right-of-use assets	5	1,652,066	1,693,820	Reserves of the parent company
Investment Property		2,942	2,950	Reserves of fully consolidated companies
Goodwill	6	99,944	101,069	Reserves of companies consolidated using the equity method
Other intangible assets	7	130,430	128,137	Conversion differences
Deferred tax assets		290,524	273,013	Treasury shares and shareholdings
Investments accounted for using the equity method	8	41,227	41,773	Consolidated Profit/(Loss) for the period
Financial assets at fair value with change in profit/loss	8	1,506	1,985	Equity attributable to the shareholders of the Parent Company
Other financial assets at amortised cost	8	35,639	35,664	Non-controlling interests
Total non-current assets		3,862,352	3,894,335	Total equity
				NON-CURRENT LIABILITIES
				Debt instruments and other marketable securities
				Bank borrowings
				Leasing liabilities
				Deferred tax liabilities
				Other financial liabilities
				Other non-current liabilities
				Provisions for contingencies and charges
				Total non-current liabilities
				CURRENT LIABILITIES:
CURRENT ASSETS:				Trade and other payables
Inventories		7,716	7,957	Accounts payable from related entities
Other current assets		7,769	5,383	Tax payables
Trade receivables		25,295	29,937	Bank borrowings
Other non-trade debtors		27,980	19,952	Leasing liabilities
Tax receivables		37,701	50,547	Debt instruments and other marketable securities
Accounts receivable from related entities		312	955	Other financial liabilities
Cash and cash equivalents		236,313	320,851	Other current liabilities
Total current assets		343,086	435,582	Provisions for contingencies and charges
TOTAL ASSETS		4,205,438	4,329,917	Total current liabilities
				NET ASSETS AND LIABILITIES

Notes 1 to 19 to the accounts form an integral part of the abridged consolidated statement of financial position as at 31

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

ABRIDGED CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021 AND 2020

(Thousands of euros)

	Note	2021	2020*
Revenues	15.1	61,224	276,996
Other operating income	15.1	1,040	4,446
Net gains on disposal of non-current assets	15.1	2,938	(93)
Procurements		(2,542)	(13,356)
Staff costs	15.2	(54,400)	(103,705)
Amortisation of use rights	5	(43,771)	(45,557)
Impairment on tangible fixed assets and intangible assets	4 and 7	(28,203)	(29,042)
Net Profits/(Losses) from asset impairment	4, 6 and 7	2,322	1,212
Other operating expenses	15.3	(48,224)	(127,853)
Profit (Loss) from entities valued through the equity method		45	(13)
Financial income		326	519
Change in fair value of financial instruments		87	76
Financial expenses on leases		(21,720)	(22,989)
Other financial expenses		(10,662)	(9,760)
Results from exposure to hyperinflation (NIC 29)		640	(50)
Net exchange differences (Income/(Expense))		552	445
PROFITS / (LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS		(140,348)	(68,724)
Corporation tax		15,396	12,070
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES		(124,952)	(56,654)
Conversion differences	2.e	(398)	(21,171)
Income and expenses recognised directly in equity		(398)	(21,171)
TOTAL COMPREHENSIVE PROFIT/(LOSS)		(125,350)	(83,825)
Profit/(Loss) for the year attributable to:			
<i>Parent Company Shareholders</i>		<i>(124,104)</i>	<i>(57,177)</i>
<i>Non-controlling interests</i>	9.e	<i>(848)</i>	<i>(523)</i>
Comprehensive Profit / (Loss) attributable to:			
<i>Parent Company Shareholders</i>		<i>(124,484)</i>	<i>(81,630)</i>
<i>Non-controlling interests</i>		<i>(866)</i>	<i>(2,195)</i>
Profit / (Loss) per share in euros (basic and diluted)	3	(0.317)	(0.146)

(*) Presented for comparison purposes only. Non-revised balances as well as their relative notes.

The explanatory notes to the accounts 1 to 19 attached form an integral part of the consolidated comprehensive income statement for the three month period ended 31 March 2021.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO THE THREE-MONTH PERIODS ENDED 31 MARCH 2021

(Thousands of euros)

	Share Capital	Reserves of the parent company			Reserves in companies consolidated by		Currency translation differences	Treasury shares and shareholding	Minority interests
		Share premium	Legal Reserve	Other reserves	Full consolidation	The equity Method			
Initial balance adjusted 01 January 2020	784,361	756,990	74,853	(54,754)	(278,348)	(18,198)	(134,967)	(1,647)	—
Net profit (Loss) for 2020	—	—	—	—	—	—	—	—	(—)
Conversion differences	—	—	—	—	—	—	(19,670)	—	—
<i>Recognised income and expenses for the period</i>	—	—	—	—	—	—	(19,670)	—	(—)
Distribution of Profit (Loss) 2019-									
- To Reserves	—	—	15,894	143,046	(68,998)	22	—	—	—
Remuneration Scheme in shares	—	—	—	(2,724)	—	—	—	1,525	—
Adjustment application of IAS 29	—	—	—	—	—	—	(8,295)	—	—
Distribution of dividends	—	—	—	—	—	—	—	—	—
Other movements	—	—	—	(132)	(2,552)	—	—	(245)	—
Balances at 31 December 2020	784,361	756,990	90,747	85,436	(349,898)	(18,176)	(162,932)	(367)	(—)
Net profit (Loss) for 2021	—	—	—	—	—	—	—	—	(—)
Conversion differences	—	—	—	—	—	—	(380)	—	—
<i>Recognised income and expenses for the period</i>	—	—	—	—	—	—	(380)	—	(—)
Distribution of Profit (Loss) 2020-									
- To Reserves	—	—	—	(226,164)	(203,527)	(7,468)	—	—	—
Remuneration Scheme in shares (Note 14)	—	—	—	250	—	—	—	—	—
Adjustment application of IAS 29	—	—	—	—	—	—	2,343	—	—
Distribution of dividends	—	—	—	—	—	—	—	—	—
Other movements	—	—	—	17	359	—	—	(789)	—
Balances at 31 March 2021	784,361	756,990	90,747	(140,461)	(553,066)	(25,644)	(160,969)	(1,156)	(—)

Notes to the accounts 1 to 19 attached hereto form an integral part of the abridged consolidated statement of changes in equity for the three-month period.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES
ABRIDGED CONSOLIDATED CASH FLOW STATEMENT CORRESPONDING TO THE THREE-MONTH PERIODS ENDED
31 MARCH 2021 AND 31 MARCH 2020
(Thousands of euros)

	Note	31.03.2021	31.03.2020*
1. OPERATING ACTIVITIES			
Consolidated profit before tax:		(140,348)	(68,724)
Adjustments:			
Depreciation of tangible and amortisation of intangible assets (+)	4, 5 and 7	71,974	74,599
Impairment losses (net) (+/-)	4, 5 and 7	(2,322)	(1,212)
Gains/Losses on the sale of tangible and intangible assets (+/-)		(2,938)	93
Gains/Losses on investments valued using the equity method (+/-)		(45)	13
Financial income (-)		(326)	(519)
Variation in fair value of financial instruments (+)		(87)	(76)
Financial expenses (+)		32,382	32,749
Results from exposure to hyperinflation (IAS 29)		(640)	50
Net exchange differences (Income/(Expense))		(552)	(445)
Other non-monetary items (+/-)		(9,232)	(866)
Adjusted profit		(52,134)	35,662
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		241	829
(Increase)/Decrease in trade debtors and other accounts receivable		6,328	31,707
(Increase)/Decrease in other current assets		2,795	(1,038)
Increase/(Decrease) in trade payables		22,668	(20,977)
Increase/(Decrease) in other current liabilities		349	(19,383)
Increase/(Decrease) in provisions for contingencies and expenses		(2,885)	(2,268)
(Increase)/Decrease in non-current assets		199	(5)
Increase/(Decrease) in non-current liabilities		519	644
Income tax paid		7,941	(5,095)
Total net cash flow from operating activities (I)		(13,979)	20,076
2. INVESTMENT ACTIVITIES			
Other financial incomes/collected dividends		48	73
Investments (-):			
Group companies, joint ventures and associates		-	(10,078)
Tangible and intangible assets and investments in property	4 and 7	(14,921)	(33,951)
		(14,921)	(44,029)
Disinvestment (+):			
Group companies, joint ventures and associates		-	17,298
Other assets		128	-
		128	17,298
Total net cash flow from investment activities (II)		(14,745)	(26,658)
3. FINANCING ACTIVITIES			
Dividends paid out (-)		(43)	(750)
Interest paid on debts (-)		(4,839)	(4,809)
Financial expenses for means of payment		(902)	(3,486)
Interest paid on debts and other interest		(3,937)	(1,323)
Variations in (+/-):			
Equity instruments			
- Treasury shares		(772)	-
Debt instruments:			
- Loans from credit institutions (+)	10.b	305	277,189
- Loans from credit institutions (-)	10.b	(681)	(833)
- Principal elements of lease payments (-)		(50,077)	(64,853)
- Other financial liabilities (+/-)		(1)	(15)
Total net cash flow from financing activities (III)		(56,108)	205,929
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I-II+III)		(84,832)	199,347
5. Effect of exchange rate variations on cash and cash equivalents (IV)		294	459
6. Effect of variations in the scope of consolidation (V)		-	-
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I-II+III+IV+V)		(84,538)	199,806
8. Cash and cash equivalents at the start of the financial year		320,851	289,345
9. Cash and cash equivalents at the end of the financial year		236,313	489,151

(*) Presented for comparison purposes only. Non-revised balances as well as their relative notes.

Notes to the accounts 1 to 19 attached hereto form an integral part of the abridged consolidated cash flow statement produced in the three-month period ended 31 March 2021.

NH Hotel Group, S.A. and Subsidiaries

Explanatory notes to the abridged interim consolidated financial statements corresponding to the three-month period ended 31 March 2021.

1. Information on the Group

a) Introduction

NH Hotel Group, S.A. (hereinafter the “Parent Company”) was incorporated as a limited company in Spain on 23 December 1981. The object of the company, as per its articles is, essentially, to operate and manage hotel establishments. The registered office is located at no. 120 Santa Engracia (Madrid, Spain). The articles of association and additional public information concerning the Parent Company can be consulted on its website: www.nh-hotels.com. and at its registered office.

In addition to the operations that it undertakes directly, the Parent Company is the head of a group of subsidiaries undertaking diverse activities and that, alongside the Parent, form the NH Group (hereinafter the “Group” or the “NH Group”). As a result, in addition to its own individual financial statements, the Parent Company must also prepare consolidated financial statements for the Group that include shareholdings in joint ventures and investments in associates.

At 31 March 2021, the NH Group was operating in 29 countries, with 355 hotels and 54,806 rooms, giving it a significant presence in Europe.

The Group's consolidated financial statements for 2020 will be approved by General Shareholders' Meeting of NH Hotel Group, S.A. to be held on 30 June 2021.

b) Impact of COVID-19

After the start of the COVID-19 pandemic in the middle of March 2020 in Europe, demand for hotels dropped drastically due to lockdowns, travel restrictions and social distancing, which drastically affected mobility.

During the months of lockdown, isolation and intense confinement from March 2020 until the end of May 2020, around 95% of our hotels were closed and those which remained open were for charitable purposes. As a result, the second quarter of 2020 was the quarter most affected by an extremely low level of demand.

The gradual reopening of hotels began at the end of May 2020 and was done progressively depending on recovery of demand and with a focus on optimising profitability. In June 2020, around 60% of the hotel portfolio was open, 70% in July, and around 80% at the end of August and September 2020.

The smooth reopening of the hotels since June 2020, after the portfolio was closed in March 2020 due to the intense lockdown, enabled the attraction of national customers during the third quarter. The reopening, in spite of the low level of demand due to mobility restrictions, was possible because of the flexible cost structure.

In 2020 NH Hotel Group put “Feel Safe at NH” into place in all its hotels. This is a new plan, with measures approved by experts, to face up to the health crisis caused by the SARS-CoV-2 coronavirus. The Company has reviewed all its procedures and made nearly 700 adaptations to its operating standards to preserve the health and safety of travellers and employees worldwide. Grouped into 10 main lines of action and backed by specialists in different fields, the measures implemented cover the digitisation of hotel services, adapting sanitation processes, including social distancing regulations in operations and the application of personal protective equipment, among others. We also reached a collaboration agreement with SGS, the world leader in inspection, analysis and certification, which allows us to follow up on the measurement and diagnostics protocol established to verify that the Group's hotels are clean and safe environments.

As a result of the impact of the second and third waves of infections in Europe in the final quarter of 2020, apart from delaying additional reopenings that had been planned for the last months of 2020, hotels were closed once again and, at the end of December 2020, around 60% of the portfolio was open. The stricter restrictions on mobility during the final

months of 2020 and the first quarter of 2021 resulted in a lower level of activity compared to the third quarter of last year. Therefore, about 70% of hotels were open at the beginning of May with an average occupancy of 25% in recent months.

Despite the low level of demand, its flexible operational and financial structure has enabled the Group to overcome the major challenges. Although the challenges will continue in the first months of 2021, the Group will benefit in the first stage of recovery from brand recognition, excellent locations and strong market positioning, once recovery is spearheaded in Europe.

Contingency Plan

As a result of the exceptional circumstances that occurred after the start of the global pandemic (COVID-19) that is affecting all countries, the Group implemented different measures and plans to adapt the business and ensure its sustainability with the aim of minimising costs whilst hotels are closed, preserving the Company's liquidity to meet operational needs and ensure that the recovery of the hotel activity is carried out efficiently and under maximum guarantees in terms of health and safety.

Given the lack of visibility on the speed of business's recovery, the following discipline and cost control measures were implemented, and continue to be implemented, to minimise operational expenses and preserve liquidity:

- Personnel: The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons. These processes continued in the final months of 2020, and will continue during the first part of 2021 in various countries. The workforce therefore continues to adapt with temporary layoffs and salary reductions. The announced collective redundancy process has been carried out in Central Services in Spain as part of a global plan pursuant to local legislation.
- Operational costs: Negotiations with suppliers to reduce purchase costs, seek alternative, cheaper products and attain improvements to payment terms. All Group staff travel suspended since March 2020. Significant reduction in marketing and advertising costs despite the need to boost income.
- Leases: Temporary reduction in fixed leases from the second quarter of 2020 based on the health crisis scenario and the restrictions approved by all the governments that impact on essential elements of the business. These negotiations will continue in the first part of 2021 (Note 15.3).
- CapEx: The greater part of investments were stopped, except those that are legally required or in a very advanced stage.
- Strengthening liquidity:
 - 275 million euros of credit lines were drawn down in March 2020.
 - The proposed dividend for 2019 of 0.15 euros per share was withdrawn, as this would have involved an estimated pay out of around 59 million euros.
 - Signing in May 2020 of a three-year syndicated financing agreement for 250 million euros guaranteed by the Instituto de Crédito Oficial (ICO) in Spain (Note 10).
 - In October 2020, the extension of the syndicated credit line maturity date to March 2023 was agreed. It originally due to mature in September 2021, with a limit of 236 million euros (Note 10).
 - Likewise, and additionally, the waiver obtained in June 2020 for compliance with the financial covenants included in the syndicated credit line for June and December 2020, unanimous approval was obtained from the financial lenders for said waiver to be extended until June 2021. This waiver until June 2021 has also been extended to the syndicated loan (Note 10).
 - Additionally, the Group is working on an operation that includes a set of measures – part of which are already formalised at the date of these interim financial statements – aimed at strengthening its capital structure and refinancing its main financing sources that mature in 2023 so as to strengthen liquidity and provide the group with a stable financial position with a maturity profile that allows it to address the

challenges arising from recovering its activity from a solid platform, by extending the maturity of the ICO financing until 2026 (Note 19), the waiver on compliance with financial ratios (Note 19), convertible unsecured subordinated loan by a subsidiary of the majority shareholder for 100 million euros (Note 19), the analysis of available alternatives in financial markets to optimise and make all its corporate debt instruments more flexible and possible asset sales through "sale and lease-back" operations.

Recovery of demand will occur once spread of the virus is tempered and vaccination is extended in the population. The Group will take advantage of its strong positioning in Europe, with excellent locations and high brand recognition, alongside the high weight of domestic demand.

For more information on the Contingency Plan, see the section "Impacts of COVID-19 and the measures implemented" of the Interim Consolidated Management Report for the three-month period ended 31 March 2021.

2. Basis for presentation of the abridged interim consolidated financial statements

In accordance with European Parliament and Council Regulation (EC) 1606/2002 of 19 July 2002, all companies governed by the law of a European Union Member State, and whose securities are admitted to trading on a regulated market of any Member State, shall prepare their consolidated accounts for the years beginning on or after 1 January 2005 in conformity with the International Financial Reporting Standards (hereinafter, IFRS) previously adopted by the European Union.

The Group's consolidated financial statements for 2020 were prepared by the directors of the Parent Company in accordance with the provisions of the International Financial Reporting Standards adopted by the European Union, applying the principles of consolidation, accounting policies and measurement criteria described in Note 4 of the report on said consolidated financial statements, so that they provide a true and fair view of the consolidated equity and consolidated financial position of the Group as at 31 December 2020 and the consolidated results from its operations, the changes in consolidated equity and consolidated cash flows for the year ended on this date.

These abridged interim consolidated financial statements are presented in accordance with International Accounting Standard (IAS) 34 on Interim Financial Information, and were prepared by the Directors of the Parent Company on 12 May 2021.

In accordance with the provisions of IAS 34, the interim financial report is drawn up only for the purposes of updating the content of the most recent financial statements drafted by the Group, placing emphasis on the new activities, events and circumstances that arose during the first quarter and not duplicating the information previously published in the consolidated financial statements for 2020. Therefore, the intermediate abridged financial statements at 31 March 2021 do not include all the information that would be required by complete consolidated financial statements prepared according to the IFRS Standards adopted by the European Union, so that for a full understanding of the information included in these abridged interim consolidated financial statements, they should be read together with the Group's consolidated annual accounts for 2020.

The consolidated results and the calculation of the consolidated equity are subject to the accounting principles and policies, measurement criteria and estimates followed by the Parent Company's Directors for the preparation of the abridged interim consolidated financial statements. The main accounting principles and policies and measurement criteria correspond to those applied to the consolidated annual accounts for 2020, except for the standards and interpretations which came into force in the first quarter of 2021 (see section a).

All information corresponding to the three-month period ended 31 March 2020 within the explanatory notes to the abridged interim financial statements for the three-month period ended 31 March 2021 is only and exclusively presented for comparative purposes.

a) *Standards and interpretations effective in this period*

During the three-month period ending 31 March 2021 new accounting standards came into force and were therefore taken into account when preparing the interim consolidated financial statements:

(1) New obligatory regulations, amendments and interpretations for the year commencing 01 January 2021:

New standards, amendments and interpretations	Obligatory application in the years beginning on or after:

Not approved for use in the European Union as of the date of publication of this document ⁽¹⁾

Amendments and/or interpretations

Amendments to IFRS 9, IFRS 7, IFRS 4, IFRS 16 and IAS 39 Current reform of the benchmark interest rate (Phase2)	Amendments to IFRS 9, IFRS 4, IFRS 16 and IFRS 7 and IAS 39 related to the reform of benchmark interest rates (Phase 2).	01 January 2021
Amendments to IFRS 16 COVID-19 related rent concession after 30 June 2021.	Amendment that extends the application period of the practical option of IFRS 16 "Leases" by one year to help lessees to account for COVID-19 related rent concession.	01 April 2021

(1) The approval status of the standards can be consulted on the EFRAG website.

Impact of amendment to IFRS 16

An amendment to IFRS 16 was approved by the IASB on 28 May 2020 to help accounting for changes in leases resulting from the pandemic caused by COVID-19. In March 2021, the IASB approved an amendment that extends the application period of the aforementioned practical option of IFRS 16 "Leases" by one year. At the date of these financial statements, this amendment has not been adopted by the European Union.

In this sense, the new wording extends the term that may be affected by the income reductions that could qualify for the exemption, putting back the deadline from 30 June 2021 to 30 June 2022. Had approval by the European Union occurred under the terms defined by the IASB at 31 March 2021, the Group would have had no significant impact on its financial statements.

The amendments approved by the IASB are expected to be approved by the European Union before the end of 2021.

(2) New obligatory regulations, amendments and interpretations which will be obligatory in the years following the year commencing 01 January 2022:

Awaiting approval for use in the European Union as of the date of publication of this document ⁽¹⁾

New Standards:

IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	01 January 2023
Amendment to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associates or joint ventures"	These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will rest on if the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet said definition, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB made the decision to postpone the effective date (without setting a new specific date) as it is planning a broader review that could result in simplifying the accounting of these transactions and other aspects of the accounting of associates and joint ventures.	Pending approval

(1) The approval status of the standards can be consulted on the EFRAG website.

Amendments and/or interpretations

Amendment to IAS 1: Classification of Liabilities as Current or Non-current. (published in October 2020)	Classification of Liabilities as Current or Non-current.	01 January 2023
Amendment to IFRS 3: "Reference to the Conceptual Framework"	IFRS 3 has been updated to refer to the 2018 Conceptual Framework to determine what constitutes an asset or liability in a business combination (previously referred to the 2001 CF). A new exception has also been added in IFRS 3 for liabilities and contingent liabilities.	01 January 2022
Amendment to IFRS 4	Deferment of application of IFRS 9 until 2023.	01 January 2023
Amendment to IAS 16 Proceeds before intended use	The amendment prohibits deduction of any proceeds from the sale of the articles produced from the cost of a tangible fixed asset while the entity is preparing the asset for its intended use.	01 January 2022
Amendment to IAS 37 Onerous contracts – costs of fulfilling a contract	The amendment explains that the direct cost of fulfilling a contract includes the incremental costs of performing that contract and an allotment of other costs that are directly related to performance of the contract.	01 January 2022
Improvements to IFRS 2018-2020 Cycle (published in December 2017)	Amendments that affect IFRS 1, IFRS 9 and IFRS 16	01 January 2022

b) Comparative information

The information contained in these abridged interim consolidated financial statements for the first quarter of 2020 and for financial year 2020 is presented solely for the purposes of comparison with the information for the three-month period ended 31 March 2021 for the consolidated comprehensive income statement, the abridged consolidated statement of changes in equity and the abridged consolidated cash flow statement.

c) Seasonality of the Group's transactions

Given the activities of the Group's companies, its transactions have a slight cyclical or seasonal nature; historically the months with the highest hotel sales are from March to June and from September to November. On the other hand, the seasonality in the holiday hotels varies in the months of December to April and July to August, when sales are higher. This seasonal distribution of income has been affected since mid-March 2020 due to the impact of the COVID-19 pandemic.

d) Accounting correction

There have been no corrections of errors in the abridged interim consolidated financial statements for the three-month period ended 31 March 2021.

e) Change in accounting criteria

There have been no accounting criteria changes in the abridged interim consolidated financial statements for the three-month period ended 31 March 2021.

f) Responsibility for the information, estimates made and sources of uncertainty

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

Estimates made by the management of the Group and of the consolidated entities have been used in preparing the Group's abridged interim consolidated financial statements to quantify some of the assets, liabilities, revenue, expenses and undertakings recognised. These estimates essentially refer to:

- The assessment of possible impairment losses on certain assets.
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce.
- The useful life of the tangible and intangible assets.
- The valuation of consolidation goodwill.
- The market value of specific assets.
- Calculation of provisions and evaluation of contingencies.
- The recoverability of capitalised tax credits.

Given the uncertainty in the economic environment caused by Covid-19, the Group has analysed the estimates made to date where there was an indication of impairment and modified those it deemed relevant.

In spite of the fact that these estimates were carried out using the best information available at 31 March 2021 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.

g) Consolidated cash flow statements

In the consolidated cash flow statements, the following expressions are used with the following meanings:

- Cash flows are the inflows and outflows of cash and cash equivalents.
- Operating activities are the activities that form the main source of ordinary income for the Group, as well as other activities that cannot be classified as investment or financing.
- Investment activities are the purchase and disposal of long-term assets, as well as other investments not included in cash and cash equivalents.
- Financing activities are those activities that bring about changes in the size and composition of own funds and the loans taken out by the Group.

For the purposes of preparing the abridged consolidated cash flow statement, "cash and cash equivalents" was considered to be cash and bank deposits payable on demand, in addition to those highly-liquid short-term investments that are readily convertible into specific cash amounts and subject to little risk of a change in value.

h) Contingent assets and liabilities

Note 24 of the report on the Group's consolidated financial statements for the year ended 31 December 2020 provides information on the contingent assets and liabilities as at that date. Note 13 to these abridged interim consolidated financial statements for the three-month period ended 31 March 2021 details the most significant changes in the contingent assets and liabilities during that period.

i) Going concern

As a result of applying the new accounting standard IFRS 16, the Group has recognised a short-term liability corresponding to the current value of the lease payment commitments to be made in the next twelve months that, at 31 March 2021, amounted to 219,694 thousand euros (250,619 thousand euros at December 2020) meaning that, at 31 March 2021, current liabilities are 180,671 thousand euros higher than current assets (84,279 thousand euros at December 2020). Given that

the effect is caused by a purely accounting (non-financial) approach, this does not prevent the business's normal development.

As a consequence of the situation caused by Covid-19, government measures taken worldwide to mitigate the spread of the pandemic have had a significant impact on the Group. These measures resulted in the temporary closure of establishments in the majority of its locations for a period of time, as well as significant falls in the business's operations and the uncertainties associated with how the situation evolves. These abridged interim consolidated financial statements have been prepared in accordance with the going concern principle as the Group has implemented crisis management organisational measures to ensure business continuity, both individually (management of contagion or isolation situations), and collectively.

These measures include actions focused on the temporary downsizing of existing resources as well as renegotiating lease contracts and other actions focused on minimising the impacts of the situation.

Likewise, to strengthen the Group's liquidity in 2020, various medium- and long-term financing operations have been signed. Amongst these, a syndicated loan of 250,000 thousand euros in April 2020 over 3 years with a partial guarantee from the Official Credit Institution (ICO) and the renegotiation of the syndicated credit line for 236,000 thousand euros in October 2020, whose maturity was extended until March 2023, stand out. Refinances of the finance lines were also signed, which were previously short-term, extending their maturities to terms between 3 and 5 years, also within the framework of ICO guarantees. Various bilateral loans were also formalised in different countries, the majority of which are also partially guaranteed by the State. Moreover, negotiations were carried out with the loan institutions for the syndicated credit line of 236,000 thousand euros and the syndicated loan of 250,000 thousand euros for the temporary waiver of measuring financial ratios (covenants) until June 2021, thus ensuring the availability of both instruments (Note 10).

Additionally, the Group is working on an operation that includes a set of measures – part of which are already formalised at the date of these interim financial statements – aimed at strengthening its capital structure and refinancing its main financing sources that mature in 2023 so as to strengthen liquidity and provide the group with a stable financial position with a maturity profile that allows it to address the challenges arising from recovering its activity from a solid platform, by extending the maturity of the ICO financing until 2026 (Note 19), the waiver on compliance with financial ratios (Note 19), convertible unsecured subordinated loan by a subsidiary of the majority shareholder for 100 million euros (Note 19), the analysis of available alternatives in financial markets to optimise and make all its corporate debt instruments more flexible and possible asset sales through "sale and lease-back" operations.

Therefore, assuming a gradual reactivation of the business and scientific progress in relation to Covid-19 that facilitates a gradual return to normality during 2021 and subsequent years, the Group considers it has sufficient resources to meet future obligations in the next 12 months.

j) Significant changes in the composition of the Group and other sales of shareholdings

During the first quarter of 2021, there have been no significant changes in the composition of the Group and other sales or shareholdings.

On 7 September 2020, the Group acquired 100% of the shares of the Boscolo Hotels Group, which runs eight luxury hotels in prime areas of Rome, Florence, Venice, Prague, Nice and Budapest. The Group operates through the following companies:

- Hungarian Opco New York Palace K.F.T.
- Italian OpCo Roco Hospitality Group, S.R.L.
- Czech Opco AGAGA, s.r.o.

The hotels are run under the variable rent with a guaranteed minimum system.

The consideration, the fair values of the assets and liabilities identified at the time of acquisition and the goodwill are set out below:

Item	Thousands of euros
Other intangible assets	51,187
Property, Plant and Equipment	850
Right-of-use Assets	52,629
Deferred tax assets	5,610
Other non-current assets	150
Cash and cash equivalents	2,722
Other current assets	2,097
Leasing liabilities	(52,629)
Provisions for contingencies and charges	(4,710)
Deferred tax liabilities	(11,458)
Other current liabilities	(12,168)
Fair value of the acquired entity's net assets	34,280
Net Consideration	45,738
Goodwill	11,458

The fair values of the assets and liabilities acquired were estimated internally based on the Group's past experience.

For more information, see Note 6 of the Group's consolidated annual accounts for the year ended 31 December 2020.

3. Profit/(Loss) per share

Profit (Loss) per share is calculated by dividing the net profit or loss attributable to the Group in a period by the weighted average number of shares in circulation during the period, excluding the average number of treasury shares held during the same period.

In accordance with this:

	31/03/2021	31/03/2020
Net Profit/(Loss) for the period (thousands of euros)	(124,104)	(57,177)
Weighted average number of shares in circulation (in thousands)	392,040	391,805
Basic Earnings per share in euros	(0.317)	(0.146)

4. Property, Plant and Equipment

a) *Movement in the period*

The main additions occurring during the three-month period ended on 31 March 2021 relate to hotel refurbishment and opening new hotels. In Spain, the refurbishment of the NH Collection Madrid Abascal stand out; in Italy, the renovations of the NH Trieste; in Central Europe, the opening of the NH Hannover; in Benelux, the refurbishment of the NHOW Brussels Bloom hotel. Finally, in New York, refurbishment of the NH Collection New York Madison Avenue. The total effect of all additions in the year was 5.7 million euros.

During 2021 there have been amortisations of 24.2 million euros. The other movements in the period are explained by the effect of conversion differences, the application of IAS 29 and the derecognition of certain assets.

b) Impairment losses

In the first months of 2021, no losses were recognised on items of property, plant and equipment.

c) Commitments to purchase property, plant and equipment items

Firm purchase/investment undertakings by the NH Group amounted to 21.4 million euros at 31 March 2021. These investments will be made between 2021 and 2022.

d) Insurance policy

The NH 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.

5. Leases

a) Movement in the period

The main movements in the three-month period ended 31 March 2021 mainly correspond to the closure of four hotels under leases, as well as the extension of various contracts. During the first quarter of the year, the NH Palazzo Barocci and NH Firenze Anglo American in Italy and NH Cornellá and NH Ciudad de Almería in Spain were closed.

The movement in both right-of-use assets and leasing liabilities is mainly non-cash given that the asset is modified based on the variations produced in the liability, either due to changes in the contract's payment structure or by the update in accordance with revenues benchmarks.

During the first half of 2020, there were amortisations of 43.8 million euros a financial expense of 21.7 million euros.

The other movements for the year are explained by the loss of contracts and the change in exchange rate.

b) Impairment losses

In the first three months of 2021, impairment loss reversals of 0.8 million euros on right of use were recorded.

6. Goodwill

The breakdown of the heading "Goodwill" as at 31 March 2021 and 31 December 2020, depending on the companies that generated the goodwill, is as follows:

	2021	2020
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	61,114	61,114
Grupo Royal	23,517	24,539
Boscolo Hotels	11,445	11,554
Others	3,868	3,862
	99,944	101,069

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.

The impairment testing policies applied by the Group to its intangible assets and to its goodwill in particular are described in Notes 4.2, 4.4 and 11 to the consolidated financial statements for the year ended 31 December 2020.

The change in the goodwill of Hotel Royal, S.A. Boscolo Hotels and Others results from the exchange rate effect.

7. Other intangible assets

The main additions during the three-month period to 31 March 2021 occurred in the Netherlands (6.5 million euros), as a result of the improvements investment within the framework of the HC Collection Grand Hotel Krasnapolsky management contract. There have also been additions in the year (0.6 million euros) resulting from investments made in digitisation and improvement to the customer journey experience, and digitisation and optimisation of operating processes to gain sustainability, mobility and include customer care. There have also been amortisations of 4 million euros.

8. Financial assets

Composition and breakdown

The breakdown of the Group's financial assets as at 31 March 2021 and 31 December 2020 is shown below, presented by type and categories for the purposes of valuation:

Financial Assets: Type / Category	Thousands of euros					
	31/03/2021					
	Financial Assets Held for Trading	Other Financial Assets at Fair Value with Changes in P&L	Other Non- current Financial Investments	Loans and Accounts Receivable	Investments Held to Maturity	Hedging Derivatives
Equity instruments	-	-	1,506	-	-	-
Debt securities	-	-	-	34,763	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	876	-	-
Long-term / non-current	-	-	1,506	35,639	-	-
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Short-term / Current	-	-	-	-	-	-
Total	-	-	1,506	35,639	-	-

Financial Assets: Type / Category	Thousands of euros					
	31/12/2020					
	Financial Assets Held for Trading	Other Financial Assets at Fair Value with Changes in P&L	Other Non- current Financial Investments	Loans and Accounts Receivable	Investments Held to Maturity	Hedging Derivatives
Equity instruments	-	-	1,985	-	-	-
Debt securities	-	-	-	34,686	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	978	-	-
Long-term / non-current	-	-	1,985	35,664	-	-
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Short-term / Current	-	-	-	-	-	-
Total	-	-	1,985	35,664	-	-

As regards the fair value of financial assets, it does not differ significantly from its book value.

9. Equity

NH Hotel Group, S.A. share capital at 31 March 2021 comprised 392,180,243 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 March 2021 and 31 December 2020 were as follows:

	31/03/2021	31/12/2020
Minor International Public Company Limited ("MINT")	94.13%	94.13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, shares representing 94.13% of the share capital of NH Hotel Group, S.A.

a) *Issue premium and reserves*

The most significant variation in reserves is due to the distribution of profits from the previous year.

b) *Treasury shares and shareholdings*

At 31 March 2021, the Group had 286,822 own shares, compared to 103,947 own shares at 31 December 2020. The variation in treasury shares over the period can be explained by the following movements:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract at 31 March 2021 is 96,860 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2020, the number of shares assigned to the liquidity contract was 103,947 shares. The positive effect recorded in reserves for operations carried out in the first half of the year was 17 thousand euros.
- In the first quarter of 2021, 189,962 treasury shares were repurchased to meet the obligations derived from settling the second cycle of the Long-Term Incentive Plan 2017-2019 for certain executives and personnel (See Note 14). The effect recorded in reserves for the repurchase of shares was (-772) thousand euros.

c) Non-controlling interests

The movements in this heading in the first three months of 2021 and the financial year 2020 are summarised below:

	Thousands of euros	
	31/03/2021	31/12/2020
Opening balance	49,582	57,239
Application of IAS 29	678	(1,383)
Comprehensive profit/(loss) attributable to non-controlling interests	(866)	(5,371)
Dividends paid to non-controlling interests	(166)	(1,179)
Other movements	1	276
Closing balance	49,229	49,582

10. Financial liabilities

a) Composition and breakdown

The Group's financial liabilities at 31 March 2021 and 31 December 2020, broken down by type and category for the purposes of valuation, are shown below:

Financial Liabilities: Type / Category	Thousands of euros			
	31/03/2021			
	Financial Liabilities Held for Trading	Other Financial Liabilities at Fair Value with Changes in P&L	Debts and Accounts Payable	Hedging Derivatives
Bank borrowings	-	-	621,893	-
Debt instruments and other marketable securities	-	-	350,554	-
Leasing liabilities	-	-	1,800,345	-
Other financial liabilities	-	-	845	-
Other non-current financial liabilities	-	-	10,914	-
Long-terms debts / Non-current financial liabilities	-	-	2,784,551	-
Bank borrowings	-	-	30,280	-
Debt instruments and other marketable securities	-	-	2,882	-
Leasing liabilities	-	-	219,694	-
Other financial liabilities	-	-	76	-
Other current liabilities	-	-	37,947	-
Short-term debts / Current financial liabilities	-	-	290,879	-
Total	-	-	3,075,430	-

Financial Liabilities: Type / Category	Thousands of euros			
	31/12/2020			
	Financial Liabilities Held for Trading	Other Financial Liabilities at Fair Value with Changes in P&L	Debts and Accounts Payable	Hedging Derivatives
Bank borrowings	-	-	623,011	-
Debt instruments and other marketable	-	-	349,062	-
Leasing liabilities	-	-	1,809,120	-
Other financial liabilities	-	-	904	-
Other non-current financial liabilities	-	-	10.601	-
Long-terms debts / Non-current financial liabilities	-	-	2,792,698	-
Bank borrowings	-	-	25,927	-
Debt instruments and other marketable	-	-	143	-
Leasing liabilities	-	-	250,619	-
Other financial liabilities	-	-	105	-
Other current liabilities	-	-	25.095	-
Short-term debts / Current financial liabilities	-	-	301,889	-
Total	-	-	3,094,587	-

As regards the fair value of financial liabilities, it does not differ significantly from its book value.

b) Debts and accounts payable

The breakdown of debts from credit institutions, bonds and other tradeable securities at 31 March 2021 and 31 December 2020 is as follows (thousands of euros):

As of 31/03/2021 Data in Euro million	Maximum Available	Availability	Drawn	Maturities					
				Year 1	Year 2	Year 3	Year 4	Year 5	Remainder
Mortgage loans	26,673	-	26,673	3,087	2,045	2,098	5,814	1,328	12,301
Fixed rate	23,307	-	23,307	2,192	1,441	1,485	5,192	696	12,301
Variable rate	3,366	-	3,366	895	604	613	622	632	-
Subordinated loans	40,000	-	40,000	-	-	-	-	-	40,000
Variable rate	40,000	-	40,000	-	-	-	-	-	40,000
Guaranteed senior notes mat. in 2023	356,850	-	356,850	-	-	356,850	-	-	-
Fixed rate	356,850	-	356,850	-	-	356,850	-	-	-
Unsecured loans	331,326	-	331,326	11,850	9,752	299,237	4,307	4,194	1,986
Fixed rate	8,451	-	8,451	2,806	4,108	1,537	-	-	-
Variable rate	322,875	-	322,875	9,044	5,644	297,700	4,307	4,194	1,986
Secured credit line	236,000	-	236,000	-	236,000	-	-	-	-
Variable rate	236,000	-	236,000	-	236,000	-	-	-	-
Credit lines	42,000	25,000	17,000	12,000	-	3,000	-	2,000	-
Variable rate	42,000	25,000	17,000	12,000	-	3,000	-	2,000	-
Borrowing at 30/03/2021	1,032,849	25,000	1,007,849	26,937	247,797	661,185	10,121	7,522	54,287
Arrangement expenses	(9,924)	-	(9,924)	(3,987)	(4,178)	(1,380)	(30)	(30)	(319)
IFRS 9	(3,983)	-	(3,983)	(1,455)	(1,633)	(895)	-	-	-
Accrued interests	11,667	-	11,667	11,667	-	-	-	-	-
Adjusted total debt at 30/03/2021	1,030,609	25,000	1,005,609	33,162	241,986	658,910	10,091	7,492	53,968
Adjusted total debt at 31/12/2020	1,023,143	25,000	998,143	26,070	7,860	891,306	10,239	7,473	55,195

Long- and short-term financial debt at 31 March 2021 amounted to 980.9 million euros and 26.9 million euros, respectively. As regards this financing, the commitment remains to adhere to a series of financial ratios, measured twice yearly, at 30 June and 31 December each year. On 16 September 2020, the Parent Company formally requested that all financing entities waive the measurement of contractual financial ratios in December 2020 and June 2021. This waiver was unanimously approved by all financing entities on 16 October 2020.

In May 2021 additional waivers were obtained as explained in Note 19.

The detail for maturities of the debt for operating leases without discounting is as follows (in thousands of euros):

	Total liabilities	Maturity						
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Remainder
Gross lease payments 31/03/2021	2,905,804	233,202	244,944	233,257	223,160	206,538	146,152	1,618,551
Gross lease payments 31/12/2020	3,001,150	261,034	248,745	237,466	225,081	209,655	196,174	1,622,995

The Group's loans bear interest at a fixed rate for 38.6% of the total consolidated debt, including guaranteed senior bonds maturing in 2023 that accrue nominal interest of 3.75%.

Secured senior bonds maturing in 2023

On 23 September 2016 the Parent Company placed guaranteed senior bonds, which mature in 2023, at the nominal value of 285,000 thousand euros. The nominal yearly interest rate for said issuance of notes is 3.75%. On 4 April 2017, the parent company issued an extension of guaranteed senior bonds maturing in 2023 for a nominal amount of 115,000 thousand euros with an implicit cost until maturity of 3.17%. The outstanding nominal amount at 31 March 2021 was 356.85 million euros. (see section "Depreciation and Amortisation 2018").

Depreciation and Amortisation 2018

As a result of the change of control and as established in the voluntary repurchase and early redemption offer of the senior secured bond issue maturing in 2023 (the "Bonds") due to the change of control, requests were received for the repurchase and redemption of bonds for a nominal amount of 3.150 million euros.

The bond repurchase offer was settled on 12 November 2018, the date on which the Parent Company paid an aggregate amount of 3.195 million euros to the bondholders, who accepted the offer as a whole:

- Nominal paid in advance: 3,150 thousand euros
- Unpaid accrued interest: 13,5 thousand euros
- Amount of the repurchase premium: 31.5 thousand euros

On 14 December 2018, the Parent Company carried out the partial voluntary early redemption, for a nominal amount of 40 million euros (representing 10% of its original total amount), of the issue of senior secured bonds maturing in 2023 (the "Bonds"), by means of a linear pro rata reduction of the nominal value of all the bonds in circulation. The Bonds were redeemed early through the payment of approximately 103.760% of the nominal value of the Bonds being redeemed, including:

- Nominal paid in advance: 40,000 thousand euros
- Unpaid accrued interest: 304.2 thousand euros
- Amount of the repurchase premium: 1,200 thousand euros

The Company paid the partial redemptions from available cash.

Secured credit line (RCF)

On 22 September 2016, the Parent Company and NH Finance, S.A. entered into a revolving business credit with credit institutions amounting to 250 million euros ("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 a consequence of the refinancing of the guaranteed senior notes maturing in 2019, which took place in 2017, the maturity date of said financing was extended to 29 September 2021.

On 16 October 2020, the Parent Company and NH Finance, S.A. agreed the extension of the maturity of the finance to 29 March 2023, with a limit of 236,000 thousand euros.

At 31 March 2021, this financing was available in full.

Unsecured loans

- Syndicated ICO backed loan maturing in 2023

On 29 April 2020, the Group entered into a syndicated loan for 250,000 thousand euros over 3 years, with no repayments until maturity.

The contract, within the legal framework established by the Spanish government to mitigate the economic impact of Covid-19, received a guarantee granted by the Spanish state.

The contract, within the legal framework established by the Spanish government to mitigate the economic impact.

At 31 March 2021, this financing was available in full.

- Other non-guaranteed loans

In addition to the 250,000 ICO backed syndicated loan, as a result of the crisis caused by Covid-19, throughout 2020 the parent company and its subsidiaries took advantage of government aid in the various countries to take out several loans:

- In May 2020, the parent company signed a bilateral loan for 10 million euros over 2 years, within the legal framework provided by the Spanish state to mitigate the economic impact of Covid-19 and, in this way, receiving the ICO guarantee.
- In July 2020, the parent company signed a bilateral loan for 7.5 million euros over 3 years, within the legal framework provided by the Spanish state to mitigate the economic impact of Covid-19 and, in this way, receiving the ICO guarantee.
- In October 2020 the Italian subsidiary NH Italia Spa signed a bilateral loan for 15,000 thousand euros over 6 years, within the legal framework provided by the Italian state to mitigate the economic impact of Covid-19 and, in this way, receiving the State guarantee (SEPE).
- Furthermore, various bilateral loans totalling 6.4 million euros were signed between March 2020 and March 2021 in different regions (Portugal, Argentina, Chile, Colombia and the USA) to mitigate the economic impact of the pandemic.

Subordinated loan

A loan amounting to 40,000 thousand euros fully drawn at 31 March 2021 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 spread.

Mortgages

There were no changes in loans and mortgage loans during the first quarter of 2021. The amount at 31 March was 26.7 million euros.

Renewed credit lines

On 29 June 2020, the Parent Company renewed an existing credit line with Bankinter, S.A. for 10 million euros with a variable interest rate (Euribor + 1.75%), extending the term to three years from the date of signing.

On 4 June 2020, the Parent Company renewed an existing credit line with BBVA, SA for 10 million euros at a variable interest rate (Euribor + 2.7%), extending the term to five years from the date of signing.

Both credit lines were renewed and received a guarantee from the Official Credit Institute (ICO), approved under Royal Decree Law 8/2020

Liquidity

The Group holds 236.3 million euros in cash and 25 million euros in available credit lines at 31 March 2021.

11. Tax note

The NH Hotel Group companies have calculated the estimated Corporate Income Tax to 31 March 2021 applying the regulations in force in the countries in which they operate and specifically, as regards companies resident in Spain, in accordance with the provisions contained in Law 27/2014, of 27 November.

The first quarter of 2021 saw 13.7 million euros of tax losses activated.

12. Provisions

Details of "Provisions for Contingencies and Expenses" at 31 March 2021 and 31 December 2020 are as follows:

	Thousands of euros	
	31/03/2021	31/12/2020
Provisions for contingencies and extraordinary costs:		
Provision for pensions and similar obligations	29,562	29,224
Other claims	17,675	18,031
	47,237	47,255
Provisions for current contingencies and charges		
Other claims	3,462	6,277
	3,462	6,277
Total	50,699	53,532

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 and services where certain amounts are claimed.

13. Claims in process

Note 24 of the report on the consolidated annual accounts relating to the financial year ended 31 December 2020 describes the main tax and legal disputes involving the Group as at that date. The update of the litigation that has had variations with respect to the detailed information in the aforementioned consolidated annual accounts is detailed below:

- As part of the contractual liability assumed by the NH Group in the 2013 hotel purchase contract, the buyers required the Group to pay tax on capital transfers that, in turn, had been claimed by the Dutch Treasury. At 31 March 2021, the total amount of this tax, plus the corresponding default interest, was 12.9 million euros. The NH Group and the purchasers reached an agreement whereby the NH Group assumed control of the judicial procedure. On 25 March 2021, a judgment issued by the Court of First Instance was received rejecting NH's claim, with which the Group does not agree, so a new appeal will be filed before the second judicial instance. The directors, based on the opinion of external advisers, consider that, in a second judicial instance, it is more likely that NH's position will prevail in the High Court. This update did not

involve any additional impact on the consolidated comprehensive income statement for the three-month period ended 31 March 2021.

14. Long-Term Incentive Plan

On 29 June 2017, the Company's General Shareholders Meeting approved a second long-term share-based incentive plan ("the plan") for the executives and employees of NH Hotel Group S.A. (hereafter, "the Group"). The Plan was approved retroactively from 1 January 2017, it will have a total duration of five years, divided into three – independent of each other – three-year cycles.

The Plan will consist of the delivery of the Group's ordinary shares to the beneficiaries calculated as a percentage of the fixed salary in accordance with their level of responsibility. The number of shares to be granted was subject to the degree of fulfilment of the following objectives:

- TSR (total shareholder return) at the end of each of the Plan's cycles, comparing the performance of NH Hotel Group, S.A. shares with the STOXX® Europe 600 Travel & Leisure share index
- Revaluation of the Share
- Recurring Net Profit
- Recurring EBITDA

The beneficiaries must remain in the Group at the end of each cycle, notwithstanding the exceptions deemed appropriate, as well as achieving the minimum thresholds for each of the objectives.

The Plan targeted approximately 100 beneficiaries.

	No. of Shares Assigned at the start of each cycle (Thousands)	No. of Gross Shares outstanding at 31/03/2021 (Thousands)	Value of the allocation (Euros)
The first cycle began on 1/1/2017 (delivery in 2020 -concluded-)	720.87	-	3.80
The second cycle began on 01/01/2018 (pending delivery in 2021 -concluded-)	517.96	470.84	5.96
The third cycle began on 01/01/2019 (delivery in 2022 -in force-)	879.25	755.29	3.96

The difference between the total shares assigned at the beginning of each cycle and the live shares at 31 March 2021 correspond to beneficiaries who left between the launch the end of the first quarter of 2021.

At the date of publication of this report, all the cycles – in force or ended – had been approved by the Board of Directors.

The maximum amount approved by the General Shareholders' Meeting for the three cycles of the second Plan is 16,200,000 euros.

The effect of these items on the consolidated comprehensive profit and loss statement for 2021 was 548 thousand euros (no impact was recorded in 2020).

15. Income and expenses

15.1 Income

The breakdown of these headings in the abridged consolidated comprehensive profit and loss statements for the periods ended 31 March 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Hotel occupancy	39,691	182,247
Catering	12,876	57,053
Meeting rooms and others	5,315	21,899
Rentals and other services	3,342	15,797
Revenues	61,224	276,996
Operating subsidies	9	9
Other operating income	1,031	4,437
Other operating income	1,040	4,446
Net gain (loss) on disposal of assets	2,938	(93)

The fall in net turnover was a result of the COVID-19 pandemic – from the middle of March 2020 – due to demand in the hotel sector decreasing drastically from lockdown and travel restrictions.

“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.

15.2 Personnel expenses

This item in the abridged consolidated comprehensive profit and loss statement is broken down as follows:

	Thousands of euros	
	2021	2020
Wages, salaries and similar	34,871	78,522
Social security contributions	10,344	19,398
Severance payments	5,569	698
Contributions to pension plans and similar	2,318	2,496
Other social expenses	1,298	2,591
	54,400	103,705

The decrease in personnel costs can be explained by the contingency plans that the Group put in place to alleviate the fall in business due to COVID-19. Mainly these consisted of temporary layoffs, due to force majeure or productive reasons, and voluntary reductions in working days and wages. In February 2021, collective redundancies were announced in central services and the business unit in Spain. At 31 March, 5.4 million euros has been provisioned for this collective redundancy process as part of a global plan pursuant to local legislation.

The savings recorded in 2021, as a result of the subsidies or allowances received from Governments to offset the restrictive measures taken, was approximately 8.8 million euros in aid mainly from Northern Europe.

The average number of people employed by the Parent Company and fully consolidated companies during the first quarter of 2021 and 2020, broken down by professional categories, is as follows:

	31/03/2021	31/03/2020

Group's general management	8	8
Managers and heads of department	1,447	1,502
Technical staff	922	970
Sales representatives	687	818
Administrative staff	148	173
Rest of workforce	6,887	8,079
	10,099	11,550

The workforce breakdown by sex and professional category as at 31 March 2021 and 2020 was as follows:

	31/03/2021		31/03/2020	
	Males	Females	Males	Females
Group's general management	7	1	6	2
Managers and heads of department	818	616	857	646
Technical staff	470	437	509	467
Sales representatives	189	488	228	562
Administrative staff	52	92	66	106
Rest of workforce	3,350	3,456	3,974	4,081
	4,886	5,090	5,640	5,864

The average number of people with a disability greater than or equal to 33% employed directly by the Parent Company and the fully consolidated companies as at 31 March 2021 and 2020, broken down by professional categories, is as follows:

	31/03/2021	31/03/2020
Group's general management	-	-
Managers and heads of department	-	2
Technical staff	8	12
Sales representatives	1	1
Administrative staff	10	10
Rest of workforce	59	67
	78	92

15.3 Other operating expenses

This item in the abridged consolidated comprehensive profit and loss statement is broken down as follows:

	Thousands of euros	
	2021	2020
Leases	(3,452)	17,089
Outsourcing of services	4,990	21,894
Commissions and bonuses for customers	2,172	15,998
Supplies	10,255	14,385
Maintenance and cleaning	6,021	9,794
Laundry and related costs	1,687	7,102
Costs associated with information technologies	7,320	9,352
Marketing and merchandising	1,419	4,233
Taxes, insurance and levies	8,725	8,198
Advisory services	2,983	3,296
Other external services	6,104	16,512
	48,224	127,853

During the first quarter of 2021, the decrease in the level of activity of the Group's hotel continued as a result of COVID-19. At the start of the pandemic, the Group implemented a contingency plan that includes a severe reduction in fixed and variable costs directly related to the activity level.

On the other hand, during 2021, the Group managed to reach agreements with the vast majority of landlords, which has made it possible to obtain rent concessions to significantly mitigate the impact of the pandemic. In this sense, as a result of applying the IFRS 16 amendment published on 28 May 2020, the Group recorded savings of 9 million euros relating to rent concessions achieved in the aforementioned negotiations carried out as a result of COVID-19. Likewise, the Group has agreed rent reduction regarding lease agreements not subject to IFRS 16 application, nor to the aforementioned amendment, amounting to 4 million euros.

Likewise, as a result of the subsidies or bonuses received by the Governments to offset the losses produced by the fixed income, a saving of 9 million euros has been recorded in leases

16. 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 the first quarter of 2021 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:

Income and Expenses	Thousands of euros			
	31/03/2021			
	Significant shareholders	Directors and Executives	Associates or companies of the Group	Total
Expenses:				
Management or cooperation agreements	375	-	-	375
Reception of services	137	-	-	137
Other expenses	56	-	-	56
	568	-	-	568
Income:				
Management or cooperation agreements	-	-	100	100
Other income	113	-	-	113
	113	-	100	213

Income and Expenses	Thousands of euros			
	31/03/2020			
	Significant shareholders	Directors and Executives	Associates or companies of the Group	Total
Expenses:				
Management or cooperation agreements	65	-	-	65
Reception of services	274	-	-	274
	339	-	-	339
Income:				
Financial income	-	-	38	38
Management or cooperation agreements	-	-	399	399
Other income	296	-	-	296
	296	-	437	733

The heading "Management or cooperation agreements" referring to major shareholders includes the amounts that have accrued in the form of management fees payable to Grupo NH in the first quarter of 2021 by virtue of the hotel management agreement signed with Grupo Minor.

Other agreements

	Thousands of euros	
	31/03/2021	31/12/2020
Accounts receivable from related entities	312	955
Accounts receivable from associated companies (long term)	142	140
Accounts receivable from associated companies (short term)	564	841
Loans to associates - Sotocaribe, S.L.	9,617	9,617
Provision for impairment	(9,617)	(9,617)
Total Assets	1,018	1,936

	Thousands of euros	
	31/03/2021	31/12/2020
Accounts payable from related entities	(606)	(613)
Loans from related entities	(3)	-
Total Liabilities	(609)	(613)

At 31 March 2021, the NH Group has a net balance pending collection of 297 thousand euros with the Minor Group (312 thousand euros recorded as an account receivable and 609 thousand euros as accounts payable).

17. Information by segments

Note 28 of the report on the Group's consolidated financial statements for the year ended 31 December 2020 provides details of the criteria used by the Group to define its business segments. There have been no changes to the segmentation criteria.

The breakdown of the segment information required by IFRS 8 is as follows:

2021

	Thousand euros						
	Hotel						
	3/30/2021						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BLANCE SHEET							
ASSETS							
Assets by segments	4,172,557	826,241	1,034,487	742,099	804,619	449,317	315,794
Shareholding in associated companies	5,910	929	-	-	-	4,981	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	4,178,467	827,170	1,034,487	742,099	804,619	454,298	315,794
LIABILITIES							
Liabilities and equity by segments	4,178,467	827,170	1,034,487	742,099	804,619	454,298	315,794
Total Consolidated Liabilities and Equity	4,178,467	827,170	1,034,487	742,099	804,619	454,298	315,794

	Thousand euros						
	Real Estate						
	3/30/2021						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BLANCE SHEET							
ASSETS							
Assets by segments	(8,346)	-	-	-	-	-	(8,346)
Shareholding in associated companies	35,317	35,317	-	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	26,971	35,317	-	-	-	-	(8,346)
LIABILITIES							
Liabilities and equity by segments	26,971	35,317	-	-	-	-	(8,346)
Total Consolidated Liabilities and Equity	26,971	35,317	-	-	-	-	(8,346)

	Thousand euros						
	Total						
	3/30/2021						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BLANCE SHEET							
ASSETS							
Assets by segments	4,164,211	826,241	1,034,487	742,099	804,619	449,317	307,448
Shareholding in associated companies	41,227	36,246	-	-	-	4,981	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	4,205,438	862,487	1,034,487	742,099	804,619	454,298	307,448
LIABILITIES							
Liabilities and equity by segments	4,205,438	862,487	1,034,487	742,099	804,619	454,298	307,448
Total Consolidated Liabilities and Equity	4,205,438	862,487	1,034,487	742,099	804,619	454,298	307,448

2020

	Thousand euros						
	Hotel						
	12/31/2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BLANCE SHEET							
ASSETS							
Assets by segments	4,295,735	851,822	1,126,947	747,933	802,040	442,190	324,803
Shareholding in associated companies	6,044	929	-	-	-	5,115	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	4,301,779	852,751	1,126,947	747,933	802,040	447,305	324,803
LIABILITIES							
Liabilities and equity by segments	4,301,779	852,751	1,126,947	747,933	802,040	447,305	324,803
Total Consolidated Liabilities and Equity	4,301,779	852,751	1,126,947	747,933	802,040	447,305	324,803

	Thousand euros						
	Real Estate						
	12/31/2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BLANCE SHEET							
ASSETS							
Assets by segments	(7,591)	-	-	-	-	-	(7,591)
Shareholding in associated companies	35,729	35,729	-	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	28,138	35,729	-	-	-	-	(7,591)
LIABILITIES							
Liabilities and equity by segments	28,138	35,729	-	-	-	-	(7,591)
Total Consolidated Liabilities and Equity	28,138	35,729	-	-	-	-	(7,591)

	Thousand euros						
	Total						
	12/31/2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BLANCE SHEET							
ASSETS							
Assets by segments	4,288,144	851,822	1,126,947	747,933	802,040	442,190	317,212
Shareholding in associated companies	41,773	36,658	-	-	-	5,115	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	4,329,917	888,480	1,126,947	747,933	802,040	447,305	317,212
LIABILITIES							
Liabilities and equity by segments	4,329,917	888,480	1,126,947	747,933	802,040	447,305	317,212
Total Consolidated Liabilities and Equity	4,329,917	888,480	1,126,947	747,933	802,040	447,305	317,212

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:

Significant information from the Income Statement by Geographic Area	Thousands of euros (2021)						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	TOTAL
Revenues	20,961	6,921	15,090	6,224	6,377	5,651	61,224
Depreciation	(22,482)	(10,267)	(13,410)	(16,239)	(2,679)	(6,897)	(71,974)
Net profit (loss) for asset deterioration	837	-	846	606	-	33	2,322
Financial Income	159	12	9	90	56	-	326
Financial Expenses	(9,657)	(5,688)	(5,004)	(7,267)	(1,746)	(3,020)	(32,382)
Results from exposure to hyperinflation (IAS 29)	-	-	-	-	640	-	640
Profit (Loss) from entities valued through the equity method	(37)	-	-	-	82	-	45
Corporation tax	(3)	7,196	5,021	393	1,498	1,291	15,396

Significant information from the Income Statement by Geographic Area	Thousands of euros (2020)						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	TOTAL
Revenues	70,463	60,541	37,905	56,386	22,486	29,215	276,996
Depreciation	(22,952)	(11,671)	(12,743)	(17,213)	(2,948)	(7,072)	(74,599)
Net profit (loss) for asset deterioration	568	-	232	376	-	36	1,212
Financial Income	187	3	3	118	198	10	519
Financial Expenses	(8,021)	(6,707)	(5,067)	(7,623)	(2,323)	(3,008)	(32,749)
Results from exposure to hyperinflation (IAS 29)	-	-	-	-	(50)	-	(50)
Profit (Loss) from entities valued through the equity method	-	-	-	-	(13)	-	(13)
Corporation tax	61	3,088	3,527	3,719	584	1,091	12,070

18. Remuneration and other statements made by the Board of Directors and Senior Management

Note 29 of the report on the Group's consolidated financial statements for the year ended 31 December 2020 details the existing agreements on remuneration and other benefits of members of the Parent Company's Board of Directors and Senior Management.

A summary table containing the most relevant data concerning such remuneration and benefits in relation to the three-month periods ended 31 March 2021 and 2020 is provided below:

	Thousands of euros	
	31/03/2021	31/03/2020
Members of the Board of Directors:		
Remuneration item-		
Fixed remuneration	220	264
Variable remuneration	159	-
Allowances	1	1
Allowances as per Articles	76	79
Transactions in shares and/or other financial instruments	-	-
Others	9	5
	465	349
Other benefits-		
Loans granted	-	-
Life insurance premiums	8	8
	8	8
Senior management, excluding Directors:		
Total remuneration received by senior management	553	453
Loans granted to senior executives	-	-
Others	-	-
	553	453

The members of the Board of Directors have seen their annual gross salary reduced by 20% since 1 January 2021 (50% in 2020), in line with the other measures taken by the Company to face the COVID-19 crisis.

The prorated remuneration of the six members (excluding the CEO and Chief Operations Officer in 2021) who formed the Company's Senior Management in the first quarter of 2021 was taken into account to calculate the amounts indicated in the Senior Management section. Senior Management remuneration includes the economic valuation of payment in kind and the accrual of 100% of the variable remuneration for the first three months of 2021. In line with other measures taken by the Company to deal with the COVID-19 crisis, the amount is also reduced because the members of the Group's Management Committee have seen their annual gross fixed salary reduced by 20% since 1 January 2021. The reduction in 2020 was more than 50%.

The Board of Directors had nine members at 31 March 2021, who were all men.

There were six members of Senior Management at 31 March 2021 excluding the CEO and the Chief Operations Officer due to their status as Executive Directors.

The current CEO was appointed by the General Shareholders' Meeting on 29 June 2017 and re-elected at the General Shareholders' Meeting on 16 July 2020. On the other hand, the CEO and Chief Operations Officer were appointed by co-option on 28 September 2020.

19. Events after the reporting period

Syndicated ICO backed loan maturing in 2023

On 29 April 2021, and based on RDL 34/2020, the Group agreed came to an agreement with credit institutions to extend the maturity of this financing until 29 April 2026 and without repayments until maturity.

Waiver on compliance with financial ratios

On 7 May 2021, the Company signed the waiver on compliance with the financial ratios on the revolving credit line until December 2021 and a significant relaxation of the levels that its financial ratios must meet in June 2022. This is in addition to the waiver of compliance with the financial ratios on the ICO backed syndicated loan for December 2021 and June 2022.

Convertible unsecured subordinated loan

On 12 May 2021, the Company's Board of Directors approved signing a convertible unsecured subordinated loan agreement between the Company, as borrower, and MHG Continental Holding (Singapore) Pte. Ltd, a subsidiary of the Company's majority shareholder, Minor International Public Company Limited, as lender. The loan is for 100 million euros, which will be drawn down in May and capitalised in the second half of 2021 through a capital increase process directed towards all shareholders.

Unsecured Loans

Additionally, and based on RDL 34/2020, the Group agreed to extend the maturity of two loans. On 7 April 2021, the maturity of a 7,500 thousand euros loan was extended from April 2023 to April 2026 and on 4 May a 10,000 thousand euros loan had its maturity extended from May 2022 to May 2025.

NH Hotel Group, S.A. and Subsidiaries

Audit Report,
Consolidated Annual Accounts
at 31 December 2020



Free translation of the independent auditor's report on the consolidated annual accounts originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Audit report on the consolidated annual accounts issued by an independent auditor

To the shareholders of NH Hotel Group, S.A.

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of NH Hotel Group, S.A. (the parent company) and subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2020, the consolidated comprehensive profit and loss statement, the consolidated statement of changes in shareholders equity, the consolidated cash flow statement and the notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the Group's consolidated equity and financial position at 31 December 2020 and the consolidated results of its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

Our audit has been carried out in accordance with prevailing Spanish auditing regulations. Our responsibilities under said regulations are described below under *Auditors' responsibilities in relation to the audit of the consolidated annual accounts*.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, applicable to our audit of the consolidated annual accounts in Spain, as required by auditing regulations. In this respect, we have not provided any services other than audit services, nor have any situations or circumstances arisen that, in accordance with those regulations, might have undermined said independence.

We consider that the audit evidence obtained provides a sufficient and appropriate basis for our opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in the audit of the consolidated annual accounts for the current period. These matters have been addressed in the context of our audit of the consolidated annual accounts as a whole and in the preparation of our opinion thereon, and we do not express a separate opinion on these matters.

Key audit matters	How the matters were addressed in the audit
Recoverability of assets associated with the hotel business The Group carries out its business through 361 hotel establishments. All the assets associated with the hotel activity include goodwill, right of use assets, property, plant and equipment and other intangible assets whose carrying amounts at 31 December 2020 total to EUR 101 million (note 9), EUR 1,694 million (note 8), EUR 1.616 million (note 7) and EUR 128 million (note 10), respectively, representing 82% of total assets. The Group assesses its assets for signs of a decline in value each year and in any event, with respect to the recoverability of goodwill, in order to determine whether there are any impairment losses entailing the write-down of the carrying amounts of the assets, calculated as described in notes 4.2 and 4.4 to the consolidated annual accounts. As a general rule, Group management estimates the recoverable amount of each cash-generating unit (CGU) on the basis of value in use, calculated using cash flows estimated by applying discount rates and expected growth rates, in accordance with the business plans approved by management. As recognised in the consolidated statement of comprehensive income, the Group has recorded an impairment under net profit/(losses) from asset impairment for an amount of EUR 76.3 million (note 11.3). In view of the significance of the judgements made by the Group and the significant estimates made to perform the said calculations, considering the quantitative relevance of such assets and taking into account the existing Covid-19 health crisis and its impacts, we consider the assessment of the recoverability of the assets associated with the hotel business to be a key audit matter (notes 1 and 2.7).	Our audit procedures included, among others: Understanding of the methodology employed and evaluation of the controls in place in the Group's asset recovery analysis processes. Obtainment from management of the impairment tests carried out, to which we applied the following substantive procedures, assisted by our internal experts: • Verification of the reasonableness of the procedures and methods used to perform the impairment tests. • Assessment of the reasonableness of the key assumptions and estimates included in the model in relation both to future cash flow forecasts and the key aspects included in the estimation of the cash flows, such as the method applied by management to estimate the discount rates within an acceptable range. • Arithmetic verification of the calculations taken into consideration in the impairment test and assessment of the sensitivity analyses, including the ranges within which the key model assumptions should fluctuate in order to give rise to the impairment of assets or the reversal of existing provisions. • Evaluation of the sufficiency of the related information disclosed in the consolidated annual accounts. The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Key audit matters	How the matters were addressed in the audit
Recoverability of deferred tax assets As recognised in the accompanying consolidated statement of financial position, at 31 December 2020 deferred tax assets amount to EUR 273 million, of which, EUR 132 million relates to available tax credits, according to note 19 to the accompanying consolidated annual accounts. When assessing whether the amount recognised in the consolidated annual accounts for these assets is recoverable, Group management takes into account, as mentioned in notes 4.11 and 19, forecast future tax profits, using the method defined to analyse the recovery of its assets, based on the assessment of the estimates of the results of each entity or tax group in accordance with the Group's strategic direction. In view of the significance of the judgements made by the Group and the significant estimates made to perform the said calculations, considering the quantitative relevance of such assets and taking into account the existing Covid-19 health crisis and its impacts, we consider the assessment of the recoverability of deferred tax assets to be a key audit matter (notes 1 and 2.7).	Our audit procedures included, among others: Understanding of the methodology employed and evaluation of the controls in place in the Group's deferred tax asset recovery analysis processes. Obtainment of the deferred tax asset recovery plans, to which we applied the following substantive procedures: • Analysis of the plans for the recovery of such assets, and obtainment of evidence of the reasonableness of results and projections for future years budgeted and included in recoverability plans. • Involvement of our internal experts in the analysis of the reasonableness of the application of tax assumptions based on applicable legislation. • Evaluation of the sufficiency of the related information disclosed in the consolidated annual accounts. The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Other information: Consolidated management report

Other information refers exclusively to the consolidated management report for 2020, the preparation of which is the responsibility of the parent company's directors, and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the consolidated management report, in accordance with prevailing audit legislation, consists of:

- Solely verifying that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, referred to in the Audit Act, have been provided in the manner established in applicable legislation and, if not, disclosing this fact.
- Assessing and reporting on the consistency of the other information included in the consolidated management report with the consolidated annual accounts, based on our knowledge of the Group obtained during the audit of the accounts, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated management report are consistent with applicable legislation. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) is provided in the manner stipulated in applicable legislation and the other information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2020 and its content and presentation comply with applicable legislation.

Responsibility of the directors and the Audit and Control Committee in relation to the consolidated annual accounts

The directors of the parent company are responsible for the preparation of the accompanying consolidated annual accounts such that they present fairly the Group's consolidated equity, financial situation and results in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for the internal control which they consider necessary to enable the preparation of annual accounts free from material misstatements, due to fraud or error

In the preparation of the consolidated annual accounts, the parent company's directors are responsible for assessing the Group's capacity to continue as a going concern, disclosing, as appropriate, any going concern-related issues and applying the going-concern accounting principle, unless the directors intend to wind up the Group or discontinue its operations, or unless no other realistic alternative exists.

The parent company's Audit and Control Committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditors' responsibilities in relation to the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report containing our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with auditing standards prevailing in Spain will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated annual accounts.

As part of an audit in accordance with current legislation governing the audit practice in Spain, we exercise our professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated annual accounts whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- We conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and assess whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and adequate evidence in relation to the financial information of the companies or the business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for managing, overseeing and performing the audit of the Group.

We communicate with the parent company's audit and control committee in relation to, among other matters, the planned scope and timing of the audit and the significant audit findings, as well as any major internal control weakness that we identify in the course of our audit.

We also provide the parent company's audit and control committee with a statement to the effect that we have complied with applicable ethical requirements, including those of independence, and we have notified the audit and control committee of any issues that could reasonably pose a threat to our independence and, if appropriate, the relevant safeguards.

Among the matters notified to the parent company's audit and control committee, we determine those that have been of the greatest significance in the audit of the consolidated annual accounts for the current period and which therefore are key audit matters.

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files in the European Single Electronic Format (ESEF) of NH Hotel Group, S.A. and subsidiaries for 2020, consisting of an XHTML file, which includes the consolidated annual accounts for the year and the XBRL files with the entity's labels, that will form part of the annual financial report.

The directors of NH Hotel Group S.A. are responsible for presenting the annual financial report for 2020 in accordance with the format and markup requirements contained in EU Delegated Regulation 2019/815 of 17 December 2018 of the European Commission (hereinafter ESEF). In this regard, the Annual Corporate Governance Report has been included as a reference in the consolidated management report.

Our responsibility consists of examining the digital files prepared by the parent company's directors, in accordance with prevailing audit legislation in Spain. Such legislation requires that we plan and carry out our audit procedures in order to verify that the content of the consolidated annual accounts included in such files fully agrees with the consolidated annual accounts that we have audited and their format agrees, in all material respects, with ESEF requirements.



NH Hotel Group, S.A. and subsidiaries

In our opinion, the digital files examined fully agree with the audited consolidated annual accounts and these are presented and marked up, in all material respects, in accordance with ESEF requirements.

Additional report for the parent company's audit and control committee

The opinion expressed in this report is consistent with the content of our additional report for the parent company's audit and control committee dated 24 February 2021.

Term of engagement

We were appointed as the Group's auditors by the Annual General Meeting held on 13 May 2019 for a three-year period commencing as from the year ended 31 December 2019.

Services provided

Non-audit services provided to the Group are detailed in note 26.4 to the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Mariano Cortés Redín (21829)

24 February 2021

**NH HOTEL GROUP, S.A.
AND SUBSIDIARIES**

Consolidated Financial Statements for 2020 drawn up in accordance with the International Financial Reporting Standards adopted by the European Union.

Translation of Consolidated Financial Statements originally issued in Spanish and prepared in accordance with the International Financial Reporting Standards adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2020 AND 31 DECEMBER 2019

(Thousands of euros)

ASSETS	Note	31/12/2020	31/12/2019	NET ASSETS AND LIABILITIES
NON-CURRENT ASSETS:				EQUITY:
Property, plant and equipment	7 & 11	1,615,924	1,713,123	Share capital
Right-of-use assets	8 & 11	1,693,820	1,701,499	Reserves of the parent company
Investment Property		2,950	2,964	Reserves of fully consolidated companies
Goodwill	9	101,069	106,577	Reserves of companies consolidated using the equity method
Other intangible assets	10	128,137	83,807	Conversion differences
Deferred tax assets	19	273,013	220,040	Treasury shares and shareholdings
Investments accounted for using the equity method	12	41,773	7,517	Consolidated Profit/(Loss) for the period
Financial assets at fair value with change in profit/loss	13.1	1,985	2,075	Equity attributable to the shareholders of the Parent Company
Other financial assets at amortised cost	13.2	35,664	35,327	Non-controlling interests
Total non-current assets		3,894,335	3,872,929	Total equity
				NON-CURRENT LIABILITIES
				Debt instruments and other marketable securities
				Bank borrowings
				Leasing liabilities
				Deferred tax liabilities
				Other financial liabilities
				Other non-current liabilities
				Provisions for contingencies and charges
				Total non-current liabilities
				CURRENT LIABILITIES:
CURRENT ASSETS:				Trade and other payables
Inventories		7,957	11,123	Accounts payable from related entities
Other current assets		5,383	5,771	Tax payables
Trade receivables	14	29,937	106,496	Bank borrowings
Other non-trade debtors		19,952	26,967	Leasing liabilities
Tax receivables	19	50,547	28,961	Debt instruments and other marketable securities
Accounts receivable from related entities	27	955	2,493	Other financial liabilities
Cash and cash equivalents	15	320,851	289,345	Other current liabilities
Assets classified as held for sale	16	—	47,811	Provisions for contingencies and charges
Total current assets		435,582	518,967	Liabilities classified as held for sale
TOTAL ASSETS		4,329,917	4,391,896	Total current liabilities
				NET ASSETS AND LIABILITIES

Notes 1 to 32 set forth in the Consolidated Annual Report and Annexes I/III are an integral part of the Consolidated Balance Sheet at 31 December 2020. The Consolidated Balance Sheet is presented solely for the purposes of comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES
CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT FOR THE YEARS 2020 AND 2019
(Thousands of euros)

	Note	2020	2019
Revenues	26.1	536,150	1,708,078
Other operating income	26.1	7,852	9,352
Net gains on disposal of non-current assets	7, 8, 10 & 26.1	(475)	(709)
Procurements		(25,378)	(76,765)
Staff costs	26.3	(268,174)	(448,762)
Amortisation of use rights	8	(186,310)	(181,079)
Impairment on tangible fixed assets and intangible assets	7 & 10	(116,167)	(116,001)
Net Profits/(Losses) from asset impairment	7, 8, 9, 10 & 11	(76,258)	4,889
Other operating expenses	26.4	(249,481)	(624,175)
Gains on financial assets and liabilities and other	13.1	(222)	8,529
Profit (loss) from companies accounted for using the equity method	12	(7,468)	22
Financial income	26.2	1,716	4,204
Change in fair value of financial instruments		323	306
Financial expenses on leases	26.5	(94,106)	(89,620)
Other financial expenses	26.5	(41,439)	(45,852)
Results from exposure to hyperinflation (NIC 29)	26.6	796	(85)
Net exchange differences (Income/(Expense))		(3,774)	(2,341)
Impairment on financial investments	12, 16 & 27	6,926	(18,572)
PROFITS/(LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS		(515,489)	131,419
Corporation tax	19	75,154	(38,568)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES		(440,335)	92,851
<i>Profit (loss) for the year from discontinued operations net of tax</i>	16	(66)	50
PROFIT / (LOSS) FOR THE PERIOD		(440,401)	92,901
Conversion differences		(21,799)	3,536
Income and expenses recognised directly in equity		(21,799)	3,536
TOTAL COMPREHENSIVE PROFIT/(LOSS)		(462,200)	96,437
Profit/(Loss) for the year attributable to:			
<i>Parent Company Shareholders</i>		(437,159)	89,964
<i>Non-controlling interests</i>		(3,242)	2,937
Comprehensive Profit / (Loss) attributable to:			
<i>Parent Company Shareholders</i>		(456,829)	92,245
<i>Non-controlling interests</i>	17	(5,371)	4,192
Profit/Loss per share in euros (basic and diluted)	5	(1.115)	0.230

Notes 1 to 32 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated comprehensive profit and loss statement for 2020.
The Consolidated Comprehensive Profit and Loss Statement for 2019 is presented solely for the purposes of comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2020 AND 2019 (Thousands of euros)

	Share Capital	Reserves of the Parent Company			Reserves in companies consolidated using		Currency translation reserve	Treasury shares and shareholding	R attr the Co
		Share Premium	Legal Reserve	Other reserve	Full consolidation	the equity method			
Balance at 31 December 2018	784,361	756,990	58,834	(134,756)	(44,723)	(23,436)	(60,854)	(2,530)	
NIC 29 Accounting reclassification (Note 2.5)	—	—	—	—	93,923	—	(93,923)	—	
Accounting correction (Note 2.3 y 2.5)	—	—	—	—	—	—	16,212	—	
Restated balances at 31 December 2018	784,361	756,990	58,834	(134,756)	49,200	(23,436)	(138,565)	(2,530)	
Application of new accounting policy (IFRS 16) (Note 2.2)	—	—	—	(3,443)	(251,262)	—	—	—	
Other adjustments	—	—	—	(1,041)	(16,591)	5,737	166	—	
Initial balance adjusted 01 January 2019	784,361	756,990	58,834	(139,240)	(218,653)	(17,699)	(138,399)	(2,530)	
Net profit (loss) for 2019	—	—	—	—	—	—	—	—	
Conversion differences	—	—	—	—	—	—	2,281	—	
Recognised income and expenses for the period	—	—	—	—	—	—	2,281	—	
Distribution of Profit (Loss) 2018-									
- To Reserves	—	—	16,019	144,173	(58,120)	(499)	—	—	
- To Dividends	—	—	—	(58,771)	—	—	—	—	
Remuneration Scheme in shares	—	—	—	(998)	—	—	—	970	
Adjustment application of IAS 29	—	—	—	—	—	—	1,151	—	
Distribution of dividends	—	—	—	—	—	—	—	—	
Other movements	—	—	—	82	(1,575)	—	—	(87)	
Balances at 31 December 2019	784,361	756,990	74,853	(54,754)	(278,348)	(18,198)	(134,967)	(1,647)	
Initial balance adjusted 01 January 2020	784,361	756,990	74,853	(54,754)	(278,348)	(18,198)	(134,967)	(1,647)	
Net profit (loss) for 2020	—	—	—	—	—	—	—	—	
Conversion differences	—	—	—	—	—	—	(19,670)	—	
Recognised income and expenses for the period	—	—	—	—	—	—	(19,670)	—	
Distribution of Profit (Loss) 2019-									
- To reserves (Note 3)	—	—	15,894	143,046	(68,998)	22	—	—	
Remuneration Scheme in shares (Note 25)	—	—	—	(2,724)	—	—	—	1,525	
Adjustment application of IAS 29	—	—	—	—	—	—	(8,295)	—	
Distribution of dividends (Note 17.5)	—	—	—	—	—	—	—	—	
Other movements	—	—	—	(132)	(2,552)	—	—	(245)	
Balances at 31 December 2020	784,361	756,990	90,747	85,436	(349,898)	(18,176)	(162,932)	(367)	

Notes 1 to 32 described in the consolidated Record and Appendices I/II form an integral part of the statement of changes in consolidated assets for the year 2020. The statement of changes in consolidated

NH HOTEL GROUP, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR 2020 AND 2019

(Thousands of euros)

	Note	2020	2019
1. OPERATING ACTIVITIES			
Consolidated profit (loss) before tax and discontinued operations:		(515,489)	131,419
Adjustments:			
Amortisation of use rights (+)	8	186,310	181,079
Impairment to tangible and intangible fixed assets (+)	7 & 10	116,167	116,001
(Profits)/Losses for impairment (net) (+/-)	7, 8, 9 & 10	76,258	(4,889)
Gains/Losses on the sale of tangible and intangible assets (+/-)	7, 8, 10 & 26.1	475	709
Gains/Losses on investments valued using the equity method (+/-)	12	7,468	(22)
Financial income (-)	26.2	(1,716)	(4,204)
Change in fair value of financial instruments		(323)	(306)
Financial expenses (+)	26.5	135,545	135,472
Results from exposure to hyperinflation (NIC 29)	26.6	(796)	85
Net exchange differences (Income/(Expense))		3,774	2,341
Profit (loss) on disposal of financial investments		222	(8,529)
Impairment on financial investments (+/-)	12	(6,926)	18,572
Other non-monetary items (+/-)		(47,047)	5,841
Adjusted profit (loss)		(46,078)	573,569
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		3,410	(144)
(Increase)/Decrease in trade debtors and other accounts receivable		70,024	(405)
(Increase)/Decrease in other current assets		(28,015)	(764)
Increase/(Decrease) in trade payables		(68,586)	5,466
Increase/(Decrease) in other current liabilities		(30,875)	(4,745)
Increase/(Decrease) in provisions for contingencies and expenses		(2,579)	(12,923)
(Increase)/Decrease in non-current assets		254	1,312
Increase/(Decrease) in non-current liabilities		518	(146)
Income tax paid		7,834	(55,959)
Total net cash flow from operating activities (I)		(94,093)	505,261
2. INVESTMENT ACTIVITIES			
Other interest/dividends received		155	716
Investments (-):			
Group companies, joint ventures and associates	6	(64,057)	(1,297)
Tangible and intangible assets and investments in property	7 & 10	(105,464)	(190,813)
		(169,521)	(192,110)
Disinvestment (+):			
Group companies, joint ventures and associates	2.9.5 & 12	26,918	1,903
Tangible and intangible assets and investments in property		4,798	23,532
		31,716	25,435
Total net cash flow from investment activities (II)		(137,650)	(165,959)
3. FINANCING ACTIVITIES			
Dividends paid out (-)		(1,176)	(60,580)
Interest paid on debts (-)		(34,250)	(38,726)
Interest paid by means of payment		(6,459)	(19,304)
Interest paid by financing and other		(27,791)	(19,422)
Variations in (+/-):			
Equity instruments:			
- Treasury shares	17.4	(298)	—
Debt instruments:			
- Loans from credit institutions (+)		821,700	36,544
- Loans from credit institutions (-)	18	(278,900)	(3,974)
- Principal elements on payment for leasing (-)	8	(244,785)	(252,296)
- Other financial liabilities (+/-)		(79)	(755)
Total net cash flow from financing activities (III)		262,212	(319,787)
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		30,469	19,515
5. Effect of exchange rate variations on cash and cash equivalents (IV)		(1,726)	2
6. Effect of variations in the scope of consolidation (V)	6 & 2.9.5	2,763	3,959
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		31,506	23,476
8. Cash and cash equivalents at the start of the financial year		289,345	265,869
9. Cash and cash equivalents at end of year		320,851	289,345

Notes 1 to 32 set forth in the Consolidated Annual Report and Annexes I /II form an integral part of the Consolidated Cash Flow Statement for 2020. The consolidated cash flow statement for 2019 is presented for the purposes of comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2020

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

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

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 Parent Company heads up a group of subsidiary companies which, together with NH Hotel Group, S.A., make up the NH Hotel Group (hereinafter, the “Group” - see Appendices I and II) which is dedicated to running hotels, on its own, either owning or leasing the hotels, or via third parties, with management, offering a wide range of functions from its corporate head office and regional offices.

On 11 June 2018, MHG Continental Holding (Singapore) Pte Ltd made a public offer to acquire 100% of the shares making up NH Hotel Group, S.A.'s company capital, the result of which was that Minor International Public Company Limited (“MINT”) acquired shares representing 94.13% of the share capital of NH Hotel Group, S.A., via its wholly owned subsidiary, MHG Continental Holding (Singapore) Pte. Ltd.

At the end of the financial year, the Group was operating hotels in 29 countries, with 361 hotels and 55,371 rooms, of which around 72% are located in Spain, Germany, Italy and the Benelux countries.

NH Hotel Group, S.A. has its registered address at Calle Santa Engracia, 120 - 7th floor, Madrid, Spain. Furthermore, the name of the Parent Company did not change in this financial year or in the previous one.

Main changes in 2020 (COVID-19)

On March 11, 2020, the World Health Organization raised to the status of global pandemic the public health emergency caused by SARS-CoV-2 virus (commonly known as coronavirus, while COVID-19 denotes the disease caused by the virus). The rapid spread of COVID-19, on an international scale, has triggered an unprecedented healthcare, social and economic crisis that continues to evolve

Since the beginning of the COVID-19 pandemic during March in Europe and Latin America, the hotel demand has drastically decreased due to lockdowns, travel restriction and social distance, which severely affected mobility.

During blockade, isolation and intense lockdown months, from march to ending of May, circa 95% of our hotels were closed and those which stayed open was for charitable purposes. As a result, second quarter was the most affected with an extremely low demand level. The gradual opening of hotels was initiated ending of May and it was done progressively based on demand recovery and focusing on optimise value for money. During June circa 60% of the portfolio was open, a 70% in July and circa 80% during ending of August and September.

The smooth reopening of the hotels since June, after the portfolio was closed in March due to the intense lockdown, enabled the attraction of national customers during the third quarter. The reopening, in spite of the low level of demand due to mobility restrictions, was possible because of the flexible cost structure.

In 2020 NH Hotel Group put “Feel Safe at NH” into place in all its hotels. This is a new plan, with measures approved by experts, to face up to the health crisis caused by the SARS-CoV-2 coronavirus. The Company has reviewed all its procedures and made nearly 700 adaptations to its operating standards to preserve the health and safety of travellers and employees worldwide. Grouped into 10 main lines of action and backed by specialists in different fields, the measures implemented cover the digitisation of hotel services, adapting sanitation processes, including social distancing regulations in operations and the application of personal protective equipment, among others. We also reached a collaboration agreement with SGS, the world leader in inspection, analysis and certification, which allows us to follow up on the measurement and diagnostics protocol established to verify that the Group's hotels are clean and safe environments.

As a result of the impact of the second wave of infections in Europe at end of the third quarter, apart from delaying additional reopenings that had been planned for the last months of 2020, hotels were closed once again and, at the end of December 2020, around 60% of the portfolio was open. The impact of the second wave and the stricter restrictions on mobility during the last months of the year resulted in a lower level of business when compared to the third quarter.

In spite of the low level of demand, its flexible operational and financial structure has enabled the Group to overcome the major challenges in 2020. Although the challenges will continue in the first months of 2021, the Group will benefit in the first stage of recovery from brand recognition, excellent locations and strong market positioning, once recovery is spearheaded in Europe.

Contingency Plan

As a result of the exceptional circumstances occurred after the beginning of the pandemic (Covid-19), the Group implemented a relevant contingency plan to adapt operations and guarantee business sustainability with the aim at minimizing costs during the closure of the portfolio, preserving Group's liquidity to attend to operational necessities and ensuring that the gradual reactivation of the hotel activity is carried out efficiently and under the premise of maximum guarantees in terms of health and safety.

Due to lack of visibility on the business recovery speed following measures on cost control were implemented and will continue being implemented to ensure operational cost minimizing and liquidity preservation:

- Personnel (Note 26.3): The Group carried out adjustments, temporary lay-offs and reductions in hours and wages in hotels and central offices caused by force majeure or production reasons.
- Other operational expenses (Note 26.4): negotiation with suppliers to reduce costs, search for alternative supplies and achieve improvements on payment terms. Additionally, actions were undertaken as: personnel travel suspension, significant reduction of marketing and advertisement expenses despite the necessity of income incentives.
- Leases (Nota 8): temporary reduction of fixed rents through renegotiation with landlords.
- Investments: Main part of the investments were cancelled or postponed except for those in a very advanced stage.
- Liquidity reinforcement:
 - Withdraw of the dividend proposal against 2019 results of 0,15 euros per share which could have resulted an estimated payment of 59 million euros (Note 3).
 - 275 million euros on credit lines drawn on March (Note 18).
 - The Group entered into a syndicated loan for 250 million euros over 3 years, with no repayments until maturity, endorsed by the "Instituto de Crédito Oficial" (ICO), in Spain (Note 18).
 - In October 2020, the Group agreed the extension of the maturity of the syndicated credit facility to March 2023, which original maturity was September 2021, with a limit of 236 million euros (Note 18).
 - Moreover, and additional to the waiver obtained in June 2020 for compliance with the financial covenants included in the syndicated credit line for the months of June and December 2020, unanimous approval from the loan institutions was obtained to extend the waiver until June 2021. This waiver until June 2021 also extends to the syndicated loan (Note 18).

For more information about contingency plan see "Covid-19 impact and the measures implemented " section of the consolidated management report ended on 31 December, 2020.

The consolidated annual accounts include the impacts derived from the situation described above with special relevance in the impairment analysis carried out by the group in the year and the resulting losses recorded (Note 11), the activation of tax credits based on the recovery of the themselves (Note 19), and the description and analysis carried out by the administrators and their conclusion regarding the continuity of the business and the corresponding formulation of the accounts as a going concern (Note 2.8).

The consolidated annual accounts must be read considering said evaluation and breakdown.

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

2.1 Basis of presentation of the Consolidated Financial Statements

The consolidated annual accounts were prepared using the accounting records of NH Hotel Group, S.A. and the consolidated entities. The consolidated annual accounts for the 2020 financial year were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), other provisions within the financial reporting standards framework which are applicable and with the requirements for format and framework provided for in the Delegated Regulation EU 2018/815 of the European Commission, Regulation (CE) No. 1606/2002 of the European Parliament and by Law 62/2003, of 30 December on tax, administrative and social measures, as well as the applicable rules and circulars of the National Securities Market Commission and the other Spanish accounting regulations that may be applicable, with the purpose of showing a true image of NH Hotel Group, S.A. and its subsidiaries' consolidated equity and consolidated financial position at 31 December 2020, and the consolidated financial performance, consolidated cash flows and consolidated changes in equity for the financial year ended on that date.

The Group adopted the IFRS-EU on 1 January 2004 and, on that date, applied IFRS 1 "First-time adoption of International Financial Reporting Standards".

The Directors of the Parent company consider that the consolidated annual accounts for the 2020 financial year, which were drawn up on 24 February 2021, will be approved by the General Shareholders Meeting without amendment. The consolidated financial statements for 2019 were approved by the shareholders at the Annual General Meeting held on 16 July 2020 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 may differ from those used by some of its component companies, the necessary adjustments and reclassifications have been made to standardise them and adapt them to the IFRS adopted by the European Union.

2.2 Standards and interpretations effective in this period

During the year, 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 2020:

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Approved for use in the European Union		
New Standards:		
Amendment to IFRS 3 - Definition of business (published in October 2018)	Clarifications to the definition of business.	01 January 2020

Amendments and/or interpretations		
Amendments to IAS 1 and IAS 8 Definition of “materiality” (published in October 2018).	Amendments to IAS 1 and IAS 8 to align the definition of “materiality” to the content of the conceptual framework.	01 January 2020
Amendments to IFRS 9, IFRS 7 and IAS 39 Current reform of the benchmark interest rate (published in September 2019).	Modifications that provide certain exemptions related to hedge accounting with respect to the reform of the benchmark interest rate (IBOR).	
Amendments to IFRS 16 Leases Rent concessions (published in May 2020).	Amendment to help lessees accounting for Covid-19-related rent concessions	01 June 2020
Amendments to references to the IFRS conceptual Framework	A revised conceptual framework was published, applicable to entities that use the conceptual framework to determine their accounting policies.	01 January 2020

These regulations and amendments have been applied to these consolidated financial statements with no significant impacts on either the reported figures or the presentation and breakdown of the information, except for the application of the amendment to IFRS 16. See breakdown of impacts in the following section.

(2) Transition and amendment IFRS 16.

On 1 January 2019, the Group began to apply IFRS 16 to all contracts that were identified as leases in accordance with IAS 17 and IFRIC 4, except for the exceptions recognised by the standard.

The Group decided to apply the modified retrospective method as the transition method to IFRS 16, calculating the asset at the commencement date of each identified contract and the liability at the transition date, using for the calculation of both the incremental interest rate at the transition date and recognising the difference between the two items as an adjustment to the opening balance of the consolidated reserves.

The impact of IFRS 16 on the Group's financial statements is significant due to the lease contract portfolio.

This impact at 1 January 2019 was mainly greater right-of-use net assets for 1.747 billion euros, a greater liability for operating leases of 2.099 billion euros (1.839 billion euros of non-current liabilities and 260 million euros of current liabilities), lower early payments assets of 3 million euros, lower lease linearisation assets of 16 million euros (13 million euros in non-current assets, 3 million euros in current assets), lower lease linearisation liabilities of 19 million euros (17 million euros in other non-current liabilities, 2 million euros in other current liabilities), greater deferred tax assets of 88 million euros and lower equity of 256 million euros. It also entailed the reclassification of certain balance sheet items that were associated with lease contracts under the Right-of-use assets heading. Specifically, a liability for risk provisions and expenses on onerous contracts of 7 million euros, a liability for grants of 22 million euros and net intangible assets of 22 million euros.

The calculation of these impacts has been performed as if IFRS 16 had been applied from the inception of each contract or from the date of initial consolidation of the lessee of the contract. The calculation was made by

discounting the lease flows by recalculating the asset and liability for each material modification to the lease and using an incremental interest rate calculated for each of the contracts at the transition date without taking into account the tax effect.

On the other hand, an amendment to IFRS 16 was approved by the IASB on 28 May 2020 to help accounting for changes in leases resulting from the pandemic caused by Covid-19. The amendment establishes an exemption in which rental concessions caused by Covid-19 may not be recorded as amendments to the lease. This practical solution is applicable if certain conditions are fulfilled:

- The change in payments for leases give rise to the revision of the consideration for the lease, which is substantially the same as, or less than, the consideration for the lease immediately prior to the change;
- any reduction in payments for leases only affects the payments originally due on, or before, 30 June 2021 (for example, a rent reduction would comply with this condition if it gives rise to a reduction in payments for leases on, or before, 30 June 2021, and an increase in payments for leases extending beyond 30 June 2021); and
- there is no substantial change in the other terms and conditions of the lease.

Therefore, the standard provides that the Group can, if the above requirements are met, choose to account for the contractual changes, not by recalculation of the rent but instead account for it as a change that is not considered to be an amendment by IFRS 16.

The Group has chosen to use the practical solution, by which rental concessions that comply with that set out above have generated less expenditure on rent of 46,195 thousand euros (Note 26.4).

(3) New regulations, amendments and interpretations which will be mandatory in the years following the year commencing 01 January 2020

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:

Awaiting approval for use in the European Union as of the date of publication of this document (1)

New Standards:

IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	01 January 2023
Amendment to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associates or joint ventures"	These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will rest on if the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet said definition, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB made the decision to postpone the effective date (without setting a new specific date) as it is planning a broader review that could result in simplifying the accounting of these transactions and other aspects of the accounting of associates and joint ventures.	Pending approval

(1) The approval status of the standards can be consulted on the EFRAG website.

Amendments and/or interpretations		
Amendment to IAS 1: Classification of Liabilities as Current or Non-current. (published in October 2020)	Classification of Liabilities as Current or Non-current.	01 January 2023
Amendment to IFRS 3: "Reference to the Conceptual Framework"	IFRS 3 has been updated to refer to the 2018 Conceptual Framework to determine what constitutes an asset or liability in a business combination (previously referred to the 2001 CF). A new exception has also been added in IFRS 3 for liabilities and contingent liabilities.	01 January 2022
Amendments to IFRS 9, IFRS 4, IFRS 16, IFRS 7 and IAS 39 Reform of the benchmark interest rate. Phase 2	Amendments to IFRS 9, IFRS 4, IFRS 16, IFRS 7 and IAS 39 relating to reform of the benchmark interest rate (Phase 2).	01 January 2021
Amendment to IFRS 4	Deferment of application of IFRS 9 until 2023	01 January 2023
Amendment to IAS 16 Income obtained prior to the intended use	The amendment prohibits deduction of any income obtained from the sale of the articles produced from the cost of a tangible fixed asset while the entity is preparing the asset for its intended use.	01 January 2022
Amendment to IAS 37 Onerous contracts - costs of performing a contract	The amendment explains that the direct cost of performing a contract includes the incremental costs of performing that contract and an allotment of other costs that are directly related to performance of the contract.	01 January 2022
Improvements to IFRS 2018-2020 Cycle (published in December 2017)	Amendments that affect IFRS 1, IFRS 9 and IFRS 16	01 January 2022

2.3 Accounting correction

During the first quarter of 2019, a situation was detected in the Consolidated Annual Accounts at 31 December 2018 in relation to the accounting for hyperinflation in the Argentine subsidiaries of the Parent Company in accordance with IAS 29.

This situation corresponded to the recording of a higher consolidated result in 2018 derived from hyperinflation in Argentine subsidiaries, when a net amount of 19 million euros before minority interests should have been recorded directly in reserves. This therefore supposes a reclassification between the result and equity without there being any additional impact to consider.

Following a report from the Audit and Control Committee, the Board of Directors considered that the situation revealed did not represent a very significant impact on the Consolidated Annual Accounts at 31 December 2018 in the context of Article 38 of the Commercial Code as it did not affect the financial or equity position of the Company, and did not justify, therefore, the consolidated annual accounts be restated.

Based on the foregoing, the aforementioned reclassification was recorded in equity at 31 December 2018, which resulted in higher consolidated reserves of 16,212 thousand euros and a lower consolidated result for the same amount. On the other hand, the effect of the reclassification on minority interests was 3,177 thousand euros as higher reserves and the same amount as lower gain/(loss) and supposed a zero effect on this heading of the abridged consolidated statement of changes in net equity.

2.4 Accounting criteria change

In 2020 there were no significant changes in accounting criteria.

2.5 Comparison of information

As required by IAS 1, the information on 2019 contained in this consolidated annual report is presented for solely comparative purposes with the information on 2020 and consequently does not in itself constitute the Group's consolidated financial statements for 2019.

In March 2020, the IFRS Interpretations Committee decided on the presentation of the effects on restatement for hyperinflation and the translation into "Other Comprehensive Income" on a net basis where the entity considers that the combination of the two effects meet the definition of exchange rate differences in IAS 21. If this is not the case, the effect of hyperinflation (IAS 29) in equity and the effect of conversion differences (IAS 21) in "Other Comprehensive Income" will be recognised separately. It is not allowable to present both variables net in equity (an aspect that until now was accepted by the CNMV and ESMA). Following this approval, the Group has reclassified the net effect of the restatement due to hyperinflation and the translation into "Other Comprehensive Income", this reclassification has resulted in greater equity and a greater conversion differences value of 77,711 thousand euros at 31 December 2018 and 1,151 thousand euros in 2019. This restatement has had no impact on the Group's Equity.

2.6 Foreign currency transactions and balances

2.6.1 Working currency and presentation currency

The consolidated annual accounts are presented in thousands of euros, rounded to the nearest thousand, which is the Parent company's working and presentation currency.

2.6.2 Foreign currency transactions, balances and cash flows

Transactions in foreign currencies are converted to the working currency using the exchange rates for the working currency and the foreign currency on the dates on which the transactions are carried out.

Cash assets and liabilities in foreign currencies have been converted into euros using the rate at the end of the financial year, while non-cash valued at historic cost are converted using the exchange rates applicable on the date the transaction took place. The conversion to euros of non-cash assets which are valued at fair value has been carried out using the exchange rate on the date when they were quantified.

In the presentation of the consolidated cash flow statements, the flows from transactions in foreign currencies were converted to euros using the exchange rates on the date they occurred. The effect of exchange rate change on cash and other cash equivalents in foreign currency is presented separately in the cash flow statement as "The effect of exchange rate differences on cash".

The differences appearing in settling transactions in foreign currency and the conversion of foreign currency cash assets and liabilities to euros is recognised in profit and loss. Nevertheless, exchange rate differences occurring in cash entries forming a part of the net business investment abroad are recorded as conversion differences in other global profit and loss.

Losses or gains from exchange rate differences relating to foreign currency cash financial assets or liabilities are also recognised in profit and loss.

2.6.3 Conversion of business abroad

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 was translated at the average exchange rate for the year, except for the companies in Argentina whose economy was declared hyperinflationary and therefore, in accordance with IAS 29, their consolidated comprehensive profit and loss statement was translated at the year-end exchange rate.

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.

2.6.4 Foreign operations in hyper-inflationary economies

In 2018, Argentina was declared a hyperinflationary economy due, among other causes, to the fact that the accumulated inflation rate of its economy exceeded 100% over a continuous period of three years.

As a result, the Group began to apply IAS 29 to the financial statements of Argentine companies with retroactive effect from 1 January 2018. Applying the standard involves the following exceptions:

- Adjusting the historical cost of non-monetary assets and liabilities and the different equity items from the acquisition date or inclusion on the consolidated balance sheet until year-end to reflect the changes in currency's purchasing power resulting from the inflation.
- Reflecting the loss or gain corresponding to the impact of inflation for the year on the net monetary position in the profit and loss account.
- Adjusting the various items of the profit and loss account and the cash flow statement for the inflationary index since its generation, with a counterpart in financial results and in a reconciliation item on the cash flow statement, respectively.
- Converting all components of the financial statements of Argentine companies at the closing exchange rate; the exchange rate at 31 December 2020 was 102.88 pesos per euro (67.2 pesos per euro at 31 December 2019).

2.7 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 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:

- The assessment of possible impairment losses on certain assets.
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce;
- The useful life of the tangible and intangible assets.
- The valuation of consolidation goodwill.
- The market value of specific assets.
- Calculation of provisions and evaluation of contingencies.
- The recoverability of capitalised tax credits.

Given the uncertainty in the economic environment caused by Covid-19, the Group has analysed the estimates made to date where there was an indication of impairment and modified those it deemed relevant.

In spite of the fact that these estimates were carried out using the best information available at 31 December 2020 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.

2.8 Going concern

As a result of applying the new accounting standard IFRS 16, the Group has recognised a short-term liability corresponding to the current value of the lease payment commitments to be made in the next twelve months that, at 31 December 2020, amounted to 250,619 thousand euros (252,970 thousand euros at December 2019) meaning that, at 31 December 2020, current liabilities are 84,279 thousand euros higher than current assets (93,570 thousand euros at December 2019). Given that this effect is caused by a purely accounting (non-financial) approach, this does not prevent the business's normal development.

As a consequence of the situation caused by Covid-19, government measures taken worldwide to mitigate the spread of the pandemic have had a significant impact on the Group. These measures resulted in the temporary closure of establishments in the majority of its locations for a period of time, as well as significant falls in the business's operations and the uncertainties associated with how the situation evolves. These consolidated annual accounts have been prepared in accordance with the going concern principle as the Group has implemented crisis management organisational measures to ensure business continuity, both individually (management of contagion or isolation situations), and collectively.

These measures include actions focused on the temporary downsizing of existing resources as well as renegotiating lease contracts and other actions focused on minimising the impacts of the situation.

Likewise, to strengthen the Group's liquidity, various medium- and long-term financing operations have been signed. Amongst these, a syndicated loan of 250,000 thousand euros in April 2020 over 3 years with a partial guarantee from the Official Credit Institution (ICO) and the renegotiation of the syndicated credit line for 236,000 thousand euros in October 2020, whose maturity was extended until March 2023, stand out. Refinances of the finance lines were also signed, which were previously short-term, extending their maturities to terms between 3 and 5 years, also within the framework of ICO guarantees. Various bilateral loans were also formalised in different countries, the majority of which are also partially guaranteed by the State. Moreover, negotiations were carried out with the loan institutions for the syndicated credit line of 236,000 thousand euros and the syndicated loan of 250,000 thousand euros for the temporary waiver of measuring financial ratios (covenants), ensuring, in this way, the availability of both instruments (Note 18).

Therefore, assuming a gradual reactivation of the business and scientific progress in relation to Covid-19 that facilitates a gradual return to normality during 2021 and subsequent years, the Group considers it has sufficient resources to meet future obligations in the next 12 months.

2.9 Consolidation principles applied

2.9.1 Subsidiaries (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. Subsidiaries are consolidated from the date control is transferred to the group and they cease to be consolidated from the date on which control ceases.

The purchase method of accounting is used by the group to account for business combinations.

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.

Non-controlling interests on the subsidiaries' profit and loss and equity are shown separately on the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and on the consolidated balance sheet, respectively.

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.

2.9.2 Business combinations

The Group applied the exception contemplated in IFRS 1 "First-time adoption of International Financial Reporting Standards", so that only business combinations carried out from 1 January 2004—the transition date to IFRS-EU—have been recorded using the acquisition method. Acquisitions of entities prior to that date were recorded in accordance with the previous GAAP, taking the necessary corrections and adjustments on the transition date into account.

The Group has applied IFRS 3 "Business Combinations"—revised in 2008—to transactions carried out from 1 January 2010.

The acquisition date is the date on which the Group gains control of the acquired business.

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the purchase of a subsidiary includes:

- the fair value of the assets transferred
- the liabilities incurred with the previous owners of the business acquired
- the holdings in the equity issued by the group
- the fair value of any asset or liability arising from a contingent consideration agreement, and
- the fair value of any prior holding in the subsidiary's equity.

The identifiable assets acquired, the liabilities and the contingent liabilities assumed in a business combination are, with limited exceptions, initially valued at their fair value on the acquisition date. The group recognises any non-controlling interest in the entity acquired on a basis of acquisition at fair value, or by the proportional part of the non-controlling interest of the net identifiable assets of the entity acquired.

The costs relating to the acquisition are recognised as expenses when they are incurred.

The excess of:

- the consideration transferred
- the amount of any non-controlling interest in the entity acquired, and
- the fair value of any prior holding in the equity of the entity acquired on the acquisition date

over the fair value of the net identifiable assets acquired is recorded as goodwill. If these amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is directly recognised in profit and loss as a bargain purchase.

When payment of any part of the consideration in cash is deferred, the amounts payable in the future are discounted at their actual value on the exchange date. The discount rate used is the entity's incremental borrowing rate of interest, being the rate at which a similar loan may be obtained from an independent financier under comparable terms and conditions.

The contingent consideration is classified as equity or a financial liability. The amounts classified as a financial liability are subsequently revalued at fair value with the changes in fair value being recognised in profit and loss.

If the business combination is carried out in stages, the book value at the date of acquiring the previously held equity holding is revalued at fair value on the acquisition date, and any gain or loss is recognised in profit and loss.

2.9.3 Non-controlling interests

Non-controlling interests in subsidiaries acquired after 1 January 2004 are recorded by the percentage holding at the acquisition date at the fair value of the net identifiable assets. Non-controlling interests in subsidiaries acquired prior to the transition date are recognised by the percentage holding in their equity on the date of first consolidation.

Excess losses attributable to non-controlling interests prior to 1 January 2010 but not allotted to them as they exceeded the total amount of the holding in the equity of the subsidiary, are recorded as a decrease in equity attributable to the Parent Company shareholders, except in cases where the non-controlling interests have a binding obligation to assume a part or all of the losses and they have the capacity to make the necessary additional investment. Profit obtained in subsequent financial years is allotted to the equity attributable to Parent Company shareholders until the total losses absorbed in previous accounting period relating to non-controlling interests are recovered.

From 1 January 2010, profit and loss and each item on the other comprehensive results, are allotted to equity attributable to the Parent Company shareholders and the non-controlling interests in proportion to the holding, even if this involves a debtor balance for non-controlling interests. Agreements entered into between the Group and the non-controlling interests are recognised as a separate transaction.

2.9.4 Associates (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 using the equity method in the consolidated annual accounts.

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.

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. To determine the fair value of 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.

2.9.5 Changes in the scope of consolidation

Additions to the scope of consolidation

On 7 September 2020, the Group acquired 100% of the shares of the Boscolo Hotels Group, which runs eight luxury hotels in prime areas of Rome. Florence, Venice, Prague, Nice and Budapest (Note 6, Business combinations).

It also created the company, NH Strandgade APS in Copenhagen and two companies in Italy, NH Italia Real Estate, S.r.l. and NH Holding Srl. These companies are currently non trading but the objective is for them to become hotel operators.

In October 2019, the Group formed the company Anantara The Marker Ltd to acquire the company GCS Hotel Limited, operator of The Marker hotel in Dublin (Note 6, Business combinations).

Disposals

In December 2020 the Group sold 100% of its investment in the company Onroerend Goed Beheer Maatschappij Bogardeind Geldrop B.V., owner of the NH Geldrop hotel in Holland. The sale involved a cash entry of 6,359 thousand euros. The sale did not have a significant impact on the profit (loss) for the year.

On 1 July 2020 the Group sold 100% of its investment in the company Onroerend Goed Beheer Maatschappij Mass Best B.V., owner of the NG Best hotel in Holland. The sale involved a cash entry of 3,262 thousand euros. The sale did not have a significant impact on the profit (loss) for the year.

In January 2019, the Group sold the 49% shareholding it held in Beijing NH Grand China Hotel Management Co, Ltd. This sale resulted in a cash inflow of 1.9 million euros and has not had a significant impact on profits for the year.

Mergers and demergers

To simplify the group's corporate structure, in April 2020 the Argentine company Latina de Gestión Hotelera, S.A. absorbed Inmobiliaria y Financiera Aconcagua, S.A., Edificio Metro, S.A., Polis Corporación, S.A. and Blacom, S.A. Latina de Gestión Hotelera also spun off its investment in the Chilean company Latina Chile, S.A. to the new company Latina Holding S.A.U.

In December, on the other hand, Hoteles Royal, S.A. spun off the investments it had in Chile in the companies Eurotels Chile, S.A., Inmobiliaria Royal, S.A., Royal Santiago Hotel, S.A. plus Rhinco Inc—the investment it had in the United States—to the new company Inversiones Chilenas, S.A.

Hoteles Royal, S.A. also absorbed: Hoteles la Boheme LTDA, Hotel Hacienda Royal LTDA, Hotel Andino Royal, S.A., Hotel Pavillon Royal LTDA, Sociedad operadora Urban Royal Calle 26, S.A.S., Sociedad Operadora calle 100 Royal S.A.S, Hotel Pacifico Royal LTDA, Hotel Parque Royal S.A.S, Sociedad Hotelera Calle 74 LTDA, Sociedad operadora Barranquilla Royal S.A.S, Sociedad Operadora Cartagena Royal SAS and Hotel Medellin Royal LTDA, to simplify the group's corporate structure in Colombia.

3.- PROPOSED DISTRIBUTION OF PROFITS

At the Ordinary General Shareholders' Meeting, the Parent Company's directors will propose that the losses on the results for the financial year ended on 31 December 2020 be applied to the "Previous years' losses" account to be offset in future financial years.

Furthermore, on 25 February 2020, the Board of Directors agreed the following proposal for application of the profit/loss (in thousands of Euros) for the financial year ended on 31 December 2019:

	2019
To legal reserve	15,894
To voluntary reserves	84,275
To distribution of dividends	58,771
Total	158,940

On 28 April 2020, in light of the Covid-19 situation, the Company's Board of Directors agreed to withdraw the proposal that considered the distribution of a gross dividend of 0.15 euros per share. The Board Meeting also decided that, on the call of the Shareholders' Meeting, it would prepare an alternative proposal adjusted to the new situation, making the statement of the auditor to which Article 40 6 bis of Royal Decree-Law 8/2020 refers available to shareholders. This was duly communicated as Privileged Information to the National Securities Market Commission on 28 April 2020 and registration number 194.

In light of the foregoing, the General Shareholders' Meeting on 16 July 2020 approved, among other items, the new proposal detailed below:

	2019
To legal reserve	15,894
To voluntary reserves	143,046
Total	158,940

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 Property, plant and equipment

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.

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 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:

	<u>Estimated years of useful life</u>
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 Goodwill

Goodwill is determined from the criteria set out in the section on business combinations.

Goodwill is not amortised, but its impairment is checked annually or earlier if there are indications of a potential loss in asset value. For these purposes, the goodwill resulting from the business combination is assigned to each of the Group's cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies

of the combination and have the criteria referred to in section 4.4 (impairment) applied. After initial recognition, goodwill is valued at cost less accumulated impairment losses.

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.

Internally generated goodwill is not recognised as an asset.

4.3 Other intangible assets

Other 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.

Other 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”.

Other intangible assets with an indefinite useful life are not amortised and are hence subjected to the “impairment test” at least once a year (Note 4.4).

Other 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 “Other intangible assets” heading:

- i) Hotel operating rights: As a consequence of entering into the consolidation of Hoteles Royal, S.A., the Group recognised operating rights of the hotel portfolio for 35 years within this concept. Furthermore, in the 2020 financial year, with the entry of Boscolo Hotels into the scope of consolidation, operating rights of the hotels where operation has commenced with this business combination were recognised lasting 31 years.
- ii) “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.
- iii) “Computer applications” include the costs incurred by the Group Companies in the acquisition and development of various computer software programmes 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.
- iv) Other Rights: this item reflects the right of usufruct on Hotel NH Plaza de Armas in Seville, acquired in 1994, whose amortisation is recognised in the income statement over the 30-year term of the agreement at a rate which increases by 4% each year.

4.4 Impairment to non-financial assets subject to amortisation or depreciation

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 some cases 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 term of the lease, a perpetual value therefore not being considered in the latter.

Moreover, and regardless of the existence of any indication of impairment, the Group, at least once a year, checks potential impairment that may affect goodwill.

The recoverable value should be calculated for an individual asset, unless the asset does not generate cash entries which are, by and large, independent of those relating to other assets or groups of assets. If this is the case, the recoverable value is calculated for the Cash-Generating Unit (CGU) it belongs to. 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.

If there are signs of impairment in a CGU that goodwill could not be allotted to goodwill, the Group checks, in the first place, the impairment to the CGU, without including goodwill and recognises, as appropriate, the impairment loss at the level of the CGU. Subsequently, the Group checks the impairment in the group of CGUs to which goodwill was allotted and recognises, as appropriate, the impairment loss at the level of the groups of CGUs.

In the case of Hoteles Royal, S.A., where the whole business of Grupo Royal was acquired and whose purchase was effective in 2015, the cash-generating unit corresponds to the Group as a whole (Colombian, Chilean and Ecuadorian market).

In 2020, with the acquisition of the Boscolo Hotels Group, goodwill was generated which was allotted to a single cash generating group unit that relates to the entire Group.

The operating result for each CGU is obtained at the end of the year without taking non-recurring results (if any) or financial results into account. Once the operating result is obtained for each CGU, the impairment test is performed for those in 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 (they have been open for 3 years).

As an exception, given the current economic situation as a result of the pandemic caused by Covid-19, analyses have been carried out to determine if there is any impairment to the CGUs as a whole.

Losses due to impairment of the CGU initially, if appropriate, reduce the value of the goodwill allotted to it, and subsequently to the CGU's other assets, pro rata depending on the book value of each one of the assets, with the limit for each one of them of the greater of their fair value less the costs of disposal and its value in use.

On each closing date the Group assesses whether there are any indications that impairment losses recognised in previous years no longer exist or may have decreased. Impairment losses relating to goodwill are not reversible. Impairment losses on the remaining assets are only reversed if a change has occurred in the calculations used to determine the asset's recoverable value. Reversal of the impairment loss is recorded as a credited to profit and loss.

4.5 Leases

At the beginning of a contract, the Group assesses whether it contains a lease. A contract is, of contains, a lease if it gives the right to control the use of the asset identified during a period of time in exchange for a consideration. Leases are recognised as a right-of-use asset and the corresponding liability on the date the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially valued based on their present value. Leasing liabilities include the net present value of the following leasing payments:

- Fixed payments (including fixed payments in essence), less any lease incentive collectable.
- Variable payments for leases that reply on an index or rate, initially valued according to the index or rate on the start date.
- Amounts expected to be paid by the group for residual value guarantees.
- The price to exercise a purchase option if the group is reasonably certain that it will exercise that option.
- Penalty payments terminating the lease if the term of the lease reflects the group exercising that option.

In order to determine the term of the lease contracts, the Group has taken as non-cancellable the initial term of each contract, taking the possible unilateral extensions at the option of the Group only in those cases in which it has been reasonably considered certain that they will be exercised, and only the cancellation options whose exercise has been reasonably considered certain have been taken into account.

The general determination of not including unilateral extension of contracts as a part of their term, is based on the Group's historical experience. The windows for renewal have historically been used as renegotiation windows, unless the market situation was clearly favourable for the Group. Therefore, given that hotel rental agreements are normally signed with a first term that is higher than a macroeconomic cycle (5 years), our experience shows that it is highly probable that some unknown event may occur on the date the agreement is signed, and which may significantly affect such judgment. The attacks in Europe, in Brussels or in Nice, serve as an example, as does the actual pandemic, as they changed the economic paradigm and affected the frameworks for negotiating rent. Furthermore, to determine the term for lease agreements, the term for recovering the investments made in it are taken into account.

To determine lease terms, there are no penalties for not exercising the extensions mentioned above, nor have early terminations with penalties been included.

Contracts may contain leasing and non-leasing components. The Group assigns the consideration in the contract to the leasing and non-leasing components based on their relative independent prices. For real estate leases in which the Group cannot separate the leasing and non-leasing components, it accounts for them as a single leasing component.

Leasing payments are discounted using the implicit interest rate in the lease. If this rate cannot be easily determined, which is generally the case for the group's leases, the incremental interest rate is used. The incremental interest rate is the interest rate that the lessee would incur at the commencement of the lease if it borrowed, over a period of time, with similar guarantees and in a similar economic environment. The interest was calculated as a combination of the following elements:

- CDS curve of the economic environment
- Euribor Swap Rate Curve.
- Synthetic NH CDS curve.

These elements were combined to obtain an interest rate curve for each contract based on its geo-economics specificities and from which the calculation process consists of bringing each of the discounted flows to the

present value at the interest rate corresponding to each maturity within said curve and calculating which single equivalent rate would be used to discount said flows.

Potential future increases in variable payments for leases based on an index or rate are not included in leasing liabilities until they take effect. When the adjustments to the leasing payments based on an index or rate take effect, the leasing liability is assessed again and set against the asset for right of use.

Leasing payments are allocated between principal and financial cost. The financial cost is charged to profit/(loss) during the leasing period in a manner that creates a periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets are valued at cost that comprises the following:

- The initial valuation amount of the leasing liability.
- Any leasing payment made on or before the state date, less any incentive to lease received.
- Any initial indirect cost.
- Restoration costs.
- Incentives to lease received from the lessor.
- Provision on onerous contracts.

In application of IFRS 16, all rent that does not come under the definition of fixed payments in substance and, therefore, is outside the Group's maximum compulsory commitment, as they are not inevitable, is recorded as an operational expense for the year.

Therefore, the Group records variable rent that is linked to exploitation of the underlying assets as an expense, along with those arising from percentages of sales and other similar reference points. Moreover, all rent that, in application of IFRS 16, are outside the Group's maximum compulsory commitment are recorded as an operational expense for the year.

Variable rents that are not, in essence, fixed and the way in which they may involve a liability for the Group would be that the flows arising from exploitation of the CGU are estimated to be negative and, therefore, the Group would be obliged to record a provision for onerous contracts.

An amendment to IFRS 16 was approved by the IASB on 28 May 2020 to help accounting for changes in leases resulting from the pandemic caused by Covid-19. The amendment establishes an exemption in which rental concessions caused by Covid-19 may not be recorded as amendments to the lease (Note 2.2.2).

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:

- Financial assets at fair value through profit or loss are those assets acquired by the companies with the objective of obtaining the contractual flows and selling them; or those assets that do not consist exclusively of the payment of the principal and interest and the management model is the sale of the same, in general terms, practically all of the variation in the fair value of the Group's financial assets are recorded with a charge to the consolidated statement of changes in equity. Interest income, exchange rate differences and impairment losses are recognised in the income statement and other gains or losses are recognised in "Other comprehensive profit and loss" in equity. Any cumulative gain or loss recognised in equity is reclassified to profit or loss at the time of derecognition.

- Financial assets at amortised cost: assets whose contractual cash flows consist exclusively of principal and interest payments and, if the management model of such assets is to hold them to obtain the contractual flows. In this case, the Group records any changes in value with a charge to the consolidated comprehensive profit and loss statement.

Transaction costs at the time of acquisition are recognised as an increase in acquisition cost or as an expense, depending on whether the financial asset being transacted is considered at fair value through profit or loss.

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.

Interest accrued on financial assets at amortised cost is recognised in the consolidated comprehensive profit and loss statement on the basis of the 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 based on expected loss.

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 according to the expected loss based on the credit risk of the customer portfolio.

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.

Trade debtors and other receivables

Accounts receivable arising from trading operations are initially recorded at their transaction price and, subsequently, a value correction is made for expected credit losses. Expected credit losses—due to the fragmentation of the Group's trade debtors—are estimated taking the history of losses due to non-payment with respect to the Group's sales and open items into account. For the value correction, in the current situation of uncertainty caused by Covid-19, a detailed analysis is being carried out. To do so, all entries considered to be at risk are being monitored and plans for collecting their payment are being made, or provisions being made for those considered to be at risk of recovery.

Furthermore, the group's credit risk tools are being used, with a default insurance policy for the clients included in the policy, and for which, in the event of there not being certainty about payment, the requirements of the policy to claim the amounts as an "incident" are being followed.

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, while those with a maturity date of less than twelve months are included in current liabilities.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

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.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

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 their adjustment is recognised as a lower or higher cost in the initial recognition of the item.

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).

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 the lower of their historic cost or their 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 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.

4.9 Income and expenses

Income and expenses are recognised on an accrual basis, i.e. when the control of goods and services they represent has been transferred, 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.

Sale of rooms and other related services

Income from the sale of rooms and other related services is recognised daily based on the services provided by each hotel, including customers who are still staying at the hotel at the close of each day. In this respect, the Group recognises the income when the service is considered to be provided and, therefore, fulfils the obligation for performance assumed on check-in. Due to this, for example, in the case of an accommodation service that covers several nights, the income is recognised on a daily basis for each one of the overnight stays.

The consideration received is distributed among the contracted services. These include direct services such as room, food, drink and other consumption, and others related to banquets, events and the rental of spaces. Therefore, the obligations are completely separate and they are recorded at the time they occur.

In the case of the sale of several services together, such as, for example, an accommodation service with one for breakfast, the Group, when it makes the offer, sets the price for each one of the obligations assumed, for which reason at the time the services is considered to be provided the income is recorded at the price set beforehand. Solely in the case of promotions where the service is provided “free-of-charge” with the other one, the Group applies a methodology where the consideration is divided using a ratio calculated by hotel based on the costs of the service at that hotel plus an additional margin.

Provision of services

The Group recognizes the income from its hotel management contracts in the year in which the services are provided, based on the evolution of the variables that determines this income and which are mainly the total income and the gross operating profit of each hotel managed by the Group.

Loyalty programme

With regarding to the accounting treatment of the “NH Rewards” customer loyalty programme, we consider that if awarding points gives a significant right to the customer, then it effectively pays the company for future goods or services in advance, and the company should recognise the income from ordinary activities when the points are redeemed or when they expire.

Therefore, when the significant right is generated, the Group records a provision for the estimated equivalent value, partly lowering the income from the sale coupled with the issue of the right. When points are redeemed the income from the transaction is recorded and the provision is derecognised.

The estimated value of the significant right is calculated, showing the discount the customer would receive when exercising the option (one Euro for each point the customer has collected) and taking the two following aspects into account:

- any discount the customer may receive without exercising the option; and
- the probability that the option will be exercised.

The amount of the provision relating to the loyalty programme is recorded in current liabilities on the consolidated balance sheet.

4.10 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 recorded as a reduction of the expenses they finance.

4.11 Corporate income tax

The cost of the year's corporation 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.

4.12 Obligation 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" (Note 21).

4.13 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.

4.14 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.

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.

4.15 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.

4.16 Provisions and obligations to employees

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 re-estimated 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.

The consolidated balance sheet at 31 December 2020 includes, pursuant to IFRS (IAS 37), a provision of 1,661 thousand euros for this item (841 thousand euros at 31 December 2019).

4.17 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 the consolidated comprehensive profit and loss statements 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.

4.18 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.- PROFIT/(LOSS) PER SHARE

Profit (Loss) per share is calculated by dividing the net profit or loss attributable to the Group in a period by the weighted average number of shares in circulation during the period, excluding the average number of treasury shares held during the same period.

In accordance with this:

	31.12.2020	31.12.2019
Net Profit/(Loss) for the year (thousands of euros)	(437.159)	89.964
Weighted average number of shares in circulation (in thousands)	391.965	391.754
Basic Earnings per share (basic and diluted) in euros	(1,115)	0,230

6. BUSINESS COMBINATIONS

On 7 September 2020, the Group acquired 100% of the shares of the Boscolo Hotels Group, which runs eight luxury hotels in prime areas of Rome. Florence, Venice, Prague, Nice and Budapest. The Group operates through the following companies:

- Hungarian Opco New York Palace K.F.T.
- Italian OpCo Roco Hospitality Group, S.R.L.
- Czech Opco AGAGA, s.r.o.

The hotels are run under the variable rent with a guaranteed minimum system.

The amount of the initial consideration for the acquisition of the Boscolo Hotels Group was 50,491 thousand euros, to which 2,147 million euros was added relating to the net working capital position at the integration date. Both amounts were wholly paid up at the time of acquisition. After a subsequent review of the net working capital position and an additional agreement with the vendor, the Group recorded an account receivable with the vendor of 6,900 thousand euros, recorded under the "Other non-trade debtors" heading.

The consideration, the final fair values of the assets and liabilities identified at the time of acquisition and the final goodwill are set out below:

Item	Thousands of euros
Other intangible assets (Note 10)	51,187
Property, plant and equipment (Note 7)	850
Right-of-use assets (Note 8)	52,629
Deferred tax assets (Note 19)	5,610
Other non-current assets	150
Cash and cash equivalents	2,722
Other current assets	2,097
Leasing liabilities (Note 8)	(52,629)
Provisions for contingencies and costs (Note 21)	(4,710)
Deferred tax liabilities (Note 19)	(11,458)
Other current liabilities	(12,168)
Fair value of the acquired entity's net assets	34,280
Net Consideration	45,738
Goodwill (Note 9)	11,458

The fair values of the assets and liabilities acquired were estimated internally based on the Group's past experience.

The inflow of Boscolo Hotels has involved a negative effect of 11.3 million euros on the consolidated comprehensive income statements at 31 December 2020. The negative effect was mainly caused by the effects of Covid-19.

In October 2019, the Group formed the company Anantara The Marker Ltd to acquire the company GCS Hotel Limited, operator of The Marker hotel in Dublin. The acquisition cost was 13,652 thousand euros and the inclusion of these companies has had the following effects on the consolidated balance sheet:

Item	Thousands of euros
Property, plant and equipment (Note 7)	4,032
Rights of use (See Note 8)	9,428
Current assets	2,257
Current liabilities	(2,065)
Fair value of the acquired entity's net assets	13,652
Net Consideration	(13,652)

The entry of this company did not have a significant effect on the consolidated comprehensive income statements at 31 December 2019.

7.- PROPERTY, PLANT AND EQUIPMENT

The breakdown and movements in the year were as follows (in thousands of euros):

	Thousands of euros				
	Land and buildings	Plant and machinery	Other fixtures, tools, furniture and others	Property, plant and equipment in progress	Total
Cost, allotted cost, revalued cost	1,647,261	838,501	452,211	74,286	3,012,259
Accumulated amortisation	(381,829)	(540,355)	(336,278)	—	(1,258,462)
Impairment losses	(27,472)	(8,570)	(4,632)	—	(40,674)
Net Book Value at 01 January 2020	1,237,960	289,576	111,301	74,286	1,713,123
Cost, allotted cost, revalued cost					
Inclusions	1,740	39,076	23,276	31,953	96,045
Retirements	(8,869)	(28,224)	(37,013)	(1,601)	(75,707)
Business combinations (Note 6)	—	171	472	207	850
Changes in the scope of consolidation	(13,618)	(649)	(222)	154	(14,335)
Transfers	(5,975)	6,803	12,418	(13,149)	97
Transfers of assets held for sale and disposable groups of items (Note 16)	10,495	—	—	—	10,495
Exchange differences and IAS 29 impact	(22,725)	(4,853)	(3,695)	(6,264)	(37,537)
Accumulated amortisation					
Inclusions	(23,297)	(45,652)	(31,119)	—	(100,068)
Retirements	3,607	23,719	35,785	—	63,111
Changes in the scope of consolidation	2,344	306	657	—	3,307
Transfers	—	2,427	(2,443)	—	(16)
Exchange differences and IAS 29 impact	4,828	3,895	2,183	—	10,906
Impairment losses					
Impairment losses recognised in profit and loss	(48,252)	(6,105)	(2,370)	—	(56,727)
Transfers	2,156	84	—	—	2,240
Exchange differences and IAS 29 impact	—	140	—	—	140
Balance at 31 December 2020	1,140,394	280,714	109,230	85,586	1,615,924
Cost, allotted cost, revalued cost	1,608,309	850,825	447,447	85,586	2,992,167
Accumulated amortisation	(394,347)	(555,660)	(331,215)	—	(1,281,222)
Impairment losses	(73,568)	(14,451)	(7,002)	—	(95,021)
Net Book Value at 31 December 2020	1,140,394	280,714	109,230	85,586	1,615,924

	Thousands of euros				
	Land and buildings	Plant and machinery	Other fixtures, tools, furniture and others	Property, plant and equipment in progress	Total
Cost, allotted cost, revalued cost	1,641,246	793,447	444,646	50,556	2,929,895
Accumulated amortisation	(360,607)	(538,142)	(347,731)	—	(1,246,480)
Impairment losses	(32,948)	(5,071)	(7,678)	—	(45,697)
Net Book Value at 1 January 2019	1,247,691	250,234	89,237	50,556	1,637,718
Cost, allotted cost, revalued cost					
Inclusions	8,296	80,881	42,409	39,765	171,351
Retirements	(1,946)	(47,223)	(41,586)	(32)	(90,787)
Business combinations (Note 6)	—	2,842	1,190	—	4,032
Transfers	1,723	9,533	5,352	(16,563)	45
Exchange differences and IAS 29 impact	(2,058)	(979)	200	560	(2,277)
Accumulated amortisation					
Inclusions	(24,044)	(45,995)	(29,092)	—	(99,131)
Retirements	1,391	43,076	40,192	—	84,659
Transfers	—	—	(10)	—	(10)
Exchange differences and IAS 29 impact	1,431	706	363	—	2,500
Impairment losses					
Impairment losses recognised in profit and loss	5,474	(3,499)	3,024	—	4,999
Transfers	—	—	22	—	22
Exchange differences and IAS 29 impact	2	—	—	—	2
Balance at 31 December 2019	1,237,960	289,576	111,301	74,286	1,713,123
Cost, allotted cost, revalued cost	1,647,261	838,501	452,211	74,286	3,012,259
Accumulated amortisation	(381,829)	(540,355)	(336,278)	—	(1,258,462)
Impairment losses	(27,472)	(8,570)	(4,632)	—	(40,674)
Net Book Value at 31 December 2019	1,237,960	289,576	111,301	74,286	1,713,123

The main additions occurring during the 2020 financial year relate to hotel refurbishment and opening new hotels. Of note is the refurbishment on the NH Sants Barcelona and NH Plaza de Armas in Spain, the renovations of the NH Napoli Panorama, NH Palermo, NH Trieste, NHC Roma Vittorio Veneto and NH Milano Touring in Italy, the refurbishment on the NH Heidelberg, NH Munchen Airport, NH Frankfurt Airport and NH Salzburg City in Central Europe, the refurbishment on the NH Conference Center Leeuwenhorst NH Amsterdam Caransa, NH Brussels Airport, NH Brussels Bloom and NH Luxembourg hotels in Benelux, and in Latin America the refurbishments of NHC Monterrey San Pedro and NH Ciudad de Santiago hotels. Finally, in New York, refurbishment of the NH New York Jolly Madison Towers.

The effect on the profit and loss account of assets de-recognised, replaced or disposed of to third parties outside the Group was a loss of 1,668 thousand euros (a loss of 4,627 thousand euros in 2019), recognised under "Profit/(loss) on the disposal of non-current assets" in the 2020 consolidated comprehensive profit and loss statement.

The net entries for the year included in the "Business combination" and "Changes in the scope of consolidation" rows come, on the one hand, from the sales of the companies Onroerend Goed Beheer Maatschappij Maas Best, B.V., owner of the NH Best hotel, and Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V., owner of the NH Geldrop hotel, both in Holland (Note 2.9.5), and the acquisition of the Boscolo Hotels Group comes under business combinations (Note 6).

At 31 December 2020, there were tangible fixed asset elements with a net book value of 208 million euros (232 million euros in 2019) to guarantee several mortgage loans (Note 18).

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.

At 31 December 2020, firm purchase undertakings amounted to 17.3 million euros. These investments will be made between 2021 and 2022 (37.8 million euros in 2019).

8.- LEASES

The breakdown and movements under this heading were as follows (in thousands of euros):

	Thousands of euros		
	Real estate	Premiums for contracts and other rights	Total
Net Book Value at 01 January 2019	1,725,598	21,725	1,747,323
Changes	120,146	1,928	122,074
Business combinations (Note 6)	—	9,428	9,428
Reversal of impairment losses recognised in profit and loss (Note 11)	2,175	—	2,175
Amortization	(177,872)	(3,207)	(181,079)
Exchange differences	1,578	—	1,578
Balance at 31 December 2019	1,671,625	29,874	1,701,499
Cost	4,032,889	73,267	4,106,156
Accumulated amortisation	(2,361,264)	(43,393)	(2,404,657)
Impairment losses	—	—	—
Net Book Value at 01 January 2020	1,671,625	29,874	1,701,499
Cost			
Additions and retirements	61,673	—	61,673
Business combinations (Note 6)	52,629	—	52,629
Transfers	(3,629)	—	(3,629)
Exchange differences	(11,094)	—	(11,094)
Accumulated amortization			
Additions	(182,734)	(3,576)	(186,310)
Retirements	71,720	—	71,720
Transfer	4,037	—	4,037
Exchange differences	7,626	—	7,626
Impairments			
Impairment losses recognised in profit and loss (Note 11)	(4,333)	—	(4,333)
Exchange differences	2	—	2
Balance at 31 December 2020	1,667,522	26,298	1,693,820
Cost	4,132,468	73,267	4,205,735
Accumulated amortisation	(2,460,615)	(46,969)	(2,507,584)
Impairment losses	(4,331)	—	(4,331)
Net Book Value at 31 December 2020	1,667,522	26,298	1,693,820

	Balance 1/01/2020	Expenses or interest	Business combinations (Note 6)	Changes	Rent payments	Exchange rate differences	Balance 31/12/2020
Leasing liabilities	2,067,369	94,106	52,629	94,215	(244,785)	(3,795)	2,059,739

	Balance 1/01/2020	Expenses or interest	Business combinations (Note 6)	Changes	Rent payments	Exchange rate differences	Balance 31/12/2020
Leasing liabilities	2,099,210	89,620	4,064	125,006	(252,296)	1,765	2,067,369

The main recognitions for the year are due to the opening of several hotels on a lease basis. The openings of the NHOW Amsterdam Rai in the Netherlands and the NH Collection Palazzo Verona in Italy were noteworthy.

Likewise, the change in the scope includes the acquisition of the Boscolo Hotels Group through the companies Roco Hospitality Group S.R.L., New York Palace, Kft. and Agaga, S.R.O.; hotel leasing operators in Italy, Hungary and the Czech Republic (Nota 6).

The main impacts on the statement on the consolidated comprehensive profit and loss statement related to the application of IFRS 16 are a higher financial expense of 94,106 thousand euros (89,620 thousand euros in 2019), a net gain of the disposal of non-current assets of 624 thousand euros (positive net gain of 1,044 thousand euros in 2019), due mainly to cancellations of contracts that had no cash impact and asset impairment of 4,333 thousand euros (impairment reversal of 2,175 thousand euros in 2019).

The amounts recorded as right-of-use assets correspond to properties where the NH Group is a lessee for its operation as a hotel.

Short-term leases and low-value leases are recognised as an expense in the consolidated comprehensive profit and loss account on a straight line basis. A short-term lease contract is one where the period is less than or equal to 12 months. A “low value contract” is one whose underlying asset assigned in use would have a new value of under 5 thousand euros. The impact recorded on the attached consolidated comprehensive profit and loss statements for the leases totals an income of 31,374 thousand euros (Note 26.4). This income is a result of applying the exemption introduced in IFRS 16 on 28 May 2020, which meant the Group recorded 46,195 thousand euros (Note 2.2).

Furthermore, in the lease agreements, there are no restrictions or imposed clauses and no sales transactions with subsequent leasing were carried out during the financial year.

Future cash output that the lessee is potentially exposed to, and which are not shown in the valuation of leasing liabilities, exclusively relate to payments for variable leasing.

Therefore, future gross payments estimated for the next 5 years total 391 million euros. Nevertheless, these expenses will result in higher income and produce higher profits.

The Group has not granted any options to extend and terminate, or guarantees of residual value. There does exist a lease that has not commenced, for which the Group has undertaken gross lease payments of 437 thousand euros in a period of 2 to 5 years, and 6,833 thousand euros in a period of over 5 years.

9.- 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):

	2020	2019
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	61,114	75,212
Grupo Royal	24,539	27,607
Boscolo Hotels (Note 6)	11,554	—
Others	3,862	3,758
	101,069	106,577

The movements in this heading of the consolidated balance sheet in the financial year were as follows (in thousands of euros):

Company	Goodwill at 01/01/2020	Conversion differences	Business combinations (Note 6)	Impairment (Note 11)	Goodwill at 31/12/2020
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	75,212	—	—	(14,098)	61,114
Grupo Royal	27,607	(3,068)	—	—	24,539
Boscolo Hotels	—	96	11,458	—	11,554
Others	3,758	104	—	—	3,862
Total	106,577	(2,868)	11,458	(14,098)	101,069

Company	Goodwill at 01/01/2019	Conversion differences	Impairment (Note 11)	Goodwill at 31/12/2020
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	77,933	—	(2,721)	75,212
Grupo Royal	27,607	—	—	27,607
Others	3,892	(134)	—	3,758
Total	109,432	(134)	(2,721)	106,577

Details of the cash-generating units to which such goodwill arising on consolidation has been allocated is shown below:

	Thousands of euros	
	2020	2019
Grupo Royal CGUs	24,539	27,607
Group CGUs (Boscolo Hotels)	11,554	—
CGU 6	13,587	15,113
CGU 21	9,929	9,929
CGU 22	685	7,711
CGU 12	6,272	7,042
CGU 5	4,325	6,107
CGU 13	5,624	5,624
CGU 2	5,023	5,023
CGUs with goodwill allocated individually < €4 M	19,531	22,421
	101,069	106,577

10.- OTHER INTANGIBLE ASSETS

The breakdown and movements under this heading were as follows (in thousands of euros)::

	Thousands of euros				
	Usufruct Rights	Concessions, patents and trademarks	Software applications	Other rights	Total
Cost, allotted cost, revalued cost	33,976	38,322	90,212	17,039	179,549
Accumulated amortisation	(5,483)	(26,392)	(53,920)	—	(85,795)
Impairment losses	—	(7,171)	—	(2,776)	(9,947)
Net Book Value at 01 January 2020	28,493	4,759	36,292	14,263	83,807
Cost, allotted cost, revalued cost					
Inclusions	2,574	108	11,019	—	13,701
Retirements	(34)	(394)	(131)	—	(559)
Business combinations (Note 6)	50,815	—	372	—	51,187
Transfers	—	(36)	(60)	—	(96)
Exchange differences and IAS 29 impact	(3,116)	(511)	(294)	—	(3,921)
Accumulated amortisation					
Inclusions	(1,515)	(974)	(13,511)	—	(16,000)
Retirements	3	366	64	—	433
Transfers	—	331	(316)	—	15
Exchange differences and IAS 29 impact	537	142	56	—	735
Impairment losses					
Impairment losses recognised in profit and loss (Note 11)	—	(1,140)	—	(357)	(1,497)
Reversal of impairment losses recognised in profit and loss (Note 11)	—	—	—	337	337
Transfers	—	(5)	—	—	(5)
Balance at 31 December 2020	77,757	2,646	33,491	14,243	128,137
Cost, allotted cost, revalued cost	84,215	37,489	101,118	17,039	239,861
Accumulated amortisation	(6,458)	(26,527)	(67,627)	—	(100,612)
Impairment losses	—	(8,316)	—	(2,796)	(11,112)
Net Book Value at 31 December 2020	77,757	2,646	33,491	14,243	128,137

	Thousands of euros				
	Usufruct Rights	Concessions, patents and trademarks	Software applications	Other rights	Total
Cost, allotted cost, revalued cost	68,912	37,947	76,572	47,003	230,434
Accumulated amortisation	(30,641)	(22,722)	(43,550)	(12,387)	(109,300)
Impairment losses	—	(7,195)	—	(3,370)	(10,565)
Net Book Value at 1 January 2019	38,271	8,030	33,022	31,246	110,569
Cost, allotted cost, revalued cost					
Inclusions	737	383	13,715	—	14,835
Retirements	—	—	(70)	(3,504)	(3,574)
Transfers	(35,679)	—	(4)	(26,460)	(62,143)
Exchange differences and IAS 29 impact	6	(8)	(1)	—	(3)
Accumulated amortisation					
Inclusions	(1,198)	(1,203)	(14,394)	—	(16,795)
Retirements	—	—	61	—	61
Transfers	26,357	(2,512)	3,959	12,387	40,191
Exchange differences and IAS 29 impact	(1)	45	4	—	48
Impairment losses					
Reversal of impairment losses recognised in profit and loss (Note 11)	—	24	—	412	436
Transfers	—	—	—	182	182
Balance at 31 December 2019	28,493	4,759	36,292	14,263	83,807
Cost, allotted cost, revalued cost	33,976	38,322	90,212	17,039	179,549
Accumulated amortisation	(5,483)	(26,392)	(53,920)	—	(85,795)
Impairment losses	—	(7,171)	—	(2,776)	(9,947)
Net Book Value at 31 December 2019	28,493	4,759	36,292	14,263	83,807

10.1 Hotel operating rights

The most significant additions in this financial year occurred in London, as a result of opening a new hotel.

The net additions in the year in the column "Business combinations" come from the purchase of Boscolo Hotels (Note 6, Business combinations).

10.2 Software applications

The most significant additions in this financial year were a result of investments made in digitisation and improvement to the customer journey experience, and digitisation and optimisation of operating processes to gain sustainability, mobility and include customer care.

10.3 Other rights

The main movement in 2019 corresponds to the classification of various assets related to lease contracts which, at 1 January 2019, are considered as the higher value of the right-of-use assets in accordance with the application of IFRS 16 (Note 8).

11.- IMPAIRMENT

The Group evaluates the possible existence of a loss of value each year that would oblige it to reduce the carrying amounts of its assets. As a result of the crisis caused by the spread of Covid-19, impairment analysis carried out by the Group in the financial year determined that losses be recognised for impairment losses.

11.1 Key assumptions used to calculate value in use

The value in use of each CGU is determined discounting its future cash flows. These are estimated based on the result for the year and the records of at least five previous years. Given the uncertainty stemming from the current economic environment, macroeconomic information from external information sources has been analysed and with Group Management's business knowledge, different evolution and forecast possibilities have been made on the most likely basis, taking the effect of the pandemic into account.

The evolution of the key assumptions in the analysed hotels has taking the business knowledge of Group Management into account as well as the expected recovery of the sector after the Covid-19 pandemic. In this regard, the assumed projections are based on the Management's budget for 2021, which assumes a dramatic fall in revenues compared to 2019 due to the negative effect that the Covid-19 pandemic has had on tourism, one of the most affected sectors. It is estimated that the loss of business in 2020 will be recovered in the next three years, beginning in the second half of 2021 once mobility restrictions are eased as vaccination progresses and therefore consumer confidence recovers. The Group's strong positioning in the countries where it operates, the good locations of the portfolio and the high recognition of its brands are key factors in the assumed recovery period up to 2023 and 2024, when it is hoped to reach the figures of the period prior to the pandemic, which was the 2019 financial year.

There are a number of factors that are considered by the Group's Management to make the projections, which are:

- Estimate of external sources specialising in the hotel sector, along with investment banks with reference to the recovery of the hotel sector.
- 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.

- Investments in repositioning the CGUs.

These factors are reflected in the cash flows through the following working hypotheses used to obtain the projections:

- Income from accommodation is projected as the product of percentage occupation, and average rate per room ("ADR" Average Daily Rate: is the ratio of the total income from rooms in a specific period divided by the rooms sold in that specific period) and the total 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).
- 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.
- For its part, tax is calculated from the tax rates applicable in each country.

The discount rates were calculated by a third party using the Weighted Average Cost of Capital (WACC) methodology: Weighted Average Cost of Capital (WACC), as follows:

$$WACC = K_e * E / (E + D) + K_d * (1 - T) * D / (E + D)$$

Where:

K_e : Cost of Equity

K_d : Cost of Financial Debt

E: Own Funds

D: Financial Debt

T: Tax Rate

The Capital Asset Pricing Model (CAPM) is used to estimate the cost of equity (k_e).

The main variables used by a third party to calculate the discount rate are as follows:

- Risk-free rate: is obtained from the standard average profitability of state bonds in each country including an adjustment for country risk and an inflation differential where appropriate.
- Market risk premium: defined as 6.5% (6.8% in 2019), based on market reports.
- Beta or systematic risk: Using a sample of listed companies whose businesses are comparable to our business, the sector's risk differential is estimated in relation to the average risk on the global market. In addition, the adjusted average financial structure of the aforementioned sample of companies was considered (63% Own Funds, 37% Debt) to calculate the re-leveraged beta coefficient, as well as the relevant tax rate in each country.
- Debt cost, estimated as an average differential over the Euribor at 12 months over 10 years, plus an adjustment for inflation and country risk in countries with a currency other than the Euro.

Below are the pre-tax discount rates of the major countries::

	Discount rate before taxes:				
	Germany	Netherlands	Italy	Spain	Colombia
2020	11,2%	9,6%	12,12%	10,6%	13,6%
2019	8,8%	7,4%	12,7%	9,3%	16,9%

The evolution of the key assumptions in hotels with indications of impairment at 31 December 2020 in the major countries in euros was as follows:

	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Germany		Netherlands		Italy		Spain		Colombia	
Post-tax WACC	7,54%	5,47%	7,79%	6,01%	8,12%	8,21%	8,14%	6,88%	10,57%	12,86%
Growth rate (g)	1,97%	2,13%	1,70%	2,01%	1,35%	1,50%	1,69%	1,77%	2,91%	3,04%
Average ADR (years of projection)	100,8	107,7	59,5	61,5	133,5	136,7	92,5	97,4	62,1	70,0
Average Occupancy Rate (years of projection)	65,0%	74,5%	54,3%	56,6%	65,1%	71,0%	66,2%	75,9%	61,5%	67,5%

The after-tax discount rates used by the Group for these purposes range in Europe from 7.3% to 11.5% (5.5% and 8.2% in 2019) and in Latin America from 10.6% to 16.2% (9.4% and 14.6% in 2019) without taking into account Argentina, whose after-tax discount rate has been calculated taking into account its hyperinflationary economic situation and varies between 44.6% in 2021 and 35.6% in 2025, based on the estimate of inflation. In this regard, the cash flows resulting from the impairment tests were also calculated after tax. In addition, the book value to which the value-in-use is compared does not include any deferred tax liabilities which could be associated with the assets.

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 uniform results with respect to the impairment test if a pre-tax rate were used and, therefore, the impairment and reversion accounting records would be uniform.

11.2 Sensitivity analysis

Furthermore, the Group has carried out a sensitivity analysis for each of the CGUs, and for the groups of CGUs where goodwill is allotted. 3

For each scenario, each hypothesis has been considered individually, recording the impact on impairment for each of them. Scenario 1 is a negative one where the discount rate is raised 100 b.p. above the rate used in the test and a growth rate lower by 100 b.p., i.e. with minimum growth, and falls in occupancy and ADR of 1% which would lead to additional impairment to that registered in 2020.

In scenario 2, it is a positive scenario where the discount rate is sensitized 100 bp below the rate used in the test, a growth rate of 100 bp and with occupancy increases of 100 bp and an average ADR of 1%, which would lead to having registered a lower deterioration than that registered in 2020.

A sensitivity analysis of the results of the impairment analysis given variations in the following scenarios, including the impacts that the amendment of each scenario would have without affecting the rest, for the main goodwill, is set out below:

NH Hoteles Deutschland, GmbH y NH Hoteles Austria, GmbH					
Post-tax WACC Growth rate (g) Average ADR Average Occupancy Rate	Average values				
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2
	7,54% - 7,85%	8,54% - 8,85%	(5,008)	6,54% - 6,85%	3,075
	1,97% - 2,00%	0,97% - 1,00%	(3,896)	2,97% - 3,00%	1,571
	76.1%	75,1%	(3,971)	77,1%	1,896
	127.30	126.0	(3,743)	128.6	1,295

Grupo Royal						
	Average values					
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2	
	Post-tax WACC	10,57% - 16,17%	11,57% - 17,17%	(1,186)	9,57% - 15,17%	—
	Growth rate (g)	1,00% - 3,00%	0,00% - 2,00%	—	2,00% - 4,00%	—
	Average ADR	61.0%	60.0%	—	62.0%	—
Average Occupancy Rate	62.00	61.4	—	62.6	—	

In addition, a sensitivity analysis of the results of the impairment analysis of the most significant CGUs that have associated property, plant and equipment, intangible assets and rights of use is set out below:

Tangible and intangible assets and right of use sensitivity analysis						
	Average values					
	Impairment test	Assumption Scenario 1	Results Scenario 1	Assumption Scenario 2	Results Scenario 2	
	Post-tax WACC	7,5% - 36,3%	8,5% - 37,3%	(23,111)	6,5% - 35,3%	15,867
	Growth rate (g)	1,0% - 23,4%	0,0% - 22,4%	(21,338)	2,0% - 24,4%	12,098
	Average ADR	68.9%	67,9%	(8,644)	69,9%	5,485
	Average Occupancy Rate	128,3	127.0	(5,558)	129.6	3,906

11.3 Impairment losses

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.

The Group recognised an impairment loss of 76,258 thousand euros (4.889 thousand euros in 2019), as it is summarised below:

- Property, plant and equipment: impairment amounting to 61,250 thousand euros was recognised in 2020 for certain tangible assets; this impairment mainly corresponds to real estate and is a result of the worsening of future expectations of cash flows for different reasons, including the opening of competitors' hotels or the loss of an important customer and the worsening of the outlook due to the Covid-19 situation. (4,289 thousand euros in 2019). On the other hand, there was a reversal of 4,523 thousand euros resulting from the improvement in expectations, recorded under the heading "Gains/

(Net losses) from asset impairment" on the consolidated comprehensive income statement for 2020 (9,288 thousand euros in 2019).

- Right of use: it has been registered an impairment of the Right of use amounting to 4,333 thousand euros (reversal of 2,175 thousand euros 2020) (Note 8).
- Goodwill: it has been registered an impairment amounting to 14,098 of the goodwill of NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH (2,721 thousand euros in 2019). This impairment is derived from the worsening due to openings of competitors and deterioration of the business prospects due to Covid-19 situation.
- Other intangible assets: it has been registered under the heading "Gains/(Net losses) from asset impairment" on the consolidated comprehensive income statement for 2020, impairment losses amounting to 1,497 thousand euros and reversal of impairment amounting to 337 thousand euros (436 thousand euros in 2019).
- Real Estate investments: it has been registered a reversal of impairment of real estate investments amounting to 60 thousand euros.

The breakdown of impairment to tangible assets by country is as follows (in thousands of euros):

	2020	2019
Spain	6,600	5,760
Italy	68,639	21,745
Germany	7,199	1,956
Benelux	10,057	9,306
Latin America	2,526	1,740
Others	—	167
Total impairment	95,021	40,674

The recoverable amount of the CGUs subject to impairment or reversal (not the entire portfolio of the Group) is as follows:

Million euros	2020
	Recoverable amount
CGU 25	39,80
CGU 26	34
CGU 4	28,5
CGU 27	25,8
CGU 28	21,3
CGU 29	20,8
CGU 30	17,6
CGU 31	17
CGU 32	13
CGU 33	11,3
Top Ten	229,1
Spain	3,4
Italy	36,6
Benelux	22
Germany	2,6
LatAm	15,3
Other Countries	3
Other CGUs	82,9
	312

12.- INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The associated companies in the year and the amount recognised on the books (in thousands of euros) are listed below:

Company	Activity centre	Share percentage	Relationship nature	Book value	
				2020	2019
Mil Novecientos Doce, S.A. de C.V.	Mexico City	25%	Associate	1,900	2,350
Consortio Grupo Hotelero T2, S.A. de C.V.	Mexico City	10%	Associate	1,413	1,555
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	27%	Associate	1,100	1,723
Hotelera del Mar, S.A.	Mar de Plata	20%	Associate	702	960
Borokay Beach, S.L.	Madrid	50%	Associate	929	929
Kensington Hotel Value Added I, Ltd	London	30%	Associate	—	—
Sotocaribe, S.L. (Note 16)	Madrid	36%	Associate	35,729	—
Total				41,773	7,517

The impact recorded on the consolidated comprehensive profit and loss statement for the financial year due to consolidation of these holdings was losses of 7,468 thousand euros (22 thousand euros in 2019), recorded under the heading "Gain/(Loss) from entities valued using the equity method". In addition, these holdings were reduced in 2020 by 2,575 thousand euros due to the effect of the exchange differences (they increased by 714 thousand euros in 2019) and increased by other contributions of 108 thousand euros.

Specifically, a loss of 6,926 thousand euros was recorded due to the integration of the results of Sotocaribe, S.L. previously classified as available for sale (Note 16).

On the other hand, as a result of analysis of the fair value of these holdings, a reversal for impairment was recorded on the investment in Sotocaribe, S.L. for 6,926 thousand euros under the heading "Impairment on financial investments".

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. The holding in Kensington Hotel Value Added I, Ltd is in this situation.

The balance sheet of these key companies accounted for using the equity method at year-end is as follows (in thousands of euros):

Company	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Net Profit (Loss)
Mil Novecientos Doce, S.A. de C.V.	7,484	—	—	—	7,484	(583)
Consorcio Grupo Hotelero T2, S.A. de C.V.	14,121	—	—	—	14,121	8
Inmobiliaria 3 Poniente, S.A. de C.V.	6,118	48	2,104	—	4,062	(1,464)
Hotelera del Mar, S.A.	694	3,462	480	750	2,926	(116)
Borokay Beach, S.L.	965	1,104	96	1,973	—	(1)
Sotocaribe, S.L.	8,112	245,674	27,881	50,347	175,558	(1,548)

13.- NON-CURRENT FINANCIAL INVESTMENTS

13.1 Financial assets at fair value with change in profit/loss

This heading of the consolidated balance sheet comprised the following equity interests:

	Thousand euros	
	2020	2019
NH Panamá	3,767	3.767
Other investments	408	498
Provisions	(2,190)	(2.190)
Total	1,985	2.075

In regard to the fair value of financial assets, it does not differ significantly from its cost.

In December 2019, the Group sold its 9.87% shareholding in Varallo Comercial, S.A. and its 13.6% shareholding in Adquisiciones e Inversiones Europeo, S.L. The result of the operation was a consolidated gain of 8,525 thousand euros recorded under "Gains on financial and other operations". At 31 December 2019, the Group had an account receivable under "Other non-trade debtors" for 17,017 thousand euros related to the sale, which was wholly received on 2 January 2020.

13.2 Other financial assets at amortised cost

The breakdown of this heading is as follows:

	Thousand euros	
	2020	2019
Subordinated loans to companies owning hotels operated by the Group through leases	20,793	20.505
Loans to associates (Nota 27)	140	143
Long-term deposits and sureties	12,835	12.703
Others	1,896	1.976
Total	35,664	35.327

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, 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 aforementioned subordinated loans accrue interest at a fixed rate of 3% per annum.
- 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. These hotels are covered by the scope of IFRS 16 and, therefore, from the transition date involve recording a right of use asset and a leasing liability.

14.- TRADE RECEIVABLES

This item reflects different accounts receivable from the Group’s operations. Its detail is as follows:

	Thousand euros	
	2020	2019
Trade receivables for services provided	38,962	113,596
Provision for bad debts	(9,025)	(7,100)
Total	29,937	106,496

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 insolvencies during the year were as follows:

	Thousand euros	
	2020	2019
Balance at 1 January	7,100	8,505
Conversion differences	(74)	5
Additions	5,889	3,665
Applications	(3,890)	(5,075)
Balance at 31 December	9,025	7,100

The analysis of the ageing of financial assets in arrears but not considered impaired in the financial year is as follows:

	Thousand euros	
	2020	2019
Less than 30 days	5,569	24.622
From 31 to 60 days	3,029	6.596
More than 60 days	7,940	10.840
Total	16,538	42.058

In this regard, the provisions recorded take into account all the expected losses on the balances of trade receivables on the balance sheet.

15.- CASH AND CASH EQUIVALENTS

"Cash and Cash Equivalents" largely includes the Company's cash position and bank deposits maturing in three months or less. These assets are recognised at their fair value.

The Group's liquidity position at 31 December 2020 is based on the following points:

- The group had cash and cash equivalents amounting to 320,851 thousand euros.
- Available undrawn credit facilities of 25,000 thousand euros (Note 18).

There are no restrictions on the availability of cash, except for 2,057 thousand euros reserved in accordance with a firm commitment with the co-owners of Hoteles Royal (3,192 thousand euros in 2019) for future investments in the hotels.

As at 31 December 2020, 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 other than the legally established regulations on the distribution of dividends.

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.

16.- ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

In accordance with IFRS 5, Non-current assets classified as held for sale and discontinued operations (Note 4.7), the group has classified non-strategic assets under this heading which 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.

Specifically, at 31 December 2019, the Group had classified the holdings in the companies Sotocaribe, S.L. and Capredo Investments, GmbH as discontinued operations. Given the uncertainty associated with these sales processes, the Group has decided to continue consolidating these holdings. Sotocaribe, S.L. was consolidated by the equity method (Note 12), while Capredo Investments, GmbH was consolidated by the global method.

On the other hand, at 30 June 2020, the Group recorded the property company “Onroerend Goed Beheer Maatschappij Maas Best, B.V.”, owner of the NH Best hotel in the Netherlands, as available for sale. The sale was concluded on 1 July 2020.

Consolidated balance sheets. Headings of Non-current assets and liabilities classified as held for sale:

A movement by balance sheet heading of the assets and liabilities presented under the corresponding Held for Sale headings is shown below (in thousands of euros):

	1.1.2020	Net Variation	31.12.2020
Property, plant and equipment (Note 7)	10.495	(10.495)	-
Financial assets	37.265	(37.265)	-
<i>Investments accounted for using the equity method (Note 12)</i>	37.265	(37.265)	-
Cash	17	(17)	-
Other current assets	34	(34)	-
Non-current assets classified as held for sale	47.811	(47.811)	-
Other non-current liabilities	564	(564)	-
Trade payables	439	(439)	-
Other current liabilities	1.581	(1.581)	-
Liabilities associated with assets classified as held for sale	2.584	(2.584)	-

	1.1.2019	Net Variation	Impairment	31.12.2019
Property, plant and equipment	22.594	(12.099)	-	10.495
Financial assets	33.322	7.424	(3.481)	37.265
<i>Investments accounted for using the equity method</i>	33.322	7.424	(3.481)	37.265
Cash	9	8	-	17
Other current assets	49	(15)	-	34
Non-current assets classified as held for sale	55.974	(4.682)	(3.481)	47.811
Other non-current liabilities	528	36	-	564
Trade payables	363	76	-	439
Other current liabilities	1.565	16	-	1.581
Liabilities associated with assets classified as held for sale	2.456	128	-	2.584

As a result of the fair value analysis of the holding in the consolidated company by the equity method, in 2019 an impairment was recorded of 3,481 thousand euros under the “Impairment on financial investments” heading on the consolidated comprehensive profit and loss statement. For the same reason the account receivable with the company was impaired at the end of the financial year (Note 27).

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):

	Onroerend Goed Beheer Maatschappij Maas Best, B.V.	Capredo Investments, GmbH	Total
2020			
Profit (loss) before tax	(66)	-	(66)
Profit (loss) for the year from discontinued operations net of tax	(66)	-	(66)
2019			
Profit (loss) before tax	-	50	50
Profit (loss) for the year from discontinued operations net of tax	-	50	50

Consolidated cash flow statements

The consolidated cash flow statements for the fully consolidated companies in 2019 are detailed below (in thousands of euros):

	Capredo Investments, GmbH
2019	
Total net cash flow from operating activities I	8
Total net cash flow from investment activities II	-
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)	-
Cash and cash equivalents at the start of the financial year	9
Cash and cash equivalents at end of year	17

17.- EQUITY

17.1 Subscribed share capital

NH Hotel Group, S.A. share capital at 31 December 2020 comprised 392,180,243 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 most recent notifications received by the Parent Company and the communications submitted to the Spanish National Securities Market Commission (CNMV) prior to the end of each reporting period, the main shareholdings at 31 December were as follows:

	31/12/2020	31/12/2019
Minor International Public Company Limited ("MINT")	94,13%	94,13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, shares representing 94.13% of the share capital of NH Hotel Group, S.A.

17.2 Dividends

As mentioned in note 3, the Group did not distribute dividends in 2020.

On the other hand, the General Shareholders' Meeting on 13 May 2019 approved, among other items, the proposed distribution of dividends. It therefore decided to draw from the profits of the year ended 31 December 2018 and distribute a dividend of 15 euro cents gross per share in the parent company NH Hotel Group, S.A. with the right to receive it, outstanding on the date of the payment; all according to the following schedule:

- i. Last date of trading with dividend: 11 June 2019
- ii. Ex-dividend date: 12 June 2019
- iii. Registration date: 13 June 2019
- iv. Payment date: 14 June 2019 for 53 million euros and 3 July for 5.2 million euros.

This dividend was distributed through the companies with shares in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR), with powers granted for this purpose to the Board of Directors, with express powers of substitution, so that after checking for compliance with obligations under the finance contracts of NH HOTEL GROUP, S.A., the Board will designate an entity to act as paying agent and will perform the other necessary or advisable actions for a satisfactory distribution. The total amount distributed as dividends was 58.771 million euros.

17.3 Reserves of the Parent Company

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.

At 31 December 2020 and 2019, the parent company's legal reserve was not fully constituted.

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.

17.4 Treasury shares

At 31 December 2020, the Group had 103,947 own shares, compared to 374,464 own shares at 31 December 2019. The reduction in treasury shares over the period can be explained by the following movement:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract at 31 December 2020 is 103,947 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2019, the number of shares assigned to the liquidity contract was 83,176 shares. The negative effect recorded in reserves for operations carried out in the 2020 financial year was 245 thousand euros.
- In the 2020 financial year, the first cycle of the second long-term incentive plan was settled (Note 25). For the settlement of this second cycle a purchase of 110,350 treasury shares was made. The second cycle was settled by the delivery of 401,638 shares. The total impact recorded in equity due to these movements was 1,525 thousand euros.

17.5 Non-controlling interests

The movements under this heading during the financial year are summarised below:

	Thousand euros	
	2020	2019
Opening balance	57.239	52.351
Application of IAS 29	(1.383)	777
Application of IFRS 16	—	(1.098)
Comprehensive profit (loss) attributable to non-controlling interests	(5.371)	4.192
Dividends paid to non-controlling interests	(1.179)	(2.720)
Other movements	276	3.737
Closing balance	49,582	57.239

The 2020 "Dividends paid to non-controlling interests" item reflects the dividends paid out to the following companies: NH Marín, S.A. amounting to 1,150 thousand euros and NH Las Palmas, S.A. amounting to 29 thousand euros.

18.- DEBT IN RESPECT OF BOND ISSUES AND BANK BORROWINGS

The balances of the “Bonds and other negotiable securities” and “Debts with credit institutions” items for the financial year were as follows:

	Thousand euros			
	2020		2019	
	Long-term	Short-term	Long-term	Short-term
Guaranteed senior bonds maturing in 2023	356,850	—	356,850	—
Borrowing costs	—	3,308	—	3,308
Arrangement expenses	(4,885)	(1,751)	(6,882)	(1,910)
Effect of renegotiation of debt IFRS 9	(2,903)	(1,414)	(4,316)	(1,257)
Debt instruments and other marketable securities	349,062	143	345,652	141
Guaranteed syndicated credit line	236,000	—	—	—
Unsecured loans	320,742	9,177	42,445	806
Subordinated loans	40,000	—	40,000	—
Mortgages	23,854	2,398	25,300	2,544
Credit lines	5,000	12,000	—	—
Arrangement expenses	(2,585)	(1,696)	(1,050)	(786)
Borrowing costs	—	4,048	—	547
Bank borrowings	623,011	25,927	106,695	3,111
Total	972,073	26,070	452,347	3,252

The effect of debt movement on the Group's cash flows as reflected in the cash flow statement is affected by non-cash movements generated by exchange rate differences as the group has debts in currencies other than the euro.

Secured senior bonds maturing in 2023

On 23 September 2016, the Group placed guaranteed convertible senior bonds for a nominal value of 285,000 thousand euros, maturing in 2023. The nominal yearly interest rate for said issuance of notes is 3.75%. On 4 April 2017, the Group issued an extension of guaranteed senior bonds maturing in 2023 for a nominal amount of 115,000 thousand euros with an implicit cost until maturity of 3.17%. The outstanding nominal amount at 31 December 2020 is 356,850 thousand euros (“Depreciation and Amortisation 2018” heading).

Depreciation and Amortisation 2018

As a result of the change of control in the 2018 financial year and as established in the voluntary repurchase and early redemption offer of the senior secured bond issue maturing in 2023 (the “Bonds”) due to the change of control, requests were received for the repurchase and redemption of bonds for a nominal amount of 3,150 thousand euros.

The bond repurchase offer was settled on 12 November 2018, the date on which the Group paid an aggregate amount of 3,195 thousand euros to the bondholders, who accepted the offer as a whole:

- Nominal paid in advance: 3,150 thousand euros
- Unpaid accrued interest: 13.5 thousand euros

- Amount of the repurchase premium: 31.5 thousand euros

On 14 December 2018, the Group carried out the partial voluntary early redemption, for a nominal amount of 40,000 thousand euros (representing 10% of its original total amount), of the issue of senior secured bonds maturing in 2023 (the "Bonds"), by means of a linear pro rata reduction of the nominal value of all the bonds in circulation. The Bonds were redeemed early through the payment of approximately 103.760% of the nominal value of the Bonds being redeemed, including:

- Nominal paid in advance: 40,000 thousand euros
- Unpaid accrued interest: 304.2 thousand euros
- Amount of the repurchase premium: 1,200 thousand euros

The Group paid the partial redemptions from available cash.

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 euros ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior notes maturing in 2019. As a consequence of the refinancing and early payments of the guaranteed senior notes maturing in 2019 which took place in 2017, the maturity date of said financing was extended to 29 September 2021.

On 16 October 2020, the Parent Company and NH Finance, S.A. agreed the extension of the maturity of the finance to 29 March 2023, with a limit of 236,000 euros.

At 31 December 2020, this financing was fully drawn down.

Unsecured loans

– Syndicated loan with ICO guarantee maturing in 2023

On 29 April 2020, the Group entered into a syndicated loan for 250,000 thousand euros over 3 years, with no repayments until maturity.

The contract, reached within the legal framework established by the Spanish government to mitigate the economic impact caused by Covid-19, was granted a guarantee by the Spanish state.

At 31 December 2020, this financing was fully drawn down.

– Other unsecured loans

In addition to the 250,000 ICO backed syndicated loan, as a result of the crisis caused by Covid-19, throughout 2020 the parent company and its subsidiaries took advantage of government aid in the various countries to take out several loans:

- In May 2020 the parent company signed a bilateral loan for 10,000 thousand euros over 2 years, within the legal framework provided by the Spanish state to mitigate the economic impact of Covid-19 and, in this way, receiving the ICO guarantee.
- In July 2020 the parent company signed a bilateral loan for 7,500 thousand euros over 3 years, within the legal framework provided by the Spanish state to mitigate the economic impact of Covid-19 and, in this way, receiving the ICO guarantee.

- In October 2020 the Italian subsidiary NH Italia Spa signed a bilateral loan for 15,000 thousand euros over 6 years, within the legal framework provided by the Italian state to mitigate the economic impact of Covid-19 and, in this way, receiving the State guarantee (SEPE).
- Furthermore, various bilateral loans totalling 6,400 thousand euros were signed between June and September 2020 in different regions (Portugal, Argentina, Chile, Colombia and the USA) to mitigate the economic impact of the pandemic.

Subordinated loan

A loan amounting to 40,000 thousand euros fully drawn at 31 December 2020 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 spread.

Mortgages

The detail of the mortgage loans and credits is as follows (in thousands of euros):

	Mortgaged asset	Fixed rate	Variable interest	Total	Net book value of the mortgaged asset
Spain	Wilan Ander	3,942	—	3,942	5,160
	Wilan Huel	2,824	—	2,824	5,905
	NH Palacio de la Merced	—	2,917	2,917	15,604
Total Spain		6,766	2,917	9,683	26,669
Italy	NH Villa San Mauro	—	448	448	(50)
Chile	NH Plaza de Santiago	16,121	—	16,121	16,597
Total Other		16,121	448	16,569	16,547
Total		22,887	3,365	26,252	43,216

Credit lines

At 31 December 2020, the balances under this item include the amount drawn down from credit facilities. The joint limit of these loan agreements and credit facilities at 31 December 2020 amounted to 42,000 thousand euros, of which 17,000 thousand euros had been drawn down at that date.

Obligations required in the senior notes contracts maturing in 2023, the syndicated credit line and the syndicated loan with ICO guarantee maturing in 2023

The senior notes 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 prospectus for the aforementioned notes, as well as in the credit agreement of the syndicated credit line.

The syndicated credit line requires compliance with financial ratios; in particular (i) an interest coverage ratio of > 2.00x, (ii) a net indebtedness ratio of < 5.50x, and (iii) a Loan to Value ("LTV") ratio which, as a result of the

redemption of the 2019 senior secured obligations due in 2017, depends on the level of NH's indebtedness at any given time as indicated below:

- Net debt-to-income ratio $> 4.00x$: LTV ratio = 70%
- Net debt-to-income ratios $\leq 4.00x$: LTV ratio = 85%
- Net debt-to-income ratio $\leq 3.50x$: LTV ratio = 100%

The maximum permitted LTV at 31 December 2020 was 70%.

Moreover, the syndicated loan with the ICO guarantee maturing in 2023 requires compliance with financial ratios; in particular, (i) an interest coverage ratio of $> 2.00x$, (ii) a net indebtedness ratio of $< 5.50x$

In addition to the waiver obtained in June 2020 for compliance with the financial covenants included in the syndicated credit line for the months of June and December 2020, unanimous approval from the loan institutions was obtained to extend the waiver until June 2021. This waiver until June 2021 also extends to the syndicated loan with the ICO guarantee maturing in 2023.

Package of guaranteed senior notes maturing in 2023 and syndicated credit line

The guaranteed senior notes maturing in 2023 and syndicated credit line (fully drawn down at 31 December 2020) share the following guarantees: (i) pledge of shares: 100% of the share capital of (A) Diegem, , (B) Immo Hotel Brugge NV, (C) Immo Hotel Diegem NV, (D) Immo Hotel Mechelen NV, (E) Immo Hotel Stephanie NV, (F) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V. and (G) 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 Zoetermeer, owned by Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.; NH Conference Centre Sparrenhorst, owned by Sparrenhorst, B.V.; NH Capelle, owned by Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, 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.

The net book value of the assets granted as mortgage security against the syndicated credit line of 236,000 thousand euros (drawn down at 31 December 2020) and guaranteed senior notes in the amount of 356,850 thousand euros, maturing in 2023, can be broken down as follows (in thousands of euros):

	Mortgaged asset	Net book value of the mortgaged asset
	NH Conference Centre Leeuwenhorst	58,049
	NH Conference Centre Koningshof	41,469
	NH Conference Centre Sparrenhorst	8,200
	NH Zoetermeer	7,350
	NH Naarden	9,700
	NH Capelle	6,164
Total		130,932
Net value of assets assigned as mortgage collateral		130,932
Value of guaranteed debt		592,850
Fixed interest		356,850
Variable interest		236,000

Limitation on the distribution of Dividends

The guaranteed senior notes maturing in 2023, the syndicated credit line and the syndicated loan with the ICO guarantee maturing in 2023 described above contain clauses limiting the distribution of dividends.

In the case of the senior notes maturing in 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 (including dividends and repayment of subordinated debt) made since 8 November 2013 is less than the sum of, amongst other items, (I) 50% of NH's consolidated net income (even though in the calculation of net income, 100% of consolidated net losses must be deducted) from 1 July 2013 to the date of the last quarterly accounts available (this is what is known as the CNI Builder) and, (ii) 100% of the net contributions to NH's capital from 8 November 2013.

Additionally, as an alternative and without having to be in compliance with the previous condition: (i) 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 alternatively and without having to be concurrent with the previous ones, the notes maturing in 2023 establish a franchise to be able to make restricted payments (including dividends) without needing to comply with any specific requirement, for a total aggregate amount of 25,000,000 euros as of November 2013.

In the case of the syndicated credit line, and as a result of the extension of its maturity date until March 2023, as agreed in October 2020, distribution of dividends in the 2021 financial year is not permitted.

From 2022 onwards, according to the syndicated credit line and the loan with the ICO guarantee maturing in 2023, 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 Financial Debt (through the Dividend payment) / EBITDA Ratio is less than $4.0x$.

The maximum percentage of consolidated net profit to distribute will depend on the Net Financial Debt (through the Dividend payment) / EBITDA Ratio according to the following breakdown:

- Net Financial Debt / EBITDA $\leq 4.0x$: Percentage of consolidated net profit: 75%
- Net Financial Debt / EBITDA $\leq 3.5x$: Percentage of consolidated net profit: 100%
- Net Financial Debt / EBITDA $\leq 3.0x$: Percentage of consolidated net profit: unlimited

All of these metrics are calculated using consolidated data.

At 31 December of the 2020 financial year, the requirements for distribution of dividends charged against that financial year were not met.

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):

At 31/12/2020 Figures in millions of Euros	Limit	Available	Disposed	Maturity timetable						
				2020	2021	2022	2023	2024	2025	Remain
Mortgages	26,252	—	26,252	—	2,398	2,002	2,072	5,985	1,308	12,485
Fixed rate	22,887	—	22,887	—	1,652	1,401	1,462	5,365	679	12,328
Variable interest	3,365	—	3,365	—	746	602	611	620	629	157
Subordinated loans	40,000	—	40,000	—	—	—	—	—	—	40,000
Variable interest	40,000	—	40,000	—	—	—	—	—	—	40,000
Guaranteed senior notes mat. in 2023	356,850	—	356,850	—	—	—	356,850	—	—	—
Fixed rate	356,850	—	356,850	—	—	—	356,850	—	—	—
Unsecured loans	329,919	—	329,919	—	9,177	11,572	297,657	4,284	4,194	3,035
Fixed rate	8,716	—	8,716	—	2,074	4,080	2,562	—	—	—
Variable interest	321,203	—	321,203	—	7,103	7,492	295,095	4,284	4,194	3,035
Secured credit line	236,000	—	236,000	—	—	—	236,000	—	—	—
Variable interest	236,000	—	236,000	—	—	—	236,000	—	—	—
Credit lines	42,000	25,000	17,000	—	12,000	—	3,000	—	2,000	—
Variable interest	42,000	25,000	17,000	—	12,000	—	3,000	—	2,000	—
Borrowing at 31/12/2020	1,031,021	25,000	1,006,021	—	23,575	13,574	895,579	10,269	7,502	55,520
Arrangement expenses	(10,917)	—	(10,917)	—	(3,447)	(4,126)	(2,958)	(30)	(30)	(326)
IFRS 9	(4,317)	—	(4,317)	—	(1,414)	(1,588)	(1,315)	—	—	—
Borrowing costs	7,356	—	7,356	—	7,356	—	—	—	—	—
Adjusted total debt 31/12/2020	1,023,143	25,000	998,143	—	26,070	7,860	891,306	10,239	7,472	55,194
Adjusted total debt 31/12/2019	761,694	306,095	455,599	3,252	(1,666)	(1,816)	401,420	1,259	826	52,324

The detail for maturities of the debt for operating leases without discounting is as follows (in thousands of euros):

	Total liabilities	Maturity timetable							
		2020	2021	2022	2023	2024	2025	2026	Reminder
Gross lease payments 31/12/2020	3,001,150	—	261,034	248,745	237,466	225,081	209,655	196,174	1,622,995
Gross lease payments 31/12/2019	2,998,501	259,006	247,223	227,611	215,623	206,669	196,727	178,939	1,466,703

Net Debt

The detail of net debt at 31 December is as follows (in thousands of euros):

Net Debt	2020	2019
Cash and cash equivalents	320.851	289.345
Financial debt (Long and short term)	(998.143)	(455.599)
Leasing liabilities (Note 8)	(2.059.739)	(2.067.369)
Net Debt	(2,737,031)	(2,233.623)
Cash and liquid investments	320.851	289.345
Gross debt – fixed interest rates	(2,448,192)	(2,436.698)
Gross debt – variable interest rates	(609,690)	(86.270)

19.- 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 18 companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2020 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.	NH Europa, S.L.
Latinoamericana de Gestión Hotelera, S.L.	Atardecer Caribeño, S.L.
NH Central Reservation Office, S.L.	Hoteles Hesperia, S.A.
NH Hoteles España, S.A.	Nuevos Espacios Hoteleros, S.A.
NH Hotel Ciutat De Reus, S.A.	Coperama Holding, S.L.
Gran Círculo de Madrid, S.A.	Coperama Spain, S.L.
Iberinterbrokers, S.L.	NH Las Palmas, S.A.
Wilan Ander, S.L.	NH Lagasca, S.A.
Palacio de la Merced, S.A.	Wilan Huel S.L.
NH Cash Link, S.L.U.	

Corporation tax is calculated on the financial or accounting profit or loss resulting from the application of generally accepted accounting standards in each country, and does not necessarily coincide with the tax result, this being construed as the tax base.

In 2020, 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 corporation tax rates applicable to Group companies in the different jurisdictions where the Group has significant operations are as follows:

<u>Country</u>	<u>Nominal tax rate</u>	<u>Country</u>	<u>Nominal tax rate</u>
Argentina	25%	Italy	24%
Austria	25%	Luxembourg	17%
Belgium	25%	Mexico	30%
Brazil	34%	Netherlands	25%
Chile	27%	Poland	19%
Colombia	33%	Portugal	21%
Czech R.	19%	Romania	16%
Dominican R.	27%	South Africa	28%
Ecuador	25%	Spain	25%
France	28%	Switzerland	9%
Germany	30%	United Kingdom	19%
Hungary	9%	Uruguay	25%
Ireland	12.5%	USA	21%

Financial years subject to tax inspection

In accordance with Spanish tax legislation, the years open for review to the Consolidated Tax Group are:

<u>Tax</u>	<u>Unaudited Periods</u>
Corporation	2014 a 2019
VAT	2017 a 2020
IRPF (personal income tax)	2017 a 2020
Non-resident Income Tax	2017 a 2020

In Spain during 2020, the Tax Administration began a partial verification process to reduce the taxable base of revenues from certain intangible assets referred to in article 23 of the Corporation Tax Act, which had commenced in 2019 and includes the years 2016 to 2018. This verification by the Administration validated the application of the incentive in the Spanish tax group, but amended some points of the calculation method. The result was a cash outflow of 619 thousand euros for tax payable and interest. The verification did not give rise to sanctions being imposed. Furthermore, for the Tax group in Spain, the verification involved consumption of activated tax credits of 263 thousand euros. Given that the company had recorded a provision of 1 million euros in the previous tax year, the impact on the corporation tax heading on the profit and loss account was income of 123 thousand euros.

In Germany, an inspection procedure has been opened which is reviewing the amount of negative tax bases still to be offset by the companies. Furthermore, a verification file is open for all the taxes in some of the German companies which covers the 2015 to 2018 financial years.

The inspection process at the subsidiary company in Austria was finalised in the 2020 financial year. The final settlement lead to a cash outflow of 126 thousand euros which will be paid up in 2021. The verification did not involve sanctions being imposed.

The verification process in Portugal was finalised in the 2020 financial year, with the result of tax payable and interest of 165 thousand euros. This amount was paid in 2020 itself.

Finally, an inspection procedure has been opened in Colombia focused on the deductions of certain Corporation Tax expenses.

The Group's Directors do not expect any significant contingencies to arise from the conclusions of the inspections.

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. Moreover, the Company considers that there are no significant uncertain tax positions.

Balances with Public Administrations

The composition of the debit balances with Public Administrations at 31 December is as follows:

	Thousand euros	
	2020	2019
Deferred tax assets		
Tax credits	132,377	83.881
Tax assets due to asset impairment	41,854	31.842
Tax withholdings of workforce	2,778	3.312
Other prepaid taxes	1,584	5.219
IFRS 16 (Note 2.2)	94,420	95.786
	273,013	220.040

	Thousand euros	
	2020	2019
Short-term taxes receivable		
Corporation tax	13,026	19.613
Value Added Tax	30,977	7.336
Other tax receivables	6,544	2.012
Total	50,547	28.961

The movements of the "Deferred tax assets" heading in the year were as follows:

	Thousand euros	
	2020	2019
Opening balance	220,040	138.724
Asset impairment	10,012	(2.982)
Generation of assets due to tax losses	48,998	1.927
Settlements of assets due to tax losses	(605)	(10.667)
Activation of deductions	103	528
Settlement of deductions	—	(92)
Business combinations (Note 6)	5,610	—
IFRS 16 (Note 2.2 and Note 8)	(1,366)	95.786
Others	(9,779)	(3.184)
Total	273,013	220.040

All these impacts have had an effect on the consolidated comprehensive profit and loss statements, apart from the change due to the entry into the scope of consolidation arising from the agreement reached with Boscolo Hotels to integrate eight hotels in Italy, Hungary, the Czech Republic and France into the NH Group, and some insignificant impacts that involved change to the consolidated statements of changes in equity.

The increase in deferred tax assets is mainly due to the generation of assets due to tax losses as a result of the losses in 2020 caused by the slump in the sector due to the impact of the worldwide health crisis.

At 31 December 2020, the Group had assets resulting from tax losses and deductions amounting to 132,377 thousand euros (83,881 thousand euros in 2019). Out of the total tax credits, 79,067 thousand euros relates to credits activated in Spain. In accordance with the above, no tax credits were generated due to the loss generated in 2020 in the Spanish tax group.

In the 2020 financial year, the movement of tax credit assets was 48,496 thousand euros. The increase in tax credits was due to the activation of the loss for the financial year, mainly in Germany (20,872 thousand euros), Italy (14,659 thousand euros), Benelux (4,599 thousand euros), Portugal (3,759 thousand euros) and Latin America (3,526 thousand euros). To activate these credits, the relevant plans for tax credit recovery were prepared to support their activation. There was no additional activation of credits for tax losses in the Spanish tax group.

At 31 December 2020, the Group had tax loss carryforwards worth 745,474 thousand euros (594,222 thousand euros at 31 December 2019) and deductions amounting to 29,136 thousand euros (27,695 thousand euros in 2019) 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):

	Thousand euros	
	2020	2019
Finance costs and negative tax bases		
Non-deductible financial expenses in Spain	205,337	191,799
Negative tax bases generated by the Spanish entities before their inclusion in the Spanish consolidation group	102,813	102,813
Spanish consolidation group tax loss carryforwards	134,329	43,351
Negative tax bases generated in Austria	32,148	33,825
Negative tax bases generated in Latin America	11,457	3,068
Negative tax bases generated in Luxembourg	54,394	47,682
Negative tax bases generated in Germany	135,185	123,312
Negative tax bases generated in Hungary	1,437	1,437
Negative tax bases generated in the Netherlands	-	-
Negative tax bases generated in Belgium	10,583	1,621
Negative tax bases USA	41,986	38,684
Negative tax bases France	13,621	6,630
Negative tax bases generated in South Africa	1,147	-
Negative tax bases generated in the Ireland	1,037	-
Total Tax bases	745,474	594,222
Deductions		
Deductions generated in Spain	29,136	27,695
Total deductions	29,136	27,695
Total	774,610	621,917

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 205,337 thousand euros in 2020 (191,799 thousand euros in 2019). There is no deadline for offsetting non-deductible finance costs.

The change to the credits not recorded in the 2020 financial year is mainly due to the negative tax base generated in Spanish tax group's loss in the year (86,153 thousand euros) which was not activated.

The composition of the creditor balances with Public Administrations at 31 December is as follows:

	Thousand euros	
	2020	2019
Deferred tax liabilities		
Revaluation of assets and other valuation differences	171.519	180.082
Total	171.519	180.082

	Thousand euros	
	2020	2019
Short-term taxes payable		
Corporation tax	3.517	10.904
Value Added Tax	441	1.886
Personal Income Tax	3.813	7.688
Tax on Income from Capital	1.025	1.308
Social Security	3.756	8.109
Others	10.037	10.980
Total	22.589	40.875

The movements in deferred tax liabilities during the year were as follows:

	Thousand euros	
	2020	2019
Opening balance	180,082	177,478
IAS 29 Hyperinflationary economies	(651)	(1,177)
Business combinations (Note 6)	11,458	—
Others	(19,370)	3,781
Closing balance	171,519	180,082

The reduction in deferred tax liabilities is mainly due to the allotment of impairment to revalued assets in the moment of the acquisition. In addition, liabilities have increased by 11,458 thousand euros as a result of the entry of eight hotels in Italy, Hungary, the Czech Republic and France into the scope of consolidation after the agreement reached with Boscolo Hotels (Note 6).

The detail, by country and item, of these deferred taxes is as follows:

	Thousand euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	79.067	33.245	112.312	25.509
Benelux	7.343	27.363	34.706	18.253
Italy	14.659	26.374	41.033	85.353
Germany	22.729	42.959	65.688	2.904
Others	8.579	10.695	19.274	39.500
TOTAL	132.377	140.636	273.013	171.519

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:

	2020								2019		
	Thousand euros								Thousand euros		
	Spain	Benelux	Italy	Germany	USA	Latam (1)	Rest of Europe and others	TOTAL	Spanish Companies	Rest of companies	TOTAL
Consolidated comprehensive profit and loss statements before taxes	(120,933)	(79,850)	(119,095)	(105,021)	(6,492)	(28,473)	(55,692)	(515,555)	38,137	93,332	131,469
<u>Adjustments to consolidated comprehensive profit and loss:</u>	—	—	—	—	—	—	—	—	—	—	—
Accounting consolidation adjustments	—	—	—	—	—	—	—	—	—	2,721	2,721
Due to permanent differences	121,151	35,450	57,510	99,854	6,361	26,235	57,711	404,271	(36,050)	46,332	10,282
Due to temporary differences	(225)	3,228	61,617	6,527	161	3,675	(2,220)	72,764	(501)	(4,807)	(5,308)
Tax base (Taxable profit or loss)	(7)	(41,173)	33	1,360	30	1,438	(201)	(38,520)	1,586	137,578	139,163
Current taxes to be refunded / (to pay)	7,708	(2,170)	237	(505)	6	3,835	398	9,509	8,126	582	8,708
Total current tax income / (expense)	2	10,292	(8)	(408)	(6)	(516)	(2)	9,353	(396)	(35,079)	(35,476)
Total deferred tax income / (expense)	591	7,081	28,963	22,951	34	3,753	2,940	66,312	(7,163)	6,006	(1,157)
Total other income / (expense)	(357)	(279)	160	(172)	30	184	(78)	(511)	763	(2,698)	(1,935)
Total Corporation Tax income / (expense)	236	17,094	29,115	22,371	58	3,421	2,860	75,154	(6,796)	(31,772)	(38,568)

(1) The Latin America business area includes the profits and losses obtained by the Group in Argentina, Mexico, Uruguay, Colombia, Chile, Ecuador and Brazil.

Deductions generated by the consolidated tax group of the Parent Company

At 31 December 2020, the Tax Group held the following tax credits carryforward (thousand euros):

Year Origin	Deduction pending application	Amount
2006 to 2011	Deduction to encourage certain activities	26.717
2014 - 2020	IT Deduction	2.089
2019 and 2020	Investment deduction in the Canary Islands	631
2013 to 2014	Other	884
		30.231

20.- OTHER NON-CURRENT LIABILITIES

The breakdown of the “Other non-current liabilities” item in the accompanying consolidated balance sheets is as follows:

	Thousand euros	
	2020	2019
At amortised cost:		
Capital subsidies	2,151	1.911
Acquisition of Capredo Investment GmbH	3,150	3.150
Other liabilities	5,300	2.576
	10,601	7.637

21.- PROVISIONS FOR CONTINGENCIES AND CHARGES

The breakdown of “Provisions for risks and charges” for the financial year, together with the main movements recognised in those years were as follows:

	Thousand euros				
	Balance at 01/01/2020	Additions	Applications/ Reversals	Business combinations (Note 6)	Balance at 31/12/2020
Provisions for contingencies and extraordinary costs:					
Provisions for pensions and similar obligations	28,919	1,014	(709)	—	29,224
Other claims	19,322	1,623	(2,914)	—	18,031
	48,241	2,637	(3,623)	—	47,255
Provisions for contingencies and current expenses:					
Other Provisions	5,021	1,395	(4,849)	4,710	6,277
	5,021	1,395	(4,849)	4,710	6,277
Total	53,262	4,032	(8,472)	4,710	53,532

	Thousand euros				
	Balance at 01/01/2019	Additions	Applications/ Reversals	Business combinations (Note 6)	Balance at 31/12/2019
Provisions for contingencies and extraordinary costs:					
Onerous contracts (Note 2)	5.313	—	—	(5.313)	—
Provisions for pensions and similar obligations	16.740	13.589	(1.410)	—	28.919
Other claims	29.125	2.921	(16.450)	3.726	19.322
	51.178	16.510	(17.860)	(1.587)	48.241
Provisions for contingencies and current expenses:					
Onerous contracts (Note 2)	1.654	—	—	(1.654)	—
Other Provisions	1.059	4.694	(629)	(103)	5.021
	2.713	4.694	(629)	(1.757)	5.021
Total	53.891	21.204	(18.489)	(3.344)	53.262

At 1 January 2019, due to the application of IFRS 16, the provision for onerous contracts is registered as the lower value of the right of use (Note 2).

Provision for pensions and similar obligations

The “Provisions for pensions and similar obligations” account mainly 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).

This section also includes various retirement, performance related and/or long-stay awards considered in the Collective Bargaining Agreements that are applicable in Spain.

In the 2019 financial year, the allocations column included the change in accounting criteria of 12,191 thousand euros, resulting in a net impact of taxes on equity of 9,692 thousand euros. (Note 2.4).

At the end of 2020, the liabilities entered against this item were of 29,224 thousand euros (28,919 thousand euros at 31 December 2019).

The breakdown of the main assumptions used to calculate actuarial liabilities is as follows:

	2020		2019	
	Netherlands	Italy	Netherlands	Italy
Discount rates	0,60%	0,0%-0,0736%	1,20%	0,20%-1,46%
Expected annual rate of salary rise	0,50%	1,90%	0,50%	1,9%
Expected return from assets allocated to the plan	0,23%	1,6%	0,23%	2,02%

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 (Note 24).

22.- TRADE AND OTHER PAYABLES

The breakdown of this item in the consolidated balance sheet at 31 December is as follows (thousands of euros):

	Thousand euros	
	2020	2019
Trade and other payables	164,564	215.755
Advance payments from customers	23,929	41.744
	188,493	257.499

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.

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.

	2020	2019
	Days	
Average period for payment to suppliers	82	63
Ratio of paid transactions	82	63
Ratio of transactions pending payment	96	53
	Amount (thousands of euros)	
Total payments made	194,915	308.812
Total payments pending	10,226	13.732

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 consolidated balance sheet.

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 each year 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.

23.- OTHER CURRENT LIABILITIES

At 31 December, this item is broken down as follows:

	Thousand euros	
	2020	2019
Outstanding remuneration	19,175	40.274
Other creditors	5,920	8.761
	25,095	49.035

24.- THIRD-PARTY GUARANTEES AND CLAIMS IN PROCESS

At 31 December 2020, NH had a total of 34,052 thousand euros in economic or financial bank guarantees issued by various banks (30,371 thousand euros in 2019).

The increase in the balance of bank guarantees at 31 December 2020, compared to the balance at 31 December 2019, is mainly due to the issue of a new bond for 2,000 thousand euros and the reduction in the amount on renewal of some of them.

Of the 34,052 thousand euros in bank guarantees, 29,848 thousand euros guarantee leasing contract obligations and others related to the Group's usual operations in various countries, and 4,203 thousand euros issued in relation to public bodies.

At 31 December 2020, 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

- On 10 March 2006, the partnership agreement of the company which owns a hotel in the United Kingdom was signed, of which a group company is a shareholder, under which, if the company were to receive a purchase offer for 100% of its shares at market price, the Group company could be required to transfer the shares. However, the group company will have preferential acquisition rights over the shares. At the close of the financial year, the group company had granted its shareholder an option to purchase shares representing up to 6.96% of the company capital of the company owning the hotel.
- Within the framework of new development projects in the normal course of business, in which Grupo NH subsidiaries act as lessees or operators, the Group's parent company gives personal guarantees in favour of third parties to secure its contractual obligations, often issue promissory notes in payment of said obligations and agrees penalty clauses in case of breach of contract.
- Likewise, within the framework of the group's financing, personal and real guarantees have been granted to fulfil the obligations guaranteed under the financing agreements (Note 18).

Claims in process

The Group's main contingent assets and liabilities on the date these consolidated financial statements were drawn up, are set out below:

- The owner of four properties in the Netherlands has claimed in court the payment of compensation 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 claim filed by the owner, both in the first instance and on appeal, was dismissed in full. The same owner has instituted fresh court proceedings alleging a change of control situation in 2018, as the claim was dismissed in the first instance and the appeal is currently pending resolution.
- A claim has been filed against a Grupo NH company in Germany due to the termination of two lease agreements and claiming specific amounts, including damages.
- A claim has been filed against an NH Group company in Italy due to the early termination of a lease agreement; the ruling was favourable to the company's interests in the appeal, although it is in judicial review currently in progress.
- An NH Group company in Italy has been sued with damages under a service provision contract requested.
- An NH Group company in South Africa has been sued for damages as a result of the termination of a lease agreement.
- A claim has been filed against two of the Group's companies seeking payment fees to rights management 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. The procedure from both first instance and appeal has been resolved by setting an amount lower than the one claimed, however, a judicial review has been filed, which is pending a hearing.
- A claim has been filed against an NT Group company claiming payment in relation to the payment of a management entity's fees for the years 2018, 2019, et seq, which is currently being processed.
- A claim has been filed against an NH Group company for damages within the framework of a corporate relationship.

- 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., Grupo NH agreed to subrogate to the position of Sotogrande, S.A. for certain claims 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.
 - Respondent in the process of claiming amounts from a real estate development due to construction defects.
 - The company may be subject to a claim for amounts derived from an eventual administrative claim.
- A former shareholder of the NH Group has requested the annulment of certain resolutions adopted by the Board of Directors, and the proceedings are currently in progress.
- As part of the contractual liability assumed by the NH Group in the 2013 hotel purchase contract, the buyers informed the Group of the requirement to pay the Dutch Capital Transfer Tax. At 31 December 2020, the total amount of this tax, plus the corresponding default interest, was 12,300 thousand euros. The purchasers submitted an appeal to the Dutch Treasury that was rejected and an appeal has been filed with the Courts that is still pending resolution. The NH Group and the purchasers reached an agreement whereby NH assumed control of the judicial procedure.

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.

25.- 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 consisted 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 was 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 were not achieved, the plan's beneficiaries will not be entitled to shares under said plan.

The plan was 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 had a total duration of five years, divided into three three-year cycles.

In 2019, the third and final cycle of the first plan was settled with the delivery of 226,067 net shares at a fair value per unit of 4.55 euros. The settlement of the plan was made net of taxes.

On the other hand, the 2017 Shareholders' Meeting approved the launch of a new Long-Term Incentive Plan. This plan has a duration of five years, divided into three three-year cycles. The current cycles at 31 December 2020 are:

	Assigned at the start of each cycle (Thousands)	No. of live shares at 31.12.2020 (Thousands)	Value of the allocation (Euros)
The second cycle began on 01/01/2018 (delivery in 2021 (in force))	517,96	421,99	5,96
The third cycle began on 01/01/2019 (delivery in 2022 (in force))	879,25	760,76	3,96

The difference between the total shares assigned at the beginning of each cycle and the live shares at 31 December 2020 are beneficiaries who left between the launch and 31 December 2020.

This second plan has a very similar structure to the first; delivery of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of fixed salary, according to their level of responsibility.

The number of shares to be delivered shall be subject to the degree of fulfilment of the following four objectives:

- TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, S.A. shares with the STOXX® Europe 600 Travel & Leisure share index.
- Revaluation of the Share.
- Recurring Net Profit.
- Recurring EBITDA.

The beneficiaries must remain in the Group at the end of each cycle, notwithstanding the exceptions deemed appropriate, as well as achieving the minimum thresholds for each of the objectives.

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 the date of publication of this report, all the cycles had been approved by the Board of Directors.

The maximum amount approved by the General Shareholders' Meeting for the three cycles of the second Plan is 16,200,000 euros.

In addition, the first cycle of the new incentive plan, which began on 1 January 2017, was wholly settled in the first half of 2020 with the delivery of 401,638 net shares at a fair value per unit of 4.68 euros. The settlement of this plan was made net of taxes.

During 2020, no impact has been recorded in the consolidated profit and loss statement as it is not expected to meet the objectives described above (the impact recorded in 2019 was 3,569 thousand euros).

26.- INCOME AND EXPENSE

26.1 Income

The breakdown of these headings in the consolidated comprehensive income statements is as follows:

	Thousand euros	
	2020	2019
Hotel occupancy	348,180	1.222.859
Catering	111,175	340.562
Meeting rooms and others	47,088	91.772
Rentals and other services	29,707	52.885
Revenues	536,150	1.708.078
Operating subsidies	36	36
Other operating income	7,816	9.316
Other operating income	7,852	9.352
Net gain (loss) on disposal of assets	(475)	(709)

The fall in the net turnover was due to the Covid-19 pandemic. From the middle of March demand in the hotel sector decreased drastically due to lockdown and travel restrictions.

“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 is as follows:

	Thousand euros	
	2020	2019
Spain	133,743	440.162
Germany	117,343	371.054
Benelux	114,695	305.712
Italy	83,111	323.639
Rest of Europe	57,330	121.275
Latin America	29,928	146.236
	536,150	1.708.078

26.2 Financial income

The breakdown of the amount of financial income is:

	Thousand euros	
	2020	2019
Dividend income	-	1.635
Interest income	951	1.276
Other financial income	765	1.293
	1.716	4.204

Interest income corresponds to loans valued at amortised cost.

26.3 Personnel expenses

This item in the consolidated comprehensive profit and loss statement is broken down as follows:

	Thousand euros	
	2020	2019
Wages, salaries and similar	188,430	339.754
Social security contributions	54,986	81.500
Indemnifications	7,521	3.119
Contributions to pension plans and similar	10,342	11.134
Other social expenses	6,895	13.255
	268,174	448.762

The decrease in personnel costs can be explained by the contingency plans that the Group put in place to alleviate the fall in business due to Covid-19. Mainly these consisted of temporary layoffs, due to force majeure or productive reasons, and voluntary reductions in working days and wages.

The saving recorded in 2020, as a result of the subsidies or allowances received from Governments to offset the restrictive measures taken, was approximately 36,932 thousand euros in wages and salaries and 15,795 thousand euros in social security contributions.

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in the year broken down by professional category was as follows:

	2020	2019
Group's general management	8	8
Managers and heads of department	1,483	1.465
Technical staff	988	972
Sales representatives	816	803
Administrative staff	180	182
Rest of workforce	7,637	8.033
	11,112	11.463

In calculating the average number of employees, the Group has not taken into account employees whose contracts have a duration of less than two days.

The breakdown of the personnel at 31 December, by sex and professional category, is as follows:

	31/12/2020		31/12/2019	
	Males	Females	Males	Females
Group's general management	7	1	6	2
Managers and heads of department	801	609	866	633
Technical staff	482	466	524	490
Sales representatives	202	526	256	601
Administrative staff	62	104	68	118
Rest of workforce	3,374	3,498	4.084	4.175
	4,928	5,204	5.804	6.019

As mentioned above, throughout 2020, the Group has had to act to alleviate the serious consequences of Covid-19 on its business and results. With this objective, the Company, always with the maxim of protecting long-term employment as much as possible, has launched a contingency plan to temporarily reduce its workforce and, consequently, adjust its personnel costs to the reality of the business, through contract suspensions, reductions in working hours, request for extraordinary subsidies available in some countries, cancellations of vacancies and / or other measures taken according to the labour legislation in each country.

Almost all of the workforce (86%), in all professional categories, has been affected by some of these measures, affecting men and women equally.

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 the year, broken down by professional category, is as follows:

	2020	2019
Managers and heads of department	2	3
Technical staff	9	11
Sales representatives	2	5
Administrative staff	10	5
Rest of workforce	66	90
	89	114

The average age of the Group's workforce was approximately 39.7 and average seniority in the Group was 9 years (39 years and 9 years respectively in 2019).

26.4 Other operating expenses

The composition of this consolidated comprehensive income heading is as follows:

	Thousand euros	
	2020	2019
Leasing (Note 8)	(31,374)	83.647
Outsourcing of services	42,234	125.194
Commissions and bonuses for customers	27,260	92.287
Supplies	42,856	60.607
Maintenance and cleaning	28,111	42.277
Laundry and related costs	14,840	39.110
Costs associated with information technologies	33,085	41.001
Marketing and merchandising	9,692	24.574
Taxes, insurance and levies	24,439	27.737
Advisory services	11,667	15.547
Other external services	46,671	72.194
	249,481	624.175

The Group experienced a decrease in the level of activity of its hotel business in 2020 as a result of Covid-19. At the start of the pandemic, the Group implemented a contingency plan that includes a severe reduction in fixed and variable costs directly related to the activity level.

The high degree of uncertainty required the fixed cost structure to be minimised and operations adapted. The enormous effort in efficiency and cost control has practically covered operating costs before rentals.

The "Taxes, insurance and levies" heading includes property tax allowances or rebates received from some City Councils to offset the temporary closure of some hotels. The total amount was approximately 1,684 thousand euros.

On the other hand, during 2020, the Group managed to reach agreements with the vast majority of landlords, which has made it possible to obtain rent concessions to significantly mitigate the impact of the pandemic. In this sense, as a result of applying the IFRS 16 amendment published on 28 May 2020, the Group recorded savings of 46,195 thousand euros relating to rent concessions achieved in the aforementioned negotiations carried out as a result of Covid-19 (Note 2.2). In addition, as a result of the drop in business and renegotiations and write-offs, expenses for variable rents, as well as those which are not subject to IFRS 16, were reduced.

During 2020 and 2019, the fees for account auditing and other services provided by the auditor of the Group's consolidated annual accounts and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	Thousand euros	
	2020	2019
Auditing services	644	545
Other verification services	214	138
Total auditing and related services	858	683
Tax consulting services	—	—
Other services	243	23
Total other services	243	23
Total professional services	1,101	706

Additionally, entities associated with the international network of the consolidated annual accounts auditor have invoiced the Group for the following services:

	Thousand euros	
	2020	2019
Auditing services	1,079	1,031
Other verification services	215	152
Total auditing and related services	1,294	1,183
Tax consulting services	289	274
Other services	53	1
Total other services	342	275
Total professional services	1,636	1,458

During 2020, other auditing firms apart from the auditor of the consolidated annual accounts 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 46 thousand euros (50 thousand euros in 2019). The fees accrued in 2020 by these firms for tax advice services were 366 thousand euros (244 thousand euros in 2019) and for other services, 54 thousand euros (80 thousand euros in 2019).

26.5 Financial costs

The breakdown of this chapter in the consolidated comprehensive income statement is as follows:

	Thousand euros	
	2020	2019
Expenses for interest	28,021	19.933
Financial expenses for means of payment	6,459	19.304
Financial effect relating to restatement of provisions and other financial liabilities	1,271	2.721
Amortisation of debt arrangement expenses	5,688	3.793
Other financial expenses	—	101
Other Financial expenses	41,439	45.852
Interest on leases (Note 8)	94,106	89.620
Financial Expenses	94,106	135.472

The expenses for interest correspond to debts valued at amortised cost.

26.6 Results from exposure to hyperinflation

This heading includes the net effect recognised in the consolidated comprehensive profit and loss statement arising from the application of accounting standards to the financial statements of Argentine subsidiaries from the date of first application since 2018 (Note 2.6.4).

27.- 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 the year are stated below, distinguishing between major shareholders, members of the Board of Directors and Directors of the Parent Company and other parties that were related during the year even though there are no longer a shareholder at year-end. The conditions of the related-party transactions are equivalent to those of transactions carried out under market conditions:

Income and Expenses	Thousand euros		
	2020		
	Major Shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	832	—	832
Other expenses	1,528	—	1,528
	2,360	—	2,360
Income:			
Financial income	—	346	346
Management or cooperation agreements	666	516	1,182
Other income	578	22	600
	1,244	884	2,128

Income and Expenses	Thousand euros		
	2019		
	Major Shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	590	—	590
Other expenses	231	—	231
	821	—	821
Income:			
Financial income	—	324	324
Management or cooperation agreements	2,749	1,651	4,400
	2,749	1,975	4,724

The heading "Management or cooperation agreements" referring to major shareholders includes the amounts that have accrued in the form of management fees payable to Grupo NH in the financial year by virtue of the hotel management agreement signed with Grupo Minor.

Related party balances

	Thousand euros	
	31/12/2020	31/12/2019
Accounts receivable from related entities	955	2,493
Accounts receivable from associated companies (long term) (Note 13)	140	143
Accounts receivable from associated companies (short term)	841	1,180
Loans to associates	9,617	9,503
Provision for impairment	(9,617)	(9,503)
Total Assets	1,936	3,816

	Thousand euros	
	31/12/2020	31/12/2019
Accounts payable from related entities	(613)	(1.050)
Accounts payable from associated companies	—	(156)
Loans to associates	—	(5.588)
Total Liabilities	(613)	(6.794)

At 31 December 2020, the NH Hotel Group has a net balance pending collection of 342 thousand euros with the Minor Group (955 thousand euros recorded as an account receivable and 613 thousand euros as accounts payable).

In the 2019 financial year, as a result of the analysis of the fair value of the company's holding recorded as an asset available for sale, a provision for impairment was recorded of the loans receivable from associated companies of 9,503 thousand euros and an expense of 5,588 thousand euros for the contribution undertaken to be made to the company at the close of the 2019 financial year, to carry out cancellation of the bank loan held by it and in which NH Hotel Group acted as guarantor for 35.5%. Both impacts were recorded as "Impairment on financial investments" on the consolidated comprehensive profit and loss statement.

28.- INFORMATION BY SEGMENTS

28.1 Information on main segments

The Group divides its activity into the real estate (Note 12) 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:

- 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).
- 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.
- They have different financial information.

The Management Committee is the body responsible for making decisions on the Group's segments. Accordingly, it analyses the Group's results, distinguishing between the aforementioned sub-segments.

The breakdown of the segment information required by IFRS 8 is as follows:

2020

	Thousand euros						
	Hotel						
	31/12/2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION							
Additions of fixed assets	109,746	23,813	29,757	29,088	20,117	6,701	270
Depreciation	(302,473)	(95,060)	(46,717)	(53,111)	(68,092)	(10,593)	(28,900)
Net profit (loss) for asset deterioration	(76,258)	(3,957)	(2,833)	(47,370)	(13,714)	(972)	(7,412)
BALANCE SHEET							
ASSETS							
Assets by segments	4,295,735	851,821	1,126,947	747,933	802,040	442,191	324,803
Shareholdings in associated companies	6,044	930	-	-	-	5,114	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	4,301,779	852,751	1,126,947	747,933	802,040	447,305	324,803
LIABILITIES							
Liabilities and equity by segments	4,301,779	852,751	1,126,947	747,933	802,040	447,305	324,803
Total Consolidated Liabilities and Equity	4,301,779	852,751	1,126,947	747,933	802,040	447,305	324,803

	Thousand euros						
	Real Estate						
	31/12/2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION							
Additions of fixed assets	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Net profit (loss) for asset deterioration	-	-	-	-	-	-	-
BALANCE SHEET							
ASSETS							
Assets by segments	(7,591)	-	-	-	-	-	(7,591)
Shareholdings in associated companies	35,729	35,729	-	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	28,138	35,729	-	-	-	-	(7,591)
LIABILITIES							
Liabilities and equity by segments	28,138	35,729	-	-	-	-	(7,591)
Total Consolidated Liabilities and Equity	28,138	35,729	-	-	-	-	(7,591)

	Thousand euros						
	Total						
	31/12/2020						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION							
Additions of fixed assets	109,746	23,813	29,757	29,088	20,117	6,701	270
Depreciation	(302,473)	(95,060)	(46,717)	(53,111)	(68,092)	(10,593)	(28,900)
Net profit (loss) for asset deterioration	(76,258)	(3,957)	(2,833)	(47,370)	(13,714)	(972)	(7,412)
BALANCE SHEET							
ASSETS							
Assets by segments	4,288,144	851,821	1,126,947	747,933	802,040	442,191	317,212
Shareholdings in associated companies	41,773	36,658	-	-	-	5,115	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	4,329,917	888,479	1,126,947	747,933	802,040	447,306	317,212
LIABILITIES							
Liabilities and equity by segments	4,329,917	888,479	1,126,947	747,933	802,040	447,306	317,212
Total Consolidated Liabilities and Equity	4,329,917	888,479	1,126,947	747,933	802,040	447,306	317,212

2019

	Thousand euros						
	Hotel						
	31/12/2019						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION							
Additions of fixed assets	186,186	47,492	36,153	58,740	29,398	13,827	576
Depreciation	(297,080)	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)
Net profit (loss) for asset deterioration	4,889	4,161	71	5,518	(3,996)	(1,742)	877
BALANCE SHEET							
ASSETS							
Assets by segments	4,336,568	888,471	1,129,590	739,488	817,721	504,791	256,507
Shareholdings in associated companies	7,517	929	-	-	-	6,588	-
Non-current assets classified as held for sale	-	-	-	-	-	-	-
Total consolidated assets	4,344,085	889,400	1,129,590	739,488	817,721	511,379	256,507
LIABILITIES							
Liabilities and equity by segments	4,344,085	889,400	1,129,590	739,488	817,721	511,379	256,507
Total Consolidated Liabilities and Equity	4,344,085	889,400	1,129,590	739,488	817,721	511,379	256,507

	Thousand euros						
	Real Estate						
	31/12/2019						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION							
Additions of fixed assets	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Net profit (loss) for asset deterioration	-	-	-	-	-	-	-
BALANCE SHEET							
ASSETS							
Assets by segments	-	-	-	-	-	-	-
Shareholdings in associated companies	-	-	-	-	-	-	-
Non-current assets classified as held for sale	47,811	37,265	-	-	-	-	10,546
Total consolidated assets	47,811	37,265	-	-	-	-	10,546
LIABILITIES							
Liabilities and equity by segments	47,811	37,265	-	-	-	-	10,546
Total Consolidated Liabilities and Equity	47,811	37,265	-	-	-	-	10,546

	Thousand euros						
	Total						
	31/12/2019						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
OTHER INFORMATION							
Additions of fixed assets	186,186	47,492	36,153	58,740	29,398	13,827	576
Depreciation	(297,080)	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)
Net profit (loss) for asset deterioration	4,889	4,161	71	5,518	(3,996)	(1,742)	877
BALANCE SHEET							
ASSETS							
Assets by segments	4,336,568	888,471	1,129,590	739,488	817,721	504,791	256,507
Shareholdings in associated companies	7,517	929	-	-	-	6,588	-
Non-current assets classified as held for sale	47,811	37,265	-	-	-	-	10,546
Total consolidated assets	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053
LIABILITIES							
Liabilities and equity by segments	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053
Total Consolidated Liabilities and Equity	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053

28.2 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:

Significant information from the Income Statement by Geographic Area	Thousands of euros (2020)						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	TOTAL
Revenues	133,743	114,695	83,111	117,343	29,928	57,330	536,150
Depreciation	(95,060)	(46,717)	(53,111)	(68,092)	(10,593)	(28,904)	(302,477)
Net profit (loss) for asset deterioration	(3,957)	(2,833)	(47,370)	(13,714)	(972)	(7,412)	(76,258)
Financial Income	899	70	30	273	429	15	1,716
Financial Expenses	(35,052)	(30,651)	(19,737)	(26,202)	(7,529)	(16,374)	(135,545)
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	796	—	796
Profit (Loss) from entities valued through the equity method	(6,927)	—	—	—	(541)	—	(7,468)
Variation in the provision for onerous contracts	—	—	—	—	—	—	—
Corporation tax	236	17,094	29,115	22,371	3,465	2,872	75,153
Profit (loss) for the year from discontinued operations net of tax	—	—	—	—	—	(66)	(66)

Significant information from the Income Statement by Geographic Area	Thousands of euros (2019)						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	TOTAL
Revenues	440,162	371,054	305,712	323,639	121,275	146,236	1,708,078
Depreciation	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)	(297,080)
Net profit (loss) for asset deterioration	4,161	71	5,518	(3,996)	(1,742)	877	4,889
Financial Income	2,388	236	26	465	1,030	59	4,204
Financial Expenses	(38,266)	(19,334)	(22,654)	(32,450)	(11,090)	(11,678)	(135,472)
Results from exposure to hyperinflation (IAS 29)	—	—	—	—	(85)	—	(85)
Profit (Loss) from entities valued through the equity method	(71)	—	—	—	94	(1)	22
Variation in the provision for onerous contracts	—	—	—	—	—	—	—
Corporation tax	(6,796)	(13,317)	(13,319)	(757)	(3,656)	(723)	(38,568)
Profit (loss) for the year from discontinued operations net of tax	—	—	—	—	—	50	50

29.- REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Management Bodies of the Parent Company have the following composition at 31 December:

- Board of Directors: 9 members (9 members at 31 December 2019),
- Audit and Control Committee: 3 members (3 members at 31 December 2019),
- Appointments and Remuneration Committee: 3 members (3 members at 31 December 2019).

The Board of Directors had 9 members; all men (in 2019, there were 9 members: one woman and eight men).

29.1 Remuneration of the Board of Directors

The amount accrued during the year by the members of the Parent Company's Board of Directors in relation to the remuneration of the Executive Directors, by-law stipulated directors' fees and attendance fees and other items, is as follows:

Remuneration item	Thousand euros	
	2020	2019
Fixed remuneration	807	1.016
Variable remuneration	—	729
Parent Company: allowances	3	11
Parent Company: attendance allowances	221	589
Transactions in shares and other financial instruments	257	491
Life insurance premiums	33	31
Others	20	20
Total	1,341	2.887

Due to the Covid-19 situation, board members voluntarily waived 50% of their remuneration from 1 March 2020 onwards.

The appointment of the Chief Operations Officer, Executive Director of the Company, by co-opting, is noteworthy. On the other hand, in September the female Executive Director of the Company left, and her remuneration is included up until she withdrew.

In relation to the heading, "Transactions on shares and/or other financial instruments", consideration has been given to the objective long-term remuneration accrued. Remuneration in kind (vehicles and medical insurance) is included under "Others".

29.2 Remuneration of senior management

The remuneration of members of the Management Committee during the year, excluding those who simultaneously held office as members of the Board of Directors (whose remuneration has been set out above), is detailed below:

	Thousand euros	
	2020	2019
Pecuniary remuneration	1,277	2.745
Remuneration in kind	98	86
Others	462	670
Total	1,837	3.501

There were 6 members of Senior Management at 31 December 2020 (6 members at 31 December 2019) excluding the CEO and the Chief Operations Officer due to their status as executive directors.

The notable decrease in remuneration is explained by the crisis caused by Covid-19, due to which the annual remuneration of members of the Management Committee in 2020 decreased by more than 50%.

The Chief Operations Officer's remuneration prior to being appointed Executive Director is shown as Senior Management.

Remuneration in kind includes the vehicle and the cost of insurance.

The heading Other takes the long-term objective remuneration accrued in 2020 into consideration.

29.3 Information on conflicts of interest on the part of Directors

During 2020, Minor International Public Company Limited ("Minor"), an indirect majority shareholder of NH (94.132%) and represented on the Board by four proprietary Directors, and NH signed a series of Related Party Transactions, which are broken down in the Audit and Control Committee's Annual Report, as well as in Note 27 of this Report. These Related Party Transactions have always been executed in strict compliance with the rules established in the applicable regulations and the Procedure for Conflicts of Interest and Related Party Transactions with Significant Shareholders, Directors and Senior Management of NH Hotel Group, S.A. approved by the Board of Directors on 26 March 2014. All transactions signed with Minor (and/or its group of companies) have counted on a report from the Audit and Control Committee, have been signed under market conditions and with the participation of external advisors, and in compliance with the provisions in the Framework Agreement signed between the parties on 7 February 2019, which regulates, among others, the scope of action of the respective hotel groups headed by NH and Minor through the identification of preferred geographic areas or zones, the mechanisms necessary to prevent and deal with possible conflicts of interest, as well as to carry out operations with related parties and develop business opportunities. The aforementioned Framework Agreement was duly communicated to the Market via a Relevant Fact and is published in full on the Company's website.

During all Board Meetings dealing with issues related to Minor, the Proprietary Directors were absent when dealing with said matters and therefore did not participate in the adoption of the corresponding agreement.

30.- INFORMATION ON ENVIRONMENTAL POLICY

For the NH Hotel Group, environmental sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of natural resources, particularly water and energy. In our responsible commitment to the Planet, we work to minimise our impact on Climate Change, increase the efficiency of resources and develop more sustainable services. All this minimises our environmental footprint with responsible consumption of natural resources.

The Company's environmental strategy is driven by NH ROOM4 Planet, which defines the roadmap for complying with the commitments acquired in the fight against climate change and progress towards decarbonisation, efficient management and responsible consumption of resources and the circular economy, and developing more sustainable products, but also involving employees, suppliers, shareholders and customers as key players in achieving them.

In order to formalise the extension of these commitments to the entire operation and NH Hotel Group's decision making process, in 2020, at a meeting of the Board of Directors held on 29 July, the new Environmental and Energy Policy was approved.

At NH Hotel Group the fight against climate change is a fundamental strategic value. This is way the Company was the first Spanish hotelier to establish targets for reducing emissions, scientifically validated by the Science Based Targets initiative (SBTi) last year. Therefore, NH Hotel Group formalised its commitment to reduce its carbon emissions by 20% throughout its value chain up to 2030, preventing the emission of more than 70,000 tonnes of CO₂ into the atmosphere. This objective marks NH Hotel Group's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement, and join the efforts that are being made globally towards the transition to a low carbon economy.

31.- RISK EXPOSURE

Group financial risk management is centralized in the Corporate Finance Division in accordance with the policies approved by the Board of Directors. This Division has put the necessary measures in place to control exposure to changes in interest and exchange rates on the basis of the Group's structure and financial position, as well as credit and liquidity risks. If necessary, hedges are made on a case-by-case basis. The main financial risks faced by the Group's policies are described below:

Credit risk

The Group main financial assets include cash and cash equivalents (Note 15), as well as trade and other accounts receivable (Note 14). 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.

The Group has formal procedures for detecting objective evidence of impairment in trade receivables for the provision of services. As a result of these, significant delays in payment terms and the methods to be followed in estimating the impairment loss based on individual analyses are identified. Impairment of trade receivables from customers for the provision of services at 31 December 2020 amounted to 9,025 thousand euros (7,100 thousand euros at 31 December 2019) (Note 14) and customer balances not included in this provision have sufficient credit quality and, therefore, with this provision, the credit risk of these trade receivable is considered covered.

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 part of its debt at fixed interest rates through the issue of guaranteed convertible senior bonds. At 31 December 2020, approximately 39% of the gross borrowings was tied to fixed interest rates (excluding leasing liabilities).

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.

- If the increase in interest rates were 25 bp, the financial expense would increase by 1,544 thousand euros plus interest.
- If the increase in interest rates were 50 bp, the financial expense would increase by 3,088 thousand euros plus interest.
- If the increase in interest rates were 100 bp, the financial expense would increase by 6,176 thousand euros 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 13 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, Uruguay, Colombia, Chile, Ecuador, the Dominican Republic, Brazil, Panama and the United States).
- Transactions made by Group companies operating in countries whose currency is other than the euro (essentially Mexico, Argentina, Uruguay, Colombia, Chile, Ecuador, the Dominican Republic, Venezuela, Brazil, 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 2020 was as follows:

	Thousand euros	
	Currency translation difference	Changes with respect to 2019
Uruguayan peso	(4,647)	(2,023)
Mexican peso	(22,207)	(5,611)
Colombian peso	(32,498)	(7,977)

The changes in the currency translation difference of the above currencies was mainly due to the movements in exchange rates between 31 December 2020 and 31 December 2019:

Year-end euro reference exchange rate	2020	2019	Variation
Uruguayan peso	0,019240	0,023800	(19,16%)
Mexican peso	0,040960	0,047120	(13,07%)
Colombian peso	0,000240	0,000270	(11,11%)

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 2020 and 2019 of the aforementioned currencies:

Average euro reference exchange rate in the year	2020	2019	Variation
Uruguayan peso	0,020840	0,025360	(17,82%)
Mexican peso	0,040790	0,046390	(12,07%)
Colombian peso	0,000240	0,000270	(11,11%)

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.

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 at 31 December 2020 is based on the following points:

- The group had cash and cash equivalents amounting to 320,851 thousand euros.
- Available undrawn credit facilities of 25,000 thousand euros (Note 18).

The capacity of the business units to generate positive cash flows from operations.

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.

32.- EVENTS AFTER THE REPORTING PERIOD

On 12 February 2021, the Group informed the workers of its central and corporate services in Spain of its intention to begin collective redundancies. The documentation that will make up the corresponding file will be transferred in a timely manner to both the labour authority and to the Committees that are set up for the negotiations. The conditions and the number of those affected will be subject to negotiation. All of this happens in accordance with the provisions of Article 51 of Royal Legislative Decree 2/2015, of 23 October which approves the Consolidated Text of the Workers' Statute Law and Royal Decree 1483/2012, of 29 October that approves the Regulations for the Procedures for Collective Redundancy and Suspension of Contracts and Reduction of Working Hours.

APPENDIX I: SUBSIDIARIES

The data on the Parent company's subsidiaries at 31 December 2020 are presented below:

Investee company	Registered address of investee company	Main activity of the Investee Company	Pa s
Airport Hotel Frankfurt-Raunheim, GmbH & Co.	Munich	Real Estate	
Artos Beteiligungs, GmbH	Munich	Holding	
Astron Immobilien, GmbH	Munich	Holding	
Astron Kestrell, Ltd.	Plettenberg Bay	Hotel Business	
Atlantic Hotel Exploitation, B.V.	Den Haag	Hotel Business	
Chartwell de México, S.A. de C.V.	México D.F.	Hotel Business	
Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.	Coatzacoalcos	Hotel Business	
City Hotel, S.A.	Buenos Aires	Hotel Business	
Columbia Palace Hotel, S.A.	Montevideo	Hotel Business	
Nhow london, Ltd.	Londres	Hotel Business	
Coperama Holding, S.L.	Madrid	Procurement platform	
DAM 9 B.V.	Amsterdam	Holding	
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	
Desarrollo Inmobiliario Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	
Expl. Mij. Hotel Best, B.V.	Best	Hotel Business	
Expl. mij. Hotel Doelen, B.V.	Amsterdam	Hotel Business	
Expl. Mij. Hotel Naarden, B.V.	Naarden	Hotel Business	
Expl. mij. Hotel Schiller, B.V.	Amsterdam	Hotel Business	
Exploitiatiemaatschappij Caransa Hotel, B.V.	Amsterdam	Inactive	
Franquicias Lodge, S.A. de C.V.	México D.F.	Hotel Business	
Gran Circulo de Madrid, S.A.	Madrid	Food and beverage	
Grupo Hotelero Monterrey, S.A. de C.V.	México D.F.	Hotel Business	
Grupo Hotelero Queretaro, S.A. de C.V.	Querétaro	Hotel Business	
Heiner Gossen Hotelbetrieb, GmbH	Mannheim	Hotel Business	
The Marker Anantara Ltd.	Dublin	Holding	
GCS Hotel Ltd.	Dublin	Hotel Business	
NH Cash Link, S.L.	Madrid	Financing	
HEM Atlanta Rotterdam, B.V.	Hilversum	Hotel Business	
HEM Epen Zuid Limburg, B.V.	Wittem	Hotel Business	

Investee company	Registered address of investee company	Main activity of the Investee Company	Pa s
HEM Marquette Heemskerk, B.V.	Hilversum	Hotel Business	
HEM Onderlangs Arnhem, B.V.	Arnhem	Hotel Business	
HEM Spuistraat Amsterdam, B.V.	Amsterdam	Hotel Business	
HEM Stadhouderskade Amsterdam, B.V.	Amsterdam	Hotel Business	
HEM Van Alphenstraat Zandvoort, B.V.	Hilversum	Hotel Business	
Highmark Geldrop, B.V.	Geldrop	Hotel Business	
Highmark Hoofddorp, B.V.	Hoofddorp	Hotel Business	
Hispana Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	
Hotel Aukamm Wiesbaden, GmbH & Co.	Munich	Real Estate	
Hotel de Ville, B.V.	Groningen	Hotel Business	
Hotel Expl. Mij Amsterdam Noord, B.V.	Amsterdam	Hotel Business	
Hotel Expl. Mij Leijenberglaan Amsterdam, B.V.	Amsterdam	Hotel Business	
Hotel expl. mij. Capelle a/d IJssel, B.V.	Capelle a/d IJssel	Hotel Business	
Hotel expl. mij. Danny Kayelaan Zoetermeer, B.V.	Hilversum	Hotel Business	
Hotel expl. mij. Stationsstraat Amersfoort, B.V.	Amersfoort	Hotel Business	
Hotel Holding Onroerend Goed d'Vijff Vlieghen B.V.	Hilversum	Hotel Business	
Hotelera de la Parra, S.A. de C.V.	México D.F.	Hotel Business	
Hotelera Lancaster, S.A.	Buenos Aires	Hotel Business	
Hotelera de Chile, S.A.	Santiago de Chile	Hotel Business	
Inversiones Chilenas, S.A.S	Bogotá	Hotel Business	
Gestora hotelera del siglo XXI, S.A.	Barcelona	Hotel Business	
Hotelexploitiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	
Hotels Bingen & Viernheim, GmbH & Co.	Munich	Real Estate	
Inmobiliaria y financiera Chile S.A.	Santiago de Chile	Real Estate	
Jan Tabak, N.V.	Bussum	Hotel Business	
JH Belgium, S.A.	Bruselas	Hotel Business	
JH Deutschland, GmbH	Colonia	Hotel Business	
JH Holland, N.V.	Amsterdam	Hotel Business	
JH USA, Inc.	Wilgiminton	Hotel Business	
Koningshof, B.V.	Veldhoven	Hotel Business	

Investee company	Registered address of investee company	Main activity of the Investee Company	Pa s
Krasnapolsky Belgian Shares, B.V.	Hilversum	Holding	
COPERAMA Benelux, B.V.	Amsterdam	Procurement platform	
Krasnapolsky Hotels & Restaurants, N.V.	Amsterdam	Holding	
Krasnapolsky Hotels, Ltd.	Somerset West	Hotel Business	
Krasnapolsky ICT, B.V.	Hilversum	Inactive	
Krasnapolsky International Holding, B.V.	Amsterdam	Holding	
Latina Holding S.A.U.	Buenos Aires	Holding	
Latina Chile, S.A.	Santiago de Chile	Hotel Business	
Latina de Gestión Hotelera, S.A.	Buenos Aires	Hotel Business	
Latinoamericana de Gestion Hotelera, S.L.	Madrid	Holding	
Leeuwenhorst Congres Center, B.V.	Noordwijkerhout	Hotel Business	
Liberation Exploitation, B.V.	Sprang Capelle	Hotel Business	
Marquette Beheer, B.V.	Hilversum	Real Estate	
Museum Quarter, B.V.	Hilversum	Hotel Business	
Nacional Hispana de Hoteles, S.A.	México D.F.	Hotel Business	
Aguamarina S.A.	Rep. Dominicana	Business services	
NH Atardecer Caribeño, S.A.	Madrid	Business services	
NH Belgium, cvba	Diegem	Holding	
NH Caribbean Management, B.V.	Hilversum	Management	
NH Central Europe Management, GmbH	Berlin	Hotel Business	
NH Central Europe, GmbH & Co. KG	Berlin	Hotel Business	
NH Central Reservation Office, S.A.	Madrid	Call Center	
NH Finance, S.A.	Luxemburgo	Financing	
NH Financing Services S.a r.l.	Luxemburgo	Financing	
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel Business	
NH Europa, S.A.	Barcelona	Hotel Business	
NH Hotelbetriebs.-u. Dienstleistungs, GmbH	Berlin	Hotel Business	
NH Hotelbetriebs-u. Entwicklungs, GmbH	Berlin	Hotel Business	
NH Hoteles Austria, GmbH	Viena	Hotel Business	
NH Hoteles Deutschland, GmbH	Berlin	Hotel Business	
NH Hoteles España, S.A.	Barcelona	Hotel Business	
NH Hoteles France S.A.S.U.	Francia	Hotel Business	
NH Hoteles Switzerland GmbH	Fribourg	Hotel Business	
NH Hotels Czequia, s.r.o.	Praga	Hotel Business	
NH Hotels Polska, Sp. Zo.o.	Polonia	Hotel Business	
NH Hotels USA, Inc.	Houston	Hotel Business	
NH Hungary Hotel Management, Ltd.	Budapest	Hotel Business	

Investee company	Registered address of investee company	Main activity of the Investee Company	Pa s
NH Lagasca, S.A.	Madrid	Hotel Business	
NH Las Palmas, S.A.	Gran Canaria	Hotel Business	
NH Marin, S.A.	Barcelona	Hotel Business	
NH Private Equity, B.V.	Luxemburgo	Hotel Business	
NH Hotel Rallye Portugal, Lda.	Portugal	Hotel Business	
NH The Netherlands, B.V. (vh GTI, B.V.)	Hilversum	Holding	
Nhow Rotterdam, B.V.	Den Haag	Hotel Business	
Hotel Exploitiemaatschappij Diegem N.V.	Diegem	Hotel Business	
Hotel Exploitiemaatschappij Eindhoven B.V.	Hilversum	Hotel Business	
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	
Objekt Leipzig Messe, GmbH & Co.	Munich	Real Estate	
Olofskapel Monumenten, B.V.	Amsterdam	Real Estate	
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real Estate	
Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.	Capelle a/d IJssel	Real Estate	
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real Estate	
Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V.	Naarden	Real Estate	
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real Estate	
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Real Estate	
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Real Estate	
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real Estate	
Operadora Nacional Hispana, S.A. de C.V.	México D.F.	Hotel Business	
Palatium Amstelodamum, N.V.	Amsterdam	Hotel Business	
Restaurant D'Vijff Vlieghe, B.V.	Amsterdam	Food and beverage	
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	
Servicios Corporativos Chartwell Monterrey, S.A. de C.V.	Monterrey	Hotel Business	
Servicios Corporativos Hoteleros, S.A. de C.V.	México D.F.	Hotel Business	
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	México D.F.	Hotel Business	
Nhow Amsterdam, B.V.	Utrecht	Inactive	
Torale, S.A.	Montevideo	Hotel Business	
VSOP VIII, B.V.	Groningen	Hotel Business	
NH Wilhelminakade Holding B.V.	Northern Europe	Hotel Business	
Coperama Spain, S.L.	Madrid	Procurement platform	

Investee company	Registered address of investee company	Main activity of the Investee Company	Pa s
Hoteles Royal, S.A.	Bogota	Holding	
Eurotels Chile S.A.	Chile	Holding	
Hotelera Norte Sur S.A	Chile	Real Estate	
Hoteles Royal del Ecuador S.A. Horodelsa	Quito	Hotel Business	
HR Quántica SAS	Bogota	Hotel Business	
Inmobiliaria Royal S.A	Chile	Real Estate	
Royal Hotels Inc.	USA	Hotel Business	
Royal Hotels International Latin América Inc	USA	Hotel Business	
Royal Santiago Hotel S.A.	Chile	Hotel Business	
Sociedad Hotelera Cien Internacional S.A.	Bogota	Hotel Business	
Sociedad Hotelera Cotopaxi S.A.	Quito	Hotel Business	
Sociedad Operadora Nh Royal Panama S.A.	Ciudad de Panamá	Hotel Business	
NH Italia, S.p.A.	Milán	Hotel Business	
Immo Hotel Bcc N.V.	Diegem	Real Estate	
Immo Hotel Belfort N.V.	Diegem	Real Estate	
Immo Hotel Brugge N.V.	Diegem	Real Estate	
Immo Hotel Diegem N.V.	Diegem	Real Estate	
Immo Hotel Gent N.V.	Diegem	Real Estate	
Immo Hotel Gp N.V.	Diegem	Real Estate	
Immo Hotel Stephanie N.V.	Diegem	Real Estate	
Immo Hotel Mechelen N.V.	Diegem	Real Estate	
NH Management Black Sea Srl	Bucarest	Hotel Business	
NH Brasil Abrasil Administracao De Hoteis E Participadas Ltda.	Villa Olímpica	Hotel Business	
Capredo Investments, GmbH	Suiza	Holding	
Palacio de la Merced, S.A.	Burgos	Hotel Business	
Latinoamericana Curitiba Administracao De Hoteis Ltda	Curitiba	Hotel Business	
NH Italia Real Estate, S.r.l.	Milano	Real Estate	
NH Holding, S.r.l.	Milano	Holding	
Coperama Italia S.r.l.	Milano	Procurement platform	
Coperama Central Europe GmbH	Berlin	Procurement platform	
Iberinterbrokers, S.L.	Barcelona	Services supplier	
Coperama Colombia, S.A.S	Bogotá	Procurement platform	
Coperama Mexico S.A. de C.V.	México D.F.	Procurement platform	
Wilan Ander, S.L.	Madrid	Hotel Business	
Wilan Huel, S.L.	Madrid	Hotel Business	
NH Strandgade APS	Copenhagen	Hotel Business	
NH Italia Real Estate, S.r.l.	Italia	Real Estate	
NH Holding Srl	Italia	Holding	
Hungarian Opco New York Palace K.F.T.	Hungria	Hotel Business	
Italian OpCo Roco Hospitality Group, S.R.L.	Italia	Hotel Business	
Czech Opco AGAGA, s.r.o.	Chequia	Hotel Business	

APPENDIX II: ASSOCIATED COMPANIES

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent co stake in com
Borokay Beach, S.L.	Madrid	Hotel business	5
Consorcio Grupo Hotelero T2, S.A. de C.V.	Mexico	Hotel business	1
Servicios Corporativos T2, S.A. DE C.V	Mexico	Hotel business	1
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel business	2
Gente con actitud de servicios gecase, S.A. De C.V.	Puebla	Hotel business	2
Mil Novecientos Doce, S.A. de C.V.	Mexico	Hotel business	2
Servicios Corporativos 1912, S.A. DE C.V	Mexico	Hotel business	2
Kensington Hotel Value Added I, Ltd	Londres	Hotel business	3
Sotocaribe, S.L.	Madrid	Holding	3
Hotelera del Mar, S.A.	Mar de Plata	Hotel business	2

NH Hotel Group, S.A. and subsidiaries

Audit Report,
Consolidated Annual Accounts
at 31 December 2019

Free translation of the independent auditor's report on the consolidated annual accounts originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Audit report on the consolidated annual accounts issued by an independent auditor

To the shareholders of NH Hotel Group, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of NH Hotel Group, S.A. (the parent company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2019, consolidated profit and loss statement, consolidated statement of changes in shareholders equity, consolidated cash flow statement and the notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the Group's consolidated equity and financial position at 31 December 2019 and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We have performed our audit in accordance with audit regulations in force in Spain. Our responsibilities under said regulations are described below under *Responsibilities of the auditor in relation to the audit of the consolidated annual accounts*.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, applicable to our audit of the consolidated annual accounts in Spain, as required by auditing regulations. In this respect, we have not provided any services other than audit services, nor have any situations or circumstances arisen that, in accordance with those regulations, might have undermined said independence.

We consider that the audit evidence obtained provides a sufficient and appropriate basis for our opinion.

Key audit matters

Key audit matters are those that, based on our professional judgement, have been of the most significance in the audit of the consolidated annual accounts for the current period. These matters have been addressed in the context of our audit of the consolidated annual accounts as a whole and in the preparation of our opinion thereon, and we do not express a separate opinion on these matters.

Key audit matters	How the matter was addressed in the audit
Recoverability of assets associated with the hotel business. The Group operates 368 hotels under leases or owned. The assets associated with the hotel business include goodwill, right-of-use assets, property, plant and equipment and intangible assets, the carrying amounts of which amount to €107 million, €1,702 million, €1,713 million and €84 million, respectively, at 31 December 2019, representing 82% of all assets. The Group assesses the assets for signs of impairment each year to determine whether there are any impairment losses entailing the write-down of the carrying amounts of the assets, calculated as described in Notes 4.2 and 4.4 to the consolidated annual accounts. As a general rule, Group management estimates the recoverable amount of each cash-generating unit (CGU) on the basis of value in use, calculated using cash flows estimated by applying discount rates and expected growth rates, in accordance with the business plans approved by management. As recognised in the consolidated profit and loss statement, the Group has recorded under " Net Profit /(Losses) from asset impairment" a net positive effect of impairment and reversal of impairment on the aforementioned assets amounting of €4,889 thousand. In view of the significance of the judgements made by the Group and the significant estimates made to perform the said calculations, and considering the quantitative relevance of the assets, we believe the assessment of the recoverability of the assets associated with the hotel business to be a key audit matter.	Our audit procedures have included, among others: Understanding of the methodology employed and evaluation of the controls in place in the Group's asset recovery analysis processes. Obtainment from management of the impairment test carried out, to which we have applied the following substantive procedures, assisted by our internal experts: • Verification of the reasonableness of the procedures and methods used to perform the impairment test. • Assessment of the reasonableness of the key assumptions and estimates included in the model in relation both to future cash flow forecasts and the key aspects included in the estimation of the cash flows, such as the method applied by management to estimate the discount rates within an acceptable range. • Analysis of departures between the cash flow projections prepared by management in the past and actual data. • Arithmetic verification of the calculations taken into consideration in the impairment test and assessment of the sensitivity analyses, including the ranges within which the key model assumptions should fluctuate in order to give rise to the impairment of assets or the reversal of existing provisions. • Evaluation of the sufficiency of the related information disclosed in the consolidated annual accounts. The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Key audit matters	How the matter was addressed in the audit
Adoption of IFRS 16 - Leases The Group has adopted IFRS 16 – Leases, with effect on 1 January 2019, for all contracts that were identified as leases pursuant to IAS 17 and IFRIC 4, barring the exemptions recognised by the standard. As stated in Note 2.1.1 to the accompanying annual accounts, IFRS 16 lays down the principles for recognising, measuring, presenting and disclosing leases. The standard stipulates that a liability must be recognised at lease inception equal to the present value of the lease instalments. The liability will include fixed instalments and those that are in substance fixed instalments, as well as variable instalments depending on an index or interest rate. In turn, an asset will be recognised representing the right of use of the underlying asset during the lease term. The Group has applied the modified retrospective approach, entailing the recognition at the adoption date, as indicated in Note 2.1.1, of right-of-use assets amounting to €1,747 million and a lease liability of €2,099 million. Group management has taken the necessary steps to correctly adopt the standard, which include analysing all the contracts affected by IFRS 16, studying the specific implications of each contract type to which it is applicable, determining lease terms, estimating discount rates and adapting systems to correctly recognise the first-time adoption of the standard in the accounts. The implementation of the new standard has had considerable accounting impacts on the Group as regards the total value of its assets and liabilities, there being numerous contracts containing non-homogeneous clauses. The risk of material misstatement as a result of any incident in this first-time adoption process, together with the assessment of management's judgements and interpretations as regards the terms of the leases and the estimation of discount rates, have led us to consider our work on the first-time adoption of IFRS 16 – Leases to be a key audit matter.	Our audit procedures relating to the adoption of IFRS 16 – Leases include the following: • Understanding and assessment of the accounting policies applied by management to adopt the standard as from 1 January 2019. • Assessment of the operating effectiveness of the key controls associated with the calculation of the accounting effects of adopting the standard. • Testing of the completeness of information, checking the inclusion in the computer system of all the contracts to which the standard is applicable. • Evaluation of the estimates and assumptions considered by the Group to estimate the discount rates used for the leases deemed to be affected by the adoption of the standard. • Performance of tests of detail on the information relating to the leases recorded in the systems, checking, based on a sample of leases, their existence, the correct determination of lease terms and the amount, in accordance with applicable accounting requirements. • Assessment of the sufficiency of the information disclosed in the consolidated annual accounts in relation to the first-time adoption of IFRS 16. The findings of the procedures carried out have allowed us to achieve the audit objectives for which the procedures were designed.

Other matters

The consolidated annual accounts of NH Hotel Group, S.A. and subsidiaries for the financial year ended 31 December 2018 were audited by a different auditor, which issued a favourable opinion on those consolidated annual accounts on 25 February 2019.

Other information: Consolidated management report

The other information only relates to the consolidated management report for 2019, the preparation of which is the responsibility of the parent company's directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility for the information contained in this consolidated management report is defined in auditing legislation, which establishes two distinct levels:

- a) A specific level applicable to the status of consolidated non-financial information and to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2. b) of Audit Law 22/2015, which consists of merely verifying that the said information has been furnished in the management report or, if applicable, that the report includes the relevant reference to the separate report on non-financial information in the manner stipulated in legislation. Otherwise, we are required to report on this matter.
- b) A general level applicable to the other information included in the consolidated management report, which consists of assessing and reporting on the consistency of the said information with the consolidated annual accounts, based on our knowledge of the Group obtained during the audit of the accounts, without including information other than the audit evidence obtained, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in line with applicable legislation. If we conclude that there are material misstatements on the basis of our work, we are required to report them.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) above is presented in the separate report, "Non-Financial Information Consolidated Statement 2019", to which the consolidated management report refers, that the ACGR information, mentioned in the said paragraph, is included in the consolidated management report and that the other information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2019 and its content and presentation comply with application legislation.

Responsibility of the directors and the Audit and Control Committee in relation to the consolidated annual accounts

The directors of the parent company are responsible for the preparation of the accompanying consolidated annual accounts such that they present fairly the Group's consolidated equity, financial situation and results in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for the internal control which they consider necessary to enable the preparation of annual accounts free from material misstatements, due to fraud or error.

In the preparation of the consolidated annual accounts, the parent company's directors are responsible for assessing the Group's capacity to continue as a going concern, disclosing, as appropriate, any going concern-related issues and applying the going-concern accounting principle, unless the directors intend to wind up the Group or discontinue its operations, or unless no other realistic alternative exists.

The parent company's Audit and Control Committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditors' responsibilities in relation to the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance that the consolidated annual accounts as a whole are free from material misstatement due to fraud or error, and to issue an audit report containing our opinion.

Reasonable assurance is a high degree of assurance but does not guarantee that an audit conducted in accordance with current Spanish auditing regulations will always detect a material misstatement when such exists. Misstatements may be due to fraud or error and are regarded as material if, individually or in aggregate, it may reasonably be foreseen that they will influence the business decisions taken by users on the basis of the consolidated annual accounts.

As part of an audit conducted in accordance with prevailing Spanish audit regulations, we apply our professional judgement and maintain an attitude of professional scepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement in the consolidated annual accounts due to fraud or error; we design and apply audit procedures to respond to those risks and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, falsification, deliberate omissions, intentionally erroneous statements or the circumvention of internal control.
- We obtain knowledge of internal control mechanisms relevant for the audit in order to design the audit procedures which are appropriate depending on the circumstances, and not with the intention of expressing an opinion on the efficiency of the Group's internal control system.
- We assess whether the accounting policies applied are adequate and the reasonableness of the accounting estimates and the relevant information disclosed by the parent company's directors.
- We conclude as to whether the utilisation by the parent company's directors of the going concern principle is appropriate and, basing ourselves on the audit evidence obtained, we conclude as to whether there is or not any material uncertainty in relation to the events or conditions that could generate significant doubts as to the Group's capacity to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the corresponding information disclosed in the consolidated annual accounts or, if those disclosures are unsuitable, to express a modified opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or conditions could cause the Group to cease to be a going concern.
- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosed information, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that succeeds in expressing a true and fair view.
- We obtain sufficient, adequate evidence relating to the financial information of the Group's entities or business activities to express an opinion on the consolidated annual accounts. We are responsible for managing, overseeing and performing the audit of the Group. We are solely responsible for our audit opinion.

We liaise with the parent company's Audit and Control Committee in relation to, among other matters, the planned scope and timing of the audit and the significant audit findings, as well as any major internal control weakness that we identify in the course of our audit.

We also provide the parent company's Audit and Control Committee with a statement to the effect that we have complied with applicable ethical requirements, including those of independence, and we have notified the Audit Committee of any issues that could reasonably pose a threat to our independence and, if appropriate, the relevant safeguards.

Among the significant risks notified to the parent company's Audit and Control Committee, we determine those that have been of the greatest significance in the audit of the consolidated annual accounts for the current period and which therefore are key audit matters.

We describe these matters in our audit report unless legal or regulatory provisions prohibit the public disclosure of the matter concerned.

Report on other legal and regulatory requirements

Additional report for the parent company's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report for the parent company's Audit and Control Committee dated 25 February 2020.

Term of engagement

We were appointed as the Group's auditors by the Annual General Meeting held on 13 May 2019 for a three-year period commencing as from the year ended 31 December 2019.

Services rendered

The non-audit services provided to the Group are described in Note 25.4 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Mariano Cortés Redín (21829)

25 February 2020

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

Translation of Consolidated Financial Statements originally issued in Spanish and prepared in accordance with the International Financial Reporting Standards adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019 AND 31 DECEMBER 2018
(Thousands of euros)

ASSETS	Note	31/12/2019	31/12/2018	NET ASSETS AND LIABILITIES
NON-CURRENT ASSETS:				EQUITY:
Goodwill	6	106,577	109,432	Share capital
Intangible assets	7	83,807	110,569	Reserves of the parent company
Investment Property		2,964	-	Reserves of fully consolidated companies
Property, plant and equipment	8	1,713,123	1,637,718	Reserves of companies consolidated using the equity method
Right-of-use assets	9	1,701,499	-	Conversion differences
Investments accounted for using the equity method	10	7,517	8,971	Treasury shares and shareholdings
Non-current financial investments-	11	37,402	54,126	Consolidated profit for the period
<i>Loans and accounts receivable not available for trading</i>		35,327	42,598	Equity attributable to the shareholders of the Parent company
<i>Other non-current financial investments</i>		2,075	11,528	Non-controlling interests
Deferred tax assets	19	220,040	138,724	Total equity
Other non-current assets		-	13,427	
Total non-current assets		3,872,929	2,072,967	
				NON-CURRENT LIABILITIES
				Debt instruments and other marketable securities
				Bank borrowings
				Leasing liabilities
				Other financial liabilities
				Other non-current liabilities
				Provisions for contingencies and charges
				Deferred tax liabilities
				Total non-current liabilities
				CURRENT LIABILITIES:
CURRENT ASSETS:				Liabilities associated with non-current assets classified as held for sale
Non-current assets classified as held for sale	12	47,811	55,974	Debt instruments and other marketable securities
Inventories		11,123	10,435	Bank borrowings
Trade receivables	13	106,496	106,601	Leasing liabilities
Non-trade receivables-		55,928	38,195	Other financial liabilities
<i>Tax receivables</i>	19	28,961	19,451	Trade and other payables
<i>Other non-trade debtors</i>	11	26,967	18,744	Accounts payable from related entities
Accounts receivable from related entities		2,493	978	Tax payables
Cash and cash equivalents	14	289,345	265,869	Provisions for contingencies and charges
Other current assets		5,771	12,109	Other current liabilities
Total current assets		518,967	490,161	Total current liabilities
TOTAL ASSETS		4,391,896	2,563,128	NET ASSETS AND LIABILITIES

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/III are an integral part of the Consolidated Balance Sheet.

The Consolidated Balance Sheet at 31 December 2018 is presented solely for the purposes of comparison.

The balance sheet at 31 December 2019 includes the application of IFRS 16 (See Note 2.1.1) that was not considered during 2018 given that its entry into force was 1 January 2019, the Group has restated the comparative figures for 2018 (See Note 2.2).

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE YEARS 2019 AND 2018

(Thousands of euros)

	Note	2019	2018
Revenues	25.1	1,708,078	1,613,388
Other operating income	25.1	9,352	6,132
	7, 8, 12 and		
Net gains on disposal of non-current assets	25.1	(709)	85,982
Procurements		(76,765)	(74,810)
Staff costs	25.3	(448,762)	(422,671)
Depreciation and amortisation charges	7, 8 and 9	(297,080)	(116,301)
Net Profits/(Losses) from asset impairment	6, 7, 8 and 9	4,889	(304)
Other operating expenses		(624,175)	(852,924)
<i>Variation in the provision for onerous contracts</i>	18	-	4,342
<i>Other operating expenses</i>	25.4	(624,175)	(857,266)
Gains on financial assets and liabilities and other		8,529	(373)
Profit (Loss) from entities valued through the equity method	10	22	(499)
Financial income	25.2	4,204	6,039
Change in fair value of financial instruments		306	-
Financial expenses	25.5	(135,472)	(59,997)
Results from exposure to hyperinflation (IAS 29)	2.4 and 25.6	(85)	635
Net exchange differences (Income/(Expense))		(2,341)	1,053
Impairment on financial investments	12 and 26	(18,572)	-
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		131,419	185,350
Corporation tax	19	(38,568)	(79,664)
PROFIT FOR THE PERIOD FROM CONTINUING ACTIVITIES		92,851	105,686
<i>Profit (loss) for the year from discontinued operations net of tax</i>	12	50	(568)
PROFIT FOR THE PERIOD		92,901	105,118
Conversion differences		3,536	(2.187)
Income and expenses recognised directly in equity		3,536	(2.187)
TOTAL COMPREHENSIVE PROFIT		96,437	102,931
Profits from the period attributable to:			
<i>Parent Company Shareholders</i>		89,964	101,573
<i>Non-controlling interests</i>		2,937	3,545
Comprehensive Profit attributable to:			
<i>Parent Company Shareholders</i>		92,245	101,399
<i>Non-controlling interests</i>	15.4	4,192	1,532
Profit per share in euros (basic)	5	0.230	0.275

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated comprehensive profit and loss statement for 2019.

The Consolidated Comprehensive Profit and Loss Statement for 2018 is presented solely for the purposes of comparison.

The consolidated comprehensive profit and loss statement at 31 December 2019 includes the application of IFRS 16 (See Note 2.1.1) that was not considered during 2018 given that its entry into force was 1 January 2019. In accordance with the significant event published in 6 May 2019, the Group has restated the comparative figures for 2018 (See Note 2.2).

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2019 AND 2018

(Thousands of euros)

	Share capital	Reserves of the Parent Company			Reserves in companies consolidated by		Currency translation difference	Effect on equity attributable to the shareholders of the Parent Company	Treasury shares and shareholdings	Consolidated profit for the period
		Share premium	Legal reserve	Other reserves	Full consolidation	the equity method				
Balances at 31 December 2017	700,544	634,659	56,017	(164,433)	38,877	(23,087)	(157,542)	27,230	(39,250)	
Application adjustment of IFRS 9	-	-	-	8,571	-	-	-	-	-	-
Application adjustment of IAS29 (Note 2.2)	-	-	-	-	(50,724)	-	96,862	-	-	-
Initial balance adjusted at 1 January 2018	700,544	634,659	56,017	(155,862)	(11,847)	(23,087)	(60,680)	27,230	(39,250)	
Net profit (loss) for 2018	-	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	(174)	-	-	-
Recognised income and expenses for the period	-	-	-	-	-	-	(174)	-	-	-
Capital Increase	-	-	-	-	-	-	-	-	-	-
Distribution of Profit (Loss) 2017-	-	-	-	-	-	-	-	-	-	-
- To Reserves	-	-	2,817	25,355	7,666	(349)	-	-	-	-
- To Dividends	-	-	-	(39,158)	-	-	-	-	-	-
Remuneration Scheme in shares (Notes 28 y 15.3)	-	-	-	1,185	-	-	-	-	1,029	-
Application adjustment of IAS 29 (Note 2.2)	-	-	-	-	(43,199)	-	-	-	-	-
Minorities acquisition	-	-	-	-	646	-	-	-	-	-
Convertible bonds	83,817	122,331	-	33,691	-	-	-	(27,230)	35,691	-
Other movements	-	-	-	33	2,011	-	-	-	-	-
Balances at 31 December 2018	784,361	756,990	58,834	(134,756)	(44,723)	(23,436)	(60,854)	-	(2,530)	
Accounting correction (Note 2.2)	-	-	-	-	16,212	-	-	-	-	-
Balances at 31 December 2018 restated	784,361	756,990	58,834	(134,756)	(28,511)	(23,436)	(60,854)	-	(2,530)	
Application of new accounting policy (IFRS 16) (Note 2.1.1)	-	-	-	(3,443)	(251,262)	-	-	-	-	-
Accounting criteria change (Note 2.3)	-	-	-	(1,041)	(16,591)	5,737	166	-	-	-
Initial balance adjusted at 1 January 2019	784,361	756,990	58,834	(139,240)	(296,364)	(17,699)	(60,688)	-	(2,530)	
Net profit (loss) for 2019	-	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	2,281	-	-	-
Recognised income and expenses for the period	-	-	-	-	-	-	2,281	-	-	-
Distribution of Profit (Loss) 2018-	-	-	-	-	-	-	-	-	-	-
- To Reserves	-	-	16,019	144,173	(58,120)	(499)	-	-	-	-
- To Dividends	-	-	-	(58,771)	-	-	-	-	-	-
Remuneration Scheme in shares (Notes 24)	-	-	-	(998)	-	-	-	-	970	-
Application adjustment of IAS29 (Note 2.4)	-	-	-	-	1,151	-	-	-	-	-
Dividends distribution (Note 15.4)	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	82	(1,575)	-	-	-	(87)	-
Balances at 31 December 2019	784,361	756,990	74,853	(54,754)	(354,908)	(18,198)	(58,407)	-	(1,647)	

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the Consolidated Statement of Changes in Equity.

The Consolidated Statement of Changes in Equity for 2018 is presented solely for the purposes of comparison.

The Consolidated Statement of Changes in Equity for 2019 includes the application of IFRS 16 (See Note 2.1.1) that was not considered during 2018 given that its entry into force was 1 January 2019. In accordance with the significant event published for 2018 (See Note 2.2).

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENTS FOR 2019 AND 2018

	Nota	31.12.2019	31.12.2018
1. OPERATING ACTIVITIES			
Consolidated profit before tax:		131.419	185.350
Adjustments:			
Depreciation of tangible and amortisation of intangible assets (+)	7, 8 y 9	297.080	116.301
Impairment losses (net) (+/-)	7, 8 y 9	(4.889)	304
Allocations for provisions (net) (+/-)		-	(4.342)
Gains/Losses on the sale of tangible and intangible assets (+/-)	7, 8, 9, 12 and 25.1	709	(85.982)
Gains/Losses on investments valued using the equity method (+/-)	10	(22)	499
Financial income (-)	25	(4.204)	(6.039)
Variation in fair value of financial instruments (+)		(306)	-
Financial expenses (+)	26	135.472	59.997
Results from exposure to hyperinflation (IAS 29)	26	85	(635)
Net exchange differences (Income/(Expense))		2.341	(1.053)
Profit (loss) on disposal of financial investments	11	(8.529)	373
Impairment on financial investments		18.572	
Other non-monetary items (+/-)		5.841	25.031
Adjusted profit		573.569	289.804
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		(144)	(626)
(Increase)/Decrease in trade debtors and other accounts receivable	11.2	(405)	28.387
(Increase)/Decrease in other current assets		(764)	(10.760)
Increase/(Decrease) in trade payables		5.466	10.480
Increase/(Decrease) in other current liabilities		(4.745)	2.948
Increase/(Decrease) in provisions for contingencies and expenses		(12.923)	3.330
(Increase)/Decrease in non-current assets	11	1.312	(403)
Increase/(Decrease) in non-current liabilities	17	(146)	(9.437)
Income tax paid		(55.959)	(61.561)
Total net cash flow from operating activities (I)		505.261	252.162,00
2. INVESTMENT ACTIVITIES			
Other financial incomes/collected dividends		716	527
Investments (-):			
Group companies, joint ventures and associates		(1.297)	(1.000)
Tangible and intangible assets and investments in property	7 y 8	(190.813)	(133.677)
Non-current financial investments		-	(671)
		(192.110)	(135.348)
Disinvestment (+):			
Group companies, joint ventures and associates	2.8.4 y 10	1.903	85
Tangible and intangible assets and investments in property		23.532	48.291
Non-current assets classified as held for sale		-	154.137
		25.435	202.513
Total net cash flow from investment activities (II)		(165.959)	67.692
3. FINANCING ACTIVITIES			
Dividends paid out (-)		(60.580)	(39.767)
Interest paid on debts (-)		(38.726)	(44.717)
Financial expenses for means of payment		(19.304)	(17.379)
Interest paid on debts and other interest		(19.422)	(27.338)
Variations in (+/-):			
Debt instruments:			
- Bonds and other tradable securities (+)	16	-	(44.894)
- Loans from credit institutions (+)		36.544	6.323
- Loans from credit institutions (-)	16	(3.974)	(11.147)
- Principal elements of lease payments (-)	9	(252.296)	-
- Other financial liabilities (+/-)		(755)	(262)
Total net cash flow from financing activities (III)		(319.787)	(134.464)
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		19.515	185.391
5. Effect of exchange rate variations on cash and cash equivalents (IV)		2	325
6. Effect of variations in the scope of consolidation (V)	2.8.4	3.959	(96)
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		23.476	185.620
8. Cash and cash equivalents at the start of the financial year		265.869	80.249
9. Cash and cash equivalents at the end of the financial year		289.345	265.869

The Consolidated Cash Flow Statements for 2018 is presented solely for the purposes of comparison.

The consolidated Cash Flow at 31 December 2019 includes the application of IFRS 16 (See Note 2.1.1) that was not considered during 2018 given that its entry into force was 1 January 2019. In accordance with the significant event publish in 6 May 2019, the Group has restated the comparative figures for 2018 (See Note 2.2).

NH HOTEL GROUP, S.A. AND SUBSIDIARIES REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2019

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

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

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 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 2019, the Group was operating hotels in 30 countries, with 368 hotels and 57,466 rooms, of which around 70% 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 2019 were drawn up by the directors of NH Hotel Group, S.A. at the Board meeting held on 25 February 2020, 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 as well as in the applicable standards and circulars of the National Securities Market Commission and the remaining Spanish accounting standards which may be applicable, and as such give a true and fair presentation the Group's equity and financial position at 31 December 2019 and of the results of its operations, changes in equity and consolidated cash flows for the year then ended.

The consolidated financial statements for 2019 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 2018 were approved by the shareholders at the Annual General Meeting held on 13 May 2019 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 2019 may differ from those used by some of its component companies, the necessary adjustments and reclassifications have been made to standardise them and adapt them to the IFRS adopted by the European Union.

2.1.1 Standards and interpretations effective in this period

In 2019 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 2019:

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Approved for use in the European Union		
New Standards:		
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 IFRS 9 Characteristics of early cancellation with negative offset (published in October 2017).	This amendment allows for the valuation of some financial instruments with early payment characteristics at amortised cost allowing the payment of an amount less than the unpaid amounts of principal and interest.	01 January 2019
IFRIC 23 Uncertainty over tax treatment (published in June 2017)	This interpretation clarifies application of recognition and measurement requirements in IAS 12 when there is uncertainty over acceptability by the tax authorities of a certain income tax treatment used by the entity.	
Amendment to IAS 28 Long-term interest in associates and joint ventures (published in October 2017)	Clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if the equity method is not applied.	01 January 2019
Amendment IAS 19 - Accounting for a change, reduction or settlement of a defined benefit plan (published in February 2018)	Addresses the accounting for a change, reduction, or settlement of a defined benefit plan that occurs in the fiscal year.	
Improvements to IFRS 2015-2017 Cycle (published in December 2017)	Minor amendments to a number of standards: IFRS 3, IFRS 11, IAS 12 and IAS 23.	

These regulations and amendments have been applied to these consolidated financial statements with no significant impacts on either the reported figures or the presentation and breakdown of the information, except for the application of IFRS 16; see breakdown of impacts in the following section:

(2) Analysis of IFRS 16 first application.

IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-17 and establishes the principles for the recognition, measurement, presentation and disaggregation of leases and requires lessees to account for all leases under a balance sheet recognition model similar to the accounting for finance leases under IAS 17. IFRS 16 came into force on 1 January 2019 and the Group decided not to apply it early.

The standard provides that at the inception of the lease, the lessee must record a liability equal to the present value of the lease payments. Such a liability includes fixed lease payments and those that are substantially fixed, as well as variable lease payments that depend on an index or interest rate. An asset that represents the right to use the underlying asset during the lease term (the right of use) is recognised. In the case of Grupo NH, the right of use is linked to “Buildings and Constructions”. Lessees are required to record separately the interest expense of the lease liability from the amortisation expense of the right of use.

Lessees are also required to recalculate the lease liability in certain circumstances (for example, a change in the term of the lease or a change in lease payments due to a change in the index or rate used to determine those payments). The lessee shall recognise the difference from the recalculation of the liability as an adjustment to the value of the right of use.

The lessor's accounting under IFRS 16 is substantially the same as under IAS 17. The lessor shall continue to classify leases using the same criteria as under IAS 17 and distinguish between operating and finance leases.

Transition to IFRS 16

The Group has begun applying the standard to all contracts that were identified as leases in accordance with IAS 17 and IFRIC 4, except for the exceptions recognised by the standard. These exceptions are as follows: leases of low-value assets (e.g. computers) and short-term leases (leases for periods of less than 12 months). Also, the Group analysed the subleases signed at the transition date and, due to their amount and the applicable market conditions, were not considered relevant for the application of the standard.

The Group decided to apply the modified retrospective method as the transition method to IFRS 16, calculating the asset at the commencement date of each identified contract and the liability at the transition date, using for the calculation of both the incremental interest rate at the transition date and recognising the difference between the two items as an adjustment to the opening balance of the consolidated reserves.

In order to determine the term of the lease contracts, the Group has taken as non-cancellable the initial term of each contract, taking the possible unilateral extensions at the option of the Group only in those cases in which it has been reasonably considered certain that they will be exercised, and only the cancellation options whose exercise has been reasonably considered certain have been taken into account.

The incremental interest rate is the interest rate that the lessee would incur at the commencement of the lease if it borrowed, over a period of time, with similar guarantees and in a similar economic environment. The interest was calculated as a combination of the following elements:

- CDS curve of the economic environment
- Euribor Swap Rate Curve.
- Synthetic NH CDS curve.

These elements were combined to obtain an interest rate curve for each contract based on its geoeconomic specificities and from which the calculation process consists of bringing each of the discounted flows to the present value at the interest rate corresponding to each maturity within said curve and calculating which single equivalent rate would be used to discount said flows. The simple average rate of all the Group's leasing contracts affected by IFRS 16 is 4.3%

The impact of IFRS 16 on the Group's financial statements is significant due to the lease contracts portfolio.

This impact at 1 January 2019 was mainly greater right-of-use net assets for 1.747 billion euros, a greater liability for operating leases of 2.099 billion euros (1.839 billion euros of non-current liabilities and 260 million euros of current liabilities), lower early payments assets of 3 million euros, lower lease linearisation assets of 16 million euros (13 million euros in non-current assets, 3 million euros in current assets), lower lease linearisation liabilities of 19 million euros (17 million euros in other non-current liabilities, 2 million euros in other current liabilities), greater deferred tax assets of 88 million euros and lower equity of 256 million euros. It also entailed the reclassification of certain balance sheet items that were associated with lease contracts under the Right-of-use assets heading. Specifically, a liability for risk provisions and expenses on onerous contracts of 7 million euros, a liability for grants of 22 million euros and net intangible assets of 22 million euros.

The calculation of these impacts has been performed as if IFRS 16 had been applied from the inception of each contract or from the date of initial consolidation of the lessee of the contract. The calculation was made by discounting the lease flows by recalculating the asset and liability for each material modification to the lease and using an incremental interest rate calculated for each of the contracts at the transition date without taking into account the tax effect.

In order to reconcile operating lease commitments at 31 December 2018 in accordance with IAS 17 (see Note 24.5 of the 2018 consolidated annual accounts) with operating lease liabilities in accordance with IFRS 16, it would be necessary to add the commitments discounted by operating leases in accordance with IAS 17 of approximately 2 billion euros (3.581 billion euros of pre-discounted nominal value commitments), the impact of applying different discount rates (approximately 274 million euros, and subtract the impact of contracts signed but not in force at the transition date (approximately -175 million euros), thereby achieving an operating lease

liability of 2.099 billion euros (1.839 billion euros of non-current liabilities and 260 million euros of current liabilities).

The main impacts on the Group's consolidation, according to the source of the contracts in the hotel sector distributed by geographical segment of IFRS 16 at 31 December 2019 are as follows (thousands of euros):

	Spain	Benelux	Italy	Germany	Latin America	Remainder	Total
Right-of-use assets	327,653	359,633	291,604	498,419	20,730	203,460	1,701,499
Leasing liabilities	393,308	430,026	354,367	622,116	23,113	244,439	2,067,369
Impact on reserves due to IFRS 16	63,079	51,392	43,168	68,928	1,177	26,961	254,705
Deferred tax assets	18,047	16,507	18,173	33,138	718	9,203	95,786
Amortisation of use rights	(58,995)	(17,570)	(30,449)	(49,626)	(2,605)	(21,834)	(181,079)
Financial expenses	14,846	19,354	18,842	23,988	2,683	9,907	89,620
Leasing expenses	(76,097)	(31,802)	(44,971)	(69,575)	(4,479)	(30,385)	(257,309)

(3) New regulations, amendments and interpretations which will be obligatory in the years following the year commencing 01 January 2020

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:

Awaiting approval for use in the European Union as of the date of publication of this document ⁽¹⁾

New Standards:

IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	1 January 2021 ⁽²⁾
Amendment to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associates or joint ventures"	These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will rest on if the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet said definition, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB made the decision to postpone the effective date (without setting a new specific date) as it is planning a broader review that could result in simplifying the accounting of these transactions and other aspects of the accounting of associates and joint ventures.	Pending approval

(1) The approval status of the standards can be consulted on the EFRAG website.

(2) The IASB has proposed its deferral to 1 January 2022 (Draft amendment to IFRS 7 published on 26 June 2019).

Amendments and/or interpretations

Amendment to IFRS 3 - Definition of business (published in October 2018)	Clarifications to the definition of business.	01 January 2020
Amendments to IAS 1 and IAS 8 Definition of “materiality” (published in October 2018)	Amendments to IAS 1 and IAS 8 to align the definition of “materiality” to the content of the conceptual framework.	
Amendments to IFRS 9, IFRS 7 and IAS 39 Current reform of the benchmark interest rate. (published in September 2019)	Modifications that provide certain exemptions related to hedge accounting with respect to the reform of the benchmark interest rate (IBOR).	

2.2 Accounting correction

During the first quarter of 2019, a situation was detected in the Consolidated Annual Accounts at 31 December 2018 in relation to the accounting for hyperinflation in the Argentine subsidiaries of the Parent Company in accordance with IAS 29.

This situation corresponded to the recording of a higher consolidated result in 2018 derived from hyperinflation in Argentine subsidiaries, when a net amount of 19 million euros before minority interests should have been recorded directly in reserves. This therefore supposes a reclassification between the result and equity without there being any additional impact to consider.

Following a report from the Audit and Control Committee, the Board of Directors considered that the situation revealed did not represent a very significant impact on the Consolidated Annual Accounts at 31 December 2018 in the context of Article 38 of the Commercial Code as it did not affect the financial or equity position of the Company, and did not justify, therefore, the consolidated annual accounts be restated.

Based on the foregoing, the aforementioned reclassification has been recorded in equity balances at 1 January 2018, which has resulted in higher consolidated reserves of 16,212 thousand euros and a lower consolidated result for the same amount. On the other hand, the effect of the reclassification on minority interests was 3,177 thousand euros as higher reserves and the same amount as lower gain/(loss) and supposes zero effect on this heading of the abridged consolidated statement of changes in net equity (See Note 15.4).

2.3 Accounting criteria change

The impact recorded on the Statement of Changes in Equity in relation to the change in accounting criteria heading is mainly due to the provision for the pension plan on certain contract allocated in one country where a more prudent interpretation deriving a gross impact of 12,191 thousand euros, giving rise to an impact net of tax of less net equity amounting to 9,692 thousand euros. This impact has been recognised at 1 January 2019. (see Note 18)

2.4 Comparison of information

As required by IAS 1, the information on 2018 contained in this consolidated annual report is presented for solely comparative purposes with the information on 2019 and consequently does not in itself constitute the Group's consolidated financial statements for 2018.

First application of IFRS 16

As a result of applying IFRS 16 from 1 January 2019, there are certain items in the consolidated financial statements at 31 December 2019 that are not comparable with the previous year (see Note 2.1.1).

Conversion of NH Argentina's financial statements

During 2018, the economic crisis in Argentina worsened considerably, and this situation has led to a substantial increase in the rate of inflation and has surpassed 100% in the last three years. These events led Argentina to be considered a hyperinflationary economy from the third quarter 2018 onwards, in accordance with accounting standards. As a result, the Group applied IAS 29 "Financial Reporting in Hyperinflationary Economies" to the Group's business in Argentina in the third quarter of 2018 in accordance with accounting standards.

Given Argentina's consideration as a hyperinflationary country, the financial statements are adjusted for inflation (see Note 4.23), the most significant impact being the restatement of non-current assets and liabilities from the date of acquisition, last revaluation or first application of IFRS by the inflation index. The difference between the pre-tax result and the net result corresponds to the recognition of deferred tax (see Note 18) for the adjustments for inflation of net assets that, according to current tax legislation in Argentina, are not tax deductible.

The first application of IAS 29 from 1 January 2018 led to an increase of 46 million euros in consolidated reserves and an increase in the value of minority interests of 7 million euros, recorded mainly under "Property, Plant and Equipment" (an increase of 71 million euros in net book value upon first application, see Note 8) and under deferred tax liabilities (an increase of 18 million euros in the value of liabilities at the time of first application, see Note 19).

Additionally, the Group decided to classify the historical translation differences associated with the devaluation of the currency in Argentina to consolidated reserves. This had a negative effect on the consolidated reserves of 96,862 thousand euros and, therefore, the total effect of hyperinflation at the time of first-time application amounted to lower reserves in fully consolidated companies amounting to 50,724 thousand euros.

After this first application, the impact of the application of IAS 29 during 2018 had a negative net effect on the reserves of consolidated companies amounting to 27 million euros. This is composed of the effect of the devaluation of the currency that compensates for the increase in equity because of the restatement of non-monetary items due to hyperinflation. On the other hand, "Property, plant and equipment" increased by 1.8 million euros (see Note 8), and the deferred tax liability increased by 1.2 million euros (see Note 19) with respect to the first application at 1 January 2018. Also, the net effect in the profit and loss account of the application of IAS 29 is recorded as income of 635 thousand euros, under the heading "Results from exposure to hyperinflation" (IAS 29) in the 2018 consolidated comprehensive profit and loss statement.

The main impacts from applying IAS 29 in 2019 have had a positive effect on equity of 1.9 million euros, an increase in property, plant and equipment of 1.5 million euros, a decrease in deferred tax liabilities of 1.2 million euros (see Note 19) and an expense of 85 thousand euros under the heading "Results from exposure to hyperinflation" (IAS 29) of the consolidated comprehensive profit and loss.

2.5 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.

2.6 Going concern

The application of the new accounting standard IFRS 16 (see Note 2.1.1) has led to, among others, a liability being recognised in the short term corresponding to the current value of the lease payment commitments to be made in the next twelve months that, at 31 December 2019, amounted to 252,970 thousand euros resulting in current liabilities being 93.6 million euros higher than current assets at that date. Given that this effect is caused by a purely accounting (non-financial) approach, this does not prevent the business's normal development.

2.7 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 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:

- The assessment of possible impairment losses on certain assets.
- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce;
- The useful life of the tangible and intangible assets.
- The valuation of consolidation goodwill.
- The market value of specific assets.
- Calculation of provisions and evaluation of contingencies.
- The recoverability of capitalised tax credits.

In spite of the fact that these estimates were carried out using the best information available at 31 December 2019 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.

2.8 Consolidation principles applied

2.8.1 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.

2.8.2 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.

2.8.3 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 was translated at the average exchange rate for the year, except for the companies in Argentina whose economy was declared hyperinflationary in 2018 and therefore, in accordance with IAS 29, their consolidated comprehensive profit and loss statement was translated at the 2019 year-end exchange rate (see Note 4.23).

Any difference resulting from the application these criteria have been included in the "Translation differences" item under the "Equity" heading (except for those arising from the translation of hyperinflationary economies).

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.

2.8.4 Changes in the scope of consolidation

The most significant changes in the scope of consolidation during 2019 and 2018 that affect the comparison between financial years were the following:

a.1 Changes in the scope of consolidation in 2019

a.1.1 Additions to the scope of consolidation

In October, the Group formed the company Anantara The Marker Ltd to acquire the company GCS Hotel Limited, operator of The Marker hotel in Dublin. The acquisition cost was 13,652 thousand euros and the inclusion of these companies has had the following effects on the consolidated balance sheet:

Item	Thousands of euros
Property, plant and equipment (See Note 8)	4,032
Usage Rights (See Note 9)	9,428
Current assets	2,257
Current liabilities	(2,065)
Fair value of the acquired entity's net assets	13,652
Net Consideration	(13,652)

The entry of this company has not had a significant effect on the consolidated comprehensive income statements at 31 December 2019. Likewise, the impact for the full year would not have a significant effect on the consolidated comprehensive income statements at 31 December 2019.

a.1.2 Disposals

In January 2019, the Group sold the 49% shareholding it held in Beijing NH Grand China Hotel Management Co, Ltd. This sale has resulted in a cash inflow of 1.9 million euros and has not had a significant impact on profits for the year (See Note 10).

a.2 Changes in the scope of consolidation in 2018

a.2.1 Additions to the scope of consolidation

During 2018, there were no additions to the scope of consolidation.

a.2.2 Disposals

In the first half of 2018, the Group liquidated Hotel&Congress Technology, S.L. and Hoteleira Brasil LTDA, in which it held 50% and 100% of equity, respectively. The net result of these liquidations produced a consolidated negative result of 40 and 45 thousand euros respectively.

In addition, in May 2018, the company belonging to the consolidated group Fast Good Islas Canarias, S.L. was liquidated. This liquidation had no impact on consolidated profit for the year.

2.8.5 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.

2.8.6 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.- PROPOSED 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):

	2019
To legal reserve	15.894
To distribution of dividends	58.771
To voluntary reserves	84.275
Total	158.940

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.

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 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 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.

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) “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.
- ii) “Computer applications” include the costs incurred by the Group Companies in the acquisition and development of various computer software programmes 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.
- iii) On the other hand, as a consequence of entering into the consolidation of Hoteles Royal, S.A., operating rights of the hotel portfolio for 35 years were recognised within this concept.

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 two cases, 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., where the whole business of Grupo Royal was acquired and whose purchase was effective in 2015, 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 in 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.

Future cash flows are estimated based on the result for the year and the records of at least five previous years. The first projected year corresponds to the budget prepared by Management 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.
- Investments in repositioning the CGUs.

These factors are reflected in the cash flows through the following working hypotheses used to obtain the projections:

- Income from accommodation is projected as the product of the occupancy percentage, the average daily rate (ADR) per room, and the total available rooms 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.

For the calculation of the discount rate the Weighted Average Cost of Capital (WACC) methodology has been applied: Weighted Average Cost of Capital (WACC), as follows:

$$WACC = K_e * E / (E + D) + K_d * (1 - T) * D / (E + D)$$

Where:

K_e : Cost of Equity

K_d : Cost of Financial Debt

E: Own Funds

D: Financial Debt

T: Tax Rate

The Capital Asset Pricing Model (CAPM) is used to estimate the cost of equity (k_e).

The main variables used to calculate the discount rate are as follows:

- Risk-free rate: using the average long-term interest rates of a 10-year bond over the last 12 months for each country, in the local currency.
- Market risk premium: defined as 6.8% (6.6% in 2018), based on market reports.
- Beta or systematic risk: Used as outside sources of information, this information is gathered from independent databases and concerns the ratio between the risk of companies and overall market risk. The re-leveraged beta coefficient has been estimated on the basis of 72% de-leveraged betas (83% in 2018), the debt structure of comparable companies (Debt / (Debt + Equity) of 35% (26% in 2018) and the corresponding tax rate in each country.

- Market value of debt, amounting to 4.58% (4.11% in 2018).
- Premium by size: based on recent expert reports.

The after-tax discount rates used by the Group for these purposes range in Europe from 5.5% to 8.2% (6.2% and 9.0% in 2018) and in Latin America from 9.4% to 14.6% (10.6% and 18.4% in 2018) without taking into account Argentina, whose after-tax discount rate has been calculated taking into account its hyperinflationary economic situation (see Note 4.23) and varies between 47.1% in 2020 and 23.5% in 2024, based on the estimate of inflation. In this regard, the cash flows resulting from the impairment tests were also calculated after tax. In addition, the book value to which the value-in-use is compared does not include any deferred tax liabilities which could be associated with the assets.

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 uniform results with respect to the impairment test if a pre-tax rate were used and, therefore, the impairment and reversion accounting records would be uniform.

Below are the pre-tax discount rates of the major countries:

	Discount rate before taxes:			
	Germany	Netherlands	Italy	Spain
2019	8.8%	7.4%	12.7%	9,3%
2018	7.8%	8.2%	10.2%	11,0%

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:

	2019	2018	2019	2018	2019	2018	2019	2018
	Germany		Netherlands		Italy		Spain	
Post-tax WACC	5.47%	6.22%	6.01%	6.93%	8.21%	8.42%	6.88%	8.15%
Growth rate	2.13%	2.56%	2.01%	2.14%	1.50%	1.71%	1.77%	1.90%
Average ADR	96.8	80.9	66.0	73.9	97.5	110.9	91.6	88.9
Occupancy rate	71.5%	70.1%	54.1%	61.8%	60.9%	72.8%	74.6%	72.7%

"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.

Additionally, the Group has analysed the potential impairment in ROU without having identified an impairment to record for this item.

4.5 Leases

Until financial year 2018, leases of fixed assets were classified as financial or operating leases. Since 1 January 2019, leases have been recognised as a right-of-use asset and the corresponding liability on the date the leased asset is available for use by the group (See Note 2.1.1).

Assets and liabilities arising from a lease are initially valued based on their present value. Leasing liabilities include the net present value of the following leasing payments:

- Fixed payments (including fixed payments in essence), less any lease incentive collectable.
- Variable payments for leases that reply on an index or rate, initially valued according to the index or rate on the start date.
- Amounts expected to be paid by the group for residual value guarantees.
- The price to exercise a purchase option if the group is reasonably certain that it will exercise that option.
- Penalty payments terminating the lease if the term of the lease reflects the group exercising that option.

In order to determine the term of the lease contracts, the Group has taken as non-cancellable the initial term of each contract, taking the possible unilateral extensions at the option of the Group only in those cases in which it has been reasonably considered certain that they will be exercised, and only the cancellation options whose exercise has been reasonably considered certain have been taken into account.

Contracts may contain leasing and non-leasing components. The Group assigns the consideration in the contract to the leasing and non-leasing components based on their relative independent prices. For real estate leases in which the Group cannot separate the leasing and non-leasing components, it accounts for them as a single leasing component.

Leasing payments are discounted using the implicit interest rate in the lease. If this rate cannot be easily determined, which is generally the case for the group's leases, the incremental interest rate is used. The incremental interest rate is the interest rate that the lessee would incur at the commencement of the lease if it borrowed, over a period of time, with similar guarantees and in a similar economic environment. The interest was calculated as a combination of the following elements:

- CDS curve of the economic environment
- Euribor Swap Rate Curve.
- Synthetic NH CDS curve.

These elements were combined to obtain an interest rate curve for each contract based on its geoeconomic specificities and from which the calculation process consists of bringing each of the discounted flows to the present value at the interest rate corresponding to each maturity within said curve and calculating which single equivalent rate would be used to discount said flows.

Potential future increases in variable payments for leases based on an index or rate are not included in leasing liabilities until they take effect. When the adjustments to the leasing payments based on an index or rate take effect, the leasing liability is assessed again and set against the asset for right of use.

Leasing payments are allocated between principal and financial cost. The financial cost is charged to profit/(loss) during the leasing period in a manner that creates a periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets are valued at cost that comprises the following:

- The initial valuation amount of the leasing liability.
- Any leasing payment made on or before the state date, less any incentive to lease received.
- Any initial indirect cost.
- Restoration costs.
- Incentives to lease received from the lessor.
- Provision on onerous contracts

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:

- Financial assets at fair value through profit or loss are those assets acquired by the companies with the objective of obtaining the contractual flows and selling them; or those assets that do not consist exclusively of the payment of the principal and interest and the management model is the sale of the same, in general terms, practically all of the variation in the fair value of the Group's financial assets are recorded with a charge to the consolidated statement of changes in equity. Interest income, exchange rate differences and impairment losses are recognised in the income statement and other gains or losses are recognised in "Other comprehensive profit and loss" in equity. Any cumulative gain or loss recognised in equity is reclassified to profit or loss at the time of derecognition.
- Financial assets at amortised cost: assets whose contractual cash flows consist exclusively of principal and interest payments and, if the management model of such assets is to hold them to obtain the contractual flows. In this case, the Group records any changes in value with a charge to the consolidated comprehensive profit and loss statement.

Transaction costs at the time of acquisition are recognised as an increase in acquisition cost or as an expense, depending on whether the financial asset being transacted is considered at fair value through profit or loss.

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.

Interest accrued on financial assets at amortised cost is recognised in the consolidated comprehensive profit and loss statement on the basis of the 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 based on expected loss.

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 according to the expected loss based on the credit risk of the customer portfolio.

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, while those with a maturity date of less than twelve months are included in current liabilities.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

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.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

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 their adjustment is recognised as a lower or higher cost in the initial recognition of the item.

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).

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 the lower of their historic cost or their 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 Shareholdings in associated companies

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 reasonable 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 control of goods and services they represent has been transferred, 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.

Sale of rooms and other related services

Income from the sale of rooms and other related services is recognised daily based on the services provided by each hotel, including customers who are still staying at the hotel at the close of each day.

The consideration received is distributed among the contracted services. These include direct services such as room, food, drink and other consumption, and others related to banquets, events and the rental of spaces.

Provision of services

The Group recognizes the income from its hotel management contracts in the year in which the services are provided, based on the evolution of the variables that determines this income and which are mainly the total income and the gross operating profit of each hotel managed by the Group.

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 Corporation tax

The cost of the year's corporation 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 18).

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.

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 re-estimated 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 Severance pay

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 3,119 thousand euros for this item in 2019 (5,751 thousand euros in 2018).

The consolidated balance sheet at 31 December 2019 includes, pursuant to IFRS (IAS 37), a provision of 841 thousand euros for this item (1,059 thousand euros at 31 December 2018).

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 the consolidated comprehensive profit and loss statements 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.

4.23 Treatment of companies in hyperinflationary economies

In 2018, Argentina was declared a hyperinflationary economy due, among other causes, to the fact that the accumulated inflation rate of its economy exceeded 100% over a continuous period of three years.

As a result, the Group began to apply IAS 29 to the financial statements of Argentine companies with retroactive effect from 1 January 2018. The application of this standard entails the following exceptions to what is stated above in the rest of the valuation standards:

- Adjusting the historical cost of non-monetary assets and liabilities and the different equity items from the acquisition date or inclusion on the consolidated balance sheet until year-end to reflect the changes in currency's purchasing power resulting from the inflation.
- Reflecting the loss or gain corresponding to the impact of inflation for the year on the net monetary position in the profit and loss account.
- Adjusting the various items of the profit and loss account and the cash flow statement for the inflationary index since its generation, with a counterpart in financial results and in a reconciliation item on the cash flow statement, respectively.
- Converting all components of the financial statements of Argentine companies at the closing exchange rate; the exchange rate at 31 December 2019 was 67.20 pesos per euro.
- The figures from the years prior to 2018 should not be amended.

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:

	31.12.2019	31.12.2018
Net profit for the year (thousands of euros)	89,964	101,573
Weighted average number of shares in circulation (in thousands)	391,754	369,873
Basic earnings per share in euros	0.230	0.275

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):

	2019	2018
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	75,212	77,933
Hoteles Royal, S.A.	27,607	27,607
Others	3,758	3,892
	106,577	109,432

The movements in this heading of the consolidated balance sheet in 2019 and 2018 were as follows (in thousands of euros):

Company	Goodwill at 31/12/2018	Conversion differences	Impairment	Goodwill at 31/12/2019
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	77,933	-	(2,721)	75,212
Hoteles Royal, S.A.	27,607	-	-	27,607
Others	3,892	(134)	-	3,758
Total	109,432	(134)	(2,721)	106,577

Company	Goodwill at 31/12/2017	Conversion differences	Impairment	Goodwill at 31/12/2018
NH Hoteles Deutschland GmbH and NH Hoteles Austria, GmbH)	79,181	-	(1,248)	77,933
Hoteles Royal, S.A.	28,629	(1,022)	-	27,607
Others	3,874	18	-	3,892
Total	111,684	(1,004)	(1,248)	109,432

Details of the cash-generating units to which such goodwill arising on consolidation has been allocated is shown below:

	Thousands of euros	
	2019	2018
Hoteles Royal, S.A. CGUs	27,607	27,607
CGU 6	15,113	15,113
CGU 21	9,929	9,929
CGU 22	7,711	7,711
CGU 12	7,042	7,042
CGU 5	6,107	6,107
CGU 13	5,624	5,624
CGU 2	5,023	5,023
CGUs with goodwill allocated individually < €4 M	22,421	25,276
	106,577	109,432

At 31 December 2019, Goodwill was subject to an impairment test which showed impairment of 2,721 thousand euros for certain CGUs with individually assigned goodwill of less than 4 million euros. This impairment arises

from their worsening expectations of future cash flows mainly due to the opening of competitor hotels or the loss of a major customer.

The basic assumptions used to estimate future cash flows of the CGUs mentioned above are detailed below:

- After-tax discount rate: 5.47% and 6.44% (6.22% and 7.86% respectively in 2018) for CGUs subject to the same risks (German and Austrian market); and for Grupo Royal CGUs, rates of 12.86% (Colombian and Ecuadorian markets) and 9.39% (Chilean market) (14.64% and 10.56% respectively in 2018).
- Terminal value growth rate (g): 2.13% and 2.00% (2.01% and 2.56% in 2018) for Germany and Austria and 1.10%, 3% and 3.04% (1.22%, 3% and 3.04% in 2018) for Grupo Royal CGUs (Ecuador, Chile and Colombia).
- 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)	5.47% - 6.14%	6.47% - 7.14%	4.47% - 5.14%
Growth rate	2.13% - 2.00%	1.13% - 1.00%	3.13% - 3.00%
Occupancy rate	79.61%	78.81%	80.41%
ADR (euros)	131.00	129.69	132.31

Hoteles Royal, S.A.			
	Average values		
	Impairment test	Scenario 1	Scenario 2
Discount rate (after tax)	12.93% - 9.39%	13.93% - 10.39%	11.93% - 8.39%
Growth rate	2.07% - 3.00%	1.07% - 2.00%	3.07% - 4.00%
Occupancy rate	69.00%	68.31%	69.69%
ADR (thousands of COPs)	290.81	287.9	293.72

"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.

Scenario 1 is a negative one where the discount rate is raised 1 b.p. above the rate used in the test and a growth rate lower by 1 b.p., i.e. with minimum growth, and falls in occupancy and ADR of 1% which would lead to an additional impairment to that registered in 2019 for an amount of 0.8 million euros with respect to the goodwill of NH Hotels Deutschland, GmbH and NH Hoteles Austria, GmbH, and 10.5 million euros with respect to the goodwill of Hoteles Royal, S.A.

In the case of scenario 2, an impairment had been recorded for 0.79 thousand euros less than that recorded at 31 December 2018 with respect to the goodwill of NH Hotels Deutschland, GmbH and NH Hoteles Austria, GmbH, and no impairment in regard to the goodwill of Hoteles Royal, S.A. was registered.

7.- INTANGIBLE ASSETS

The breakdown and movements under this heading during 2019 and 2018 were as follows (in thousands of euros):

	Balance at 31/12/2017	Conversion differences	Inclusions/ Allowances	Retirem ents	Transfers to other items	Application of IAS 29	Balance at 31/12/2018	Exchan difference adjustm for hyperinfl
COST								
Hotel operating rights	69,222	(1,024)	973	(259)	-	-	68,912	
Concessions, patents and trademarks	38,005	(187)	172	(68)	7	18	37,947	
Software applications	64,328	13	12,385	(922)	669	99	76,572	
Other rights	94,898	-	-	(38,612)	(9,283)	-	47,003	-
	266,453	(1,198)	13,530	(39,861)	(8,607)	117	230,434	
CUMULATIVE AMORTISATION								
Hotel operating rights	(28,373)	883	(3,401)	250	-	-	(30,641)	
Concessions, patents and trademarks	(21,674)	347	(1,433)	54	-	(16)	(22,722)	
Software applications	(30,336)	3	(13,900)	830	(48)	(99)	(43,550)	
Other rights	(22,493)	-	(5,193)	8,248	7,051	-	(12,387)	-
	(102,876)	1,233	(23,927)	9,382	7,003	(115)	(109,300)	
Impairment	(12,494)	(7)	(1,079)	712	2,303	-	(10,565)	-
NET BOOK VALUE	151,083						110,569	

7.1 Hotel operating rights

The main movement in 2019 corresponds to the classification of various assets related to lease contracts which, at 1 January 2019, are considered as the higher value of the right-of-use assets in accordance with the application of IFRS 16 (See note 9).

7.2 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.

7.3 Other rights

The main movement in 2019 corresponds to the classification of various assets related to lease contracts which, at 1 January 2019, are considered as the higher value of the right-of-use assets in accordance with the application of IFRS 16 (See note 9).

As a result of the change of control of the NH Group (see Note 14.1) on 30 November 2018, the effective termination of all the management contracts defined in the framework contract entered into in 2017 with Grupo Inversor Hesperia, S.A. ("GIHSA") was formalised, the latter being a former shareholder of the NH Group, for the management of 28 hotels for a period of nine years, which until then had been managed by the NH Group as this contract included an early termination clause in the event of a change of control of the NH Group.

As a result of this termination, the Group has de-recognised the net book value of the activated management contracts amounting to 30.4 million euros. In the same way, a revenue of 33 million euros has been recorded corresponding to the "Net Price Refund Amount" defined in the framework contract, which includes the receipt of an advance indemnity revenue amounting to 20 million euros, the settlement of the pending payment by NH related to the premiums for contracts amounting to 11,560 thousand euros, which was recognised under "Other Financial Liabilities" in the consolidated balance sheet at 31 December 2017, and the sale of the Hesperia brand, the net book value of which amounted to 45 thousand euros, for an amount of 1.4 million euros. The net effect of 2.6 million euros of revenue arising from the early cancellation of the contract entered into with GIHSA, before its tax impact, is recognised under "Net result on disposal of assets" of the 2019 consolidated comprehensive profit and loss statement.

During 2018, reversals of 436 thousand euros and transfers of 182 thousand euros were recognised under "Net Profits/(Losses) from asset impairment" of the consolidated comprehensive profit and loss statement (See note 8).

8.- PROPERTY, PLANT & EQUIPMENT

The breakdown and movements under this heading during 2019 and 2018 were as follows (in thousands of euros):

	Balance at 31/12/2017	Conversion differences	Inclusions	Retirements	Transfers to other items	Application of IAS 29 (see Note 4.23) *	Balance at 31/12/2018	Change in consolidation boundary (see Note 2.8.4)	Exchange differences and adjustments for Hyperinflation*
COST									
Land and buildings	1,601,557	(30,164)	26,089	(25,210)	(4,820)	73,794	1,641,246	-	(2,058)
Plant and machinery	791,302	(2,289)	38,333	(77,742)	10,623	33,220	793,447	9,901	(979)
Other plant, fixtures and furniture	440,680	(1,148)	25,969	(32,606)	2,484	9,770	445,149	5,462	219
Other fixed assets	(529)	(21)	-	-	(3)	51	(502)	-	(19)
Property, plant and equipment in progress	27,452	679	46,625	(3,167)	(21,526)	493	50,556	-	560
	2,860,462	(32,943)	137,016	(138,725)	(13,242)	117,328	2,929,896	15,363	(2,277)
ACCUMULATED AMORTISATION									
Buildings	(342,842)	1,516	(24,412)	19,051	689	(14,609)	(360,607)	-	1,431
Plant and machinery	(545,332)	1,271	(39,091)	67,098	(923)	(21,165)	(538,142)	(7,059)	706
Other plant, fixtures and furniture	(342,127)	1,579	(28,790)	30,500	215	(8,936)	(347,559)	(4,272)	244
Other fixed assets	10	22	(81)	-	-	(123)	(172)	-	119
	(1,230,291)	4,388	(92,374)	116,649	(19)	(44,833)	(1,246,480)	(11,331)	2,500
Impairment	(47,007)	(2)	(10,034)	11,345	-	-	(45,698)	-	2
NET BOOK VALUE	1,583,164						1,637,718		

*Includes the net impact of the application of the criteria for hyperinflationary economies (Argentina).

The main additions and reductions in 2019 are due to the repositioning plan carried out by the Group, with refurbishments in all Business Units. Of note are the works of the NH Luz de Huelva and NH Malaga in Spain, the renovation of the NH Palermo and NH Ambassador in Italy, the works of the NH Vienna Airport and the NH Hamburg Altona and the new opening of the NH Leipzig Zentrum in Central Europe, the works of the NH Conference Centre Leeuwenhorst and the NH Collection Flower Market in Benelux. Finally, in New York, refurbishment of the NH New York Jolly Madison Towers.

The effect on the profit and loss account of assets de-recognised, replaced or disposed of to third parties outside the Group was an expense of 4,627 thousand euros, recognised under "Gain/(loss) on the disposal of non-current assets" in the 2019 consolidated comprehensive profit and loss statement.

The net additions in the year in the column "Changes in the scope of consolidation" come from the purchase of the company Anantara The Marker Ltd (see Note 2.8.4).

The net effect from applying IAS 29 in 2019 was the 1.5 million euro increase in assets recorded in the "Exchange differences and adjustments for hyperinflation" column. In 2018, the first year of application, the impact was as follows (See Note 2.4):

	IMPACT IAS 29 (millions of euros)		
	First application	Movements	Closing balance
Net Book Value	71	2	73

In 2019, an impairment amounting to 4,289 thousand euros has been recognised for certain assets; this impairment mainly corresponds to real estate and is a result of the worsening of future expectations of cash flows for different reasons, including the opening of competitors' hotels or the loss of an important customer (10,034 thousand euros in 2018). On the other hand, there was a reversal of 9,288 thousand euros resulting from the improvement in future cash flows expectations of some hotels. The net effect recorded under the heading "Profits/(Net losses) due to impairment of assets" on the consolidated comprehensive profit and loss statement for 2019, has been an income of 4,999 thousand euros.

The breakdown of impairment by country is as follows (in thousands of euros):

	2019	2018
Spain	5,760	8,246
Italy	21,745	26,898
Germany	1,956	952
Benelux	9,306	9,376
Latin America	1,740	-
Others	168	226
Total impairment	40,675	45,698

At 31 December 2019, there were tangible fixed asset elements with a net book value of 232 million euros (237 million euros in 2018) to guarantee several mortgage loans and secured senior bonds maturing 2023 (see Note 16).

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.

At 31 December 2019, firm purchase undertakings amounted to 37.8 million euros. These investments will be made between 2010 and 2021 (66.7 million euros in 2018).

The recoverable amount of the CGUs subject to impairment or reversal (not the entire portfolio of the Group) is as follows:

Million euros	2019
	Recoverable amount
CGU A	27.5
CGU B	22
CGU C	16.5
CGU D	11.5
CGU E	9.4
CGU F	7.7
CGU G	7.4
CGU H	7.1
CGU I	5.9
CGU J	5.6
Top Ten	120.6
Spain	10
Italy	5.5
Benelux	8.7
Germany	(0.3)
LatAm	5.2
Other Countries	8.7
Other CGUs	37.8
	158.4

9. LEASES

IFRS 16 became effective on 1 January 2019, replacing IAS 17, IFRIC 4, SIC-15 and SIC-17 and establishing the principles for recognising, measuring, presenting and the breakdown leases. In this regard, information on leases where the NH Group is a lessee is presented below.

The amounts recorded on the consolidated balances sheets relating to leases at 1 January and 31 December 2019 are as follows:

	Thousands of euros	
	Year-end	First application
Right-of-use assets	1,701,499	1,747,323
Real estate	1,671,397	1,725,370
Operating rights	16,847	9,324
Contract premiums	13,255	12,629
Leasing liabilities	2,067,369	2,099,210
Non Current	1,814,399	1,839,135
Current	252,970	260,075

The “Contract premiums” and “Operating rights” headings are intangible assets related to lease contracts that were recorded as such in 2018 and that, with the application of IFRS 16, were reclassified at 1 January 2019 to right-of-use assets.

Additions to right-of-use assets during 2019 amounted to 131,428 thousand euros, offset by the amortisation expense recorded for the year amounting to 181,079 thousand euros.

The main recognitions for the year are due to the incorporation of several hotels on a lease basis. Of note is the incorporation of the Anantara Villa Padierna and the NH Collection Finisterre in Spain; NH Collection Fori Imperiali in Italy; and NH Collection Antwerp Centre in Belgium.

Likewise, among the additions for the year is the acquisition of GCS Hotel Limited operating the Anantara The Marker hotel in Dublin under lease and whose first consolidation difference was assigned to the lease contract of said property recording it as a right-of-use asset under the heading “Operating rights” for an amount of 9,428 thousand euros (See Note 2.8.4).

The movement in both right-of-use assets and leasing liabilities is mainly non-cash given that the asset is modified based on the variations produced in the liability, either due to changes in the contract’s payment structure or by the update in accordance with revenues benchmarks.

The main impacts on the statement on the consolidated comprehensive profit and loss statement related to the application of IFRS 16 are a higher financial expense of 89,620 thousand euros, a net gain of the disposal of non-current assets of 1,044 thousand euros, due mainly to cancellations of contracts that had no cash impact and net gains on asset impairment of 2,175 thousand euros.

The amounts recorded as right-of-use assets correspond to properties where the NH Group is a lessee for its operation as a hotel.

Short-term leases and low-value leases are recognised as an expense in the consolidated profit and loss account on a straight line basis. A short-term lease contract is one where the period is less than or equal to 12 months. A “low value contract” is one whose underlying asset assigned in use would have a new value of under 5,000 euros.

10.- INVESTMENTS VALUED USING THE EQUITY METHOD

The movements under this heading of the consolidated balance sheet during 2019 and 2018 were as follows (in thousands of euros):

Company	Net Balance at 31/12/2018	Profit (Loss) 2019	Currency translation difference	Changes in the scope of consolidation and additions	Net Balance at 31/12/2019
Inmobiliaria 3 Poniente, S.A. de C.V.	1,813	(195)	105	-	1,723
Mil Novecientos Doce, S.A. de C.V.	2,042	185	123	-	2,350
Consorcio Grupo Hotelero T2, S.A. de C.V.	1,361	111	83	-	1,555
Hotelera del Mar, S.A.	720	(7)	247	-	960
Borokay Beach, S.L.	1,001	(72)	-	-	929
Beijing NH Grand China Hotel Management Co, Ltd	2,034	-	156	(2,190)	-
Total	8,971	22	714	(2,190)	7,517

Company	Net Balance at 31/12/2017	Profit (Loss) 2018	Currency translation difference	Changes in the scope of consolidation and additions	Net Balance at 31/12/2018
Inmobiliaria 3 Poniente, S.A. de C.V.	1,860	(206)	159	-	1,813
Mil Novecientos Doce, S.A. de C.V.	1,780	170	92	-	2,042
Consorcio Grupo Hotelero T2, S.A. de C.V.	1,116	185	60	-	1,361
Hotelera del Mar, S.A.	1,158	(200)	(238)	-	720
Borokay Beach, S.L.	1,365	(364)	-	-	1,001
Beijing NH Grand China Hotel Management Co, Ltd	2,136	(84)	(18)	-	2,034
Hotel & Congress Technology, S.L.	4	-	-	(4)	-
Total	9,419	(499)	55	(4)	8,971

In January 2019, the Group sold its 49% shareholding in Beijing NH Grand China Hotel Management Co., Ltd. (see Note 2.7.4).

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.

The balance sheet of these companies accounted for using the equity method at year-end is as follows (in thousands of euros):

Company	Current Assets	Non- Current Assets	Current Liabilities	Non-Current Liabilities	Income	Net Profit (Loss)
Inmobiliaria 3 Poniente, S.A. de C.V.	7,038	55	(729)	(6,364)	-	(718)
Mil Novecientos Doce, S.A. de C.V.	9,283	-	-	(9,283)	739	739
Consorcio Grupo Hotelero T2, S.A. de C.V.	15,544	-	-	(15,544)	1,108	1,108
Hotelera del Mar, S.A.	940	3,729	(673)	(3,997)	-	(35)
Borokay Beach, S.L.	960	1,104	(91)	(1,973)	-	(144)

11. NON-CURRENT FINANCIAL INVESTMENTS

11.1 Loans and accounts receivable not available for trading

The breakdown of this item at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Subordinated loans to companies owning hotels operated by the Group through leases	20,505	21,487
Other collection rights	-	3,039
Lease advance payments	-	3,005
Loans to associates (Note 26)	143	-
Long-term deposits and sureties	12,703	13,165
Others	1,976	1,902
Total	35,327	42,598

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, 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 aforementioned subordinated loans accrue interest at a fixed rate of 3% per annum.
- 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.

At year-end 2018, “Other collection rights” included the claim for the sale of fifteen commercial premises. During 2019, an agreement was reached to deliver the aforementioned premises by cancelling the recorded accounts receivable and incorporating these premises in the “Investment Property” line.

The “Lease advance payments” item includes the 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. Resulting from the application of the new lease standard IFRS 16, there is no concept of linearisation (See Note 2.1.1).

11.2 Other non-current financial investments

This heading of the consolidated balance sheet comprised, at 31 December 2019 and 2018, the following equity interests, valued at cost:

	Thousands of euros	
	2019	2018
Varallo Comercial, S.A.	-	9,343
NH Panamá	3,767	3,767
Other investments	498	1,464
Provisions	(2,190)	(3,046)
Total	2,075	11,528

In December 2019, the Group sold its 9.87% shareholding in Varallo Comercial, S.A. and its 13.6% shareholding in Adquisiciones e Inversiones Europeo, S.L. The result of the operation was a consolidated gain of 8,525 thousand euros recorded under “Gains on financial and other operations”. At year-end 2019, the Group had an account receivable under “Other non-trade debtors” for 17,017 thousand euros related to said sale. This amount has been collected in full the 2nd of January 2020.

In regard to the fair value of financial assets, it does not differ significantly from its book value.

12.- 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 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.

Specifically, the shareholdings in Sotocaribe, S.L and Capredo Investments GmbH are classified as discontinued operations; these companies represented the entirety of the Group’s property activity. Sotocaribe, S.L. was consolidated by the equity method, while Capredo Investments, GmbH was consolidated by the global method.

Additionally, in 2018, the land and property in which the NH Málaga II hotel is located, the sale of which was formalised in February this year, was recognised as available for sale. This transaction represented an asset de-recognition of 12,758 thousand euros and a positive pre-tax result of 2,874 thousand euros recorded under "Net result on disposal of assets".

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 2019 and 2018 is shown below (in thousands of euros):

	31.12.2018	Net Variation	Impairment	31.12.2019
Property, plant and equipment	22,594	(12,099)	-	10,495
Financial assets	33,322	7,424	(3,481)	37,265
<i>Investments accounted for using the equity method</i>	33,322	7,424	(3,481)	37,265
Cash	9	8	-	17
Other current assets	49	(15)	-	34
Non-current assets classified as held for sale	55,974	(4,682)	(3,481)	47,811
Other non-current liabilities	528	36	-	564
Trade payables	363	76	-	439
Other current liabilities	1,565	16	-	1,581
Liabilities associated with assets classified as held for sale	2,456	128	-	2,584

As a result from the analysis of fair value of the company consolidated through the equity method it has been registered an impairment amounting to 3,481 thousand euros, this impact has been recorded under "Impairment on financial investments" of the consolidated comprehensive profit and loss statement.. As a consequence of this, the account receivables with this company has been impaired at the end of the year (See Note 26).

	31.12.2017	Net Variation	Transfers (see Note 8)	31.12.2018
Property, plant and equipment	75,560	(65,528)	12,562	22,594
Financial assets	33,556	(234)	-	33,322
<i>Investments accounted for using the equity method</i>	33,556	(234)	-	33,322
Cash	2	7	-	9
Other current assets	48	1	-	49
Non-current assets classified as held for sale	109,166	(65,754)	12,562	55,974
Other non-current liabilities	615	(87)	-	528
Trade payables	376	(13)	-	363
Other current liabilities	1,386	179	-	1,565
Liabilities associated with assets classified as held for sale	2,377	79	-	2,456

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.	Total
2019			
Profit (loss) before tax	50	-	50
Profit (loss) for the year from discontinued operations net of tax	50	-	50
2018			
Profit (loss) before tax	(46)	(522)	(568)
Profit (loss) for the year from discontinued operations net of tax	(46)	(522)	(568)

Capredo Investment GmbH has no activity and the pre-tax profit is mainly the exchange differences caused by the loans that said company has with third parties.

Consolidated cash flow statements

The consolidated cash flow statements for the fully consolidated companies in 2019 and 2018 are detailed below (in thousands of euros):

	Capredo Investments, GmbH
2019	
Total net cash flow from operating activities I	8
Total net cash flow from investment activities II	-
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)	-
Cash and cash equivalents at the start of the financial year	9
Cash and cash equivalents at end of year	17

	Capredo Investments, GmbH
2018	
Total net cash flow from operating activities I	7
Total net cash flow from investment activities II	-
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)	-
Cash and cash equivalents at the start of the financial year	2
Cash and cash equivalents at end of year	9

13.- TRADE RECEIVABLES

This item reflects different accounts receivable from the Group's operations. The breakdown at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Trade receivables for services provided	111,633	113,143
Provision for bad debts	(5,137)	(6,542)
Total	106,496	106,601

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 2019 and 2018 were as follows:

	Thousands of euros	
	2019	2018
Balance at 1 January	6,542	9,156
Conversion differences	5	(226)
Additions	3,665	7,496
Applications	(5,075)	(9,884)
Balance at 31 December	5,137	6,542

The analysis of the ageing of financial assets in arrears but not considered impaired at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Less than 30 days	24,622	22,616
From 31 to 60 days	6,596	12,720
More than 60 days	10,840	20,756
Total	42,058	56,092

In this regard, the provisions recorded take into account all the expected losses on the balances of trade receivables on the balance sheet.

14.- CASH AND CASH EQUIVALENTS

"Cash and Cash Equivalents" largely includes the Company's cash position and bank deposits maturing in three months or less. These assets are recognised at their fair value.

There are no restrictions on the availability of cash, except for 2,841 thousand euros reserved in accordance with a firm commitment with the co-owners of Hoteles Royal (2,207 thousand euros in 2018) for future investments in the hotels.

As at 31 December 2019, 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 other than the legally established regulations on the distribution of dividends.

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

NH Hotel Group, S.A. share capital at 31 December 2019 comprised 392,180,243 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 2019 and 31 December 2018 were as follows:

	31/12/2019	31/12/2018
Minor International Public Company Limited ("MINT") ⁽¹⁾	94.13%	94.13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, shares representing 94.13% of the share capital of NH Hotel Group, S.A.

(1) MINT is the indirect shareholder through MHG Continental Holding (Singapore) Pte Ltd.

15.2 Dividends

The General Shareholders' Meeting on 13 May 2019 approved, among other items, the proposed distribution of dividends. It therefore decided to draw from the profits of the year ended 31 December 2018 and distribute a dividend of 15 euro cents gross per share in the parent company NH Hotel Group, S.A. with the right to receive it, outstanding on the date of the payment; all according to the following schedule:

- Last date of trading with dividend: 11 June 2019
- Ex-dividend date: 12 June 2019
- Registration date: 13 June 2019
- Payment date: 14 June 2019 for 53 million euros and 3 July for 5.2 million euros.

This dividend was distributed through the companies with shares in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR), with powers granted for this purpose to the Board of Directors, with express powers of substitution, so that after checking for compliance with obligations under the finance contracts of NH HOTEL GROUP, S.A., the Board will designate an entity to act as paying agent and will perform the other necessary or advisable actions for a satisfactory distribution. The total amount distributed as dividends was 58.771 million euros.

15.3 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.

At 31 December 2019 and 2018, the parent company's legal reserve was not fully constituted.

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.

15.4 Treasury shares

At 31 December 2019, the Group had 374,464 own shares, compared to 600,000 own shares at 31 December 2018. The reduction in treasury shares over the period can be explained by the following movement:

- In the first half of 2019, the third cycle of the long-term incentive plan was settled (see Note 14). This second cycle was settled by the delivery of 226,067 shares valued at 1,670 thousand euros.
- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract is 82,645 shares and the amount allocated to the cash account is 400,000 euros. At 31 December 2019, the number of shares assigned to the liquidity contract was 83,176 shares. The negative effect recorded in reserves for operations carried out in the first half of the year was 87 thousand euros.

15.5 Minority interests

The movements in this item in 2019 and 2018 are summarised below:

	Thousands of euros	
	2019	2018
Opening balance	52,351	43,472
Application of IAS 29	777	9,722
Application of IFRS 16	(1,098)	-
Comprehensive profit (loss) attributable to non-controlling interests	4,192	1,532
Changes in percentage shareholdings and purchase/sales	-	(2,146)
Dividends paid to non-controlling interests	(2,720)	(729)
Other movements	3,737	500
Closing balance	57,239	52,351

The 2019 "Dividends paid to non-controlling interests" item reflects the dividends paid out to the following companies: NH Marín, S.A., for 600 thousand euros, NH Las Palmas, S.A. for 621 thousand euros and various companies in Latin America for 1,499 thousand euros.

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 2019 and 2018 were as follows:

	Thousands of euros			
	2019		2018	
	Long-term	Short-term	Long-term	Short-term
Secured senior bonds maturing in 2023	356,850	-	356,850	-
Borrowing costs	-	3,308	-	3,308
Arrangement expenses	(6,882)	(1,910)	(8,792)	(2,120)
Effect of renegotiation of debt IFRS 9	(4,316)	(1,257)	(5,573)	(1,115)
Debt instruments and other marketable securities	345,652	141	342,485	73
Mortgages	25,300	2,544	28,950	2,736
Unsecured loans	42,445	806	5,759	2,271
Subordinated loans	40,000	-	40,000	-
Credit lines	-	-	-	8
Arrangement expenses	(1,050)	(786)	(1,835)	(769)
Effect of renegotiation of debt IFRS 9	-	-	(1,401)	(148)
Borrowing costs	-	547	-	783
Bank borrowings	106,695	3,111	71,473	4,881
Total	452,347	3,252	413,958	4,954

The effect of debt movement on the Group's cash flows as reflected in the cash flow statement is affected by non-cash movements generated by exchange rate differences as the group has debts in currencies other than the euro.

Secured senior bonds maturing in 2023

On 23 September 2016 the Parent Company placed guaranteed senior bonds, which mature in 2023, at the nominal value of 285 million euros. The nominal yearly interest rate for said issuance of notes is 3.75%. On 4 April 2017, the parent company issued an extension of guaranteed senior bonds maturing in 2023 for a nominal amount of 115 million euros with an implicit cost until maturity of 3.17%. The outstanding nominal amount at 31 December 2019 is 356,850 thousand euros (see the heading "Depreciation and Amortisation 2018").

Depreciation and Amortisation 2018

As a result of the change of control (see Note 15) and as established in the voluntary repurchase and early redemption offer of the senior secured bond issue maturing in 2023 (the "Bonds") due to the change of control, requests were received for the repurchase and redemption of bonds for a nominal amount of 3,150 thousand euros.

The bond repurchase offer was settled on 12 November 2018, the date on which the Company paid an aggregate amount of 3,195 thousand euros to the bondholders, who accepted the offer as a whole:

- Nominal paid in advance: 3.15 million euros
- Unpaid accrued interest: 13.5 thousand euros
- Amount of the repurchase premium: 31.5 thousand euros

On 14 December 2018, the Company carried out the partial voluntary early redemption, for a nominal amount of 40,000 thousand euros (representing 10% of its original total amount), of the senior secured bond issue maturing in 2023 (the "Bonds"), by means of a linear pro rata reduction of the nominal value of all the bonds in circulation. The Bonds were redeemed early through the payment of approximately 103.760% of the nominal value of the Bonds being redeemed, including:

- Nominal paid in advance: 40 million euros
- Unpaid accrued interest: 304.2 thousand euros
- Amount of the repurchase premium: 1.20 million euros

The Company paid the partial redemptions from available cash.

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 euros ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior notes maturing in 2019. As a consequence of the refinancing and early payments of the guaranteed senior notes maturing in 2019 which took place in 2017, the maturity date of said financing was extended to 29 September 2021. At 31 December 2019, this financing was not available.

Obligations required in the guaranteed senior note indentures maturing in 2023 and in the syndicated credit line

The senior notes 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 prospectus for the aforementioned notes, 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 $\geq 2.00x$, (ii) a debt coverage ratio of $\leq 5.50x$, and (iii) a Loan to Value ("LTV") ratio which, as a result of the redemption of the 2019 senior secured obligations due in 2017, depends on the level of NH's indebtedness at any given time as indicated below:

- Net debt-to-income ratio $> 4.00x$: LTV ratio = 70%
- Net debt-to-income ratios $\leq 4.00x$: LTV ratio = 85%
- Net debt-to-income ratio $\leq 3.50x$: LTV ratio = 100%

As a result of the early redemption of the convertible bonds and of the Group's reduced net debt-to-income ratio, the maximum LTV permitted at 31 December 2019 is 100%.

At 31 December 2019 these ratios were completely adhered to.

Package of guaranteed senior notes maturing in 2023 and syndicated credit line

The guaranteed senior notes maturing in 2023 and syndicated credit line (undrawn at 31 December 2019) share the following guarantees: (i) pledge of shares: 100% of the share capital of (A) Diegem, (B) Immo Hotel Brugge NV, (C) Immo Hotel Diegem NV, (D) Immo Hotel GP NV, (E) Immo Hotel Mechelen NV, (F) Immo Hotel Stephanie NV, (G) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V. and (H) 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 Capelle, owned by Onroerend

Goed Beheer Maatschappij Capelle aan den IJssel, 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.

The net book value of the assets granted as mortgage security against the syndicated credit line of 250,000 thousand euros (undrawn at 31 December 2019) and guaranteed senior notes in the amount of 356,850 thousand euros, maturing in 2023, can be broken down as follows (in thousands of euros):

	Mortgaged asset	Net book value of the mortgaged asset
	NH Conference Centre Leeuwenhorst	57,229
	NH Conference Centre Koningshof	43,351
	NH Schiphol Airport	43,850
	NH Conference Centre Sparrenhorst	9,285
	NH Zoetermeer	7,494
	NH Naarden	11,016
	NH Capelle	6,234
Total		178,459
Net value of assets assigned as mortgage collateral		178,459
Value of guaranteed debt		356,850
Fixed interest		356,850
Variable interest (amount of the syndicated credit line undrawn)		250,000

Limitation on the distribution of Dividends

The guaranteed senior notes maturing in 2023 and the syndicated credit line described above contain clauses limiting the distribution of dividends.

In the case of the senior notes maturing in 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 (including dividends and repayment of subordinated debt) made since 8 November 2013 is less than the sum of, amongst other items, (I) 50% of NH's consolidated net income (even though in the calculation of net income, 100% of consolidated net losses must be deducted) from 1 July 2013 to the date of the last quarterly accounts available (this is what is known as the CNI Builder) and, (ii) 100% of the net contributions to NH's capital from 8 November 2013.

Additionally, as an alternative and without having to be in compliance with the previous condition: (i) 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 alternatively and without having to be concurrent with the previous ones, the notes maturing in 2023 establish a franchise to be able to make restricted payments (including dividends) without needing to comply with any specific requirement, for a total aggregate amount of 25,000,000 euros as of 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 Financial Debt (through 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 Debt Ratio. Net Financial (through the payment of the Dividend) / EBITDA according to the following breakdown:

- Net Financial Debt / EBITDA $\leq 4.0x$: Percentage of consolidated net profit: 75%
- Net Financial Debt / EBITDA $\leq 3.5x$: Percentage of consolidated net profit: 100%
- Net Financial Debt / EBITDA $\leq 3.0x$: Percentage of consolidated net profit: unlimited

All these metrics are calculated with consolidated data.

At 31 December 2019 all legal requirements for the distribution of dividends are met according to the propose of distribution of this annual report (See Note 3). This being said, it will be verified again at the date of the distribution.

Mortgages

The detail of the mortgage loans and credits is as follows (in thousands of euros):

	Mortgaged asset	Fixed rate	Variable interest	Total	Net book value of the mortgaged asset
Spain	Wilan Ander	4,169	-	4,169	5,629
	Wilan Huel	2,987	-	2,987	6,780
	NH Palacio de la Merced	-	3,213	3,213	16,015
Total Spain		7,156	3,213	10,369	28,424
Mexico	NH Querétaro	-	219	219	4,379
Italy	NH Villa San Mauro	-	877	877	-
Chile	NH Plaza de Santiago	16,379	-	16,379	18,143
Total		23,535	4,309	27,844	50,946

Subordinated loan

A loan amounting to 40,000 thousand euros fully drawn at 31 December 2019 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 spread.

Credit lines

At 31 December 2019 and 2018, the balances under this item include the amount drawn down from credit facilities. The joint limit of these loan agreements and credit facilities at 31 December 2019 amounted to 53,500 thousand euros, that had not been drawn down at that date. Additionally, at 31 December 2018, the Parent Company had a guaranteed syndicated credit line that had not been drawn down amounting to 250,000 thousand euros, maturing on 29 September 2021 (see section “Guaranteed syndicated credit line”).

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):

Instrumento	Limit	Available	Disposed	Maturity							
				2019	2020	2021	2022	2023	2024	2025	Resto
Mortgages	27,844	-	27,844	-	2,544	2,465	2,053	6,001	1,275	856	12,650
Fixed rate	23,535	-	23,535	-	1,304	1,415	1,442	5,381	646	697	12,650
Variable interest	4,309	-	4,309	-	1,240	1,050	611	620	629	159	-
Subordinated loans	40,000	-	40,000	-	-	-	-	-	-	-	40,000
Variable interest	40,000	-	40,000	-	-	-	-	-	-	-	40,000
Guaranteed senior notes mat. in 2023	356,850	-	356,850	-	-	-	-	356,850	-	-	-
Fixed rate	356,850	-	356,850	-	-	-	-	356,850	-	-	-
Unsecured loans	45,846	2,595	43,251	-	806	173	173	42,085	14	-	-
Variable interest	45,846	2,595	43,251	-	806	173	173	42,085	14	-	-
Secured credit line	250,000	250,000	-	-	-	-	-	-	-	-	-
Variable interest	250,000	250,000	-	-	-	-	-	-	-	-	-
Credit lines	53,500	53,500	-	-	-	-	-	-	-	-	-
Variable interest	53,500	53,500	-	-	-	-	-	-	-	-	-
SUBTOTAL	774,040	306,095	467,945	-	3,350	2,638	2,226	404,936	1,289	856	52,650
Arrangement expenses	(10,628)	-	(10,628)	-	(2,696)	(2,890)	(2,454)	(2,202)	(30)	(30)	(326)
Effect of renegotiation of debt IFRS 9	(5,573)	-	(5,573)	-	(1,257)	(1,414)	(1,588)	(1,314)	-	-	-
Borrowing costs	3,855	-	3,855	-	3,855	-	-	-	-	-	-
Borrowing at 31/12/2018	761,695	306,095	455,599	-	3,252	(1,664)	(1,816)	401,419	1,259	826	52,323
Borrowing at 31/12/2017	769,271	350,359	418,912	4,954	(1,504)	(1,928)	(2,074)	365,003	1,318	903	52,240

The detail for maturities of the debt for operating leases without discounting is as follows (in thousands of euros):

	Total liabilities 2019	Maturities						
		2020	2021	2022	2023	2024	2025	Remainder
Gross lease payments	2,998,501	259,006	247,223	227,611	215,623	206,669	196,727	1,645,642

Net Debt

The detail of net debt at 31 December 2019 and 2018 is as follows (in thousands of euros):

Net Debt	2019	2018
Cash and cash equivalents	289,345	265,869
Financial debt (Long and short term)	(455,599)	(418,912)
Lease liabilities (Nota 9)	(2,067,369)	-
Net Debt	(2,233,623)	(153,043)
Cash and liquid investments	289,345	265,869
Gross debt – fixed interest rates	(2,436,698)	(366,968)
Gross debt – variable interest rates	(86,270)	(51,944)

Net debt at 31 December 2019 includes lease liabilities as a consequence of the implementation of IFRS 16, not considered in 2018 because it entered into force the 1st of January of 2019 (See Note 2.1.1).

17 - OTHER NON-CURRENT LIABILITIES

The breakdown of the “Other non-current liabilities” item in the accompanying consolidated balance sheets, at 31 December 2019 and 2018, is as follows:

	Thousands of euros	
	2019	2018
At amortised cost:		
Linearisation of revenue (Note 2.1.1)	-	16,925
Capital subsidies (Note 2.1.1)	1,911	24,319
Acquisition of Capredo Investment GmbH	3,150	3,150
Other liabilities	2,576	2,902
	7,637	47,296

Resulting from the application of IFRS 16, there is no linearisation of revenue and all subsidies received by owners have been transferred to right-of-use assets (see Note 2.1.1).

18.- PROVISIONS FOR RISKS AND CHARGES

The breakdown of "Provisions for risks and charges" at 31 December 2019 and 2018, together with the main movements recognised in those years were as follows:

	Thousands of euros				
	Balance at 31/12/2018	Additions	Applications/Reversals	Transfers and other changes	Balance at 31/12/2019
Provisions for contingencies and extraordinary costs:					
Onerous contracts (Note 2.1.1)	5,313	-	-	(5,313)	-
Provisions for pensions and similar obligations	16,740	13,589	(1,410)	-	28,919
Other claims	29,125	2,921	(16,450)	3,726	19,322
	51,178	16,510	(17,860)	(1,587)	48,241
Provisions for contingencies and current expenses:					
Onerous contracts (Note 2.1.1)	1,654	-	-	(1,654)	-
Other Provisions	1,059	4,694	(629)	(103)	5,021
	2,713	4,694	(629)	(1,757)	5,021
Total	53,891	21,204	(18,489)	(3,344)	53,262

	Thousands of euros				
	Balance at 31/12/2017	Additions	Applications/Reversals	Transfers and other changes	Balance at 31/12/2018
Provisions for contingencies and extraordinary costs:					
Onerous contracts	12,213	1,449	(6,785)	(1,564)	5,313
Provision for pensions and similar obligations	16,245	1,255	(760)	-	16,740
Other claims	21,955	9,444	(8,048)	5,774	29,125
	50,413	12,148	(15,593)	4,210	51,178
Provisions for contingencies and current expenses:					
Onerous contracts	2,513	-	(2,423)	1,564	1,654
Other Provisions	6,458	716	(341)	(5,774)	1,059
	8,971	716	(2,764)	(4,210)	2,713
Total	59,384	12,864	(18,356)	-	53,891

At 1 January 2019, due to the application of IFRS 16, the provision for onerous contracts is registered as the lower value of the right of use (See Note 2.1.1).

Provision for pensions and similar obligations

The “Provisions for pensions and similar obligations” account mainly 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).

This section also includes various retirement, performance related and/or long-stay awards considered in the Collective Bargaining Agreements that are applicable in Spain.

The allocations column includes the change in accounting criteria of 12,191 thousand euros, resulting in a net impact of taxes on equity of 9,692 thousand euros. (see Note 2.3)

At the end of 2019, the liabilities entered against this item were of 28,919 thousand euros (16,740 thousand euros at 31 December 2018).

The breakdown of the main assumptions used to calculate actuarial liabilities is as follows:

	2019		2018	
	Netherlands	Italy	Netherlands	Italy
Discount rates	1.20%	0.20%-1.46%	1.90%	0.20%-1.46%
Expected annual rate of salary rise	0.50%	1.9%	2.50%	1.70%
Expected return from assets allocated to the plan	0.23%	2.02%	0.30%	2.02%

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 23).

19.- 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 17 companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2019 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.	NH Europa, S.L.
Latinoamericana de Gestión Hotelera, S.L.	Atardecer Caribeño, S.L.
NH Central Reservation Office, S.L.	Hoteles Hesperia, S.A.
NH Hoteles España, S.A.	Nuevos Espacios Hoteleros, S.A.
NH Hotel Ciutat de Reus, S.A.	Coperama Holding, S.L.
Gran Círculo de Madrid, S.A.	Coperama Spain, S.L.
Cash Links, S.L.U.	NH Las Palmas, S.A.
Iberinterbrokers, S.L.	NH Lagasca, S.A.
Wilan Ander, S.L.	Wilan Huel S.L.

Corporation tax is calculated on the financial or accounting profit or loss resulting from the application of generally accepted accounting standards in each country, and does not necessarily coincide with the tax result, this being construed as the tax base.

In 2019, 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 corporation tax rates applicable to Group companies in the different jurisdictions where the Group has significant operations are as follows:

Country	Nominal tax rate	Country	Nominal tax rate
Argentina	30%	Italy	24%
Austria	25%	Luxembourg	17%
Belgium	30%	Mexico	30%
Brasil	34%	Netherlands	25%
Chile	27%	Poland	19%
Colombia	33%	Portugal	21%
Czech R.	19%	Romania	16%
Dominican R.	27%	South Africa	28%
Ecuador	25%	Spain	25%
France	28%	Switzerland	9%
Germany	30%	United Kingdom	19%
Hugary	9%	Uruguay	25%
Ireland	12.5%	USA	21%

Financial years subject to tax inspection

In accordance with Spanish tax legislation, the years open for review to the Consolidated Tax Group are:

Tax	Tax loss carryforwards
Corporation	2014 - 2018
VAT	2016 to 2019
IRPF (personal income tax)	2016 to 2019
Non-resident Income Tax	2016 to 2019

In Spain during 2019, a verification and investigation process partially began to reduce the Taxable Base of revenues from certain intangible assets referred to in article 23 of the TRLIS related to Corporation Tax for the years 2016 to 2018. The Company has recorded a provision of 1 million euros in 2019. In February 2020, the agreement that contained the settlement proposed by the inspection was signed, with no material differences between the proposed settlement and the contingency calculated and provided for.

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.

Another inspection procedure has been opened in Austria by the Austrian authorities who are checking the overall tax position of the subsidiary in that country.

Finally, an inspection procedure has been opened in Colombia focused on the deductions of certain Corporation Tax expenses.

The Group's Directors do not expect any significant contingencies to arise from the conclusions of the inspections.

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. Moreover, the company considers that there aren't any significant uncertain tax positions.

Balances with Public Administrations

The composition of the debit balances with Public Administrations at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Deferred tax assets		
Tax credits	83,881	92,185
Tax assets due to asset impairment	31,842	34,824
Tax withholdings of workforce	3,312	2,995
Other prepaid taxes	5,219	8,720
IFRS 16 (See Note 2.1.1)	95,786	-
	220,040	138,724

	Thousands of euros	
	2019	2018
Short-term taxes receivable		
Corporation tax	19,613	10,496
Value Added Tax	7,336	6,503
Other tax receivables	2,012	2,452
Total	28,961	19,451

The movements of the “Deferred tax assets” item in 2019 and 2018 were as follows:

	Thousands of euros	
	2019	2018
Opening balance	138,724	137,996
Asset impairment	(2,982)	2,729
Generation of assets due to tax losses	1,927	3,615
Settlements of assets due to tax losses	(10,667)	(4,509)
Activation of deductions	528	-
Settlement of deductions	(92)	(3,611)
IFRS 16 (See Note 2.1.1 and Note 9)	95,786	-
Others	(3,184)	2,504
Total	220,040	138,724

All these impacts have had an effect on the Consolidated Profit and Loss Statement except for the initial impact from the first application of IFRS 16 and other non-significant ones that have resulted in changes to the consolidated statement of changes in equity.

The increase in deferred tax assets is mainly due to IFRS 16 on leases being adopted in 2019 (See Note 2.1.1 and Note 9).

Additionally, in 2019 there were assets recognised due to the activation of tax losses in Germany and Ireland amounting to 1,857 and 70 thousand euros respectively, as a result of the positive results expected in future years.

The cancellation of assets is mainly due to the cancellation of tax losses to offset the positive tax bases generated in 2019, in Luxembourg, Belgium, Germany and Latin America, amounting to 906, 94, 2,253 and 260 thousand euros, respectively. Additionally, in Spain, at 31 December 2019, it has been updated the recovery plan for tax

credits, which back up the capitalization of such tax credits. As a consequence of the aforementioned, the Directors of the Parent Company has decided to impair tax assets for 7,153 thousand euros. However, this impact has been offset by the recovery during the year of part of the financial burden not deducted in previous years, which has led to a less current tax expense in the Group.

Tax credits in Spain for 7,153 thousand euros were also cancelled as the recovery plan for tax credits prepared by the Company did not support the asset for tax credits at that amount.

At 31 December 2019, the Group had assets resulting from tax losses and deductions amounting to 83,881 thousand euros (92,185 thousand euros in 2018). At 31 December 2019, the tax credit recovery plan that supports the recognition of these tax credits had been updated. As a result of said update, and pursuant to that previously stated, the Directors of the Parent Company decided to impair the asset by 7,153 thousand euros.

At 31 December 2019, the Group had tax loss carryforwards worth 594,222 thousand euros (593,041 thousand euros at 31 December 2018) and deductions amounting to 27,695 thousand euros (27,020 thousand euros in 2018) 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	
	2019	2018
Finance costs and negative tax bases		
Non-deductible financial expenses in Spain	191,799	256,170
Negative tax bases generated by the Spanish entities before their inclusion in the Spanish consolidation group	102,813	99,722
Spanish consolidation group tax loss carryforwards	43,351	5,112
Negative tax bases generated in Austria	33,825	33,169
Negative tax bases generated in Latin America	3,068	967
Negative tax bases generated in Luxembourg	47,682	50,546
Negative tax bases generated in Germany	123,312	127,494
Negative tax bases generated in Hungary	1,437	2,019
Negative tax bases generated in the Netherlands	-	-
Negative tax bases generated in Belgium	1,621	2,688
Negative tax bases USA	38,684	9,781
Negative tax bases France	6,630	5,176
Negative tax bases generated in South Africa	-	197
Total	594,222	593,041
Deductions		
Deductions generated in Spain	27,695	27,020
Total	27,695	27,020
Total	621,917	620,061

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 191,799 thousand euros in 2019 (256,170 thousand euros in 2018). There is no deadline for offsetting non-deductible finance costs.

The variation in unrecorded credits in 2019 is mainly due to the fact that financial expenses in Spain were not deducted in previous periods by application of the aforementioned regulations. The reduction of non-deducted financial expenses is offset by the higher amount of negative tax bases not activated in Spain and the United States. Pursuant to the above, in Spain tax credits activated for 7,153 thousand euros we cancelled, which represents a 28,509 thousand euro increase in non-activated negative tax bases. To this, negative tax bases generated by the Spanish Tax Group in 2019 for 9,724 thousand euros that have not been activated are added.

The composition of the credit balances with Public Administrations at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Deferred tax liabilities		
Revaluation of assets and other valuation differences	180,082	177,478
Total	180,082	177,478

	Thousands of euros	
	2019	2018
Short-term taxes payable		
Corporation tax	10,904	19,980
Value Added Tax	1,886	689
Personal Income Tax	7,688	7,746
Tax on Income from Capital	1,308	1,190
Social Security	8,109	7,409
Others	10,980	22,439
Total	40,875	59,453

The movements in deferred tax liabilities during 2019 are as follows:

	Thousands of euros	
	2019	2018
Opening balance	177,478	167,433
IAS 29 Hyperinflationary economies (Note 2.4)	(1,177)	19,892
Others	3,781	(9,847)
Closing balance	180,082	177,478

The reduction in deferred tax liabilities is mainly due to the reversal of impairment on revalued assets. In addition, the deferred tax liability associated with the revaluation of assets in Argentina due to application of IAS 29 has decreased by 1,177 thousand euros (see Notes 2.4 and 4.23).

The detail, by country and item, of these deferred taxes is as follows:

	Thousands of euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	78,500	33,380	111,880	23,639
Benelux	1,887	24,480	26,367	15,851
Italy	-	23,593	23,593	96,839
Germany	1,857	41,018	42,875	3,334
Others	1,637	13,688	15,325	40,418
TOTAL	83,881	136,159	220,040	180,082

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:

	2019															2018		
	Thousand euros															Thousand euros		
	Spain	France	Italy	USA	Germany	Netherlands (1)	Latin America (2)	Luxembourg	Romania	Switzerland	Czech R.	Poland	Portugal	Others	TOTAL	Spanish entities	Other entities	TOTAL
Consolidated comprehensive profit and loss statements before taxes	38,137	(2,387)	47,435	(5,275)	(6,392)	50,206	3,862	3,052	381	393	(2)	(4)	1,692	371	131,469	12,350	172,433	184,782
Adjustments to consolidated comprehensive profit and loss:																		
Accounting consolidation adjustments	-	-	-	-	2,721	-	-	-	-	-	-	-	-	-	2,721	2,004	5,961	7,965
Due to permanent differences	(36,050)	2,022	2,443	5,275	20,555	6,334	7,591	1,956	(100)	236	2	4	385	(371)	10,282	13,362	64,224	77,586
Due to temporary differences	(501)	366	(50)	0	(12,595)	1,877	10,096	(4,329)	(26)	(146)	-	-	-	-	(5,308)	23,877	(5,096)	18,781
Tax base (Taxable profit or loss)	1,586	-	49,829	0	4,289	58,418	21,549	679	255	482	-	-	2,078	-	139,163	51,592	262,560	314,152
Current taxes to be refunded / (to pay)	8,126	371	(1,535)	3	(879)	(1,688)	4,645	-	-	-	-	-	(160)	(173)	8,708	42	(9,525)	(9,484)
Total current tax income / (expense)	(396)	-	(11,971)	-	(1,287)	(14,697)	(6,491)	(115)	(41)	(41)	-	-	(436)	-	(35,476)	(12,914)	(61,499)	(74,413)
Total deferred tax income / (expense)	(7,163)	273	1,554	0	400	1,686	2,588	(736)	(4)	(12)	-	-	256	-	(1,157)	5,969	(4,049)	1,920
Total other income / (expense)	763	-	(2,925)	10	-	8	262	-	-	(5)	-	-	(23)	(25)	(1,935)	(4,501)	(2,670)	(7,171)
Total Corporation Tax income / (expense)	(6,796)	273	(13,342)	10	(886)	(13,002)	(3,642)	(851)	(45)	(59)	-	-	(203)	(25)	(38,568)	(11,445)	(68,219)	(79,664)

(1) The Netherlands business area includes Belgium.

(2) The Latin America business area includes the profits and losses obtained by the Group in Argentina, Mexico, Uruguay, the Dominican Republic, Colombia, Chile, Ecuador and Brazil.

Deductions generated by the consolidated tax group of the Parent Company

At 31 December 2019, the Tax Group held the following tax credits carryforward (thousand euros):

Year of origin	Deduction pending application	Amount
2004 to 2011	Deduction to encourage certain activities	26,915
2014 - 2017	IT Deduction	780
2019	Investment deduction in the Canary Islands	528
2013 to 2014	Other	554
		28,777

20.- COMMERCIAL CREDITORS AND OTHER ACCOUNTS PAYABLE

The breakdown of this item in the consolidated balance sheet at 31 December 2019 and 2018 is as follows (thousands of euros):

	Thousands of euros	
	2019	2018
Trade and other payables	215,755	218,458
Advance payments from customers	41,744	34,246
	257,499	252,704

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.

21.- 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.

	2019	2018
	Days	
Average period for payment to suppliers	63	62
Ratio of paid transactions	63	63
Ratio of transactions pending payment	53	52
	Amount (thousands of euros)	
Total payments made	308,812	272,055
Total payments pending	13,732	12,128

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 2019 and 2018.

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 2019 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.

22 - OTHER NON-CURRENT LIABILITIES

At 31 December 2019 and 2018, this item is broken down as follows:

	Thousands of euros	
	2019	2018
Outstanding remuneration	40,274	37,520
Linearisation of revenue (Note 2.1.1)	-	1,814
Other creditors	8,761	5,110
	49,035	44,444

23.- THIRD-PARTY GUARANTEES AND CLAIMS IN PROGRESS

At 31 December 2019, NH had a total of 30,371 thousand euros in economic or financial bank guarantees issued by various banks (37,353 thousand euros in 2018).

The reduction in the balance of bank guarantees at 31 December 2019 compared to that at 31 December 2018 is mainly due to the cancellation of the 6,000 thousand euro guarantee on obligations related to cash pooling contracts or centralised treasury management with one bank entity.

Of the 30,371 thousand euros in bank guarantees, 24,327 thousand euros guarantee leasing contract obligations and others related to the Group's usual operations in various countries, and 6,044 thousand euros issued in relation to public bodies.

At 31 December 2019, 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 a company with a minority shareholding in a Grupo NH company which at 31 December 2019 had an outstanding principal of 15,742 thousand euros (equivalent to 17,685 thousand US dollars) and final maturity on 22 January 2020.
- On 10 March 2006, the partnership agreement of the company which owns a hotel in the United Kingdom was signed, of which a group's company is a shareholder, under which, if the company were to receive a purchase offer for 100% of its shares at market price, the group's company could be required to transfer the shares. However, the group's company will have preferential acquisition rights over the shares. At year-end, this group's company has granted its partner a purchase option of up to 5% of the share capital.
- Within the framework of new development projects in the normal course of business, in which Grupo NH subsidiaries act as lessees or operators, the Group's parent company gives personal guarantees in favour of third parties to secure its contractual obligations, often issue promissory notes in payment of said obligations and agrees penalty clauses in case of breach of contract.
- Likewise, 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 16).

Claims in process

The Group's main contingent assets and liabilities on the date these consolidated financial statements were drawn up, are set out below:

- NH Group 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 Ms María Ángeles de la Riva Zorrilla, with the aim of reclaiming the outstanding amounts. The Group also appears in the voluntary bankruptcy proceedings of Transhotel and Orizonia as well as in other proceedings both nationally and internationally, and provisions the accounts receivable in the consolidation annual accounts for the amounts considered unrecoverable.
- The owner of four properties in the Netherlands has claimed in court the payment of compensation 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 claim filed by the owner, both in the first instance and on appeal, was dismissed in full. The same owner has instituted fresh court proceedings alleging a change of control situation in 2018, which is pending resolution.
- A claim has been filed against a Grupo NH company in Germany due to the termination of two lease agreements and claiming specific amounts, including damages.

- A claim has been filed against a Grupo NH company in Italy due to the early termination of a lease agreement; the ruling was unfavourable to the company's interests in the court of first instance and is currently being appealed, although it is in judicial review currently in progress.
- An NH Group company in Italy has been sued with damages under a service provision contract requested.
- A claim has been filed against two of the Group's companies seeking payment fees to rights management from 1 January 2008 to 31 May 2013, in addition to an unspecified amount corresponding to the period thereafter until a judgment is issued, plus interest and costs. The procedure from both first instance and appeal has been resolved by setting an amount lower than the one claimed, however, a judicial review has been filed, which is pending a hearing.
- 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., Grupo NH agreed to subrogate to the position of Sotogrande, S.A. for certain claims 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.
 - Respondent in the process of claiming amounts from a real estate development due to construction defects.
 - The company may be subject to a claim for amounts derived from an eventual administrative claim.
- It 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 Company's interests. To the contrary, it filed for annulment of the award, which has been dismissed. The debtor company has entered into insolvency proceedings and the company has requested the right to separate the premises from the estate, and an agreement has been reached with the insolvency administration for the delivery of the aforementioned premises, which is in the execution phase.
- A former shareholder of the NH Group has requested the annulment of certain resolutions adopted by the Board of Directors, and the proceedings are currently in progress.
- With regard to the disputed amounts linked to an eventual indemnity due to the resolution of the agreement with the previous Chief Executive Officer, amounts that have been entirely provisioned during fiscal year 2019, it has been definitely resolved for an amount below the provisioned.
- As part of the contractual liability assumed by the NH Group in the 2013 hotel purchase contract, the buyers informed the Group of the requirement to pay the Dutch Capital Transfer Tax. At 31 December 2019, the total amount of this tax, plus the corresponding default interest, was 11,900 thousand euros. The purchasers submitted an appeal to the Dutch Treasury that was rejected and an appeal has been filed with the Courts that is still pending resolution. The NH Group and the purchasers have reached an agreement whereby NH assumes control of the judicial procedure and has agreed to pay 275,000 euros in compensation to the purchasers for the tax advice expenses they incurred.

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.

24.- 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 consisted 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 was 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 were not achieved, the plan beneficiaries would not be entitled to shares under said plan.

The plan was 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 had a total duration of five years, divided into three three-year cycles. The third and final cycle was settled in the first half of the year with the delivery of 226,067 net shares at a fair value per unit of 4.55 euros. The settlement of this plan was done net of tax.

On the other hand, the 2017 General Shareholders' Meeting approved the launch of a new Long-Term Incentive Plan. This plan has a duration of five years, divided into three three-year cycles:

	No. of Shares Assigned at the start of each cycle (Thousands)	No. of live shares at 31/12/2019 (Thousands)	Value of the allocation (Euros)
The first cycle began on 1/1/2017 (delivery in 2020 (in force))	720.87	629.84	3.80
The second cycle began on 01/01/2018 (delivery in 2021 (in force))	517.96	482.30	5.96
The third cycle began on 01/01/2019 (delivery in 2022 (in force))	879.25	872.81	3.96

The difference between the total shares assigned at the beginning of each cycle and the live shares at 31 December 2019 are beneficiaries who left between the launch the year-end 2019.

This second plan has a very similar structure to the first; delivery of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of fixed salary, according to their level of responsibility.

The number of shares to be delivered shall be subject to the degree of fulfilment of the following four objectives:

- TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, S.A. shares with the STOXX® Europe 600 Travel & Leisure share index
- Revaluation of the Share
- Recurring Net Profit

- Recurring EBITDA

The beneficiaries must remain in the Group at the end of each cycle, notwithstanding the exceptions deemed appropriate, as well as achieving the minimum thresholds for each of the objectives.

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 the date of publication of this report, all the cycles had been approved by the Board of Directors.

The maximum amount approved by the General Shareholders' Meeting for the three cycles of the second Plan is 16,200,000 euros.

The effect of these items on the consolidated comprehensive profit and loss statement for 2019 was 3,569 thousand euros (3,275 thousand euros in 2018).

25.- INCOME AND EXPENSES

25.1 Income

The breakdown of these headings in the consolidated comprehensive profit and loss statements for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Hotel occupancy	1,222,859	1,149,805
Catering	340,562	325,026
Meeting rooms and others	91,772	86,307
Rentals and other services	52,885	52,250
Revenues	1,708,078	1,613,388
Operating subsidies	36	36
Other operating income	9,316	6,096
Other operating income	9,352	6,132
Net gain (loss) on disposal of assets	(709)	85,982

“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 2019 and 2018 was as follows:

	Thousands of euros	
	2019	2018
Spain	440,162	406,332
Germany	371,054	317,542
Benelux	305,712	360,254
Italy	323,639	290,072
Rest of Europe	121,275	111,241
Latin America	146,236	127,947
	1,708,078	1,613,388

25.2 Financial income

The breakdown of the amount of financial income is:

	Thousands of euros	
	2019	2018
Dividend income	1,635	1,214
Interest income	1,276	1,258
Other financial income	1,293	3,567
	4,204	6,039

Interest income corresponds to loans valued at amortised cost

25.3 Personnel expenses

This item in the consolidated comprehensive profit and loss statement is broken down as follows:

	Thousands of euros	
	2019	2018
Wages, salaries and similar	339,754	319,458
Social security contributions	81,500	75,141
Indemnifications	3,119	5,751
Contributions to pension plans and similar	11,134	10,118
Other social expenses	13,255	12,203
	448,762	422,671

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in 2019 and 2018 broken down by professional categories was as follows:

	2019	2018
Group's general management	8	8
Managers and heads of department	1,465	1,428
Technical staff	972	928
Sales representatives	803	764
Administrative staff	182	201
Rest of workforce	8,033	7,626
	11,463	10,956

In calculating the average number of employees, the Group has not taken into account employees whose contracts have a duration of less than two days.

The breakdown of the personnel at 31 December 2019 and 2018, by gender and professional category, is as follows:

	31/12/2019		31/12/2018	
	Males	Females	Males	Females
Group's general management	6	2	6	2
Managers and heads of department	866	633	836	610
Technical staff	524	490	483	442
Sales representatives	256	601	221	548
Administrative staff	68	118	65	107
Rest of workforce	4,084	4,175	3,813	3,924
	5,804	6,019	5,424	5,633

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 2019 and 2018, broken down by professional categories, is as follows:

	2019	2018
Managers and heads of department	3	4
Technical staff	11	13
Sales representatives	5	1
Administrative staff	5	4
Rest of workforce	90	82
	114	103

The average age of the Group's workforce was approximately 39 and average seniority in the Group was 9 years.

25.4 Other operating expenses

The detail of "Other Operating Expenses" of the consolidated comprehensive income for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Leases (See Notes 2.1.1 and 9)	83,647	319,435
Outsourcing of services	125,194	118,307
Commissions and bonuses for customers	92,287	85,542
Supplies	60,607	57,793
Maintenance and cleaning	42,277	43,272
Laundry and related costs	39,110	38,034
Costs associated with information technologies	41,001	38,339
Marketing and merchandising	24,574	26,556
Taxes, insurance and levies	27,737	26,307
Advisory services	15,547	16,614
Other external services	72,194	87,067
	624,175	857,266

In 2019, 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 supplies 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 marketing and merchandising, among others.

The heading on leases has reduced due to the new accounting on leases from the application of IFRS 16 (See Note 2.1 and Note 9). The expense recorded for this item in 2019 corresponds to the variable income of these contracts. On the other hand, there is no significant lease expense for contracts with a duration of less than one year or that, due to a reduced value, have ceased to be considered under IFRS 16.

During 2019 and 2018, the fees for account auditing and other services provided by the auditor of the Group's consolidated annual accounts and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	Thousands of euros	
	2019	2018
Auditing services	545	944
Other verification services	138	223
Total auditing and related services	683	1,167
Tax consulting services	-	260
Other services	23	29
Total other services	23	289
Total professional services	706	1,456

Additionally, entities associated with the international network of the consolidated annual accounts auditor have invoiced the Group for the following services:

	Thousands of euros	
	2019	2018
Auditing services	1,031	1,525
Other verification services	152	28
Total auditing and related services	1,183	1,553
Tax consulting services	274	81
Other services	1	-
Total other services	275	81
Total	1,458	1,634

During 2019, other auditing firms apart from the auditor of the consolidated annual accounts 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 50 thousand euros (66 thousand euros in 2018). The fees accrued in 2019 by these firms for tax advice services were 244 thousand euros (209 thousand euros in 2018) and for other services, 80 thousand euros (396 thousand euros in 2018).

25.5 Finance costs

The detailed balance of this chapter of the consolidated statement of comprehensive income for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Expenses for interest	19,933	30,763
Financial expenses for means of payment	19,304	17,379
Financial effect relating to restatement of provisions and other financial liabilities	2,721	2,546
Amortisation of debt arrangement expenses	3,793	7,838
Interest on leases	89,620	-
Other financial expenses	101	1,471
Total financial expenses	135,472	59,997

The increase in interest expenses in 2019 compared to 2018 is mainly due to IFRS 16 on leases being adopted in 2019 (See Note 2.1.1 and Note 9).

The expenses for interest correspond to debts valued at amortised cost.

25.6 Results from exposure to hyperinflation

This heading includes the net effect recognised in the consolidated comprehensive profit and loss statement arising from the application of accounting standards to the financial statements of Argentine subsidiaries from the date of first application at 2019 year-end (See Note 2.4).

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 2019 are stated below, distinguishing between major shareholders, members of the Board of Directors and Directors of the Parent Company and other parties that were related during the year even though there are no longer a shareholder at year-end. The conditions of the related-party transactions are equivalent to those of transactions carried out under market conditions:

	Thousands of euros		
	31/12/2019		
Income and Expenses	Major Shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	590	-	590
Financial expenses	-	-	-
Other expenses	231	-	231
	821	-	821
Income:			
Financial income	-	324	324
Management or cooperation agreements	2,749	1,651	4,400
	2,749	1,975	4,724

	Thousands of euros		
	31/12/2018		
Income and Expenses	Major Shareholders	Associates or companies of the Group	Total
Expenses:			
Reception of services	195	-	195
Leases	1,424	-	1,424
	1,619	-	1,619
Income:			
Financial income	-	109	109
Management or cooperation agreements	8,476	1,987	10,463
Other operating expenses	978	-	978
Other income	2,607	-	2,607
	12,061	2,096	14,157

The heading "Management or cooperation agreements" referring to major shareholders includes the amounts that have accrued in the form of management fees payable to Grupo NH during 2019 by virtue of the hotel management agreement signed with Grupo Minor, (during 2018, management fees were accrued in favour of Grupo NH under the hotel management contract signed with Grupo Inversor Hesperia, S.A).

Other agreements

	Thousands of euros	
	31/12/2019	31/12/2018
Accounts receivable from related entities	2,493	-
Accounts receivable from associated companies (long term) (Note 11)	143	-
Accounts receivable from associated companies (short term)	1,180	1,766
Loans to associates - Sotocaribe, S.L.	9,503	9,020
Provision for impairment	(9,503)	-
Total Assets	3,816	10,786

	Thousands of euros	
	31/12/2019	31/12/2018
Accounts payable from related entities	(1,050)	-
Accounts payable from associated companies	(156)	-
Loans to associates Sotocaribe, S.L.	(5,588)	-
Total Liabilities	(6,794)	-

At 31 December 2019, the NH Hotel Group has a net balance pending collection of 1,443 thousand euros with the Minor Group (2,493 thousand euros recorded as an account receivable and 1,050 thousand euros as accounts payable).

Resulting from an analysis of the fair value of the investment in the company consolidated through the equity method it has been registered an impairment of the loans to associates amounting to 9,503 thousand euros and an expense of 5,588 thousand euros for the committed contribution at the end of 2019 to carry out the cancellation of the bank loan that this company has and in which NH Hotel Group acts as a guarantor of the 35.5% (See Note 29). Both impacts have been recorded under "Impairment on financial investments" of the consolidated comprehensive profit and loss statement.

27.- INFORMATION BY SEGMENTS

27.1 Information on main 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:

- 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).
- 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 on the Group's segments. Accordingly, it analyses the Group's results, distinguishing between the aforementioned sub-segments.

The breakdown of the segment information required by IFRS 8 is as follows:

	Thousand Euros													
	Hotel Business													
	31/12/2019							31/12/2018						
	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														
Additions of fixed assets	186,185	47,492	36,153	58,740	29,398	13,827	575	150,546	40,848	47,154	25,604	25,129	10,702	1,109
Depreciation	(297,080)	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)	(116,301)	(41,757)	(18,908)	(23,159)	(20,106)	(9,417)	(2,954)
Net profit (loss) for asset deterioration	4,889	4,161	71	5,518	(3,996)	(1,742)	877	(304)	3,295	(8,380)	4,206	191	1	383
BALANCE SHEET														
ASSETS														
Assets by segments	4,336,568	925,736	1,129,590	739,488	817,721	467,527	256,506	2,498,183	596,355	765,478	440,001	287,391	402,698	6,260
Shareholdings in associated companies	7,517	929	-	-	-	6,588	-	8,971	1,002	-	-	-	5,935	2,034
Non-current assets classified as held for sale	-	-	-	-	-	-	-	12,092	12,092	-	-	-	-	-
Total consolidated assets	4,344,085	926,665	1,129,590	739,488	817,721	474,115	256,506	2,519,246	609,449	765,478	440,001	287,391	408,633	8,294
LIABILITIES														
Liabilities and equity by segments	4,344,085	926,665	1,129,590	739,488	817,721	474,115	256,506	2,519,246	609,449	765,478	440,001	287,391	408,633	8,294
Total Consolidated Liabilities and Equity	4,344,085	926,665	1,129,590	739,488	817,721	474,115	256,506	2,519,246	609,449	765,478	440,001	287,391	408,633	8,294

	Thousand Euros													
	Real estate													
	31/12/2019							31/12/2018						
	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														
Additions of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss) for asset deterioration	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE SHEET														
ASSETS														
Assets by segments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shareholdings in associated companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as held for sale	47,811	-	-	-	-	37,264	10,547	43,882	-	-	-	-	33,322	10,560
Total consolidated assets	47,811	-	-	-	-	37,264	10,547	43,882	-	-	-	-	33,322	10,560
LIABILITIES														
Liabilities and equity by segments	47,811	-	-	-	-	37,264	10,547	43,882	-	-	-	-	33,322	10,560
Total Consolidated Liabilities and Equity	47,811	-	-	-	-	37,264	10,547	43,882	-	-	-	-	33,322	10,560

	Thousand Euros													
	Total													
	31/12/2019							31/12/2018						
	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														
Additions of fixed assets	186,185	47,492	36,153	58,740	29,398	13,827	575	150,546	40,848	47,154	25,604	25,129	10,702	1,109
Depreciation	(297,080)	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)	(116,301)	(41,757)	(18,908)	(23,159)	(20,106)	(9,417)	(2,954)
Net profit (loss) for asset deterioration	4,889	4,161	71	5,518	(3,996)	(1,742)	877	(304)	3,295	(8,380)	4,206	191	1	383
BALANCE SHEET														
ASSETS														
Assets by segments	4,336,568	925,736	1,129,590	739,488	817,721	467,527	256,506	2,498,183	596,355	765,478	440,001	287,391	402,698	6,260
Shareholdings in associated companies	7,517	929	-	-	-	6,588	(0)	8,971	1,002	-	-	-	5,935	2,034
Non-current assets classified as held for sale	47,811	-	-	-	-	37,264	10,547	55,974	12,092	-	-	-	33,322	10,560
Total consolidated assets	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053	2,563,128	609,449	765,478	440,001	287,391	441,955	18,854
LIABILITIES														
Liabilities and equity by segments	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053	2,563,128	609,449	765,478	440,001	287,391	441,955	18,854
Total Consolidated Liabilities and Equity	4,391,896	926,665	1,129,590	739,488	817,721	511,379	267,053	2,563,128	609,449	765,478	440,001	287,391	441,955	18,854

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:

Significant information from the Income Statement by Geographic Area	Thousands of euros (2019)						TOTAL
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	
Revenues	440,162	371,054	305,712	323,639	121,275	146,236	1,708,078
Depreciation	(96,867)	(39,455)	(50,792)	(69,440)	(14,113)	(26,413)	(297,080)
Net Profits/(Losses) from asset impairment	4,161	71	5,518	(3,996)	(1,742)	879	4,889
Financial income	2,388	236	26	465	1,030	59	4,204
Financial expenses	(38,266)	(19,334)	(22,654)	(32,450)	(11,090)	(11,678)	(135,472)
Results from exposure to hyperinflation (IAS 29)	-	-	-	-	(85)	-	(85)
Profit (Loss) from entities valued through the equity method	(71)	-	-	-	94	(1)	22
Variation in the provision for onerous contracts	-	-	-	-	-	-	-
Income tax	(6,796)	(13,317)	(13,319)	(757)	(3,656)	(723)	(38,568)
Profit (loss) for the year from discontinued operations net of tax	-	-	-	-	-	50	50

Significant information from the Income Statement by Geographic Area	Thousands of euros (2018)						TOTAL
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	
Revenues	406,332	360,254	290,072	317,542	127,947	111,241	1,613,388
Depreciation	(41,757)	(18,908)	(23,159)	(20,106)	(9,417)	(2,954)	(116,301)
Net Profits/(Losses) from asset impairment	3,295	(8,380)	4,206	191	1	383	(304)
Financial income	2,244	465	42	525	2,719	44	6,039
Financial expenses	(49,061)	6,605	(3,681)	(7,104)	(5,036)	(1,720)	(59,997)
Results from exposure to hyperinflation (IAS 29)	-	-	-	-	635	-	635
Profit (Loss) from entities valued through the equity method	(363)	-	-	-	(51)	(85)	(499)
Variation in the provision for onerous contracts	1,671	-	-	303	-	2,368	4,342
Income tax	(11,347)	(42,566)	(14,886)	(2,675)	(7,527)	(663)	(79,664)
Profit (loss) for the year from discontinued operations net of tax	-	-	-	-	(523)	(45)	(568)

28. REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The composition of the Board of Directors of the Parent Company and its Committees at 31 December 2019 is as follows:

- Board of Directors: 9 members in 2019 (10 members at 31 December 2018),
- Audit and Control Committee: 3 members in 2019 (3 members at 31 December 2018),
- Appointments and Remuneration Committee: 3 members in 2019 (2 members at 31 December 2018) (*).

(*) At 31 December 2018, the Appointments, Remuneration and Corporate Governance Committee was made up of two members, as well as its non-member Secretary. This situation arose from the compulsory share acquisition public offer made by MHG Continental Holding (Singapore) Pte. Ltd. and caused, among others, the departure of the Directors representing the shareholder Grupo Inversor Hesperia, SA, with Mr Jordi Ferrer Graupera on behalf of the Director Grupo Inversor Hesperia, S.A. tendering his resignation on 12 November 2018 as a member of the Appointments, Remuneration and Corporate Governance Committee. At its meeting on 7 February 2019 the Board of Directors approved the appointment of Mr Stephen Chojnacki as a new member of the Committee. This appointment fulfils the composition and qualification requirements established in the Capital Companies Act.

The amount accrued during 2019 and 2018 by the members of the Parent Company's Board of Directors in relation to the remuneration of the CEO, bylaw stipulated directors' fees and attendance fees and other items, is as follows:

28.1 Remuneration of the Board of Directors

Remuneration item	Thousands of euros	
	2019	2018
Fixed remuneration	1,016	500
Variable remuneration	729	335
Parent Company: allowances	11	65
Parent Company: attendance allowances	589	813
Transactions in shares and other financial instruments	491	247
Life insurance premiums	31	19
Others	20	13
Total	2,887	1,992

As of 31 December 2019, the Board of Directors had nine members, of whom one is a woman and eight are men (ten persons in 2018, one woman and nine men).

In relation to the heading, "Transactions on shares and/or other financial instruments", consideration has been given to the objective long-term remuneration accrued. This includes remuneration in kind (vehicles and medical insurance) under the heading "Others".

28.2 Remuneration of senior management

The remuneration of members of the Management Committee at 31 December 2019 and 2018, 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	
	2019	2018
Pecuniary remuneration	2,745	3,047
Remuneration in kind	86	88
Others	670	671
Total	3,501	3,806

There were six members of Senior Management at 31 December 2019 (seven members at 31 December 2018) excluding the CEO and the Chief Financial Officer due to their status as executive directors.

The concept of monetary remuneration of executives includes fixed remuneration and variable remuneration accrued in 2019 and received in 2020.

Compensation in kind includes the vehicle and the cost of insurance.

The heading "Other" takes the long-term objective remuneration accrued in 2019 into consideration.

28.3 Information on conflicts of interest on the part of Directors

During 2019, Minor International Public Company Limited ("Minor"), an indirect majority shareholder of NH (94.132%) and represented on the Board by four proprietary Directors, and NH signed a series of Related Party

Transactions, which are broken down in the Audit and Control Committee's Annual Report, as well as in Note 26 of this Report. These Related Party Transactions have always been executed in strict compliance with the rules established in the applicable regulations and the Procedure for Conflicts of Interest and Related Party Transactions with Significant Shareholders, Directors and Senior Management of NH Hotel Group, S.A. approved by the Board of Directors on 26 March 2014. All transactions signed with Minor (and/or its group of companies) have counted on a report from the Audit and Control Committee, have been signed under market conditions and with the participation of external advisors, and in compliance with the provisions in the Framework Agreement signed between the parties on 7 February 2019, which regulates, among others, the scope of action of the respective hotel groups headed by NH and Minor through the identification of preferred geographic areas or zones, the mechanisms necessary to prevent and deal with possible conflicts of interest, as well as to carry out operations with related parties and develop business opportunities. The aforementioned Framework Agreement was duly communicated to the Market via a Relevant Fact and is published in full on the Company's website.

During all Board Meetings dealing with issues related to Minor, the Proprietary Directors were absent when dealing with said matters and therefore did not participate in the adoption of the corresponding agreement.

29.- EVENTS AFTER THE REPORTING PERIOD

On 22 January 2020, the last payment of a syndicated loan granted by two banking entities was paid to a company in which an NH Group company is a minority shareholder. This company, which consolidates into the NH Group, using the equity method had an outstanding principal of 15,742 thousand euros (equivalent to 17,685 thousand dollars), thereby releasing the guarantees that had been granted for the fulfilment of payment of said loan.

In order to carry out such payment, the Group has made a contribution of 6,315 thousand euros (5,588 thousand euros at 31 December 2019 (See Note 26)) corresponding to the proportional part of NH Hotel Group as a guarantor.

At a date subsequent to the year-end, a claim against a Group company was filed; it is pending processing and in no case will have a significant adverse effect.

30.- INFORMATION ON ENVIRONMENTAL POLICY

For the NH Hotel Group, environmental sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of natural resources, particularly water and energy. In our responsible commitment to the Planet, we work to minimise our impact on Climate Change, increase the efficiency of resources and develop more sustainable services. All this minimises our environmental footprint with responsible consumption of natural resources.

Continuity was given to the environmental achievements of recent years in 2019. Thus, compared to 2007, per Average Daily Room energy consumption has been reduced by 31%, water consumption by 23% and our carbon footprint by 61%. NH Hotel Group is committed to renewable energy, which reduces its carbon footprint. This consumption of green energy, certified as renewable, is available in 99% of our consolidated hotels in Spain, Italy, the Netherlands, France and Luxembourg, covering 67% of the total electricity consumed in Europe.

NH Hotel Group works with the ISO 14.001 environmental management system and ISO 50.001 for energy efficiency in accommodation, catering, meetings and events. In total, the Company has 149 individual sustainability certifications in hotels such as BREEAM, LEED, Green Key, Hoteles+Verdes, ISO 14.001 Environmental Management System and/or ISO 50.001 Energy Management System. These environmental certifications are internationally recognised (ISO 14.001 and ISO 50.001) and those from the hotel sector itself such as Hoteles+Verdes and Green Key are recognised by the GSTC (Global Sustainable Tourism Council). The NH Hotel Group has reported its commitment to and strategy against climate change to CDP Climate Change since 2010 and received a B in its annual ranking.

It is also noteworthy that, in 2019, the NH Hotel Group became the first Spanish hotel company to establish emission reduction targets that are scientifically validated by the Science Based Targets initiative (SBTi) - a leading alliance in the promotion of the business sector against climate change in which CDP, the United Nations Global Compact, World Resources Institute and World Wide Fund for Nature are a part. With this formalisation, the NH Hotel Group is committed to reducing its carbon emissions by 20% throughout its value chain before 2030. This objective marks the Company's roadmap towards a significant reduction in its activity's carbon footprint in the coming years, aligned with the purpose set in the Paris Agreement to limit the increase in the global temperature to less than 2°C, and join the efforts that are being made globally towards the transition to a low carbon economy.

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 main financial assets include cash and cash equivalents (see Note 13), as well as trade and other accounts receivable (see Note 14). 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 bonds. At 31 December 2019, approximately 81.3% 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.

If the increase in interest rates were 25 bp, the financial expense would increase by 219 thousand euros plus interest.

If the increase in interest rates were 50 bp, the financial expense would increase by 438 thousand euros plus interest.

If the increase in interest rates were 100 bp, the financial expense would increase by 876 thousand euros 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 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, Colombia, Chile, Ecuador, the Dominican Republic, Brazil, 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, Brazil, 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 2019 was as follows:

	Thousands of euros	
	Currency translation difference	Changes with respect to 2018
US dollar	3,296	321
Mexican peso	(16,595)	1,807
Colombian peso	(24,521)	(1,688)

The changes in the currency translation difference of the above currencies was mainly due to the movements in exchange rates between 31 December 2019 and 31 December 2018:

Year-end euro reference exchange rate	31/12/2019	31/12/2018	Change
US dollar	0.890150	0.873360	1.92%
Mexican peso	0.047120	0.044460	5.98%
Colombian peso	0.000270	0.000270	-

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 2019 and 2018 of the aforementioned currencies:

Average euro reference exchange rate in the year	2019	2018	Change
US dollar	0.893180	0.846630	5.50%
Mexican peso	0.046390	0.044040	5.34%
Colombian peso	0.000270	0.000290	(6.90%)

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.

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 2019 is based on the following points:

- The group had cash and cash equivalents amounting to 289,345 thousand euros at 31 December 2019.
- Available undrawn credit lines amounting to 303,500 thousand euros at 31 December 2019, of which 250,000 thousand euros relate to the undrawn guaranteed syndicated credit line maturing on 29 September 2021 (Note 16).

The capacity of the business units to generate positive cash flows from operations.

- The Group may 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 2019 are presented below:

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent stake
Airport Hotel Frankfurt-Raunheim, GmbH & Co.	Munich	Real Estate	
Artos Beteiligungs, GmbH	Munich	Holding	
Astron Immobilien, GmbH	Munich	Holding	
Astron Kestrell, Ltd.	Plettenberg Bay	Hotel Business	
Atlantic Hotel Exploitation, B.V.	Den Haag	Hotel Business	
Blacom, S.A.	Buenos Aires	Holding	
Chartwell de México, S.A. de C.V.	México D.F.	Hotel Business	
Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	
Chartwell Inmobiliaria de Coatzacoalcas, S.A. de C.V.	Coatzacoalcas	Hotel Business	
City Hotel, S.A.	Buenos Aires	Hotel Business	
Columbia Palace Hotel, S.A.	Montevideo	Hotel Business	
Nhow london, Ltd.	London	Hotel Business	
Coperama Holding, S.L.	Madrid	Procurement network	
DAM 9 B.V.	Amsterdam	Holding	
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	
Desarrollo Inmobiliario Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	
Edificio Metro, S.A.	Buenos Aires	Hotel Business	
Expl. Mij. Hotel Best, B.V.	Best	Hotel Business	
Expl. mij. Hotel Doelen, B.V.	Amsterdam	Hotel Business	
Expl. Mij. Hotel Naarden, B.V.	Naarden	Hotel Business	
Expl. mij. Hotel Schiller, B.V.	Amsterdam	Hotel Business	
Exploitiatiemaatschappij Caransa Hotel, B.V.	Amsterdam	Inactive	
Franquicias Lodge, S.A. de C.V.	México D.F.	Hotel Business	
Gran Círculo de Madrid, S.A.	Madrid	Catering	
Grupo Hotelero Monterrey, S.A. de C.V.	México D.F.	Hotel Business	
Grupo Hotelero Queretaro, S.A. de C.V.	Queretaro	Hotel Business	
Heiner Gossen Hotelbetrieb, GmbH	Mannheim	Hotel Business	
The Marker Anantara Ltd.	Dublin	Holding	
GCS Hotel Ltd.	Dublin	Hotel Business	
NH Cash Link, S.L.	Madrid	Finance	
HEM Atlanta Rotterdam, B.V.	Hilversum	Hotel Business	
HEM Epen Zuid Limburg, B.V.	Wittem	Hotel Business	
All companies end the year on 31/12/2019			

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent stake
HEM Forum Maastricht, B.V.	Maastricht	Hotel Business	
HEM Jaarbeursplein Utrecht, B.V.	Utrecht	Hotel Business	
HEM Janskerkhof Utrecht, B.V.	Hilversum	Hotel Business	
HEM Marquette Heemskerk, B.V.	Hilversum	Hotel Business	
HEM Onderlangs Arnhem, B.V.	Arnhem	Hotel Business	
HEM Spuistraat Amsterdam, B.V.	Amsterdam	Hotel Business	
HEM Stadhouderskade Amsterdam, B.V.	Amsterdam	Hotel Business	
HEM Van Alphenstraat Zandvoort, B.V.	Hilversum	Hotel Business	
Highmark Geldrop, B.V.	Geldrop	Hotel Business	
Highmark Hoofddorp, B.V.	Hoofddorp	Hotel Business	
Hispana Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	
Hotel Aukamm Wiesbaden, GmbH & Co.	Munich	Real Estate	
Hotel de Ville, B.V.	Groningen	Hotel Business	
Hotel Expl. Mij Amsterdam Noord, B.V.	Amsterdam	Hotel Business	
Hotel Expl. Mij Leijenberghlaan Amsterdam, B.V.	Amsterdam	Hotel Business	
Hotel expl. mij. Capelle a/d IJssel, B.V.	Capelle a/d IJssel	Hotel Business	
Hotel expl. mij. Danny Kayelaan Zoetermeer, B.V.	Hilversum	Hotel Business	
Hotel expl. mij. Stationsstraat Amersfoort, B.V.	Amersfoort	Hotel Business	
Hotel Holding Onroerend Goed d'Vijff Vlieghe B.V.	Hilversum	Hotel Business	
Hotel Houdstermaatschappij Jolly, B.V.	Amsterdam	Holding	
Hotelera de la Parra, S.A. de C.V.	México D.F.	Hotel Business	
Hotelera Lancaster, S.A.	Buenos Aires	Hotel Business	
Hotelera de Chile, S.A.	Santiago de Chile	Hotel Business	
Gestora hotelera del siglo XXI, S.A.	Barcelona	Hotel Business	
Hotelexploitatiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	
Hotels Bingen & Viernheim, GmbH & Co.	Munich	Real Estate	
Inmobiliaria y Financiera Aconcagua, S.A.	Buenos Aires	Hotel Business	
Inmobiliaria y financiera Chile S.A.	Santiago de Chile	Real Estate	
Jan Tabak, N.V.	Bussum	Hotel Business	
JH Belgium, S.A.	Bruselas	Hotel Business	
JH Deutschland, GmbH	Colonia	Hotel Business	
JH Holland, N.V.	Amsterdam	Hotel Business	
JH USA, Inc.	Wilginton	Hotel Business	
Koningshof, B.V.	Veldhoven	Hotel Business	
All companies end the year on 31/12/2019			

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent stake
Krasnapolsky Belgian Shares, B.V.	Hilversum	Holding	
COPERAMA Benelux, B.V.	Amsterdam	Procurement network	
Krasnapolsky Hotels & Restaurants, N.V.	Amsterdam	Holding	
Krasnapolsky Hotels, Ltd.	Somerset West	Hotel Business	
Krasnapolsky ICT, B.V.	Hilversum	Inactive	
Krasnapolsky International Holding, B.V.	Amsterdam	Holding	
Latina Chile, S.A.	Santiago de Chile	Hotel Business	
Latina de Gestión Hotelera, S.A.	Buenos Aires	Hotel Business	
Latinoamericana de Gestion Hotelera, S.L.	Madrid	Holding	
Leeuwenhorst Congres Center, B.V.	Noordwijkerhout	Hotel Business	
Liberation Exploitation, B.V.	Sprang Capelle	Hotel Business	
Marquette Beheer, B.V.	Hilversum	Real Estate	
Museum Quarter, B.V.	Hilversum	Hotel Business	
Nacional Hispana de Hoteles, S.A.	México D.F.	Hotel Business	
Aguamarina S.A.	Rep. Dominicana	B2B services	
NH Atardecer Caribeño, S.A.	Madrid	B2B services	
NH Belgium, cvba	Diegem	Holding	
NH Caribbean Management, B.V.	Hilversum	Management	
NH Central Europe Management, GmbH	Berlín	Hotel Business	
NH Central Europe, GmbH & Co. KG	Berlín	Hotel Business	
NH Central Reservation Office, S.A.	Madrid	Call Center	
NH Finance, S.A.	Luxemburgo	Finance	
NH Financing Services S.a r.l.	Luxemburgo	Finance	
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel Business	
NH Europa, S.A.	Barcelona	Hotel Business	
NH Hotelbetriebs.-u. Dienstleistungs, GmbH	Berlín	Hotel Business	
NH Hotelbetriebs-u. Entwicklungs, GmbH	Berlín	Hotel Business	
NH Hoteles Austria, GmbH	Viena	Hotel Business	
NH Hoteles Deutschland, GmbH	Berlín	Hotel Business	
NH Hoteles España, S.A.	Barcelona	Hotel Business	
NH Hoteles France S.A.S.U.	Francia	Hotel Business	
NH Hoteles Switzerland GmbH	Fribourg	Hotel Business	
NH Hotels Czequia, s.r.o.	Praga	Hotel Business	
NH Hotels Polska, Sp. Zo.o.	Polonia	Hotel Business	
NH Hotels USA, Inc.	Houston	Hotel Business	
NH Hungary Hotel Management, Ltd.	Budapest	Hotel Business	
All companies end the year on 31/12/2019			

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent stake
NH Lagasca, S.A.	Madrid	Hotel Business	
NH Las Palmas, S.A.	Gran Canaria	Hotel Business	
NH Marin, S.A.	Barcelona	Hotel Business	
NH Private Equity, B.V.	Luxemburgo	Hotel Business	
NH Hotel Rallye Portugal, Lda.	Portugal	Hotel Business	
NH The Netherlands, B.V. (vh GTI, B.V.)	Hilversum	Holding	
Nhow Rotterdam, B.V.	Den Haag	Hotel Business	
Hotel Exploitiemaatschappij Diegem N.V.	Diegem	Hotel Business	
Hotel Exploitiemaatschappij Eindhoven B.V.	Hilversum	Hotel Business	
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	
Objekt Leipzig Messe, GmbH & Co.	Munich	Real Estate	
Olofskapel Monumenten, B.V.	Amsterdam	Real Estate	
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real Estate	
Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V.	Geldrop	Real Estate	
Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.	Capelle a/d IJssel	Real Estate	
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real Estate	
Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V.	Naarden	Real Estate	
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real Estate	
Onroerend Goed Beheer Maatschappij Maas Best, B.V.	Best	Real Estate	
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Real Estate	
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Real Estate	
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real Estate	
Operadora Nacional Hispana, S.A. de C.V.	México D.F.	Hotel Business	
Palatium Amstelodamum, N.V.	Amsterdam	Hotel Business	
Polis Corporation, S.A.	Buenos Aires	Hotel Business	
Restaurant D'Vijff Vlieghe, B.V.	Amsterdam	Catering	
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	
Servicios Corporativos Chartwell Monterrey, S.A. de C.V.	Monterrey	Hotel Business	
Servicios Corporativos Hoteleros, S.A. de C.V.	México D.F.	Hotel Business	
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	México D.F.	Hotel Business	
Nhow Amsterdam, B.V.	Utrecht	Inactive	
Toralo, S.A.	Montevideo	Hotel Business	
VSOP VIII, B.V.	Groningen	Hotel Business	
NH Wilhelminakade Holding B.V.	Northern Europe	Hotel Business	
Coperama Spain, S.L.	Madrid	Procurement network	
All companies end the year on 31/12/2019			

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent stake
Hoteles Royal, S.A.	Bogota	Holding	
Eurotels Chile S.A.	Chile	Holding	
Hotel Andino Royal S.A.S.	Bogota	Hotel Business	
Hotel Hacienda Royal Ltda	Bogota	Hotel Business	
Hotel La Boheme Ltda	Bogota	Hotel Business	
Hotel Medellin Royal Ltda	Medellin	Hotel Business	
Hotel Pacifico Royal Ltda	Cali	Hotel Business	
Hotel Parque Royal S.A.S.	Bogota	Hotel Business	
Hotel Pavillon Royal Ltda.	Bogota	Hotel Business	
Hotelera Norte Sur S.A	Chile	Real Estate	
Hoteles Royal del Ecuador S.A. Horodelsa	Quito	Hotel Business	
HR Quántica SAS	Bogota	Hotel Business	
Inmobiliaria Royal S.A	Chile	Real Estate	
Promotora Royal S.A.	Bogota	Real Estate	
Royal Hotels Inc.	USA	Hotel Business	
Royal Hotels International Latin América Inc	USA	Hotel Business	
Royal Santiago Hotel S.A.	Chile	Hotel Business	
Soc. Operadora Barranquilla Royal SAS	Barranquilla	Hotel Business	
Soc. Operadora Cartagena Royal SAS	Cartagena	Hotel Business	
Soc. Operadora Calle 100 Royal SAS	Bogota	Hotel Business	
Soc. Operadora Urban Royal Calle 26 SAS	Bogota	Hotel Business	
Soc. Operadora Urban Royal Calle 93 SAS	Bogota	Hotel Business	
Sociedad Hotelera Calle 7A Ltda	Bogota	Hotel Business	
Sociedad Hotelera Cien Internacional S.A.	Bogota	Hotel Business	
Sociedad Hotelera Cotopaxi S.A.	Quito	Hotel Business	
Sociedad Operadora Nh Royal Panama S.A.	Ciudad de Panamá	Hotel Business	
NH Italia, S.p.A.	Milan	Hotel Business	
Immo Hotel Bcc N.V.	Diegem	Real Estate	
Immo Hotel Belfort N.V.	Diegem	Real Estate	
Immo Hotel Brugge N.V.	Diegem	Real Estate	
Immo Hotel Diegem N.V.	Diegem	Real Estate	
Immo Hotel Gent N.V.	Diegem	Real Estate	
Immo Hotel Gp N.V.	Diegem	Real Estate	
Immo Hotel Stephanie N.V.	Diegem	Real Estate	
Immo Hotel Mechelen N.V.	Diegem	Real Estate	
NH Management Black Sea Srl	Bucarest	Hotel Business	
All companies end the year on 31/12/2019			

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent stake
NH Brasil Abrasil Administração De Hoteis E Participadas Ltda.	Villa Olímpica	Hotel Business	
Capredo Investments, GmbH	Suiza	Holding	
Palacio de la Merced, S.A.	Burgos	Hotel Business	
Latinoamericana Curitiba Administracao De Hoteis Ltda	Curitiba	Hotel Business	
NH Italia Real Estate, S.r.l.	Milano	Real Estate	
NH Holding, S.r.l.	Milano	Holding	
Coperama Italia S.r.l.	Milano	Procurement network	
Coperama Central Europe GmbH	Berlin	Procurement network	
Iberinterbrokers, S.L.	Barcelona	Service provider	
Coperama Colombia, S.A.S	Bogotá	Procurement network	
Coperama Mexico S.A. de C.V.	México D.F.	Procurement network	
Wilan Ander, S.L.	Madrid	Hotel Business	
Wilan Huel, S.L.	Madrid	Hotel Business	
All companies end the year on 31/12/2019			

APPENDIX II: ASSOCIATED COMPANIES

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company stake in investee company
Borokay Beach, S.L.	Madrid	Hotel business	50%
Consorcio Grupo Hotelero T2, S.A. de C.V.	México D.F.	Hotel business	10%
Servicios Corporativos T2, S.A. DE C.V	México D.F.	Hotel business	10%
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel business	27%
Gente con actitud de servicios gecase, S.A. De C.V.	Puebla	Hotel business	27%
Mil Novecientos Doce, S.A. de C.V.	México	Hotel business	25%
Servicios Corporativos 1912, S.A. DE C.V	México	Hotel business	25%
Kensington Hotel Value Added I, Ltd	Londres	Hotel business	30%
Sotocaribe, S.L.	Madrid	Holding	36%
Hotelera del Mar, S.A.	Mar de Plata	Hotel business	20%
All companies end the year on 31/12/2019			

NH Hotel Group, S.A

Consolidated Financial Statements
for the year ended 31 December
2018 together with Independent
Auditor's Report

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

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

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of NH Hotel Group, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NH Hotel Group, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test on assets associated with the hotel activity

Description

As indicated in Note 1 to the consolidated financial statements, at 31 December 2018, the Group was carrying on its activity through 350 hotel establishments (owned, leased and under management) in 28 countries. All the assets associated with the hotel activity include goodwill, property, plant and equipment and intangible assets whose carrying amounts at 31 December 2018 amount to EUR 1,858 million.

At the end of each reporting period, management performs an impairment test in order to determine the recoverable amount of the aforementioned assets. In order to calculate the recoverable amount of each cash-generating unit ("CGU"), Group management generally considers the calculation of the value in use of each of these units based on the estimate of future cash flows and applying growth rates and a discount rate adjusted for each country in which the Group operates.

The valuation of the hotel assets is a key audit matter, since it requires the use of estimates with a significant degree of uncertainty. Specifically, the valuation method generally used for the hotel assets is the "discounted cash flow method", which requires estimates, among others, of:

- The future room rental revenue of each CGU (projected as the product of the occupancy rate, the average room rate and the total rooms available per year).
- The other revenue projected as the average ratio of the room rental revenue to the other revenue.
- Staff costs and other direct expenses associated with each CGU.
- The internal rate of return or opportunity cost used when discounting.
- The residual value of the assets at the end of the projection period.

Procedures applied in the audit

We obtained the impairment test performed by management and, with the assistance of our internal experts, our audit procedures included, among others:

- The review of the design and implementation of the relevant controls that mitigate the risks associated with the process to assess the potential impairment of the assets associated with the hotel activity, as well as tests to verify that the aforementioned controls operate effectively;
- The comparison of the consistency of the methodology used in 2018 with that of the previous year;
- The clerical review of the calculations;
- Based on a sample of assets, taken on a selective basis, the assessment of the reasonableness of the main assumptions applied in relation to room rental revenue, as well as the future investments, by comparing them with objective data and the countries in which the Group operates;
- The analysis of the reasonableness of the discount rate used and review of the sensitivity analyses;
- A retrospective review, based on a sample of predictions with the objective of identifying bias in management's assumptions and the assessment of the historical achievement of the Group's budgets.

We also assessed whether the disclosures made by the Group in relation to these matters, which are included in Notes 4.4, 6, 7 and 8 to the accompanying consolidated financial statements for 2018, contain the information required by the applicable accounting regulations.

Recoverability of deferred tax assets

Description

The consolidated statement of financial position as at 31 December 2018 includes deferred tax assets amounting to EUR 139 million, of which EUR 85 million relate to tax credit assets (mainly tax losses and deductions) of the Spanish tax group.

At the end of the year the Group prepares financial models to assess the recoverability of the tax losses recognised, taking into consideration new legislative developments and the most recently approved business plans.

We identified this matter as key in our audit, since the preparation of these models requires a significant level of judgement, largely in connection with the projections of business performance, which affect the estimate of the recoverability of the tax assets.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls, as well as tests to verify that those controls operate effectively, the review of the aforementioned financial models, including the analysis of the consistency of the actual results obtained by the various divisions with the results projected in the previous year's models, the obtainment of evidence of the approval of the budgeted results included in the current year's models and the tax legislation applicable where the deferred tax assets are recognised, as well as the reasonableness of the projections for future years. We also involved our internal experts from the tax area in the analysis of the reasonableness of the tax assumptions on the basis of the applicable legislation.

We also verified and concluded that Note 18 to the accompanying consolidated financial statements contains the disclosures required by the accounting regulations in relation to the Group's deferred taxes.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2018, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels thereof:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the non-financial information described in section a) above is presented in the separate "consolidated non-financial information statement for 2018" report to which a reference is included in the consolidated directors' report, that the information in the ACGR, discussed in the aforementioned section, is included in the consolidated director's report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, 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.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is included below, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 25 February 2019.

Engagement Period

The General Meeting held on 21 June 2018 appointed us as the Group's auditors for a period of one year from 31 December 2017, i.e. for 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 December 1993.

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



Pilar Cerezo Sobrino
Registered in ROAC under no. 16502

25 February 2019

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

Consolidated Financial Statements for 2018 drawn up in accordance with the International Financial Reporting Standards adopted by the European Union.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES
ABRIDGED CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017
(Thousands of euros)

ASSETS	Note	31/12/2018	31/12/2017	TOTAL LIABILITY AND EQUITY
NON- CURRENT ASSETS:				EQUITY:
Goodwill	6	109,432	111,684	Share capital
Intangible assets	7	110,569	151,083	Reserves of the parent company
Property, plant and equipment	8	1,637,718	1,583,164	Reserves of fully consolidated companies
Investments accounted for using the equity method	9	8,971	9,419	Reserves of companies consolidated using the equity method
Non-current financial investments-	10	54,126	75,895	Other equity instruments
<i>Loans and accounts receivable not available for trading</i>		<i>42,598</i>	<i>65,154</i>	Exchange differences
<i>Other non-current financial investments</i>		<i>11,528</i>	<i>10,741</i>	Treasury shares and shareholdings
Deferred tax assets	18	138,724	137,996	Consolidated profit for the period
Other non-current assets		13,427	16,448	Equity attributable to the shareholders of the Parent Company
Total non-current assets		2,072,967	2,085,689	Non-controlling interests
				Total equity
				NON-CURRENT LIABILITIES
				Debt instruments and other marketable securities
				Debts with credit institutions
				Other financial liabilities
				Other non-current liabilities
				Provisions for contingencies and charges
				Deferred tax liabilities
				Total non-current liabilities
CURRENT ASSETS:				CURRENT LIABILITIES:
Non-current assets classified as held for sale	11	55,974	109,166	Liabilities associated with non-current assets classified as held for sale
Inventories		10,435	9,809	Liabilities associated with non-current assets classified as held for sale
Trade receivables	12	106,601	132,582	Debt instruments and other marketable securities
Non-trade receivables-		38,195	42,786	Debts with credit institutions
<i>Tax receivables</i>	18	<i>19,451</i>	<i>23,743</i>	Other financial liabilities
<i>Other non-trade debtors</i>		<i>18,744</i>	<i>19,043</i>	Trade and other payables
Accounts receivable from related entities		978	-	Tax payables
Cash and cash equivalents	13	265,869	80,249	Provisions for contingencies and charges
Other current assets		12,109	11,423	Other current liabilities
Total current assets		490,161	386,015	Total current liabilities
TOTAL ASSETS		2,563,128	2,471,704	TOTAL LIABILITY AND EQUITY

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/III are an integral part of the Consolidated Balance Sheet.
The Consolidated Balance Sheet at 31 December 2017 is presented solely for the purposes of comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT FOR THE YEARS 2018 AND 2017
(Thousands of euros)

	Note	2018	2017
Revenues	24.1	1,613,388	1,546,086
Other operating income	24.1	6,132	11,101
Net gains on disposal of non-current assets	7, 8 and 24.1	85,982	30,148
Procurements		(74,810)	(75,712)
Staff costs	24.3	(422,671)	(427,140)
Depreciation and amortisation charges	7 and 8	(116,301)	(123,085)
Net Profits/(Losses) from asset impairment	6, 7 and 8	(304)	9,005
Other operating expenses		(852,924)	(815,011)
<i>Variation in the provision for onerous contracts</i>	17	4,342	4,216
<i>Other operating expenses</i>	24.4	(857,266)	(819,227)
Gains on financial assets and liabilities and other		(373)	(1,927)
Profit (Loss) from entities valued through the equity method	9	(499)	(349)
Financial income	24.2	6,039	2,995
Change in fair value of financial instruments	24.2	-	(7)
Financial expenses	24.6	(59,997)	(76,747)
Results from exposure to hyperinflation (IAS 29)	24.7	25,674	-
Net exchange differences (Income/(Expense))		1,053	(6,360)
PROFITS BEFORE TAX FROM CONTINUING OPERATIONS		210,389	72,997
Income tax	18	(85,314)	(33,512)
PROFIT FOR THE PERIOD FROM CONTINUING ACTIVITIES		125,075	39,485
<i>Profit (loss) for the year from discontinued operations net of tax</i>	11	(568)	(278)
PROFIT FOR THE PERIOD		124,507	39,207
Exchange differences		(2,187)	(26,494)
Income and expenses recognised directly in equity		(2,187)	(26,494)
TOTAL COMPREHENSIVE PROFIT		122,320	12,713
Profits from the period attributable to:			
<i>Parent Company Shareholders</i>		117,785	35,489
<i>Non-controlling interests</i>		6,722	3,718
<i>Non-controlling interests in discontinued operations</i>		-	-
Comprehensive Profit attributable to:			
<i>Parent Company Shareholders</i>		117,611	11,712
<i>Non-controlling interests</i>	14.4	4,709	1,001
Profit per share in euros (basic)	5	0.318	0.104

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the consolidated comprehensive profit and loss statement for 2018.

The Consolidated Comprehensive Profit and Loss Statement for 2017 is presented solely for the purposes of comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2018 AND 2017

(Thousands of euros)

	Share capital	Reserves of the parent company			Reserves in companies consolidated by		Currency translation difference	Effect on equity attributable to the shareholders of the Parent Company	Treasury shares
		Share premium	Legal reserve	Other reserves	Full consolidation	the equity method			
Balances at 31 December 2016	700,544	634,659	43,121	(264,953)	137,512	(23,206)	(133,765)	27,230	
Adjustments after the end of the year	-	-	-	-	-	-	-	-	
Initial balance adjusted at 1 January 2017	700,544	634,659	43,121	(264,953)	137,512	(23,206)	(133,765)	27,230	
Net profit (loss) for 2017	-	-	-	-	-	-	-	-	
Exchange differences	-	-	-	-	-	-	(23,777)	-	
Recognised income and expenses for the period	-	-	-	-	-	-	(23,777)	-	
Distribution of Profit (Loss) 2016-									
- To Reserves	-	-	12,896	116,068	(98,333)	119	-	-	
- To Dividends	-	-	-	(17,056)	-	-	-	-	
Remuneration Scheme in shares	-	-	-	1,508	-	-	-	-	
Distribution of dividends	-	-	-	-	-	-	-	-	
Other movements	-	-	-	-	(302)	-	-	-	
Balances at 31 December 2017	700,544	634,659	56,017	(164,433)	38,877	(23,087)	(157,542)	27,230	
Application adjustment of IFRS 9 (Note 2.2)	-	-	-	8,571	-	-	-	-	
Application adjustment of IAS29 (Note 2.2)	-	-	-	-	(50,724)	-	96,862	-	
Initial balance adjusted 01 January 2018	700,544	634,659	56,017	(155,862)	(11,847)	(23,087)	(60,680)	27,230	
Net profit (loss) for 2018	-	-	-	-	-	-	-	-	
Exchange differences	-	-	-	-	-	-	(174)	-	
Recognised income and expenses for the period	-	-	-	-	-	-	(174)	-	
Capital increase			-	-	-	-	-	-	
Distribution of Profit (Loss) 2017-									
- To Reserves	-	-	2,817	25,355	7,666	(349)	-	-	
- To Dividends (Note 14.1)	-	-	-	(39,158)	-	-	-	-	
Remuneration Scheme in shares (Note 27 an 14.3)	-	-	-	1,185	-	-	-	-	
Application adjustment of IAS 29	-	-	-	-	(43,199)	-	-	-	
Acquisition of non-controlling interests (Note 2.5.4)	-	-	-	-	646	-	-	-	
Convertible debentures (Note 14.1)	83,817	122,331	-	33,691	-	-	-	(27,230)	
Other movements	-	-	-	33	2,011	-	-	-	
Balance at 31 December 2018	784,361	756,990	58,834	(134,756)	(44,723)	(23,436)	(60,854)	-	

Notes 1 to 31 described in the consolidated Record and Appendices I/II form an integral part of the statement of changes in consolidated assets and liabilities. The statement of changes in consolidated assets for the year 2017 is presented for comparison only.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR 2018 AND 2017

(Thousands of euros)

	Note	31.12.2018	31.12.2017
1. OPERATING ACTIVITIES			
Consolidated profit (loss) before tax and discontinued operations		210,389	72,997
Adjustments:			
Depreciation of tangible and amortisation of intangible assets (+)			
(Profits)/Losses for impairment (net) (+/-)	6, 7 and 8	116,301	123,085
Allocations for provisions (net) (+/-)	17	304	(9,005)
Gains/Losses on the sale of tangible and intangible assets (+/-)	7, 8 and 11	(4,342)	(4,216)
Gains/Losses on investments valued using the equity method (+/-)	9	(85,982)	(30,148)
Financial income (-)	24.2	499	349
Financial expenses and variation in fair value of financial instruments (+)	24.6	(6,039)	(2,995)
Results from exposure to hyperinflation (IAS 29)		59,997	76,754
Net exchange differences (Income)/(Expense)		(25,674)	-
Profit (loss) on disposal of financial investments		(1,053)	6,360
Other non-monetary items (+/-)	24.7	373	1,927
		25,031	10,036
Adjusted profit (loss)		289,804	245,144
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		(626)	61
(Increase)/Decrease in trade debtors and other accounts receivable		28,387	10,405
(Increase)/Decrease in other current assets		(10,760)	6,072
Increase/(Decrease) in trade payables		10,480	(3,088)
Increase/(Decrease) in other current liabilities		2,948	(196)
Increase/(Decrease) in provisions for contingencies and expenses		3,330	(7,196)
(Increase)/Decrease in non-current assets		(403)	748
Increase/(Decrease) in non-current liabilities		(9,437)	(412)
Income tax paid		(61,561)	(21,903)
Total net cash flow from operating activities (I)		252,163	229,635
2. INVESTMENT ACTIVITIES			
Financial income		527	1,345
Investments (-):			
Group companies, joint ventures and associates		(1,000)	(22,269)
Tangible and intangible assets and investments in property	7 and 8	(133,677)	(81,750)
Non-current financial investments		(671)	-
		(135,348)	(104,019)
Disinvestment (+):			
Group companies, joint ventures and associates	2	85	62
Tangible and intangible assets and investments in property	11	48,291	60,301
Non-current assets classified as held for sale		154,137	-
		202,513	60,363
Total net cash flow from investment activities (II)		67,692	(42,311)
3. FINANCING ACTIVITIES			
Dividends paid out (-)	10.c	(39,767)	(18,552)
Interest paid on debts (-)		(44,717)	(67,781)
Interest paid by means of payment		(17,379)	(16,317)
Interest paid by financing and other		(27,338)	(51,464)
Variations in (+/-):			
Equity instruments			
Debt instruments:			
- Bonds and other tradeable securities (+)	8.b	(44,894)	(135,000)
- Loans from credit institutions (+)		6,323	-
- Loans from credit institutions (-)	8.b	(11,147)	(21,772)
- Other financial liabilities (+/-)		(262)	(681)
Total net cash flow from financing activities (III)		(134,464)	(243,786)
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		185,391	(56,462)
5. Effect of exchange rate variations on cash and cash equivalents (IV)		325	-
6. Effect of variations in the scope of consolidation (V)	2	(96)	(22)
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+V)		185,620	(56,484)
8. Cash and cash equivalents at the start of the financial year		80,249	136,733
9. Cash and cash equivalents at end of year		265,869	80,249

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the Consolidated Cash Flow Statement for 2018. The consolidated cash flow statement for 2017 is presented for the purposes of comparison.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2018

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 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 2018, the Group was operating hotels in 28 countries, with 350 hotels and 54,374 rooms, of which around 69% 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 2018 were drawn up by the directors of NH Hotel Group, S.A. at the Board meeting held on 25 February 2019, 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 as well as in the applicable standards and circulars of the National Securities Market Commission and the remaining Spanish accounting standards which may be applicable, and as such give a true and fair presentation the Group's equity and financial position at 31 December 2018 and of the results of its operations, changes in equity and consolidated cash flows for the year then ended.

The consolidated financial statements for 2018 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 2017 were approved by the shareholders at the Annual General Meeting held on 21 June 2018 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 2018 may differ from those used by some of its component companies, the necessary adjustments and reclassifications have been made to standardise them and adapt them to the IFRS adopted by the European Union.

2.1.1 Standards and interpretations effective in this period

In 2018 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 2018.

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
New standards		
IFRS 15 Revenue from Contracts with Customers (published in May 2014) and its clarifications (published in April 2016).	New standard on revenue recognition (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31)	1 January 2018
IFRS 9 Financial Instruments (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.	

Amendments and/or interpretations

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.	1 January 2018
Amendment to IFRS 4 Insurance contracts (published in September 2016)	It allows entities under the scope of IFRS 4 the option of applying IFRS 9 ("overlay approach") or their temporary exemption.	
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.	
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.	
IFRS 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.	
Improvements to IFRS 2014-2016 Cycle (published in December 2016)	Minor amendments to a number of standards (different effective dates, including 1 January 2017).	

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.

Specifically, on 1 January 2018, IFRS 15 came into force, which is the new comprehensive standard for recognition of income with customers, and replaces standards and interpretations currently in force: IAS 18 on Revenue from ordinary activities, IAS 11 on Construction Contracts, IFRIC 13 on customer loyalty programmes, IFRIC 15 on agreements for the construction of real estate, IFRIC 18 on Transfers of assets from customers and SIC 31 on Revenue/Barter transactions involving advertising services.

The new revenue model applies to all contracts with customers except those falling within the scope of other IFRS, such as leases, insurance contracts and financial instruments.

The central recognition model is structured around the following five steps.

- Identify the contract with the customer.
- Identify the separate obligations of the contract.
- Determining the price of the transaction.
- Distribute the transaction price between the identified obligations.

- Account for the income when it fulfils the obligations.

Due to the Group's activity, as well as the relationships with its customers, the Parent Company's Directors consider that no significant changes derive from its application in relation to the current record of the Group's operations.

(2) New regulations, amendments and interpretations which will be obligatory in the years following the year commencing 01 January 2019

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		
New Standards:		
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).	1 January 2019
Amendments and/or interpretations		
Amendment to IFRS 9 Characteristics of early cancellation with negative offset (published in October 2017).	This amendment allows for the valuation of some financial instruments with early payment characteristics at amortised cost allowing the payment of an amount less than the unpaid amounts of principal and interest.	1 January 2019
IFRIC 23 Uncertainty over tax treatment (published in June 2017)	This interpretation clarifies application of recognition and measurement requirements in IAS 12 when there is uncertainty over acceptability by the tax authorities of a certain income tax treatment used by the entity.	
Awaiting approval for use in the European Union as of the date of publication of this document (1)		
New Standards:		
IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	1 January 2021 ⁽²⁾

Amendments and/or interpretations

Amendment to IAS 28 Long-term interest in associates and joint ventures (published in October 2017)	Clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if the equity method is not applied.	1 January 2019
Amendment IAS 19 - Accounting for a change, reduction or settlement of a defined benefit plan (published in February 2018)	Addresses the accounting for a change, reduction, or settlement of a defined benefit plan that occurs in the fiscal year.	
Amendments to IAS 1 and IAS 8 Definition of "materiality" (published in October 2018)	Develops recommendations to improve disclosure requirements to help stakeholders improve the usefulness of the information disclosed to the primary users of the financial statements.	1 January 2020
Improvements to IFRS 3 - Definition of Business (published in October 2018)	Clarifications to the definition of business.	
Improvements to IFRS 2015-2017 Cycle (published in December 2017)	Minor amendments to a number of standards.	1 January 2019

- (1) The approval status of the standards by the European Union can be consulted on the EFRAG website.
(2) The date of first-time application of this standard is being reviewed by the IASB and may be postponed to 1 January 2022.

(3) Analysis of IFRS 16 first application

IFRS 16 will replace IAS 17, IFRIC 4, SIC-15 and SIC-17 IFRS 16 and establishes the principles for the recognition, measurement, presentation and disaggregation of leases and requires lessees to account for all leases under a balance sheet recognition model similar to the accounting for finance leases under IAS 17. IFRS 16 came into force on 1 January 2019 and the Group decided not to apply it early.

The standard provides that at the inception of the lease, the lessee must record a liability equal to the present value of the lease payments. Such a liability includes fixed lease payments and those that are substantially fixed, as well as variable lease payments that depend on an index or interest rate. An asset that represents the right to use the underlying asset during the lease term (the right of use) is recognised. Lessees are required to record separately the interest expense of the lease liability from the amortisation expense of the right of use.

Lessees are also required to recalculate the lease liability in certain circumstances (for example, a change in the term of the lease or a change in lease payments due to a change in the index or rate used to determine those payments). The lessee shall recognise the difference from the recalculation of the liability as an adjustment to the value of the right of use.

The lessor's accounting under IFRS 16 is substantially the same as under IAS 17. The lessor shall continue to classify leases using the same criteria as under IAS 17 and distinguish between operating and finance leases.

Transition to IFRS 16

The Group shall apply the standard to all contracts that were identified as leases in accordance with IAS 17 and IFRIC 4, except for the exceptions recognised by the standard. These exceptions are as follows: leases of low-value assets (e.g. computers) and short-term leases (leases for periods of less than 12 months). Also, the Group analysed the subleases signed at the transition date and, due to their amount and the applicable market conditions, were not considered relevant for the application of the standard.

The Group decided to apply the modified retrospective method as the transition method to IFRS 16, calculating the asset at the commencement date of each identified contract and the liability at the transition date, using for the calculation of both the incremental interest rate at the transition date and recognising the difference between the two items as an adjustment to the opening balance of the consolidated reserves.

In order to determine the term of the lease contracts, the Group has taken as non-cancellable the initial term of each contract, taking the possible unilateral extensions at the option of the Group only in those cases in which it has been reasonably considered certain that they will be exercised, and only the cancellation options whose exercise has been reasonably considered certain have been taken into account.

The incremental interest rate is the interest rate that the lessee would incur at the commencement of the lease if it borrowed, over a period of time, with similar guarantees and in a similar economic environment. The interest was calculated as a combination of the following elements:

- CDS curve of the economic environment.
- Euribor Swap Rate Curve.
- Synthetic NH CDS curve.

These elements were combined to obtain an interest rate curve for each contract based on its geoeconomic specificities and from which, the calculation process consists of bringing each of the discounted flows to the present value at the interest rate corresponding to each maturity within said curve and calculating which single equivalent rate would be used to discount said flows.

The impact of IFRS 16 on the Group's financial statements is significant due to the maturity of the contract portfolio.

Aforesaid estimated impact at 1 January 2019 will result in an increase in assets for usage rights of approximately 1.7 billion euros, an increase in liabilities for operating leases of approximately 2.1 billion euros and a decrease in reserves of 0.4 billion euros. The Group is finalising the analysis of the first impacts of IFRS 16, and it is not estimated that the finalisation of the same will result in an absolute difference of more than 10% with respect to the aforementioned indicated impacts.

The calculation of these impacts has been performed as if IFRS 16 had been applied from the inception of each contract or from the date of initial consolidation of the lessee of the contract. The calculation was made by discounting the lease flows by recalculating the asset and liability for each material modification to the lease and using an incremental interest rate calculated for each of the contracts at the transition date without taking into account the tax effect.

In order to reconcile operating lease commitments in accordance with IAS 17 (see Note 24.5) with operating lease liabilities in accordance with IFRS 16, it would be necessary to add to operating lease commitments according to IAS 17 (approximately 2 billion euros) the impact of applying different discount rates (approximately 0.3 billion euros) and subtract the impact of contracts signed but not in force at the transition date (approximately -0.2 billion euros), thereby achieving an operating lease liability of approximately 2.1 billion euros.

The Group estimates that the net profit before tax will decrease by approximately 5 million euros, taking into account the portfolio at the transition date, without considering additions, deletions or amendments to contracts that might occur after that date.

2.2 Comparison of information

As required by IAS 1, the information on 2017 contained in this consolidated annual report is presented for solely comparative purposes with the information on 2018 and consequently does not in itself constitute the Group's consolidated financial statements for 2017.

During 2018, the economic crisis in Argentina worsened considerably, and this situation has led to a substantial increase in the rate of inflation, which in the last three years has surpassed 100%. These events led Argentina to be considered a hyperinflationary economy from 2018 onwards, in accordance with accounting standards. As a result, the Group applied IAS 29 "Financial Information in Hyperinflationary Economies" to the Group's business in Argentina, making the necessary accounting corrections as of 1 January 2018, in accordance with accounting standards.

In accordance with IAS 29, the financial statements of an entity whose functional currency is that of a hyperinflationary economy must be expressed in the unit of measurement current at the end of the reporting period, based on the purchasing power of the closing month.

Given Argentina's consideration as a hyperinflationary country, the financial statements are adjusted for inflation (see Note 4.23), the most significant impact being the restatement of non-current assets and liabilities from the date of acquisition, last revaluation or first application of IFRS by the inflation index. The difference between the pre-tax result and the net result corresponds to the recognition of deferred tax (see Note 18) for the adjustments for inflation of net assets that, according to current tax legislation in Argentina, are not tax deductible.

The effect of the application of IAS 29 at 1 January 2018 led to an increase of 46 million euros in consolidated reserves and an increase in the value of minority interests of 7 million euros, recorded mainly under "Property, Plant and Equipment" (an increase of 71 million euros in net book value upon first application, see Note 8) and under deferred tax liabilities (an increase of 18 million euros in the value of liabilities at the time of first application, see Note 18).

After this first application, the impact of the application of IAS 29 during 2018 has had a negative net effect on the reserves of consolidated companies amounting to 43 million euros. This is composed of the effect of the devaluation of the currency that compensates for the increase in equity because of the restatement of non-monetary items due to hyperinflation. On the other hand, "Property, plant and equipment" increased by 1.8 million euros (see Note 8), and the deferred tax liability increased by 1.2 million euros (see Note 18) with respect to the first application at 1 January 2018. Also, the net effect in the profit and loss account of the application of IAS 29 is recorded as income of 25,674 thousand euros, under the heading "Results from exposure to hyperinflation" (IAS 29) in the 2018 consolidated comprehensive profit and loss statement.

Additionally, the Group has decided to classify the historical translation differences associated with the devaluation of the currency in Argentina to consolidated reserves. This has had a negative effect on the consolidated reserves of 96,862 thousand euros and, therefore, the total effect of hyperinflation at the time of first-time application amounted to lower reserves in fully consolidated companies amounting to 50,724 thousand euros.

In addition, IFRS 9 on financial instruments entered into force on 1 January 2018. The Group has decided to apply the standard without restating the comparatives, i.e., the difference between the previous book values and the new values at the date of initial application of the standard (1 January 2018), were recognised as an adjustment in reserves (equity).

During 2016, the Group renegotiated its financial liabilities (bonds and obligations) which, according to the provisions of IAS 39, were considered non-material and consequently did not require derecognition of financial liabilities. The treatment provided for by IFRS 9 requires recalculating the amortised cost book value of such financial liabilities on the renegotiation date and recognising a gain or loss for the change in the results of the period or at the time of applying the new standard. The impact calculated at 1 January 2018 was a decrease of 8.6 million euros in the book value of financial liabilities, which increased the amount of opening reserves at that

date. In relation to the other requirements for the application of IFRS 9, the Parent's directors considered that there were no significant impacts to be recorded by the Group as a result of their application.

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 hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce;
- The useful life of the tangible and intangible assets.
- The valuation of consolidation goodwill.
- The market value of specific assets.
- Calculation of provisions and evaluation of contingencies.
- The recoverability of capitalised tax credits.

In spite of the fact that these estimates were carried out using the best information available at 31 December 2018 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 was translated at the average exchange rate for the year, except for the companies in Argentina whose economy was declared hyperinflationary in 2018 and therefore, in accordance with IAS 29, their consolidated comprehensive profit and loss statement was translated at the end-of-period exchange rate (see Note 4.23).

Any difference resulting from the application these criteria have been included in the "Translation differences" item under the "Equity" heading (except for those arising from the translation of hyperinflationary economies).

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 2018 and 2017 that affect the comparison between financial years were the following:

a.1 Changes in the scope of consolidation in 2018

a.1.1 Additions to the consolidation scope

On 5 July 2018, the Group acquired 16,693 shares with a par value of 60.1 euros/share of Grupo Palacio de la Merced, S.A. for 1,000 thousand euros. The Group already had control of this company with an ownership interest

of 72%; after the acquisition, the ownership interest amounts to 88%. The effect of the acquisition has been to reduce the value of minority interests by 1,568 thousand euros and to improve consolidated reserves by 568 thousand euros (see Note 14.4).

In the first half of 2018, the Group acquired 23.53% of NH Logroño, S.A. for 500 thousand euros, and now owns 100% of this company; the effect on minority interests has led to a reduction of 578 thousand euros as a minority interest (see Note 14.4) and higher consolidated reserves of 78 thousand euros.

a.1.2 Disposals

During the first six months of 2018, the Group liquidated Hotel&Congress Technology, S.L. and Hoteleira Brasil LTDA, in which it held 50% and 100% of equity, respectively. The net result of these liquidations produced a consolidated negative result of 40 and 45 thousand euros respectively.

In addition, in May 2018, the company belonging to the consolidated group Fast Good Islas Canarias, S.L. was liquidated. This liquidation had no impact on consolidated profit for the year.

a.2 Changes in the scope of consolidation in 2017

a.2.1 Additions to the consolidation scope

On 17 November 2017, the Group acquired 100% of the share capital of Wilan Ander S.L. and Wilan Huel, S.L., as well as the assignment of the credit which the seller had with these companies. These companies owned the properties operated by NH Hoteles España, such as the hotels NH Ciudad de Santander and NH Luz de Huelva, until the date of taking control under the lease.

Said acquisition was carried out in accordance with that stipulated in IFRS 3 Business Combinations. The effect of the acquisition on the consolidated financial position statement due to their fair values at 31 December 2017 was as follows:

	Thousands of euros		
	Wilan Huel, S.L.	Wilan Ander S.L.	TOTAL
Property, plant and equipment (Note 8)	4,888	6,809	11,697
Other non-current assets	37	52	89
Current assets	7	69	76
Debts with credit institutions	(3,676)	(5,135)	(8,811)
Other non-current liabilities	(37)	(52)	(89)
Current liabilities	(65)	(4)	(69)
Fair value of the acquired entity's net assets	1,154	1,739	2,893
Loans granted prior to taking control	(875)	(1,117)	(1,992)
Net Consideration	(881)	(1,123)	(2,004)
Goodwill	(602)	(501)	(1,103)

The Group had granted subordinated loans amounting to 1,117 thousand euros to Wilan Ander, S.L. and 875 thousand euros to Wilan Huel, S.L. which the Group capitalised in the respective subsidiaries; the difference of 1,103 thousand euros corresponds to the Goodwill arising from the operation (see Note 6) and was recorded against results.

In addition, the detail of the book value of the assets acquired and the revaluation carried out was as follows:

	Thousands of euros		
	Book value of the assets acquired	Impairment realised	Fair value of the assets acquired
Property, plant and equipment	11,776	(79)	11,697
Other non-current assets	69	20	89
Current assets	76	-	76
Debts with credit institutions	(8,811)	-	(8,811)
Other non-current liabilities	(89)	-	(89)
Current liabilities	(68)	-	(68)

a.2.2 Disposals

On 19 April 2017 the Group sold 400,000 registered shares making up the equity capital of the commercial company Hesperia Enterprises de Venezuela, S.A. for 70,000 US dollars. The net result of the transaction was a consolidated profit of 3 thousand euros. An expenditure of 5,785 thousand euros was also recorded owing to the conversion differences associated with the aforementioned shareholding, which is entered in the net exchange differences item of the abridged consolidated comprehensive results.

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.- PROPOSED 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):

	2018
To legal reserve	16,019
To distribution of dividends	58,737
To voluntary reserves	85,436
Total	160,192

In addition, the Parent's directors will propose offsetting prior years' losses on the Parent's balance sheet at 31 December 2018, amounting to 255,869 thousand euros, against voluntary reserves.

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.

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 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 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.

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) “Agreement premiums” reflect the amounts paid as a condition to obtain certain agreements. They are amortised on a straight-line basis depending on the term of the agreement. This line item reflects premiums from rental contracts. At the end of 2017, this heading included the premium for the framework agreement signed with Grupo Inversor Hesperia, S.A. for the management of 28 hotels, which ended in 2018 (see Note 7.1).
- 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) “Computer applications” include the costs incurred by the Group Companies in the acquisition and development of various computer software programmes 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 two cases, 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 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 in 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.
- Investments in repositioning the CGUs.

These factors are reflected in the cash flows through the following working hypotheses used to obtain the projections:

- Income from accommodation is projected as the product of the occupancy percentage, the average daily rate (ADR) per room, and the total available rooms 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.

For the calculation of the discount rate the Weighted Average Cost of Capital (WACC) methodology has been applied: Weighted Average Cost of Capital (WACC), as follows:

$$WACC=K_e \cdot E/(E+D) + K_d \cdot (1-T) \cdot D/(E+D)$$

Where:

K_e : Cost of Equity

K_d : Cost of Debt

E: Equity Amount

D: Debt Amount

T: Tax Rate

The Capital Asset Pricing Model (CAPM) is used to estimate the cost of equity (k_e).

The main variables used to calculate the discount rate are as follows:

- Risk-free rate: using the average long-term interest rates of a 10-year bond over the last 12 months for each country, in the local currency.
- Market risk premium: defined as 6.6% (6.7% in 2017), based on market reports.
- Beta or systematic risk: Used as outside sources of information, this information is gathered from independent databases and concerns the ratio between the risk of companies and overall market risk. The re-leveraged beta coefficient has been estimated on the basis of 83% de-leveraged betas (64% in 2017), the debt structure of comparable companies (Debt / (Debt + Equity) of 26% (31% in 2017) and the corresponding tax rate in each country.
- Market value of debt, amounting to 4.11% (5% in 2017).
- Premium by size: based on recent expert reports.

The after-tax discount rates used by the Group for these purposes range in Europe from 6.2% to 9.0% (5.6% and 9.8% in 2017) and in Latin America from 10.6% to 18.4% (9.6% and 13.6% in 2017) without taking into account Argentina, whose after-tax discount rate has been calculated taking into account its hyperinflationary economic

situation (see Note 4.23) and varies between 36.5% in 2019 and 16% in 2023, depending on inflation estimation set. In this regard, the cash flows resulting from the impairment tests were also calculated after tax. In addition, the book value to which the value-in-use is compared does not include any deferred tax liabilities which could be associated with the assets.

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
2018	7.81%	8.22%	11.01%	10.24%
2017	6.88%	7.46%	9.44%	8.77%

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:

	2018	2017	2018	2017	2018	2017	2018	2017
	Germany		Netherlands		Italy		Spain	
Post-tax WACC	6.22%	5.55%	6.93%	6.00%	8.42%	7.30%	8.15%	7.14%
Growth rate	2.56%	2.47%	2.14%	1.60%	1.71%	1.40%	1.90%	1.56%
Average ADR	80.9	78.7	73.9	116.8	110.9	130.4	88.9	87.1
Occupancy rate	70.1%	66.3%	61.8%	69.8%	72.8%	70.7%	72.7%	70.9%

"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 "Property, plant and equipment" 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:

- Financial assets at fair value through profit or loss are those assets acquired by the companies with the objective of obtaining the contractual flows and selling them; or those assets that do not consist exclusively of the payment of the principal and interest and the management model is the sale of the same, in general terms, practically all of the variation in the fair value of the Group's financial assets are recorded with a charge to the consolidated statement of changes in equity. Interest income, exchange rate differences and impairment losses are recognised in the income statement and other gains or losses are recognised in "Other comprehensive profit and loss" in equity. Any cumulative gain or loss recognised in equity is reclassified to profit or loss at the time of derecognition.

- Financial assets at amortised cost: assets whose contractual cash flows consist exclusively of principal and interest payments and, if the management model of such assets is to hold them to obtain the contractual flows. In this case, the Group records any changes in value with a charge to the consolidated comprehensive profit and loss statement.

Transaction costs at the time of acquisition are recognised as an increase in acquisition cost or as an expense, depending on whether the financial asset being transacted is considered at fair value through profit or loss.

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.

Interest accrued on financial assets at amortised cost is recognised in the consolidated comprehensive profit and loss statement on the basis of the 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 based on expected loss.

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 according to the expected loss based on the credit risk of the customer portfolio.

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, while those with a maturity date of less than twelve months are included in current liabilities.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

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.

In the case of renegotiations, if they were considered non-substantial and consequently did not require the de-recognition of the financial liabilities, the carrying amount of the amortised cost of those financial liabilities at the date of renegotiation is recalculated and a gain or loss due to changes in profit or loss is recognised.

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 their adjustment is recognised as a lower or higher cost in the initial recognition of the item.

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).

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 Shareholdings in associated companies

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 reasonable 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 Corporation tax

The cost of the year's corporation 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.

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 re-estimated 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 Severance pay

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 5,751 thousand euros for this item in 2018 (12,632 thousand euros in 2017).

The consolidated balance sheet at 31 December 2018 includes, pursuant to IFRS (IAS 37), a provision of 1,058 thousand euros for this item (6,429 thousand euros at 31 December 2017).

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 the consolidated comprehensive profit and loss statements 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.

4.23 Treatment of companies in hyperinflationary economies

In 2018, Argentina was declared a hyperinflationary economy due, among other causes, to the fact that the accumulated inflation rate of its economy exceeded 100% over a continuous period of three years.

As a result, the Group has applied IAS 29 to the financial statements of Argentine companies with retroactive effect from 1 January 2018. The application of this standard entails the following exceptions to what is stated above in the rest of the valuation standards:

- Restatement of non-monetary assets and liabilities net of deferred taxes, depending on the case, from their acquisition date, date of first application of IFRS or date of last revaluation. The counterpart of this restatement has been reserves or the result from exposure to changes in the purchasing power of the year's currency depending on the period in which it is generated.
- Equity effects: equity has been restated in the same way as the other non-monetary items; additionally, the Group has decided to classify the historical translation differences associated with the devaluation of the currency in Argentina to consolidated reserves.
- The restatement of the monthly results of Argentine companies in accordance with the accumulated inflation for the year since it was generated will be adjusted against the consolidated comprehensive income derived from exposure to changes in the purchasing power of the currency.
- Application of the closing exchange rate instead of the average exchange rate for the year to the consolidated statement of comprehensive income, in the case of Argentine companies. For this purpose,

all amounts need to be restated using the variation experienced by the general price index from the date on which expenses and income were recorded in the consolidated comprehensive profit and loss statement.

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:

	31/12/2018	31/12/2017
Net profit for the year (thousands of euros)	117,785	35,489
Weighted average number of shares in circulation (in thousands)	369,873	340,805
Basic earnings per share in euros	0.318	0.104

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):

	2018	2017
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	77,933	79,181
Hoteles Royal, S.A.	27,607	28,629
Others	3,892	3,874
	109,432	111,684

The movements in this heading of the consolidated balance sheet in 2018 and 2017 were as follows (in thousands of euros):

Company	Goodwill 31/12/2017	Exchange differences	Impairment	Goodwill 31/12/2018
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	79,181	-	(1,248)	77,933
Hoteles Royal, S.A.	28,629	(1,022)	-	27,607
Others	3,874	18	-	3,892
Total	111,684	(1,004)	(1,248)	109,432

Company	Goodwill 31/12/2016	Additions	Exchange differences	Impairment	Goodwill 31/12/2017
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	80,485	-	-	(1,304)	79,181
Hoteles Royal, S.A.	32,719	-	(4,090)	-	28,629
Others	4,532	1,103	(658)	(1,103)	3,874
Total	117,736	1,103	(4,748)	(2,407)	111,684

Details of the cash-generating units to which such goodwill arising on consolidation has been allocated is shown below:

	Thousands of euros	
	2018	2017
Grupo Royal CGUs	27,607	28,629
CGU 6	15,113	15,113
CGU 21	9,929	9,929
CGU 22	7,711	7,711
CGU 12	7,042	7,042
CGU 5	6,107	6,107
CGU 13	5,624	5,624
CGU 2	5,023	5,027
CGUs with goodwill allocated individually < €4 M	25,276	26,502
	109,432	111,684

At 31 December 2018, Goodwill was subject to an impairment test which showed 1,248 thousand euros of impairment.

The basic assumptions used to estimate future cash flows of the CGUs mentioned above are detailed below:

- After - tax discount rate: 6.22% and 7.86% (5.55% and 6.93% respectively in 2017) for CGUs subject to the same risks (German and Austrian market); and for Grupo Royal CGUs, rates of 14.64% (Colombian and Ecuadorian markets) and 10.56% (Chilean market) (12.40% and 9.61% respectively in 2017).
- Terminal value growth rate (g): 2.01% and 2.56% (2.67% and 2.25% in 2017) for Germany and Austria and 1.22% and 3.04% (3% in 2017) 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)	6.22% - 7.86%	7.22% - 8.86%	5.22% - 6.86%
Growth rate	2.56% - 2.01%	1.56% - 1.01%	3.56% - 3.01%
Occupancy rate	76.71%	75.95%	77.48%
ADR (euros)	115.43	114.28	116.59

Hoteles Royal, S.A.			
	Average values		
	Impairment test	Scenario 1	Scenario 2
Discount rate (after tax)	10.56% - 14.64%	11.56% - 15.64%	9.56% - 13.64%
Growth rate	1.22% - 3.04%	0.22% - 2.04%	2.22% - 4.04%
Occupancy rate	68.69%	68.00%	69.37%
ADR (thousands of COPs)	288.09	285.21	290.97

"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.

Scenario 1 is a negative one where the discount rate is raised 1 b.p. above the rate used in the test and a growth rate lower by 1 b.p., i.e. with minimum growth, and falls in occupancy and ADR of 1% which would lead to an additional impairment to that registered in 2018 for an amount of 3 million euros with respect to the goodwill of NH Hotels Deutschland, Gmbh and NH Hoteles Austria, Gmbh, and 17.2 million euros with respect to the goodwill of Hoteles Royal, S.A.

In the case of scenario 2, an impairment had been recorded for 99 thousand euros less than that recorded at 31 December 2018 with respect to the goodwill of NH Hotels Deutschland, Gmbh and NH Hoteles Austria, Gmbh, and no impairment in regard to the goodwill of Hoteles Royal, S.A. was registered.

7.- INTANGIBLE ASSETS

The breakdown and movements under this heading during 2018 and 2017 were as follows (in thousands of euros):

	Balance at 31/12/2016	Exchange differences	Inclusions/Allowances	Retirements	Transfers to other items	Balance at 31/12/2017	Exchange differences	Inclusions/Allowances
COST								
Hotel operating rights	73,342	(4,098)	282	(304)	-	69,222	(1,024)	973
Rental agreement premiums	67,315	-	39,996	(12,413)	-	94,898	-	-
Concessions, patents and trademarks	38,572	(748)	315	(82)	(52)	38,005	(187)	172
Software applications	127,972	(16)	9,871	(75,354)	1,855	64,328	13	12,388
	307,201	(4,862)	50,464	(88,153)	1,803	266,453	(1,198)	13,533
ACCUMUATED AMORTISATION								
Hotel operating rights	(25,125)	(633)	(2,635)	-	20	(28,373)	883	(3,403)
Rental agreement premiums	(21,049)	-	(5,401)	4,831	(874)	(22,493)	-	(5,193)
Concessions, patents and trademarks	(21,431)	(148)	(1,236)	82	1,059	(21,674)	347	(1,433)
Software applications	(92,939)	21	(12,536)	75,040	78	(30,336)	3	(13,903)
	(160,544)	(760)	(21,808)	79,953	283	(102,876)	1,233	(23,923)
Impairment	(20,204)	2	(228)	7,692	244	(12,494)	(7)	(1,073)
NET BOOK VALUE	126,453					151,083		

7.1 Rental agreement premiums

As a result of the change of control of the NH Group (see Note 14.1) on 30th November 2018, the effective termination of all the management contracts defined in the framework contract entered into in 2017 with Grupo Inversor Hesperia, S.A. ("GIHSA") was formalised, the latter being a former shareholder of the NH Group, for the management of 28 hotels for a period of nine years, which until then had been managed by the NH Group as this contract included an early termination clause in the event of a change of control of the NH Group.

As a result of this termination, the Group has de-recognised the net book value of the activated management contracts amounting to 30.4 million euros. In the same way, a revenue of 33 million euros has been recorded corresponding to the "Net Price Refund Amount" defined in the framework contract, which includes the receipt of an advance indemnity revenue amounting to 20 million euros, the settlement of the pending payment by NH related to the premiums for contracts amounting to 11,560 thousand euros, which was recognised under "Other Financial Liabilities" in the consolidated balance sheet at 31 December 2017, and the sale of the Hesperia brand, the net book value of which amounted to 45 thousand euros, for an amount of 1.4 million euros. The net effect of 2.6 million euros of revenue arising from the early cancellation of the contract entered into with GIHSA, before its tax impact, is recognised under "Net result on disposal of assets" of the 2018 consolidated comprehensive profit and loss statement.

7.2 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.

The derecognitions are mainly represented by withdrawals of software applications which were substantially amortised at year-end.

During 2018, impairment provisions of 1,079 thousand euros and reversals of 712 thousand euros were recognised under "Net Profits/(Losses) from asset impairment" of the consolidated comprehensive profit and loss statement.

8.- PROPERTY, PLANT & EQUIPMENT

The breakdown and movements under this heading during 2018 and 2017 were as follows (in thousands of euros):

	Balance at 31/12/2016	Change in consolidation boundary	Exchange differences	Additions	Retirements	Transfers	Balance at 31/12/2017	Exchange differences	Additions	Retirements
COST										
Land and buildings	1,695,856	5,007	(17,063)	4,575	(17,993)	(68,825)	1,601,557	(30,164)	26,089	(25,210)
Plant and machinery	795,269	7,028	(7,659)	24,290	(25,632)	(1,994)	791,302	(2,289)	38,333	(77,742)
Other plant, fixtures and furniture	457,987	-	(3,968)	21,558	(35,214)	317	440,680	(1,148)	25,969	(32,606)
Other fixed assets	794	(47)	(87)	20	(215)	(994)	(529)	(21)	-	-
Property, plant and equipment in progress	25,713	(162)	(866)	12,904	(2,293)	(7,844)	27,452	679	46,625	(3,167)
	2,975,619	11,826	(29,643)	63,347	(81,347)	(79,340)	2,860,462	(32,943)	137,016	(138,725)
ACCUMUATED AMORTISATION										
Buildings	(326,752)	-	5,059	(31,542)	4,604	5,789	(342,842)	1,516	(24,412)	19,051
Plant and machinery	(532,735)	(338)	4,691	(40,629)	21,334	2,345	(545,332)	1,271	(39,091)	67,098
Other plant, fixtures and furniture	(350,744)	-	3,228	(29,015)	32,281	2,123	(342,127)	1,579	(28,790)	30,500
Other fixed assets	(434)	47	91	(91)	485	(88)	10	22	(81)	-
	(1,210,665)	(291)	13,069	(101,277)	58,704	10,169	(1,230,291)	4,388	(92,374)	116,649
Impairment	(63,526)	-	34	(2,730)	18,998	217	(47,007)	(2)	(10,034)	11,345
NET BOOK VALUE	1,701,428						1,583,164			

**Includes the net impact of the application of the criteria of hyperinflationary economies (Argentina).*

The main additions and reductions in 2018 are due to the repositioning plan carried out by the Group, with refurbishments in all Business Units. In Spain, the works at the NH Málaga and the new openings at the NH Collection Gran Vía are noteworthy; in France the new openings at the NH Collection Marseille, in Italy the refurbishment of the NH Porta Nuova and the new openings at the NH Venezia Rio Novo. In Central Europe, the NH Berlin Alexanderplatz and NH Erlangen works in Benelux, the NH Conference Centre Koningshof and NH Conference Centre Lewuwenhorst works as well as the acquisition of the NH Luxembourg, in Mexico, the NH Collection Mexico City refurbishment, and in the United States, the beginning of NH New York Jolly Madison Towers hotel refurbishment; in which, there have been de-recognition of assets arising from the start of these works.

In 2017, the net additions for the year in the column "Changes in the scope of consolidation" come from the purchase of the companies WILAN ANDER, S.L. and WILAN HUEL, S.L. (see Note 2.5.4) and the exit of the company Hesperia Enterprises de Venezuela, S.A.

The column "Application of IAS 29" includes the cumulative impact of the restatement of property, plant and equipment from the date of first application of IFRS or the date of last revaluation, with the changes in 2018 being as follows:

	IMPACT IAS 29 (millions of euros)		
	First application	Movements	Ending balance
Net Book Value	71	2	73

Transfers to other items relate mainly to the second building of the NH Malaga classified as a non-current asset held for sale in 2018 amounting to 12,562 thousands of euros (see Note 11).

At 31 December 2018, there were tangible fixed asset elements with a net book value of 237 million euros (275 million euros in 2017) to guarantee several mortgage loans (see Note 15).

The breakdown of impairment by country is as follows (in thousands of euros):

	2018	2017
Spain	8,246	10,834
Italy	26,898	32,182
Germany	952	2,392
Benelux	9,376	997
Others	226	602
Total impairment	45,698	47,007

In 2018, impairment amounting to 10,034 thousand euros 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 (2,730 thousand euros in 2017), and 11,345 thousand euros registered under "Net Profits/(Losses) from asset impairment" of the 2018 consolidated comprehensive profit and loss statement have been reversed.

During the year, various tangible and intangible assets were de-recognised, replaced or disposed of to third parties outside the Group, the net effect being a loss of 1,333 thousand euros, recognised under "Gain/(loss) on the disposal of non-current assets" in the 2018 consolidated comprehensive profit and loss statement. In addition, "Gain/(loss) on the disposal of non-current assets" includes the gain recognised on the sale of the NH Collection Barbizon Palace classified as available for sale in 2018 (see Note 11).

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.

At 31 December 2018, firm purchase undertakings amounted to 66.7 million euros. These investments will be made between 2019 and 2020 (51.5 million euros in 2017).

The recoverable amount of the CGUs subject to impairment or reversal (not the entire portfolio of the Group) is as follows:

Million of euros	2018
	Recoverable amount
CGU A	35.70
CGU B	24.1
CGU C	20.3
CGU D	18.4
CGU E	12.8
CGU F	11.5
CGU G	11.2
CGU H	10.9
CGU I	9.4
CGU J	9.3
Top Ten	163.6
Spain	57.8
Italy	53
Benelux	10.7
Germany	(0.2)
Other Countries	2.2
Other CGUs	123.5
Total	287.1

9.- INVESTMENTS VALUED USING THE EQUITY METHOD

The movements under this heading of the consolidated balance sheet during 2018 and 2017 were as follows (in thousands of euros):

Company	Net Balance at 31/12/2017	Profit (Loss) 2018	Currency translation difference	Changes in the scope of consolidation and additions	Net Balance at 31/12/2018
Inmobiliaria 3 Poniente, S.A. de C.V.	1,860	(206)	159	-	1,813
Mil Novecientos Doce, S.A. de C.V.	1,780	170	92	-	2,042
Consorcio Grupo Hotelero T2, S.A. de C.V.	1,116	185	60	-	1,361
Hotelera del Mar, S.A.	1,158	(200)	(238)	-	720
Borokay Beach, S.L.	1,365	(364)	-	-	1,001
Beijing NH Grand China Hotel Management Co, Ltd	2,136	(84)	(18)	-	2,034
Hotel & Congress Technology, S.L.	4	-	-	(4)	-
Total	9,419	(499)	55	(4)	8,971

Company	Net Balance at 31/12/2016	Profit (Loss) 2017	Currency translation difference	Net Balance at 31/12/2017
Inmobiliaria 3 Poniente, S.A. de C.V.	1,936	55	(131)	1,860
Mil Novecientos Doce, S.A. de C.V.	1,789	154	(163)	1,780
Consorcio Grupo Hotelero T2, S.A. de C.V.	973	245	(102)	1,116
Hotelera del Mar, S.A.	1,467	-	(309)	1,158
Borokay Beach, S.L.	1,408	(43)	-	1,365
Beijing NH Grand China Hotel Management Co, Ltd	3,060	(751)	(173)	2,136
Hotel & Congress Technology, S.L.	13	(9)	-	4
Total	10,646	(349)	(878)	9,419

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 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Subordinated loans to companies owning hotels operated by the Group through leases	21,487	30,689
Other collection rights	3,039	16,395
Lease advance payments	3,005	3,155
Long-term deposits and sureties	13,165	12,939
Others	1,902	1,976
Total	42,598	65,154

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, 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 (2.13 million euros in 2018 and 2.93 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.

At 2017 year-end, the "Other collection rights" line item reflected 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. At the end of 2018, the amount of this claim was collected without any economic losses by the Group.

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 2018 and 2017, the following equity interests, valued at cost:

	Thousands of euros	
	2018	2017
Varallo Comercial, S.A.	9,343	9,343
NH Panamá	3,767	3,767
Other investments	1,464	677
Provisions	(3,046)	(3,046)
Total	11,528	10,741

The "Provisions" line item includes the provision recorded in 2017 amounting to 1,928 thousand euros, corresponding to the shareholding of NH Panama based on an appraisal by an independent expert.

These non-current financial investments are recorded at fair 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.

Specifically, Sotocaribe, S.L and Capredo Investments GmbH are classified as discontinued operations; these companies represented the entirety of the Group's property activity.

In addition, in 2017 the Group classified the property in which the NH Collection Barbizon Palace hotel is located as non-current assets held for sale. This was sold in January 2018, resulting in a net asset de-recognition of 66,633 thousand euros and a positive pre-tax result of 87,315 thousand euros recorded under "Net result on disposal of assets" in the consolidated comprehensive profit and loss statement.

Also, at 2018 year-end, the land and property in which the NH Málaga II hotel is located, the sale of which is expected to take place at the beginning of 2019, was recognised as available for sale.

Sotocaribe, S.L. was consolidated by the equity method, while Capredo Investments, GmbH was changed to the global method following the acquisition of the remaining 50% of the company by the Group Company on 28 December 2016.

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 2018 and 2017 is shown below (in thousands of euros):

	31.12.2017	Net Variation	Transfers (see Note 8)	31.12.2018
Property, plant and equipment	75,560	(65,528)	12,562	22,594
Financial assets	33,556	(234)	-	33,322
<i>Investments accounted for using the equity method</i>	33,556	(234)	-	33,322
Cash	2	7	-	9
Other current assets	48	1	-	49
Non-current assets classified as held for sale	109,166	(65,754)	12,562	55,974
Other non-current liabilities	615	(87)	-	528
Trade payables	376	(13)	-	363
Other current liabilities	1,386	179	-	1,565
Liabilities associated with assets classified as held for sale	2,377	79	-	2,456

	31.12.2016	Net Variation	Transfers	31.12.2017
Property, plant and equipment	12,113	(3,174)	66,621	75,560
Financial assets	34,556	(1,000)	-	33,556
<i>Investments accounted for using the equity method</i>	34,556	(1,000)	-	33,556
Cash	2	-	-	2
Other current assets	14	34	-	48
Non-current assets classified as held for sale	46,685	(4,140)	66,621	109,166
Other non-current liabilities	615	-	-	615
Trade payables	376	-	-	376
Other current liabilities	1,670	(284)	-	1,386
Liabilities associated with assets classified as held for sale	2,661	(284)	-	2,377

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.	Total
2018			
Profit (loss) before tax	(46)	(522)	(568)
Profit (loss) for the year from discontinued operations net of tax	(46)	(522)	(568)
2017			
Profit (loss) before tax	(92)	(186)	(278)
Profit (loss) for the year from discontinued operations net of tax	(92)	(186)	(278)

Consolidated cash flow statements

The consolidated cash flow statements for the fully consolidated companies in 2018 and 2017 are detailed below (in thousands of euros):

	Capredo Investments, GmbH
2018	
Total net cash flow from operating activities I	5
Total net cash flow from investment activities II	-
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)	-
Cash and cash equivalents at the start of the financial year	2
Cash and cash equivalents at end of year	7

	Capredo Investments, GmbH
2017	
Total net cash flow from operating activities I	-
Total net cash flow from investment activities II	-
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)	-
Cash and cash equivalents at the start of the financial year	2
Cash and cash equivalents at end of year	2

12.- TRADE RECEIVABLES

This item reflects different accounts receivable from the Group's operations. The breakdown at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Trade receivables for services provided	113,143	141,738
Provision for bad debts	(6,542)	(9,156)
Total	106,601	132,582

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 2018 and 2017 were as follows:

	Thousands of euros	
	2018	2017
Balance at 1 January	9,156	13,688
Changes in scope		
Exchange differences	(226)	(219)
Additions	7,495	1,982
Applications/Reversals	(9,883)	(6,305)
Balance at 31 December	6,542	9,156

The analysis of the ageing of financial assets in arrears but not considered impaired at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Less than 30 days	22,616	19,928
From 31 to 60 days	12,720	8,728
More than 60 days	20,756	21,813
Total	56,092	50,469

In this regard, the provisions recorded take into account all the expected losses on the balances of trade receivables on the balance sheet.

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 2018 and 2017 was a variable Euribor-indexed rate. These assets are recognised at their fair value.

There are no restrictions on the availability of cash, except for 2,207 thousand euros reserved in accordance with a firm commitment with the co-owners of Hoteles Royal (1,716 thousand euros in 2017) for future investments in the hotels.

As at 31 December 2018, 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, except for the legally established restrictions regarding the distribution of dividends.

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

On 5 June and 13 June 2018 deeds were registered for the conversion of convertible bonds (see Note 15) and capital increase in which a total of 41,908,455 new ordinary shares were issued, each with a nominal value of 2 euros, in the context of the conversion of bonds convertible to NH Hotel Group, S.A. shares, which were issued on 31 October 2013.

Due to this bond conversion and capital increase, the share capital of NH Hotel Group, S.A. came to 784,360,486 euros, divided into 392,180,243 ordinary shares of the same category and series, each with a face value of 2 euros and fully subscribed and paid up. 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 2018 and 2017 are as follows:

	2018	2017
Minor International Public Company Limited*	94.13%	-
HNA Group Co Limited	-	29.35%
Oceanwood Capital Management LLP	-	2.06%
Hesperia Group	-	9.27%

*Ultimate shareholder through its subsidiary MHG Continental Holding (Singapore) Pte. Ltd.

Changes in the shareholder structure and control of the Group:

Between the months of May and September 2018, various purchase and sale contracts were entered into by Minor International Public Company Limited ("MINT"), as buyer, and the HNA Group and with funds managed by Oceanwood, all of which as sellers. As a result of these transactions, MINT acquired all the sellers' interests in NH Hotel Group, S.A. In addition to these transactions, MINT acquired several non-significant shareholdings, as a result of which on 30 September 2018 MINT owned 179,772,214 shares in NH Hotel Group, S.A., representing 45.84% of its share capital.

In parallel, on 11th June 2018, MHG International Holding (Singapore) Pte. Ltd. (a company wholly owned by MINT) made a takeover bid ("OPA") for 100% of the shares that formed part of the share capital of NH Hotel Group, S.A., which, once approved by the Spanish regulatory body, the "CNMV" (Spain's National Securities Market Commission), and the acceptance period was opened, was accepted, among others, by the hitherto shareholder Grupo Hesperia.

As a consequence of the takeover bid, the result of which was notified by the CNMV through a significant event on 26th October 2018, and of the purchase and sale transactions described above, (i) the funds managed by Oceanwood, the HNA Group and the Hesperia Group lost their status as significant shareholders of NH Hotel Group, S.A.; and (ii) MINT acquired, through its wholly-owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd., shares representing 94.13% of the share capital of NH Hotel Group, S.A.

The three proprietary directors representing the majority shareholder "Minor International PCL" do not hold a personal interest in the parent company. By virtue of the foregoing, at 2018 year-end, the different members of the Board of Directors owned or represented (by virtue of their status as proprietary) 94.16% of the share capital of NH Hotel Group, S.A. At 31st December 2017, this percentage was 21.38%.

The main aims of the Group's capital management are to ensure short-term and long-term financial stability 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 0.55x to 0.10x. The ratios of accounting financial leverage at 31 December 2018 and 2017 are the following:

	Thousands of euros	
	2018	2017
Bonds and other marketable securities (Note 15)	342,558	633,910
Bank borrowings and other financial liabilities (Note 15)	76,354	82,970
Gross accounting debt	418,912	716,880
Cash and cash equivalents (Note 13)	265,869	80,249
Liquid assets	265,869	80,249
Total net accounting debt	153,043	636,631
Total Equity	1,504,022	1,151,976
Accounting financial leverage	0.10x	0.55x

On 21 June 2018, the General Shareholders' Meeting approved the distribution of a dividend at 10 cents gross per outstanding share, charged to 2017 profits and also to reserves. The total amount of dividends paid in 2018 amounted to 39 million euros.

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.

At 31 December 2018 and 2017, the parent company's legal reserve was not fully constituted.

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 the end of the year, NH Hotel Group, S.A. had 600,000 treasury shares on its balance sheet, compared with 9,416,368 treasury shares at 31 December 2017. The reduction in treasury shares over the period can be explained by the following movements:

- In June 2018, the Group delivered 8,569,262 own shares to bond-holders for the early conversion of convertible bonds worth 250 million euros. These include 1,384,473 shares held by one of the entities participating in the loan of 9,000,000 shares associated with the issue, which has been definitively settled.

- In in first half of 2018, the second cycle of the long-term incentive plan was settled (see Note 23). This second cycle was settled by the delivery of 247,106 shares valued at 1,029 thousand euros.

14.4 Minority interests

The movements in this item in 2018 and 2017 are summarised below:

	Thousands of euros	
	2018	2017
Opening balance	43,472	43,967
Application of IAS 29	6,545	-
Comprehensive profit (loss) attributable to non-controlling interests	4,709	1,001
Percentage changes in purchases/sales (Note 2.5.4)	(2,146)	-
Dividends paid to non-controlling interests	(729)	(1,496)
Other movements	500	-
Closing balance	52,351	43,472

The initial application of IAS 29 in Argentina gave rise to an increase in the value of minority interests of 7,093 thousand euros at 1 January 2018 and an effect of 548 thousand euros with a decrease in the value of minority interests in 2018.

The 2018 "Dividends paid to non-controlling interests" item reflects the dividends paid out in 2018 to the following companies: NH Marín, S.A. amounting to 300 thousand euros and various companies in Latin America amounting to 429 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 2018 and 2017 were as follows:

	Thousands of euros			
	2018		2017	
	Long-term	Short-term	Long-term	Short-term
Convertible bonds	-	-	-	250,000
Guaranteed senior bonds maturing in 2023	356,850	-	400,000	-
Borrowing costs	-	3,308	-	5,125
Arrangement expenses	(8,792)	(2,120)	(12,285)	(8,930)
Effect of renegotiation of debt IFRS 9	(5,573)	(1,115)	-	-
Debt instruments and other marketable securities	342,485	73	387,715	246,195
Mortgages	28,950	2,736	32,945	7,496
Unsecured loans	5,759	2,271	867	2,238
Subordinated loans	40,000	-	40,000	-
Credit lines	-	8	-	2,008
Arrangement expenses	(1,835)	(769)	(2,566)	(917)
Effect of renegotiation of debt IFRS 9	(1,401)	(148)	-	-
Borrowing costs	-	783	-	899
Debts with credit institutions	71,473	4,881	71,246	11,724
Total	413,958	4,954	458,961	257,919

The effect of debt movement on the Group's cash flows as reflected in the cash flow statement is affected by non-cash movements generated by exchange rate differences as the group has debts in currencies other than the euro.

Convertible bonds

On 31 October 2013, the Parent Company placed convertible bonds among institutional investors, for a total of 250,000 thousand euros, 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 euros
Conversion premium	30%
Redemption price	100%
Maximum number of shares to issue	50,823,338

In 2018 the Group announced the early conversion, at the bondholders' choice, of the convertible bonds whose execution period ended on 11 June 2018. The result of the early conversion was the delivery of 248.3 million euros of the total nominal amount of 250 million euros to the bondholders who requested the early conversion. This delivery was made by the Group through the delivery of 8.6 million treasury shares and 41.9 million newly issued shares (see Note 14). Meanwhile, bond-holders who did not request early conversion received 1.7 million euros face value plus the corresponding accrued interest.

Due to this conversion, the loan of 9,000,000 shares associated with the issue was permanently cancelled, and the 1,384,473 shares held by one of the entities participating in the loan of securities were returned; these shares were used for the early conversion of the bond (see Note 14).

Secured senior bonds maturing in 2023

On 23 September 2016 the Parent Company placed guaranteed senior bonds, which mature in 2023, at the nominal value of 285,000 thousand euros. The nominal yearly interest rate for said issuance of notes is 3.75%. On 4 April 2017, the parent company issued an extension of guaranteed senior bonds maturing in 2023 for a nominal amount of 115,000 thousand euros with an implicit cost until maturity of 3.17%. The outstanding nominal amount at 31 December 2018 is 356,850 thousand euros (see the heading "Depreciation and Amortisation 2018").

"Depreciation and Amortisation 2018"

As a result of the change of control (see Note 14) and as established in the voluntary repurchase and early redemption offer for the issue of senior secured bonds maturing in 2023 (the "Bonds") due to the change of control, requests were received for the repurchase and redemption of bonds for a nominal amount of 3,150 thousand euros.

The bond repurchase offer was settled on 12 November 2018, the date on which the Company paid an aggregate amount of 3,195 thousand euros to the bondholders, who accepted the offer as a whole:

- Nominal paid in advance: 3,150 thousand euros
- Unpaid accrued interest: 13.5 thousand euros
- Amount of the repurchase premium: 31.5 thousand euros

On 14 December 2018, the Company carried out the partial voluntary early redemption, for a nominal amount of 40,000 thousand euros (representing 10% of its original total amount), of the issue of senior secured bonds maturing in 2023 (the "Bonds"), by means of a linear pro rata reduction of the nominal value of all the bonds in circulation. The Bonds were redeemed early through the payment of approximately 103.760% of the nominal value of the Bonds being redeemed, including:

- Nominal paid in advance: 40,000 thousand euros
- Unpaid accrued interest: 304.2 thousand euros
- Amount of the repurchase premium: 1,200 thousand euros

The Company paid the partial redemptions from available cash.

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 euros ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior notes maturing in 2019. As a consequence of the refinancing and early payments of the guaranteed senior notes maturing in 2019 which took place in 2017, the maturity date of said financing was extended to 29 September 2021. At 31 December 2018, this financing was not available.

Obligations required in the guaranteed senior note indentures maturing in 2023 and in the syndicated credit line

The senior notes 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 prospectus for the aforementioned notes, 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 $\geq 2.00x$, (ii) a debt coverage ratio of $\leq 5.50x$, and (iii) a Loan to Value ("LTV") ratio which, as a result of the redemption of the 2019 senior secured obligations due in 2017, depends on the level of NH's net indebtedness at any given time as indicated below:

- Net debt-to-income ratio $> 4.00x$: LTV ratio = 70%
- Net debt-to-income ratios $\leq 4.00x$: LTV ratio = 85%
- Net debt-to-income ratio $\leq 3.50x$: LTV ratio = 100%

As a result of the early redemption of the convertible bonds and of the Group's reduced net debt-to-income ratio, the maximum LTV permitted at 31 December 2018 is 100%.

At 31 December 2018 these ratios were completely adhered to.

Package of guaranteed senior notes maturing in 2023 and syndicated credit line

The guaranteed senior notes maturing in 2023 and syndicated credit line (undrawn at 31 December 2018) share the following guarantees: (i) pledge of shares: 100% of the share capital of (A) Diegem, (B) Immo Hotel BCC NV, (C) Immo Hotel Brugge NV, (D) Immo Hotel Diegem NV, (E) Immo Hotel GP NV, (F) Immo Hotel Mechelen NV, (G) Immo Hotel Stephanie NV, (H) Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V. and (I) 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 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.; 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.

Additionally, there are assets granted as mortgage security against the syndicated credit line of 250,000 thousand euros (undrawn at 31 December 2018) and guaranteed senior notes in the joint amount of 356,850 thousand euros, maturing in 2023, can be broken down as follows (in thousands of euros):

	Mortgaged asset	Net value value mortgaged asset
	NH Conference Centre Leeuwenhorst	53,984
	NH Conference Centre Koningshof	41,504
	NH Schiphol Airport	44,919
	NH Conference Centre Sparrenhorst	9,424
	NH Zoetermeer	7,563
	NH Naarden	10,969
	NH Capelle	6,299
	NH Geldrop	7,083
	NH Best	3,641
Total		185,386
Net value of assets assigned as mortgage collateral		185,386
Value of guaranteed debt		356,850
Fixed interest		356,850
Variable interest (amount of the syndicated credit line undrawn)		250,000

Limitation on the distribution of Dividends

The guaranteed senior notes maturing in 2023 and the syndicated credit line described above contain clauses limiting the distribution of dividends.

In the case of the senior notes maturing in 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 (including dividends and repayment of subordinated debt) made since 8 November 2013 is less than the sum of, amongst other items, (I) 50% of NH's consolidated net income (even though in the calculation of net income, 100% of consolidated net losses must be deducted) from 1 July 2013 to the date of the last quarterly accounts available (this is what is known as the CNI Builder) and, (ii) 100% of the net contributions to NH's capital from 8 November 2013.

Additionally, as an alternative and without having to be in compliance with the previous condition: (i) 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 alternatively and without having to be concurrent with the previous ones, the notes maturing in 2023 establish a franchise to be able to make restricted payments (including dividends) without needing to comply with any specific requirement, for a total aggregate amount of 25,000,000 euros as of 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 Financial Debt (through 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 Debt Ratio. Net Financial (through the payment of the Dividend) / EBITDA according to the following breakdown:

- Net Financial Debt / EBITDA $\leq 4.0x$: Percentage of consolidated net profit: 75%
- Net Financial Debt / EBITDA $\leq 3.5x$: Percentage of consolidated net profit: 100%
- Net Financial Debt / EBITDA $\leq 3.0x$: Percentage of consolidated net profit: unlimited

Mortgages

The detail of the mortgage loans and credits is as follows (in thousands of euros):

	Mortgaged asset	Fixed rate	Variable interest	Total	Net book value of the mortgaged asset
Spain	Wilan Ander	4,609	-	4,609	6,107
	Wilan Huel	3,301	-	3,301	4,873
	NH Palacio de la Merced	-	3,797	3,797	16,194
Total Spain		7,910	3,797	11,707	27,174
Mexico	NH Querétaro	-	644	644	4,233
Italy	NH Villa San Mauro	-	1,286	1,286	71
Chile	NH Plaza de Santiago	18,049	-	18,049	19,794
Total		25,959	5,727	31,686	51,272

Subordinated loan

A loan amounting to 40,000 thousand euros fully drawn at 31 December 2018 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 2018, the balances under this item include the amount drawn down from credit facilities. The joint limit of these loan agreements and credit facilities at 31 December 2018 amounted to 62,200 thousand euros, of which 8 thousand euros had been drawn down at that date. Additionally, at 31 December 2018, the Parent Company had an undrawn guaranteed syndicated credit line amounting to 250,000 thousand euros, maturing on 29 September 2021 (see caption “Secured credit line”).

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):

Instrument	Limit	Available	Disposed	Maturity						
				2018	2019	2020	2021	2022	2023	Remainder
Mortgages	31,686	-	31,686	-	2,736	2,575	2,507	2,094	6,045	15,729
Fixed rate	25,959	-	25,959	-	1,313	1,339	1,458	1,484	5,425	14,940
Variable interest	5,727	-	5,727	-	1,423	1,236	1,050	611	620	787
Subordinated loans	40,000	-	40,000	-	-	-	-	-	-	40,000
Variable interest	40,000	-	40,000	-	-	-	-	-	-	40,000
Guaranteed senior notes mat. in 2023	356,850	-	356,850	-	-	-	-	-	356,850	-
Fixed rate	356,850	-	356,850	-	-	-	-	-	356,850	-
Unsecured loans	46,197	38,167	8,030	-	2,271	258	-	-	5,501	-
Variable interest	46,197	38,167	8,030	-	2,271	258	-	-	5,501	-
Secured credit line	250,000	250,000	-	-	-	-	-	-	-	-
Variable interest	250,000	250,000	-	-	-	-	-	-	-	-
Credit lines	62,200	62,192	8	-	8	-	-	-	-	-
Variable interest	62,200	62,192	8	-	8	-	-	-	-	-
SUBTOTAL	786,933	350,359	436,574	-	5,015	2,833	2,507	2,094	368,396	55,729
Arrangement expenses	(13,516)	-	(13,516)	-	(2,889)	(2,941)	(2,890)	(2,454)	(1,957)	(385)
Effect of renegotiation of debt IFRS 9	(8,237)	-	(8,237)	-	(1,263)	(1,396)	(1,545)	(1,714)	(1,436)	(883)
Borrowing costs	4,091	-	4,091	-	4,091	-	-	-	-	-
Borrowing at 31/12/2018	769,271	350,359	418,912	-	4,954	(1,504)	(1,928)	(2,074)	365,003	54,461
Borrowing at 31/12/2017	1,033,225	316,345	716,880	257,919	292	(371)	(643)	(624)	403,897	56,410

16 - OTHER NN-CURRENT LIABILITIES

The breakdown of the “Other non-current liabilities” item in the accompanying consolidated balance sheets, at 31 December 2018 and 2017, is as follows:

	Thousands of euros	
	2018	2017
At amortised cost:		
Linearisation of revenue	16,925	15,965
Capital subsidies	24,319	17,754
Acquisition of Capredo Investment GmbH	3,150	3,150
Other liabilities	2,902	2,107
	47,296	38,976

At 31 December 2018 and 2017, the line item “Capital subsidies” basically included subsidies received for hotel renovations, broken down by country as follows:

	Thousands of euros	
	2018	2017
Germany	12,587	9,709
Netherlands	3,305	3,461
Belgium	2,379	656
Italy	2,241	1,064
Spain	1,755	1,843
Portugal	887	1,005
Others	1,165	16
	24,319	17,754

At 31 December 2018, 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 2018 and 2017, together with the main movements recognised in those years were as follows:

	Thousands of euros				
	Balance at 31/12/2017	Additions	Applications/Reversals	Transfers and other changes	Balance at 31/12/2018
Provisions for contingencies and extraordinary costs:					
Onerous contracts	12,213	1,449	(6,785)	(1,564)	5,313
Provision for pensions and similar obligations	16,245	1,255	(760)	-	16,740
Other claims	21,955	9,444	(8,048)	5,774	29,125
	50,413	12,148	(15,593)	4,210	51,178
Provisions for contingencies and current expenses:					
Onerous contracts	2,513	-	(2,423)	1,564	1,654
Other provisions	6,458	716	(341)	(5,774)	1,059
	8,971	716	(2,764)	(4,210)	2,713
Total	59,384	12,864	(18,356)	-	53,891

	Thousands of euros				
	Balance at 31/12/2016	Additions	Applications/Reversals	Transfers	Balance at 31/12/2017
Provisions for contingencies and extraordinary costs:					
Onerous contracts	14,794	3,186	(2,813)	(2,954)	12,213
Provision for pensions and similar obligations	16,685	1,009	(1,449)	-	16,245
Other claims (Note 22)	21,421	4,776	(4,242)	-	21,955
	52,900	8,971	(8,504)	(2,954)	50,413
Provisions for contingencies and current expenses:					
Onerous contracts	4,275	-	(4,716)	2,954	2,513
Other provisions	7,187	393	(1,122)	-	6,458
	11,462	393	(5,838)	2,954	8,971
Total	64,362	9,364	(14,342)	-	59,384

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 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Reversal of provision for realised losses	(2,326)	(3,903)
Reversal	(2,855)	(2,377)
Allowances	839	2,064
Variation in the provision for onerous contracts	(4,342)	(4,216)
Application due to exit of the CGUs	(4,036)	(813)
Allowance for financial effect provision update	610	1,122
Exchange rate effect	9	(436)
Total effect	(3,417)	(127)
Net effect	(7,759)	(4,343)

Provision for pensions and similar obligations

The “Provisions for pensions and similar obligations” account mainly 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).

In addition, within this line, there are included various retirement and / or permanence prizes that are contemplated in the Collective Labour Agreements which is applicable in Spain.

At the end of 2018, the liabilities entered against this item were of 16,740 thousand euros (16,245 thousand euros at 31 December 2017).

The breakdown of the main assumptions used to calculate actuarial liabilities is as follows:

	2018		2017	
	Netherlands	Italy	Netherlands	Italy
Discount rates	1.90%	0.20%	1.80%	0.20%
Expected annual rate of salary rise	2.50%	1.70%	2.50%	1.90%
Expected return from assets allocated to the plan	1.80%	2.02%	1.80%	2.02%

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).

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 17 companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2018 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.	NH Europa, S.L.
Latinoamericana de Gestión Hotelera, S.L.	Atardecer Caribeño, S.L.
NH Central Reservation Office, S.L.	Hoteles Hesperia, S.A.
NH Hoteles España, S.A.	Nuevos Espacios Hoteleros, S.A.
NH Hotel Ciutat de Reus, S.A.	Coperama Holding, S.L.
Gran Círculo de Madrid, S.A.	Coperama Spain, S.L.
NH Logroño S.A.	NH Las Palmas, S.A.
Iberinterbrokers, S.L.	NH Lagasca, S.A.
Wilan Ander, S.L.	Wilan Huel S.L.

Corporation tax is calculated on the financial or accounting profit or loss resulting from the application of generally accepted accounting standards in each country, and does not necessarily coincide with the tax result, this being construed as the tax base.

In 2018, 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 corporation tax rates applicable to Group companies in the different jurisdictions where the Group has significant operations are as follows:

Country	Nominal Rate	Country	Nominal Rate
Argentina (1)	30.0%	Romania	16.0%
Colombia (1)	33.0%	Poland	19.0%
Chile	27.0%	Switzerland	8.5%
Belgium	29.6%	Czech Republic	19.0%
Panama	25.0%	Luxembourg	18.0%
Brazil	34.0%	Italy	24.0%
Mexico	30.0%	Netherlands	25.0%
Uruguay	25.0%	France	33.3%
Dominican Rep.	27.0%	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	Tax loss carryforwards
Corporation	2015 to 2017
VAT	2015 to 2018
IRPF (personal income tax)	2015 to 2018
Non-resident Income Tax	2015 to 2018

During 2018, in Spain there were no open tax inspections in progress in relation to the taxes included in the previous table.

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.

Another inspection procedure has been opened in Austria by the Austrian authorities who are checking the overall tax position of the subsidiary in that country.

Finally, an inspection procedure has been opened in Colombia focused on the deductions of certain Corporation Tax expenses.

The Group's Directors do not expect any significant contingencies to arise from the conclusions of the inspections.

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 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Deferred tax assets		
Tax credits	92,185	96,689
Tax assets due to asset impairment	34,824	32,095
Tax withholdings of workforce	2,995	2,686
Other prepaid taxes	8,720	6,526
Total	138,724	137,996

	Thousands of euros	
	2018	2017
Short- term taxes receivable		
Income tax	10,496	9,179
Value Added Tax	6,503	6,521
Other tax receivables	2,452	8,043
Total	19,451	23,743

The movements of the “Deferred tax assets” item in 2018 and 2017 were as follows:

	Thousands of euros	
	2018	2017
Opening balance	137,996	152,389
Asset impairment	2,729	351
Generation of assets due to tax losses	3,615	4,039
Settlements of assets due to tax losses	(4,509)	(10,512)
Settlement of deductions	(3,611)	(5,353)
Others	2,504	(2,919)
Total	138,724	137,996

The recognition of assets is mainly due to the activation of tax losses in Germany and the Benelux amounting to 2,253 and 1,155 thousand euros respectively, as a result of the positive results expected in future years.

The cancellation of assets is mainly due to the cancellation of tax losses to offset the positive tax bases generated in 2018, in Spain, Belgium and Germany, amounting to 2,456, 173 and 1,841 thousand euros, respectively. Additionally, the cancellation of deductions in Spain has been made in the amount of 3,611 thousand euros as a result of their use to offset the positive share resulting in 2018.

At 31 December 2018, the Group had assets resulting from tax losses and deductions amounting to 92,185 thousand euros (96,689 thousand euros in 2017). At 31 December 2018, the tax credit recovery plan that supports the recognition of these tax credits had been updated. 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 2018, the Group had tax loss carryforwards worth 593,041 thousand euros (605,591 thousand euros at 31 December 2017) and deductions amounting to 27,020 thousand euros (28,030 thousand euros in 2017) 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	
	2018	2017
Finance costs and negative tax bases		
Non-deductible financial expenses in Spain	256,170	260,852
Non-deductible financial expenses in Germany	-	3,397
Negative tax bases generated by the Spanish entities before their inclusion in the Spanish consolidation group	99,722	103,572
Spanish consolidation group tax loss carryforwards	5,112	-
Negative tax bases generated in Austria	33,169	33,827
Negative tax bases generated in Latin America	967	239
Negative tax bases generated in Luxembourg	50,546	43,068
Negative tax bases generated in Germany	127,494	142,787
Negative tax bases generated in Hungary	2,019	-
Negative tax bases generated in the Netherlands	-	3,445
Negative tax bases generated in Belgium	2,688	-
Negative tax bases USA	9,781	9,781
Negative tax bases France	5,176	4,426
Negative tax bases generated in South Africa	197	197
Total	593,041	605,591
Deductions		
Deductions generated in Spain	27,020	28,030
Total	27,020	28,030
Total	620,061	633,621

The accumulated amount of financial expenses, 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 256,170 thousand euros in 2018 (260,852 thousand euros in 2017). There is no deadline for offsetting non-deductible finance costs.

The changes in non-recorded credits in 2018 were mainly due to the fact that in Spain finance costs not deducted in prior periods were deducted owing to the application of the aforementioned regulations, and losses and deductions were offset against the profit generated in the year. 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 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Deferred tax liabilities		
Revaluation of assets and other valuation differences	177,478	167,433
Total	177,478	167,433

	Thousands of euros	
	2018	2017
Short- term taxes payable		
Income tax	19,980	9,021
Value Added Tax	689	1,298
Personal Income Tax	7,746	8,769
Tax on Income from Capital	1,190	1,315
Social Security	7,409	6,833
Others	22,439	18,624
Total	59,453	45,860

The movements in deferred tax liabilities during 2018 and 2017 are as follows:

	Thousands of euros	
	2018	2017
Opening balance	167,433	174,987
IAS 29 Hyperinflationary economies (Notes 2.2 and 4.23)	19,231	-
Others	(9,186)	(7,554)
Closing balance	177,478	167,433

The reduction in deferred tax liabilities is mainly due to the reversal of impairment on revalued assets. In addition, a deferred tax liability associated with the conversion of Argentina into a hyperinflationary economy has been recorded, giving rise to the recognition of a deferred tax liability amounting to 19,231 thousand euros (see Notes 2.2. and 4.23).

The detail, by country and item, of these deferred taxes is as follows:

	Thousands of euros			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	85,218	21,117	106,335	30,181
Benelux	2,081	2,925	5,006	13,565
Italy	-	6,718	6,718	91,275
Germany	2,253	2,598	4,851	1,690
Others	2,633	13,181	15,814	40,767
TOTAL	92,185	46,539	138,724	177,478

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:

	2018															2017	
	Thousands of euros															Thousands	
	Spain	France	Italy	USA	Germany	Netherland s (2)	Latin America (3)	Luxembourg	Romania	Switzerl and	Czech R.	Poland	Portugal	Others	TOTAL	Spanish Companies	Other Companies
Consolidated comprehensive profit and loss statements before taxes	12,350	(1,061)	39,984	(14,012)	3,789	124,933	39,608	9,233	76	(5,862)	27	(6)	1,272	(508)	209,820	2,492	70,222
Adjustments to consolidated comprehensive profit and loss:																	
Accounting consolidation adjustments	2,004	-	-	-	1,243	272	4,447	-	-	-	-	-	-	-	7,965	2,022	3,000
Due to permanent differences	13,362	1,061	10,603	14,480	11,448	45,505	(17,443)	(8,909)	75	5,862	(27)	6	1,054	508	77,586	48,183	6,120
Due to temporary differences	23,877	-	(2,396)	161	(11,167)	5,152	3,154	-	-	-	-	-	-	-	18,781	2,125	(7,533)
Tax base (Taxable profit or loss)	51,592	-	48,190	629	5,313	175,862	29,766	324	151	-	-	-	2,326	-	314,152	54,822	71,820
Current taxes to be refunded / (to pay)	42	383	(11,492)	(51)	(583)	398	2,385	-	-	-	-	-	(95)	(471)	(9,484)	1,353	(1,196)
Total current tax income / (expense)	(12,914)	-	(11,566)	(132)	(1,594)	(44,330)	(8,953)	(62)	(24)	-	-	-	(488)	-	(80,062)	(13,705)	(19,443)
Total deferred tax income / (expense)	5,969	-	(820)	34	(1,097)	1,883	(4,049)	-	-	-	-	-	-	-	1,920	2,050	(440)
Total other income / (expense)	(4,501)	-	(2,485)	-	-	(78)	35	-	-	(27)	-	-	-	(116)	(7,171)	86	(2,059)
Total Corporation Tax income / (expense)	(11,445)	-	(14,870)	(98)	(2,691)	(42,524)	(12,967)	(62)	(24)	(27)	-	-	(488)	(116)	(85,313)	(11,569)	(21,942)

(1) The Netherlands business area includes Belgium.

(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.

Deductions generated by the consolidated tax group of the Parent Company

At 31 December 2018, the Tax Group held the following tax credits carryforward (thousand euros):

Year of origin	Deduction pending application	Amount
2004 to 2011	Deduction to encourage certain activities	26,240
2014 - 2017	IT Deduction	780
2013 to 2014	Other	647
		27,667

19.- COMMERCIAL CREDITORS AND OTHER ACCOUNTS PAYABLE

The breakdown of this item in the consolidated balance sheet at 31 December 2018 and 2017 is as follows (thousands of euros):

	Thousands of euros	
	2018	2017
Trade and other payables	218,458	194,779
Advance payments from customers	34,246	28,172
	252,704	222,951

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.

	2018	2017
	Days	
Average period for payment to suppliers	62	70
Ratio of paid transactions	63	70
Ratio of transactions pending payment	51	61
	Amount (thousands of euros)	
Total payments made	270,248	297,183
Total payments pending	6,786	12,237

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 2018 and 2017.

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 2018 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 NON-CURRENT LIABILITIES

At 31 December 2018 and 2017, this item is broken down as follows:

	Thousands of euros	
	2018	2017
Outstanding remuneration	37,520	37,216
Linearisation of revenue	1,814	2,095
Other creditors	5,110	2,457
	44,444	41,768

22.-THIRD-PARTY GUARANTEES AND CLAIMS IN PROGRESS

At 31 December 2018, NH had a total of 37,353 thousand euros in economic or financial bank guarantees issued by various banks (36,776 thousand euros in 2017).

Of these, 6,000 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, 23,345 thousand euros guarantee leasing contract obligations and others related to the Group's usual operations in various countries, and 8,008 thousand euros issued in relation to public bodies.

At 31 December 2018, 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 a company with a minority shareholding in a Grupo NH company which at 31 December 2018 had an outstanding principal of 17,268 thousand euros (equivalent to 19,685 thousand US dollars) and final maturity on 22 January 2020.
- On 10 March 2006, the partnership agreement of the company which owns a hotel in the United Kingdom was signed, of which a Grupo NH company is a shareholder, under which, if the company were to receive a purchase offer for 100% of its shares at market price, the Grupo NH company could be required to transfer the shares. However, the Grupo NH company will have preferential acquisition rights over the shares. At year-end, this Grupo NH company has granted its partner a purchase option of up to 5% of the share capital.
- 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.
- Within the framework of new development projects in the normal course of business, in which Grupo NH subsidiaries act as lessees or operators, the Group's parent company gives personal guarantees in favour of third parties to secure its contractual obligations, often issue promissory notes in payment of said obligations and agrees penalty clauses in case of breach of contract.
- Likewise, 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).

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 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 as well as in other proceedings both nationally and internationally, and provisions the accounts receivable in the consolidation annual accounts for the amounts considered unrecoverable.
- The owner of four properties in the Netherlands has claimed in court the payment of compensation 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 same owner has instituted fresh court proceedings alleging a change of control situation in 2018, which is ongoing.

- The owner of a property 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 with the Supreme Court, in relation to which a decision has been handed down that does not favour the interests of the Group, and it is currently at the claim settlement stage.
- A claim has been filed against a Grupo NH company in Germany due to the termination of two lease agreements and claiming specific amounts, including damages.
- A claim has been filed against a Grupo NH company in Italy due to the early termination of a lease agreement; the ruling was unfavourable to the company's interests in the court of first instance and is currently being appealed.
- A claim has been filed against two of the Group's companies seeking payment fees to rights management from 1 January 2008 to 31 May 2013, in addition to an unspecified amount corresponding to the period thereafter until a judgment 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., Grupo NH agreed to subrogate to the position of Sotogrande, S.A. for certain claims 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, with which an out-of-court settlement has been reached.
 - Defendant in the claim process for contractual breaches by a property developer, with an out-of-court settlement having been reached.
 - The company may be subject to a claim for (i) amounts derived from an eventual administrative claim; (ii) and/or constructive defects.
- It 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 Company's interests. To the contrary, it filed for annulment of the award, which has been dismissed. The debtor company has entered into insolvency proceedings and the company has requested the right to separate the premises from the estate, and an agreement has been reached with the insolvency administration for the delivery of the aforementioned premises, which is in the execution phase.
- A former Grupo NH shareholder has requested that certain resolutions adopted at the General Shareholders' Meeting be annulled. This claim was dismissed in the first instance and he withdrew it in the appeal phase, leading to the termination of the proceedings.
- A former shareholder of the NH Group, different from the previous one, has requested the annulment of certain resolutions adopted by the Board of Directors, and the proceedings are currently in progress.
- 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.
- As part of the contractual liability assumed by NH in the 2013 hotel purchase contract, the buyers informed the Group of the requirement to pay the Dutch Capital Transfer Tax. At 31 December 2018, the total amount of this tax, including interest, was 11.5 million euros. The buyers filed an appeal

with the Dutch tax authorities, which was recently rejected. An appeal to the Dutch courts is currently being considered. The Group's tax advisers consider that NH has sound defence arguments and, consequently, no provision has been made for this.

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 consists 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 has a total duration of five years, divided into three three-year cycles:

- The first cycle began on 1/1/2014 with delivery of shares in 2017 (settled)
- The second cycle began on 01/01/2015 with delivery of shares in 2018 (settled)
- The third cycle began on 1/1/2016 with delivery of shares in 2019 (in force)

The first cycle of the Plan (1/1/2014 - 31/12/2016), was settled during the first quarter of 2017 with an achievement of 47.71%. The second cycle was settled in the first half of 2018, with 74.4% being complied with. Said compliance was approved by the Board of Directors, and the number of shares to be delivered to each beneficiary resulted from multiplying the number of shares promised by the degree of compliance with the objectives. The maximum amount approved by the General Shareholders' Meeting for the current cycle of this plan is 4,400 thousand euros.

The 2017 General Shareholders' Meeting approved the launch of a new Long-Term Incentive Plan. The new plan has a duration of five years, divided into three three-year cycles:

- The first cycle began on 1/1/2017 with delivery of shares in 2020 (in force)
- The second cycle began on 01/01/2018 with delivery of shares in 2021 (in force)
- The third cycle began on 01/01/2019 with delivery of shares in 2022 (in force)

This second plan will have a very similar structure to the first; delivery of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of fixed salary, according to their level of responsibility.

The number of shares to be delivered shall be subject to the degree of fulfilment of the following four objectives:

- TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, S.A. shares with the STOXX® Europe 600 Travel & Leisure share index
- Revaluation of the Share
- Recurring Net Profit
- Recurring EBITDA

The beneficiaries must remain in the Group on each of the plan settlement dates, notwithstanding the exceptions deemed appropriate, as well as achieving the minimum thresholds for each of the objectives.

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 the date of publication of this report, all the cycles had been approved by the Board of Directors.

The maximum amount approved by the General Shareholders' Meeting for the three cycles of the second Plan is 16,200,000 euros.

The effect of this incentive plans on the consolidated comprehensive profit and loss statement for 2018 was 3,275 thousand euros (2,809 thousand euros in 2017).

24.- INCOME AND EXPENSES

24.1 Income

The breakdown of these headings in the consolidated comprehensive profit and loss statements for 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Hotel occupancy	1,149,805	1,094,430
Catering	325,026	320,431
Meeting rooms and others	86,307	80,772
Rentals and other services	52,250	50,453
Revenues	1,613,388	1,546,086
Operating subsidies	36	36
Other operating income	6,096	11,065
Other operating income	6,132	11,101
Net gain (loss) on disposal of assets	85,982	30,148

“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 2018 and 2017 was as follows:

	Thousands of euros	
	2018	2017
Spain	406,332	399,600
Germany	317,542	309,318
Benelux	360,254	319,475
Italy	290,072	275,534
Rest of Europe	111,241	99,250
Latin America	127,947	142,909
	1,613,388	1,546,086

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	
	2018	2017
Dividend income	1,214	34
Income from marketable securities	-	210
Interest income	1,258	1,819
Other financial income	3,567	932
	6,039	2,995

24.3 Personnel expenses

This item in the consolidated comprehensive profit and loss statement is broken down as follows:

	Thousands of euros	
	2018	2017
Wages, salaries and similar	319,458	316,421
Social security contributions	75,141	76,454
Indemnifications	5,751	12,632
Contributions to pension plans and similar	10,118	9,029
Other social expenses	12,203	12,604
	422,671	427,140

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in 2018 and 2017 broken down by professional categories was as follows:

	2018	2017
Group's general management	8	8
Managers and heads of department	1,430	1,386
Technical staff	827	940
Sales representatives	150	750
Administrative staff	27	254
Rest of workforce	8,514	7,276
	10,956	10,614

In calculating the average number of employees, the Group has not taken into account employees whose contracts have a duration of less than two days.

The breakdown of the personnel at 31 December 2018 and 2017, by gender and professional category, is as follows:

	31/12/2018		31/12/2017	
	Males	Females	Males	Females
Group's general management	6	2	6	2
Managers and heads of department	831	611	781	599
Technical staff	435	392	510	400
Sales representatives	30	139	193	524
Administrative staff	4	8	93	153
Rest of workforce	4,118	4,479	4,141	3,680
	5,424	5,631	5,724	5,358

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 2018 and 2017, broken down by professional categories, is as follows:

	2018	2017
Managers and heads of department	4	5
Technical staff	13	8
Sales representatives	1	3
Administrative staff	4	3
Rest of workforce	81	70
	103	89

The average age of the Group's workforce was approximately 39 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 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Lease rentals	319,435	301,720
Outsourcing of services	126,160	111,945
Commissions	85,542	83,592
Supplies	57,793	47,080
Maintenance and cleaning	43,272	42,536
Laundry and related costs	38,034	37,376
Costs associated with information technologies	38,487	31,526
Marketing and merchandising	26,556	24,615
Other external services	121,987	138,837
	857,266	819,227

In 2018, 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.

During 2018 and 2017, 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	
	2018	2017
Auditing services	944	481
Other verification services	223	258
Total auditing and related services	1,167	739
Tax consulting services	260	195
Other services	29	471
Total other services	289	666
Total professional services	1,456	1,405

Additionally, entities associated with the Deloitte international network have invoiced the Group for the following services:

	Thousands of euros	
	2018	2017
Auditing services	1,525	1,147
Other verification services	28	19
Total auditing and related services	1,553	1,166
Tax consulting services	81	56
Other services	-	-
Total other services	81	56
Total	1,634	1,222

During 2018, 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 66 thousand euros (83 thousand euros in 2017). The fees accrued in 2018 by these firms for tax advice services were 209 thousand euros (125 thousand euros in 2017) and for other services, 396 thousand euros (443 thousand euros in 2017).

24.5 Operating Leases

At 31 December 2018 and 2017, 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	
	2018	2017
Less than one year	238,919	261,801
Between two and five years	775,506	876,540
More than five years	985,220	1,211,109
Total	1,999,645	2,349,450

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 and sometimes this minimum threshold has a limit on payments made which restricts the amount of minimum rents that would be paid.

The breakdown by business unit of the current value of the rental instalments at 31 December 2018 is as follows (thousands of euros):

	Less than one year	Between two and five years	More than five years	Total
Spain*	72,066	194,173	141,767	408,006
Germany and Central Europe	83,374	289,650	410,145	783,169
Italy	41,417	149,823	150,299	341,539
Benelux	38,337	130,599	275,369	444,305
Latin America	3,725	11,261	7,640	22,626
Total	238,919	775,506	985,220	1,999,645

*Spain also includes Portugal and France.

The breakdown by business unit of the current value of the rental instalments at 31 December 2017 is as follows (thousands of euros):

	Less than one year	Between two and five years	More than five years	Total
Spain	77,667	236,935	211,494	526,096
Germany and Central Europe	95,184	320,977	490,948	907,109
Italy	39,868	146,395	129,982	316,245
Benelux	46,659	166,699	374,756	588,114
Latin America	2,423	5,534	3,929	11,886
Total	261,801	876,540	1,211,109	2,349,450

24.6 Finance costs

The detailed balance of this chapter of the consolidated statement of comprehensive income for 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Expenses for interest	30,860	44,220
Financial expenses for means of payment	17,379	16,317
Financial effect relating to restatement of provisions and other financial liabilities	2,546	1,381
Amortisation of debt arrangement expenses	7,838	13,402
Other financial expenses	1,374	1,427
Total financial expenses	59,997	76,747

The decrease in interest expense in 2018 compared to 2017 is mainly due to the refinancing and repayment of certain bonds during 2017, as well as the early repayments made in 2018. These effects have also led to a reduction in the repayment of debt formalisation expenses.

24.7 Results from exposure to hyperinflation

This heading includes the net effect recognised in the consolidated comprehensive profit and loss statement arising from the application of accounting standards to the financial statements of Argentine subsidiaries from the date of first application at 2018 year-end.

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 2018 are stated below, distinguishing between major shareholders, members of the Board of Directors and Directors of the Parent Company and other parties which were related parties during the year even though they lost its condition of significant shareholder during the year. The conditions of the related-party transactions are equivalent to those of transactions carried out under market conditions:

	Thousands of euros		
	31/12/2018		
Income and Expenses	Significant shareholders	Associates or companies of the Group	Total
Expenses:			
Financial expenses	195	-	195
Lease rentals	1,424	-	1,424
	1,619	-	1,619
Income:			
Financial income	-	109	109
Management or cooperation agreements	8,476	1,987	10,463
Other operating expenses	978	-	978
Other income (Note 7.1)	2,607	-	2,607
	12,061	2,096	14,157

	Thousands of euros			
	31/12/2017			
Income and Expenses	Significant shareholders	Directors and Executives	Associates or companies of the Group	Total
Expenses:				
Financial expenses	655	-	-	655
R&D transfers and licence agreements	-	-	13	13
Lease rentals	664	-	-	664
	1,319	-	13	1,332
Income:				
Management or cooperation agreements	8,969	-	2,114	11,083
Other income (Note 7.1)	6,000	-	-	6,000
	14,969	-	2,114	17,083

The heading "Management or cooperation agreements" includes the amounts that have accrued in the form of management fees payable to Grupo NH during the period of 2018 by virtue of the hotel management agreement entered into with Grupo Inversor Hesperia, S.A. On 30 November 2018, all the management agreements defined in the framework agreement entered into in 2017 with Grupo Inversor Hesperia, S.A. ("GIHSA") for the management of 28 hotels for a period of nine years were effectively terminated. As a result of the termination of these management agreements, the Group recognised income under "Other Income" (see Note 7.1).

The line item "Finance costs" includes the interest paid on the debt pending payment to Grupo Inversor Hesperia, S.A. prior to the cancellation of the aforementioned management agreement (see Note 7.1).

Other Financing agreements:

	Thousands of euros	
	2018	2017
Accounts receivable from associated companies	1,766	1,016
Loans to associates - Sotocaribe, S.L.	9,020	7,382
Total	10,786	8,398

Other accounts receivable

At 31 December 2018, 978 thousand euros had not yet been paid in respect of the audit requested by MINT following the takeover and the additional work performed for the audit of year-end closing.

26.- INFORMATION BY SEGMENTS

26.1 Information on main 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:

- 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).
- 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.
- 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:

	Hotel Business													
	31/12/2018							31/12/2017						
	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														
Additions of fixed assets	150,546	40,848	47,154	25,604	25,129	10,702	1,109	113,811	63,826	13,071	8,649	21,529	6,624	112
Depreciation	(116,301)	(41,757)	(18,908)	(23,159)	(20,106)	(9,417)	(2,954)	(123,084)	(39,812)	(20,234)	(33,536)	(18,494)	(8,498)	(2,510)
Net profit (loss) for asset deterioration	(304)	3,295	(8,380)	4,206	191	1	383	9,005	2,216	(783)	9,471	(2,020)	-	121
BALANCESHEET														
ASSETS														
Assets by segments	2,498,183	595,885	765,478	440,001	287,391	402,698	6,730	2,353,123	681,769	577,523	454,217	290,223	348,494	897
Shareholdings in associated companies	8,971	1,002	-	-	-	5,935	2,034	9,420	1,367	-	-	-	5,913	2,140
Non-current assets classified as held for sale	12,562	12,562	-	-	-	-	-	66,621	-	66,621	-	-	-	-
Total consolidated assets	2,519,716	609,449	765,478	440,001	287,391	408,633	8,764	2,429,164	683,136	644,144	454,217	290,223	354,407	3,037
LIABILITIES														
Liabilities and equity by segments	2,519,716	609,449	765,478	440,001	287,391	408,633	8,764	2,429,164	683,136	644,144	454,217	290,223	354,407	3,037
Total Consolidated Liabilities and Equity	2,519,716	609,449	765,478	440,001	287,391	408,633	8,764	2,429,164	683,136	644,144	454,217	290,223	354,407	3,037

Thousands of euros	Thousands of euros													
	Real estate													
	31/12/2018							31/12/2017						
	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														
Additions of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss) for asset deterioration	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE SHEET														
ASSETS														
Assets by segments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shareholdings in associated companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as held for sale	43,412	-	-	-	-	33,322	10,090	42,545	-	-	-	-	33,556	8,989
Total consolidated assets	43,412	-	-	-	-	33,322	10,090	42,545	-	-	-	-	33,556	8,989
LIABILITIES														
Liabilities and equity by segments	43,412	-	-	-	-	33,322	10,090	42,545	-	-	-	-	33,556	8,989
Total Consolidated Liabilities and Equity	43,412	-	-	-	-	33,322	10,090	42,545	-	-	-	-	33,556	8,989

	Total													
	31/12/2018							31/12/2017						
	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														
Additions of fixed assets	150,546	40,848	47,154	25,604	25,129	10,702	1,109	113,811	63,826	13,071	8,649	21,529	6,624	112
Depreciation	(116,301)	(41,757)	(18,908)	(23,159)	(20,106)	(9,417)	(2,954)	(123,085)	(39,812)	(20,234)	(33,536)	(18,495)	(8,498)	(2,510)
Net profit (loss) for asset deterioration	(304)	3,295	(8,380)	4,206	191	1	383	9,005	2,216	(783)	9,471	(2,020)	-	121
BALANCESHEET														
ASSETS														
Assets by segments	2,498,183	595,885	765,478	440,001	287,391	402,698	6,730	2,353,119	681,765	577,523	454,217	290,223	348,494	897
Shareholdings in associated companies	8,971	1,002	-	-	-	5,935	2,034	9,419	1,366	-	-	-	5,913	2,140
Non-current assets classified as held for sale	55,974	12,562	-	-	-	33,322	10,090	109,166	-	66,621	-	-	33,556	8,989
Total consolidated assets	2,563,128	609,449	765,478	440,001	287,391	441,955	18,854	2,471,704	683,131	644,144	454,217	290,223	387,963	12,026
LIABILITIES														
Liabilities and equity by segments	2,563,128	609,449	765,478	440,001	287,391	441,955	18,854	2,471,704	683,131	644,144	454,217	290,223	387,963	12,026
Total Consolidated Liabilities and Equity	2,563,128	609,449	765,478	440,001	287,391	441,955	18,854	2,471,704	683,131	644,144	454,217	290,223	387,963	12,026

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:

Significant information from the Income Statement by Geographic Area	Thousands of euros (2018)						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	TOTAL
	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2018
Revenues	406,332	360,254	290,072	317,542	127,947	111,241	1,613,388
Depreciation	(41,757)	(18,908)	(23,159)	(20,106)	(9,417)	(2,954)	(116,301)
Financial income	2,244	465	42	525	2,719	44	6,039
Financial expenses	(49,061)	6,605	(3,681)	(7,104)	(5,036)	(1,720)	(59,997)
Results from exposure to hyperinflation (IAS 29)					25,674		25,674
Profit (Loss) from entities valued through the equity method	(363)	-	-	-	(51)	(85)	(499)
Variation in the provision for onerous contracts	1,671	-	-	303	-	2,368	4,342
Income tax	(11,346)	(42,566)	(14,886)	(2,675)	(13,179)	(662)	(85,314)
Profit (loss) for the year from discontinued operations net of tax	-	-	-	-	(523)	(45)	(568)

Significant information from the Income Statement by Geographic Area	Thousands of euros (2017)						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	TOTAL
	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017
Revenues	399,600	319,475	275,534	309,318	142,909	99,250	1,546,086
Depreciation	(39,812)	(20,234)	(33,536)	(18,495)	(8,498)	(2,510)	(123,085)
Financial income	971	374	335	647	591	77	2,995
Financial expenses	(63,931)	3,911	(3,367)	(6,225)	(5,476)	(1,659)	(76,747)
Profit (Loss) from entities valued through the equity method	(42)	-	-	-	454	(761)	(349)
Variation in the provision for onerous contracts	4,496	-	-	439	-	(719)	4,216
Income tax	(13,216)	(10,453)	(4,780)	(331)	(4,676)	(56)	(33,512)
Profit (loss) for the year from discontinued operations net of tax	-	-	-	-	(186)	(92)	(278)

27. REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Management Bodies of the Parent Company have the following composition at 31 December 2018:

- Board of Directors: 10 members in 2018 (10 in 2017),
- Executive Committee: 3 members in 2018 (5 in 2017),
- Audit and Control Committee: 3 members in 2018 (3 in 2017), and
- Appointments and Remuneration Committee: 2 members in 2018 (4 in 2017).

The amount accrued during 2018 and 2017 by the members of the Parent Company's Board of Directors in relation to the remuneration of the CEO, bylaw stipulated directors' fees and attendance fees and other items, is as follows:

27.1 Remuneration of the Board of Directors

Remuneration item	Thousands of euros	
	2018	2017
Fixed remuneration	500	490
Variable remuneration	335	344
Parent Company: allowances	65	178
Parent Company: attendance allowances	813	1,017
Transactions on shares and other financial instruments	247	191
Indemnifications/other	170	86
Life insurance premiums	19	26
Total	2,149	2,332

As of 31 December 2018, the Board of Directors has ten members, of whom one is a woman and nine are men (ten persons in 2017, one woman and nine men).

In relation to the heading, "Transaction on shares and/or other financial instruments", consideration has been given to the objective long-term remuneration accrued. This includes remuneration in kind (vehicles, medical insurance and shares delivered in 2018 as a result of the settlement of the long-term incentive which ended on 31/12/2017) in the item "Others".

27.2 Remuneration of senior management

The remuneration of members of the Management Committee at 31 December 2018 and 2017, 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	
	2018	2017
Pecuniary remuneration	3,047	2,678
Remuneration in kind	699	556
Others	671	642
Total	4,417	3,876

At 31 December 2018, there were seven members of Senior Management (the same number at 31 December 2017), 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 CEO.

The concept of "monetary remuneration" of executives includes fixed remuneration and variable remuneration accrued in 2018 and received in 2019.

"Compensation in kind" includes the vehicle, the cost of insurance and the settlement of the long-term incentive received in shares in 2018, the accrual period of which ended on 31 December 2017.

The heading "Other" includes the long-term objective remuneration accrued in 2018.

27.3 Information on conflicts of interest on the part of Directors

At year-end 2018, 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.

Notwithstanding the foregoing, in 2018 the Company entered into various Related Transactions as a consequence of them having been concluded with significant shareholders or the Directors of the Company. These Related Party Transactions have always been executed in strict compliance with the rules established in the applicable regulations and the Procedure for Conflicts of Interest and Related Party Transactions with Significant Shareholders, Directors and Senior Management of NH Hotel Group, S.A. approved by the Board of Directors on 26 March 2014. By virtue of this Procedure, during 2018 the Board of Directors ensured, through the Audit and Control Committee, that transactions with Directors and significant shareholders or with the respective related persons were carried out under market conditions and in adherence to the principle of equal treatment of shareholders in identical conditions. Likewise, the Director affected by such transaction (i) has abstained from influencing, intervening or voting in the decision-making by any corporate body or committee that had participated in the relevant transaction or decision and that could have affected the persons or entities with which there was a conflict of interest, and (ii) has abstained from accessing confidential information that could have affected said conflict of interest.

During 2018, the Audit and Control Committee had the opportunity to analyse the transactions with related parties described in the Annual Report of the Audit and Control Committee for the 2018, financial year which will be made public on the Company's website when the General Shareholders' Meeting is called.

28.- EVENTS AFTER THE REPORTING PERIOD

On February 7, 2019 NH Hotel Group has subscribed with Minor IPC i) a Framework Agreement that aims to establish a transparent framework of relations between the Company and Minor and its group companies, which, among others, includes criteria for the allocation of expenses between both Companies, all in compliance with the Recommendation Two of the Code of Good Governance of Listed Companies and ii) a reciprocal agreement of trademark license, by which both parties are licensed the use of their respective trademarks in the geographical areas where the other party operates. The subscription of the mentioned agreements was duly approved by the Board of Directors, after a favorable report from the Audit and Control Committee and communicated by Relevant Event on February 7, 2019.

On January 15, 2019, the sale of its 49% stake in the company Beijing NH Grand China Hotel Management CO, Ltd. was executed, this sale was a cash inflow of 1.9 million euros.

29.- INFORMATION ON ENVIRONMENTAL POLICY

For the NH Hotel Group, sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of water and energy. In our responsible commitment to the Planet, we work to minimise our impact on Climate Change, increase the efficiency of resources and develop more sustainable products. All this minimises our environmental footprint with responsible consumption of natural resources.

In 2018, the implementation of the sustainability initiative continued. This initiative gives continuity to the environmental achievements of recent years. Thus, compared to 2007, per Average Daily Room energy consumption has been reduced by 31%, water consumption by 27% and our carbon footprint by 67%. NH Hotel Group is committed to renewable energy, which reduces its carbon footprint. This consumption of green energy, certified as renewable, is available in 79% of our hotels in Spain, Italy, Germany, the Netherlands, Belgium and Luxembourg, covering 90% of the total electricity consumed in Europe.

NH Hotel Group holds certificates ISO 14.001 for environmental management and ISO 50.001 for energy efficiency in accommodation, catering, meetings and events. As well as the overall certificates held by the company, 137 of its hotels hold certificates including BREEAM, LEED, Green Key, Hoteles+Verdes, ISO 14.001 and ISO 50.001, all recognised by the GSTC (Global Sustainable Tourism Council).

NH Hotel Group has reported its climate change commitment and strategy to the Carbon Disclosure Project (CDP) since 2010. In 2018, the Company obtained an A- rating on the Climate Index, placing NH Hotel Group among the leading companies in the adoption of measures to effectively reduce emissions, which is indicative of advanced environmental management. This result positions the company above the average for its sector and region.

Likewise, the 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 main financial assets include cash and cash equivalents (see Note 12), 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, mainly through guaranteed convertible senior bonds. At 31 December 2018, approximately 87.7% 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 25 b.p., the financial expense would increase by 134 thousand euros plus interest.

In the event that the increase in interest rates were 50 b.p., the financial expense would increase by 269 thousand euros plus interest.

In the event that the increase in interest rates were 1 b.p., the financial expense would increase by 538 thousand euros 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, Brazil, 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, Brazil, 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 2018 was as follows:

	Thousands of euros	
	Currency translation difference	Changes with respect to 2017
US dollar	2,975	249
Mexican peso	(18,403)	2,362
Colombian peso	(22,833)	(4,466)

The changes in the currency translation difference of the above currencies was mainly due to the movements in exchange rates between 31 December 2017 and 31 December 2018:

Year-end euro reference exchange rate	31/12/2018	31/12/2017	Change
US dollar	0.873360	0.833820	4.74%
Mexican peso	0.044460	0.042260	5.21%
Colombian peso	0.000270	0.000280	(3.57%)

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 2017 and 2018 of the aforementioned currencies:

Average euro reference exchange rate in the year	2018	2017	Change
US dollar	0.846630	0.885190	(4.36%)
Mexican peso	0.044040	0.046890	(6.08%)
Colombian peso	0.000290	0.000300	(3.33%)

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.

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 2018 is based on the following points:

- The group had cash and cash equivalents amounting to 265,869 thousand euros at 31 December 2018.
- Available undrawn credit lines amounting to 312,192 thousand euros at 31 December 2018, of which 250,000 thousand euros relate to the undrawn guaranteed syndicated credit line maturing on 29 September 2021.

The capacity of the business units to generate positive cash flows from operations.

- 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 2018 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 2018 are presented below:

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company
Airport Hotel Frankfurt-Raunheim, GmbH & Co.	Munich	Real Estate	
Artos Beteiligungs, GmbH	Munich	Holding company	
Astron Immobilien, GmbH	Munich	Holding company	
Astron Kestrell, Ltd.	Plettenberg Bay	Hotel Business	
Atlantic Hotel Exploitation, B.V.	Den Haag	Hotel Business	
Blacom, S.A.	Buenos Aires	Investment	
Chartwell de México, S.A. de C.V.	México D.F.	Hotel Business	
Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V.	Coatzacoalcos	Hotel Business	
City Hotel, S.A.	Buenos Aires	Hotel Business	
Columbia Palace Hotel, S.A.	Montevideo	Hotel Business	
Grupo Hotelero Queretaro, S.A.	Queretaro	Hotel Business	
Coperama Holding, S.L.	Madrid	Procurement network	
DAM 9 B.V.	Amsterdam	Holding company	
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	
Desarrollo Inmobiliario Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	
Edificio Metro, S.A.	Buenos Aires	Hotel Business	
Expl. mij. Grand Hotel Krasnapolsky, B.V.	Amsterdam	Hotel Business	
Expl. Mij. Hotel Best, B.V.	Best	Hotel Business	
Expl. mij. Hotel Doelen, B.V.	Amsterdam	Hotel Business	
Expl. Mij. Hotel Naarden, B.V.	Naarden	Hotel Business	
Expl. mij. Hotel Schiller, B.V.	Amsterdam	Hotel Business	
Exploitiemaatschappij Caransa Hotel, B.V.	Amsterdam	Without activity	
Exploitiemij. Tropicotel, B.V.	Hilversum	Hotel Business	
Franquicias Lodge, S.A. de C.V.	México D.F.	Hotel Business	
Gran Círculo de Madrid, S.A.	Madrid	Catering	
Grupo Hotelero Monterrey, S.A. de C.V.	México D.F.	Hotel Business	
Grupo Hotelero Queretaro, S.A. de C.V.	Queretaro	Hotel Business	
Heiner Gossen Hotelbetrieb, GmbH	Mannheim	Hotel Business	
HEM Atlanta Rotterdam, B.V.	Hilversum	Hotel Business	
HEM Epen Zuid Limburg, B.V.	Wittem	Hotel Business	
All companies end the year on 31/12/2018			

Investee company	Registered address of investee company	Main activity of the Investee Company	Part
HEM Forum Maastricht, B.V.	Maastricht	Hotel Business	
HEM Jaarbeursplein Utrecht, B.V.	Utrecht	Hotel Business	
HEM Janskerkhof Utrecht, B.V.	Hilversum	Hotel Business	
HEM Marquette Heemskerk, B.V.	Hilversum	Hotel Business	
HEM Onderlangs Arnhem, B.V.	Arnhem	Hotel Business	
HEM Spuistraat Amsterdam, B.V.	Amsterdam	Hotel Business	
HEM Stadhouderskade Amsterdam, B.V.	Amsterdam	Hotel Business	
HEM Van Alphenstraat Zandvoort, B.V.	Hilversum	Hotel Business	
Highmark Geldrop, B.V.	Geldrop	Hotel Business	
Highmark Hoofddorp, B.V.	Hoofddorp	Hotel Business	
Hispana Santa Fe, S.A. de C.V.	México D.F.	Hotel Business	
Hotel Aukamm Wiesbaden, GmbH & Co.	Munich	Real Estate	
Hotel de Ville, B.V.	Groningen	Hotel Business	
Hotel Expl. Mij Amsterdam Noord, B.V.	Amsterdam	Hotel Business	
Hotel Expl. Mij Leijenberglaan Amsterdam, B.V.	Amsterdam	Hotel Business	
Hotel expl. mij. Capelle a/d IJssel, B.V.	Capelle a/d IJssel	Hotel Business	
Hotel expl. mij. Danny Kayelaan Zoetermeer, B.V.	Hilversum	Hotel Business	
Hotel expl. mij. Stationsstraat Amersfoort, B.V.	Amersfoort	Hotel Business	
Hotel Holding Onroerend Goed d'Vijff Vlieghen B.V.	Hilversum	Hotel Business	
Hotel Houdstermaatschappij Jolly, B.V.	Amsterdam	Holding company	
Hotelera de la Parra, S.A. de C.V.	México D.F.	Hotel Business	
Hotelera Lancaster, S.A.	Buenos Aires	Hotel Business	
Hotelera de Chile, S.A.	Santiago de Chile	Hotel Business	
Hoteles Hesperia, S.A.	Barcelona	Hotel Business	
Hotelexplotatiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	
Hotels Bingen & Viernheim, GmbH & Co.	Munich	Real Estate	
Inmobiliaria y Financiera Aconcagua, S.A.	Buenos Aires	Hotel Business	
Inmobiliaria y financiera Chile S.A.	Santiago de Chile	Real Estate	
Jan Tabak, N.V.	Bussum	Hotel Business	
JH Belgium, S.A.	Bruselas	Hotel Business	
JH Deutschland, GmbH	Colonia	Hotel Business	
JH Holland, N.V.	Amsterdam	Hotel Business	
JH USA, Inc.	Wilginton	Hotel Business	
Koningshof, B.V.	Veldhoven	Hotel Business	
All companies end the year on 31/12/2018			

Investee company	Registered address of investee company	Main activity of the Investee Company	Partners
Krasnapolsky Belgian Shares, B.V.	Hilversum	Holding company	
COPERAMA Benelux, B.V.	Amsterdam	Procurement network	
Krasnapolsky H&R Onroerend Goed, B.V.	Amsterdam	Real Estate	
Krasnapolsky Hotels & Restaurants, N.V.	Amsterdam	Holding company	
Krasnapolsky Hotels, Ltd.	Somerset West	Hotel Business	
Krasnapolsky ICT, B.V.	Hilversum	Without activity	
Krasnapolsky International Holding, B.V.	Amsterdam	Holding company	
Latina Chile, S.A.	Santiago de Chile	Hotel Business	
Latina de Gestión Hotelera, S.A.	Buenos Aires	Hotel Business	
Latinoamericana de Gestion Hotelera, S.L.	Madrid	Holding company	
Leeuwenhorst Congres Center, B.V.	Noordwijkerhout	Hotel Business	
Liberation Exploitatie, B.V.	Sprang Capelle	Hotel Business	
Marquette Beheer, B.V.	Hilversum	Real Estate	
Museum Quarter, B.V.	Hilversum	Hotel Business	
Nacional Hispana de Hoteles, S.A.	México D.F.	Hotel Business	
Aguamarina S.A.	Rep. Dominicana	Corporate services	
NH Atardecer Caribeño, S.A.	Madrid	Corporate services	
NH Belgium, cvba	Diegem	Holding company	
NH Caribbean Management, B.V.	Hilversum	Management	
NH Central Europe Management, GmbH	Berlín	Hotel Business	
NH Central Europe, GmbH & Co. KG	Berlín	Hotel Business	
NH Central Reservation Office, S.A.	Madrid	Call Center	
NH Finance, S.A.	Luxemburgo	Financial company	
NH Financing Services S.a r.l.	Luxemburgo	Financial company	
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel Business	
NH Europa, S.A.	Barcelona	Hotel Business	
NH Hotelbetriebs.-u. Dienstleistungs, GmbH	Berlín	Hotel Business	
NH Hotelbetriebs-u. Entwicklungs, GmbH	Berlín	Hotel Business	
NH Hoteles Austria, GmbH	Viena	Hotel Business	
NH Hoteles Deutschland, GmbH	Berlín	Hotel Business	
NH Hoteles España, S.A.	Barcelona	Hotel Business	
NH Hoteles France S.A.S.U.	Francia	Hotel Business	
NH Hoteles Switzerland GmbH	Fribourg	Hotel Business	
NH Hotels Czequia, s.r.o.	Praga	Hotel Business	
NH Hotels Polska, Sp. Zo.o.	Polonia	Hotel Business	
NH Hotels USA, Inc.	Houston	Hotel Business	
NH Hungary Hotel Management, Ltd.	Budapest	Hotel Business	
All companies end the year on 31/12/2018			

Investee company	Registered address of investee company	Main activity of the Investee Company	Part
NH Lagasca, S.A.	Madrid	Hotel Business	
NH Las Palmas, S.A.	Gran Canaria	Hotel Business	
NH Logroño, S.A.	Logroño	Hotel Business	
NH Marin, S.A.	Barcelona	Hotel Business	
NH Private Equity, B.V.	Luxemburgo	Hotel Business	
NH Hotel Rallye Portugal, Lda.	Portugal	Hotel Business	
NH The Netherlands, B.V. (vh GTI, B.V.)	Hilversum	Holding company	
Nhow Rotterdam, B.V.	Den Haag	Hotel Business	
Hotel Exploitiemaatschappij Diegem N.V.	Diegem	Hotel Business	
Hotel Exploitiemaatschappij Eindhoven B.V.	Hilversum	Hotel Business	
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	
Objekt Leipzig Messe, GmbH & Co.	Munich	Real Estate	
Olofskapel Monumenten, B.V.	Amsterdam	Real Estate	
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real Estate	
Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V.	Geldrop	Real Estate	
Onroerend Goed Beheer Maatschappij Capelle aan den IJssel, B.V.	Capelle a/d IJssel	Real Estate	
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real Estate	
Onroerend Goed Beheer Maatschappij IJsselmeerweg Naarden, B.V.	Naarden	Real Estate	
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real Estate	
Onroerend Goed Beheer Maatschappij Maas Best, B.V.	Best	Real Estate	
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Real Estate	
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Real Estate	
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real Estate	
Operadora Nacional Hispana, S.A. de C.V.	México D.F.	Hotel Business	
Palatium Amstelodamum, N.V.	Amsterdam	Hotel Business	
Polis Corporation, S.A.	Buenos Aires	Hotel Business	
Restaurant D'Vijff Vlieghe, B.V.	Amsterdam	Catering	
Servicios Chartwell de Nuevo Laredo, S.A. de C.V.	Nuevo Laredo	Hotel Business	
Servicios Corporativos Chartwell Monterrey, S.A. de C.V.	Monterrey	Hotel Business	
Servicios Corporativos Hoteleros, S.A. de C.V.	México D.F.	Hotel Business	
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V.	México D.F.	Hotel Business	
Servicios de Operación Turística, S.A. de C.V.	Guadalajara	Hotel Business	
Servicios Hoteleros Tlalnepantla, S.A. de C.V.	México D.F.	Hotel Business	
Nhow Amsterdam, B.V.	Utrecht	Without activity	
Toralo, S.A.	Montevideo	Hotel Business	
VSOP VIII, B.V.	Groningen	Hotel Business	
NH Wilhelminakade Holding B.V.	Northen Europe	Hotel Business	
Coperama Spain, S.L.	Madrid	Procurement network	

All companies end the year on 31/12/2018

Investee company	Registered address of investee company	Main activity of the Investee Company	Partners
Hoteles Royal, S.A.	Bogota	Holding company	
Eurotels Chile S.A.	Chile	Holding company	
Hotel Andino Royal S.A.S.	Bogota	Hotel Business	
Hotel Hacienda Royal Ltda	Bogota	Hotel Business	
Hotel La Boheme Ltda	Bogota	Hotel Business	
Hotel Medellin Royal Ltda	Medellin	Hotel Business	
Hotel Pacifico Royal Ltda	Cali	Hotel Business	
Hotel Parque Royal S.A.S.	Bogota	Hotel Business	
Hotel Pavillon Royal Ltda.	Bogota	Hotel Business	
Hotelera Norte Sur S.A	Chile	Real Estate	
Hoteles Royal del Ecuador S.A. Horodelsa	Quito	Hotel Business	
HR Quántica SAS	Bogota	Hotel Business	
Inmobiliaria Royal S.A	Chile	Real Estate	
Inversiones SHCI	Bogota	Real Estate	
Promotora Royal S.A.	Bogota	Real Estate	
Royal Hotels Inc.	USA	Hotel Business	
Royal Hotels International Latin América Inc	USA	Hotel Business	
Royal Santiago Hotel S.A.	Chile	Hotel Business	
Soc. Operadora Barranquilla Royal SAS	Barranquilla	Hotel Business	
Soc. Operadora Cartagena Royal SAS	Cartagena	Hotel Business	
Soc. Operadora Calle 100 Royal SAS	Bogota	Hotel Business	
Soc. Operadora Urban Royal Calle 26 SAS	Bogota	Hotel Business	
Soc. Operadora Urban Royal Calle 93 SAS	Bogota	Hotel Business	
Sociedad Hotelera Calle 7A Ltda	Bogota	Hotel Business	
Sociedad Hotelera Cien Internacional S.A.	Bogota	Hotel Business	
Sociedad Hotelera Cotopaxi S.A.	Quito	Hotel Business	
Sociedad Operadora Nh Royal Panama S.A.	Ciudad de Panamá	Hotel Business	
NH Italia, S.p.A.	Milan	Hotel Business	
Immo Hotel Bcc N.V.	Diegem	Real Estate	
Immo Hotel Belfort N.V.	Diegem	Real Estate	
Immo Hotel Brugge N.V.	Diegem	Real Estate	
Immo Hotel Diegem N.V.	Diegem	Real Estate	
Immo Hotel Gent N.V.	Diegem	Real Estate	
Immo Hotel Gp N.V.	Diegem	Real Estate	
Immo Hotel Stephanie N.V.	Diegem	Real Estate	
Immo Hotel Mechelen N.V.	Diegem	Real Estate	
NH Management Black Sea Srl	Bucarest	Hotel Business	
All companies end the year on 31/12/2018			

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company
NH Brasil Abrasil Administracao De Hoteis E Participadas Ltda.	Villa Olímpica	Hotel Business	
Capredo Investments, GmbH	Suiza	Holding company	
Palacio de la Merced, S.A.	Burgos	Hotel Business	
Latinoamericana Curitiba Administracao De Hoteis Ltda	Curitiba	Hotel Business	
Coperama Italia S.R.L.	Milano	Procurement network	
Coperama Central Europe GmbH	Berlin	Procurement network	
Iberinterbrokers, S.L.	Barcelona	Provision of services	
Coperama Colombia, S.A.S	Bogotá	Procurement network	
Coperama Mexico S.A. de C.V.	México D.F.	Procurement network	
Wilan Ander, S.L.	Madrid	Hotel Business	
Wilan Huel, S.L.	Madrid	Hotel Business	
All companies end the year on 31/12/2018			

APPENDIX II: ASSOCIATES

Investee company	Registered address of investee company	Main activity of the Investee Company	Parent company stake in the company
Borokay Beach, S.L.	Madrid	Hotel Business	50%
Consorcio Grupo Hotelero T2, S.A. de C.V.	Mexico City	Hotel Business	10%
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel Business	27%
Mil Novecientos Doce, S.A. de C.V.	Mexico	Hotel Business	25%
Losan Investment, Ltd.	London	Hotel Business	30%
Sotocaribe, S.L.	Madrid	Holding company	36%
Hotelera del Mar, S.A.	Mar de Plata	Hotel Business	20%
Beijing NH Grand China Hotel Management Co, Ltd.	Beijing	Hotel Business	49%
All companies end the year on 31/12/2018			

Annex A—Summary of Duff & Phelps Report



Market Value of certain Properties of NH

Summary of Results

For NH Hotel Group, S.A.

June 2021

Private and Confidential

DUFF & P
A **KROLL** BUSINESS

Executive Summary

NH Hotel Group, S.A.
Santa Engracia, 120
28003, Madrid - Spain

DUFF & PHELPS
A KROLL

Dear Sirs / Madams,

In accordance with your request, Duff & Phelps, S.L.U. ("D&P") has assisted NH Hotel Group, S.A. ("NH", the "Group", or the "Company") in estimating the value of: i) certain assets located in Belgium and the Netherlands; and ii) the total equity of NH Italia, SpA (hereinafter we will refer to both i) and ii) as the "Share Properties" or the "Properties") as of December 31, 2020 (the "Valuation Date").

We understand that our conclusion of value is to be used in connection with the following Group's financing arrangements, which are secured by the Group's assets over the subject Properties:

- EUR 356.9m Senior Secured Notes ("High Yield bonds") due in 2023 with annual coupon of 3.75%; and
- EUR 236m Revolving Credit Facility ("RCF") due 29 March 2023 between NH Hotel Group, S.A. / NH Finance, S.A. and a pool of banks, established in 2016 with floating interest rate plus a spread. As of December 31, 2020, the RCF was fully drawn.

Both High Yield bonds and the RCF debt account for a full amount of outstanding debt as of December 31, 2020, of EUR 592.9m.

This document is a summary of our detailed valuation report (the "Report") and (the "Executive Summary"). NH is the sole intended user of the Report, and the use of both documents is restricted to the purpose indicated herein. The Company may disclose a copy of the Executive Summary to its financial, tax, legal advisors, the banks' syndicate engaged by the Group for the notes' issuance and to rating agencies. However, no third party shall rely on the Executive Summary and on the Report. Additionally, neither receipt nor possession of the document by any third party shall imply third-party beneficiary rights. Duff & Phelps is not responsible for the unauthorized use of this Executive Summary and the Report.

Full details of the scope and terms of our commitment are included in the Engagement Letter dated March 10, 2021. We sincerely appreciate the use of our valuation services. If you have any questions or comments, please do not hesitate to contact Javier Zoido or Ernesto Ollero.

Sincerely,

Duff & Phelps

Javier Zoido
Managing Director
Iberia VAS Leader

Duff & Phelps

Ernesto Ollero
Managing Director
MRICS

Summary of Values

Market Value of NH Italia + NH Collection NY Madison Avenue

Based on the information and analysis summarized in our Report, the market values of the subject Properties as of December 31, 2020, are as follows:

NH Italia (€ thousand)	
Forecast Period NPV	239,696.3
Terminal Value NPV	619,513.1
Business Enterprise Value (BEV)	859,209.4
Net Financial (Debt) / Cash	(38,779.7)
Equity Value	820,429.7
NH Collection NY Madison Avenue (€ thousand)	
Forecast Period NPV	22,638.8
Terminal Value NPV	79,310.9
Business Enterprise Value (BEV)	101,949.7
NOLs	9,086.5
Tax Shield	4,507.9
Equity Value	115,544.0
Equity Value NH Italia + NH Collection NY Madison Avenue	935,973.7

Market Value of NH's Hotels in Belgium & Netherlands

Property Name	Stake	Location
NH Brussels Airport	100%	Belgium
NH Brussels Stéphanie	100%	Belgium
NH Mechelen	100%	Belgium
NH Brugge	100%	Belgium
NH Zandvoort (*)	91.65%	Netherlands
NH Zoetermeer	100%	Netherlands
NH Capelle	100%	Netherlands
NH Naarden	100%	Netherlands
NH Veluwe Sparrenhorst	100%	Netherlands
NH Conf. Koningshof	100%	Netherlands
NH Conf. Leeuwenhorst	100%	Netherlands
Total Business Enterprise Value		

(*) NH owns 196 rooms of the 216 rooms in the hotel, the others are managed by a third party. The management fee expense is considered in the P&L under GOP.

Summary of Values

Hotels and Pledge of Shares offered as Collateral

A summary of the Mortgage and Share Properties, based on the collateral offered by the Group and their market value as calculated in our Report is as follows:

Pledge High Yield Bonds (€ thousand)		Mortgages HY Bonds (€ thousand)	
NH Brussels Airport	49,688.6	NH Zoetermeer	9,498.6
NH Brussels Stéphanie	13,353.1	NH Capelle	9,157.6
NH Mechelen	6,004.5	NH Naarden	4,463.0
NH Brugge	22,212.9	NH Veluwe Sparrenhorst	6,304.8
Subtotal	91,259.0	NH Conf. Koningshof	80,908.2
NH Zandvoort	44,907.6	NH Conf. Leeuwenhorst	136,521.2
NH Italia (Pledge 100%)	935,973.7		
Subtotal	1,072,140.4	Subtotal	246,853.5

Total Pledge + Mortgages 1,318,993.9

Our conclusion of value is based on the information provided by NH's management (the "Management") and the valuation assumptions described in our Report. We have not analysed other assets or liabilities apart from those mentioned above.

Financial Ratio Analysis

In addition, these lines of financing require additional financial ratios. For that purpose, we have based our Management calculations regarding the Loan to Value ratio on the updated market values of the Properties as of December 31, 2020, and according to the amounts drawn from the Notes and the RCF as of December 31, 2020, provided we have verified the following calculation of ratio is as follows:

- LTV Global (drawn amount): 44.95%

We have not independently investigated nor verified the historical data provided to us. We do not express an opinion or form of assurance regarding the accuracy of data or the audit, even limited, has been carried out.

We have considered the information provided as of the date of the audit. We have assumed that the information provided is a true and fair representation of the Properties as of the Valuation date. Duff & Phelps does not accept responsibility for any error or omission in the document arising from incorrect information provided or in respect of the failure of forecasts to be achieved.

Limiting Conditions

Limiting Conditions

- This Executive Summary should be reviewed solely in conjunction with our full valuation report (the “Report”).
- The Report contains material that is being provided by Duff & Phelps, S.L.U. (“Duff & Phelps” or “D&P”) to NH Hotel group, S.A. (“NH Hotel”) in connection with the Group’s financing arrangements, which are secured by mortgages and pledges over certain assets located in Belgium and the Netherlands and the total equity of NH Italia, SpA property of NH that we are assessing.
- The information utilised in preparing this Executive Summary was obtained from NH Hotel Group as well as from various public, financial, and other sources. All estimates and projections contained in our analysis have been prepared by the senior management of NH Hotel Group and involve numerous assumptions and determinations, which may or may not prove to be correct. No representation or warranty, expressed or implied, is made as to the accuracy or completeness of the information and nothing contained herein is, or shall be relied upon as, a representation, whether as to the past or the future. Duff & Phelps does not independently verify such information and was not requested to do so.
- We determined Market Value assuming the on-going use of the assets in the existing business. Accordingly, the conclusions reached in this valuation are only for the specific purpose of this engagement as stated above.
- No selected company used in our analysis is directly fully comparable to the subject Properties. However, the most comparable companies have been used in our analysis.
- Because this material was prepared for use in the context mentioned above, Duff & Phelps does not take any responsibility for the accuracy or completeness of the material if used by persons other than NH Hotel Group.
- Any advice given, included in this letter and the accompanying Report, is provided solely for your use and benefit and only in connection with the transaction described in the letter. Except as required by law or administrative demand, Management shall not provide this letter and accompanying Report to any third party, except as provided to NH Hotel Group’s independent auditors, solicitors, regulators, advisors, the banks’ syndicate engaged by the Group for the notes’ issuance and rating agencies.
- This Valuation is furnished solely for the use and benefit of NH Hotel Group in connection with the Group’s financing arrangements and is not intended to confer any rights or remedies upon any other person, and is not intended to be used, and may not be used, by any other person or for any other purpose without Duff & Phelps’ express consent. Notwithstanding with the foregoing, Duff & Phelps accepted to be mentioned in the Offering Memorandum document and the Executive Summary will be attached as an annex to the NH Hotel Group’ offer document. The Report serves as supporting materials upon which Duff & Phelps based the Valuation. Duff & Phelps assumes no responsibility for updating or revising the information provided in the Report based on circumstances, developments or events occurring after such date.

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For nearly 100 years, Duff & Phelps has helped clients make confident decisions in the areas of valuation, real estate, taxation and transfer pricing, disputes, M&A advisory and other corporate information, visit www.duffandphelps.com.

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