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# 2017 RESULTS PRESENTATION

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**nh**  
HOTELS

  
**nh COLLECTION**  
HOTELS

**nhow**  
HOTELS

**Hesperia**  
RESORTS

28<sup>th</sup> of February 2018

# Message from the CEO

*“Dear Shareholders,*

*2017 has been an excellent year in which the Group has overachieved its targets. The combination of sound revenue growth and efficiency measures has allowed NH to achieve €233m of EBITDA (+€52m) and to improve its margin from 12% to 15%.*

*Additionally, deleverage has been a key priority and the Group has reduced its gross debt and leverage ratio from 4.1x in 2016 to 2.8x, exceeding the high-end of our guidance.*

*NH performed strongly in all markets and in particular showed outstanding results in Spain and Benelux generating a Net Recurring Income of €35m, that tripled the reported figure of 2016, thanks to a remarkable 54% EBITDA conversion rate from incremental revenue.*

*The start of 2018 has been strong and the Group foresees a more balanced growth across main European countries. Therefore we reiterate our €260m EBITDA guidance for 2018, set in September 2017, and despite the sale & leaseback transaction of an European asset closed in February 2018.*

*Our strengths will help to achieve this target:*

- *Commercial and advanced pricing strategy based on quality improvement and enhanced customer experience*
- *Active asset management with selective repositioning opportunities and leased contracts restructuring*
- *Constant focus on efficiency and cost control leading to margin improvement*

*In light of this we look forward to continue delivering record-setting results with the commitment to de-leverage further down to 1.2-2.1x, subject to the Bond conversion, and it will be proposed to the AGM the approval of a ten cent dividend per share for the financial year 2017, aligned with the dividend policy announced.”*

*Ramón Aragonés  
CEO, NH Hotel Group*

# 2017 highlights: targets exceeded

- **Robust Revenue growth of +6.5% reaching €1,571m (+€97m)**
  - Revenue Like for Like (“LFL”): +6.2%
  - Excellent performance in Benelux (+12.8%) and Spain (+11.8%)
  - RevPAR: +8.5%, 58% through ADR which grew +4.9%
- **Outstanding Recurring EBITDA<sup>(1)</sup> of €233m (+€52m; +29%), reaching a margin of 14.8% (+2.6 p.p.)**
  - Remarkable 54% EBITDA conversion rate from incremental revenue to EBITDA despite higher occupancy rates (+3.4%)
  - Efficiency measures ahead of plan: €11m achieved in 2017
- **Net Recurring Income tripled last year explained by the improvement of the business**
  - +€23m improvement reaching €34.8m in 2017 from €11.5m in 2016
- **Including non-recurring activity Total Net Income reached €35.5m**
  - +€5m higher than in 2016. The comparison is affected by the higher contribution of capital gains from assets disposals (€62m in 2016 vs. €39m in 2017)

- **Path to deleverage continues**
  - Net debt reduced to €655m from €747m as of 31<sup>st</sup> Dec. 2016
  - Leverage reduced to 2.8x (Net Financial Debt / Recurring EBITDA) from 4.1x as of 31<sup>st</sup> Dec. 2016
  - Full early voluntary redemption €250m 2019 bond in 2017:
    - April: €115m TAP 2023 Bond and €35m cash redemption
    - November: €100m cash redemption
  - Sale & Leaseback of NH Collection Amsterdam Barbizon Palace:
    - Net cash €122m
    - Transaction closed in February 2018
- **Dividend:**
  - Proposal for AGM approval of a maximum gross dividend of €0.10 per share for the financial year 2017, implying an estimated payment of €34M based on outstanding shares
- **Financial targets 2018-2019:**
  - 2018E: €260m EBITDA<sup>(1)</sup> and 1.2x<sup>(2)</sup>-2.1x leverage, subject to 2018 Bond conversion and assuming NY hotel renovation in 2018
  - 2019E<sup>(3)</sup>: pro forma EBITDA<sup>(1)</sup> of c.€300m<sup>(4)</sup> and recurring net income of c.€100m

**2017 targets exceeded:**

- **EBITDA €233m > €230m**
- **Leverage 2.8x < 3-3.25x**

<sup>(1)</sup>Recurring EBITDA before onerous reversal and capital gains from asset disposals

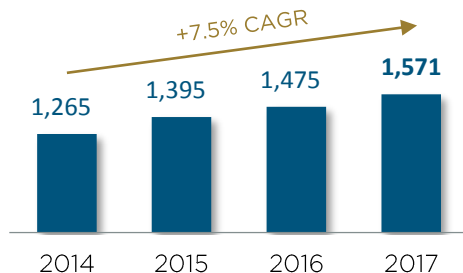
<sup>(3)</sup>Excluding IFRS 16 accounting impacts

<sup>(2)</sup>Assuming the conversion of the Bond in November 2018

<sup>(4)</sup>Proforma 2019 with “Run rate” from 2018 – 2019 Refurbishments & Openings

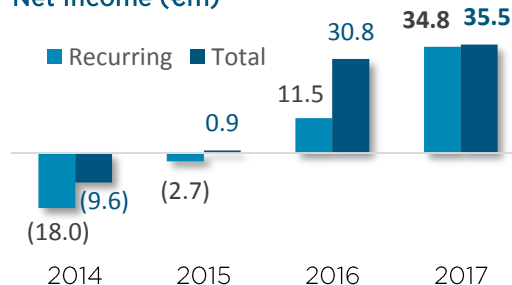
# Key Financial Indicators: 2014-2017

## Revenues (€m)



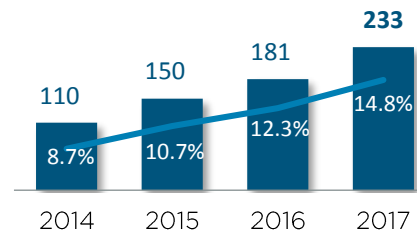
- An increase of more than €300m, a +7.5% CAGR from 2014
- In 2017 revenue grew +6.5% (+€97m) reaching €1,571m

## Net Income (€m)



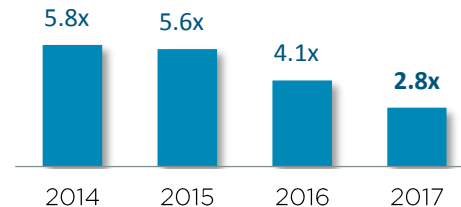
- 2016: first year of positive Recurring Net Income since 2008
- Net Recurring Income tripled last year explained by the improvement of the business

## Recurring EBITDA <sup>(1)</sup> (€m) % margin



- +28% CAGR, an increase of more than €120 from 2014
- Margin increased +6.1 p.p. in the period, reaching 14.8% in 2017
- In 2017 EBITDA grew +€52m (+29%) reaching €233m

## Net Financial Debt / Recurring EBITDA <sup>(1)</sup>



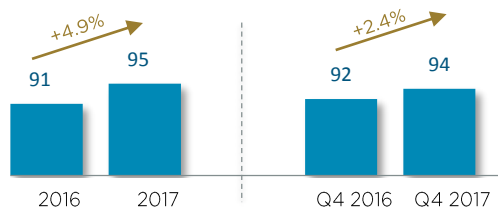
- Deleverage path on track due to the favorable operating cash flow generation
- Gross debt reduced by €135m in 2017 related to the early call and full redemption of outstanding 2019 Bond with cash

<sup>(1)</sup> Recurring EBITDA before onerous reversal and capital gains from asset disposals

# Key financial metrics: positive trends continued in Q4

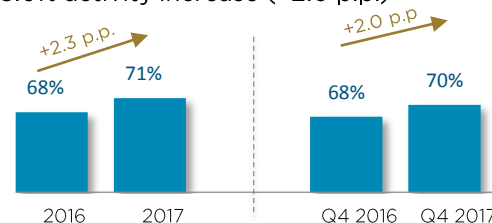
## ADR (€)

- 2017: +4.9% price increase (+€4.4) reaching €95. ADR contributed with 58% of RevPAR growth
- Q4: +2.4% price increase (+€2.2); +7.5% growth in Italy and +5.7% in Spain



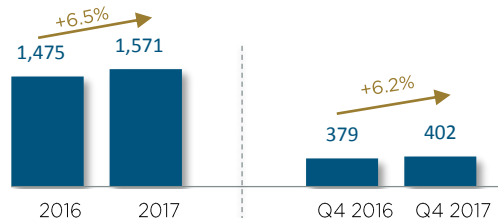
## Occupancy (%)

- 2017: +3.4% activity increase (+2.3 p.p.) up to 70.8%. Strong demand in Benelux (+6.5%) boosted by Brussels recovery and Spain (+4.2%)
- Q4: +3.0% activity increase (+2.0 p.p.)



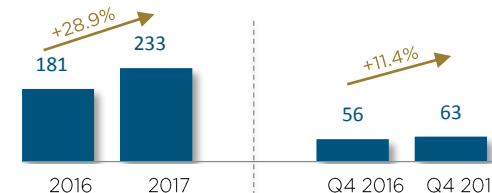
## Revenues (€m)

- 2017: +€97m revenue growth (+6.5%) with a strong performance in Benelux and Spain
- Q4: +€23m (+6.2%)



## Recurring EBITDA <sup>(1)</sup> (€m)

- 2017: +€52m (+28.9%) due to a sound 54% revenue conversion rate reaching €233m and a margin of 14.8% (+2.6 p.p.)
- Q4: +€6m (+11.4%), comparison affected by the accounting linearization of rents in Q4 2016 (+€4.1m)



<sup>(1)</sup> Recurring EBITDA before onerous reversal and capital gains from asset disposals

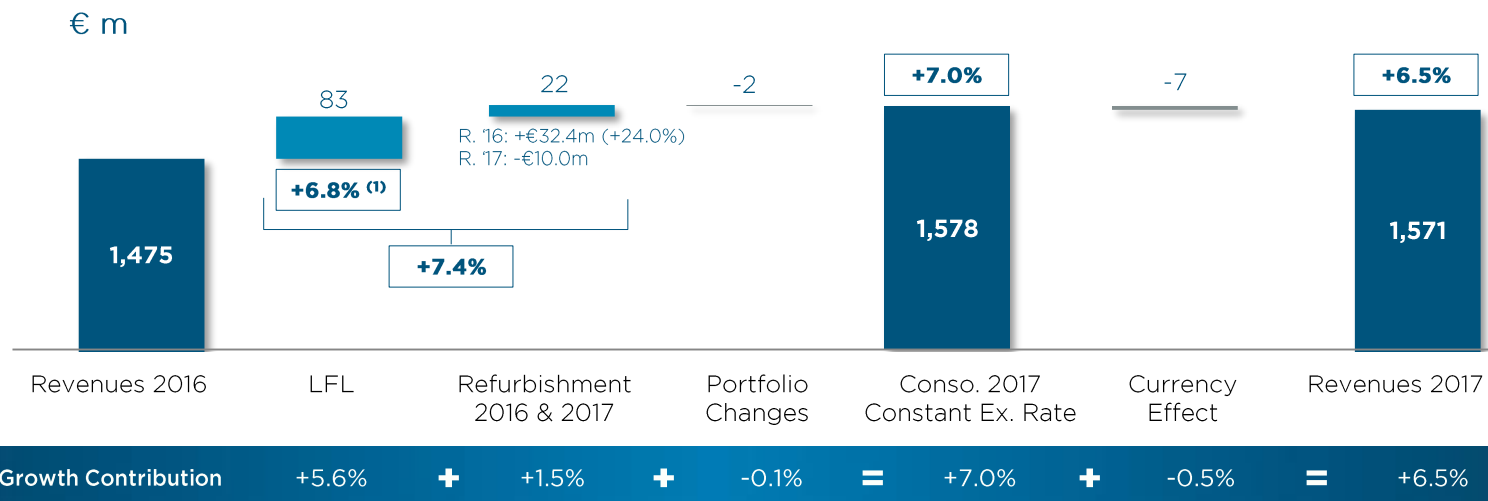
# Solid revenue performance in 2017

## ■ Total Revenue growth of +6.5% reaching €1,571m (+€97m)

- Revenue Like for Like (“LFL”): +6.8% with constant FX (+6.2% reported)
- LFL & Refurbished hotels grew +7.4% (+6.8% reported)
  - Excellent performance in Benelux (+12.8%) and Spain (+11.8%)
  - 2016 refurbished hotels increased revenues by +€32.4m (+24.0%)
  - 2017 opportunity costs for renovations: -€10.0m, mainly from Central Europe and Italy and with a lesser extent in LatAm

Revenue Split	Var. 2017
Room Revenue	+7.9%
Other Revenue	+4.8%
<b>Total Hotel Revenue</b>	<b>+7.0%</b>
Non Hotel Revenue*	-€4.4m
<b>Total Revenue</b>	<b>+6.5%</b>
* Rebates + Capex Payroll Capitalization	

Less contribution from non-hotel revenue



(1) On its 2016 own base. With real exchange rate growth is +6.2%

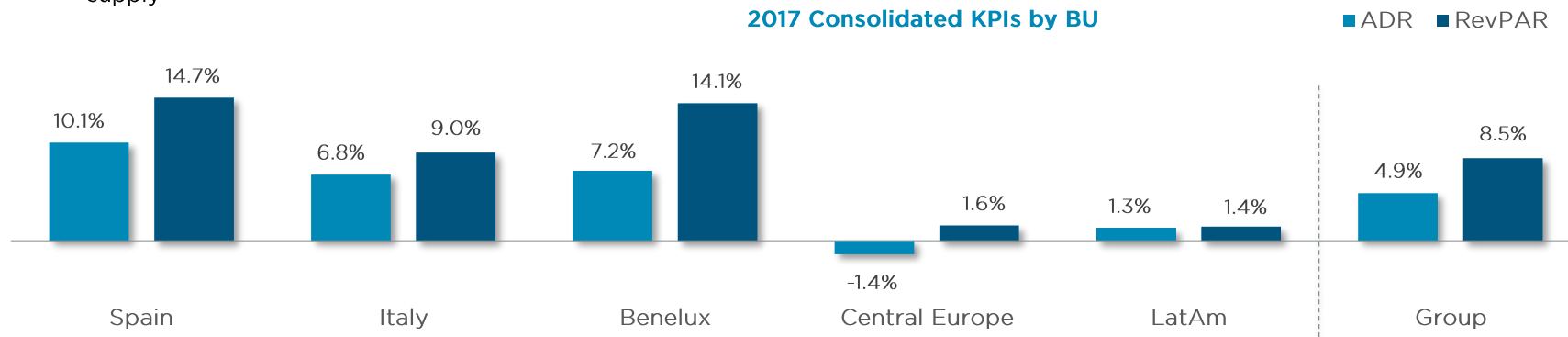
# RevPAR growth supported by ADR (58% contribution)

- **+8.5% RevPAR increase in 2017, 58% through ADR**

- RevPAR growth across all markets with an outstanding double digit growth in Spain and Benelux
- ADR: +4.9% price increases (+€4.4) reaching €95
- Occupancy: +3.4% activity increase (+2.3 p.p.) reaching 70.8% compared to 68.4% in 2016. Strong demand in Benelux (+6.5%) boosted by Brussels recovery (+23.7%) and Spain (+4.2%) being Madrid +7.0% and secondary cities +3.9%

- **LFL (excluding reforms) RevPAR grew +7.9%:**

- Spain (+13%): Very good performance of Madrid (+19%) and secondary cities (+10%). Barcelona +9%, despite negative evolution in Q4
- Italy (+8%): Excellent evolution of Milan +9% and secondary cities with +8%
- Benelux (+11%): Recovery of Brussels continues with +21% (2015 levels not yet recovered). Good performance in Amsterdam +9% and Dutch secondary cities +10%
- Central Europe (+2%): Berlin +6%, Frankfurt -1%, Munich -6% and secondary cities +3%. Tough comparison due to 2016 trade fair calendar
- LatAm (+4%; real exchange rate): Buenos Aires +17%, Mexico DF +1% affected by the earthquake and Bogota -4% impacted by higher supply



# Focus on market share and quality

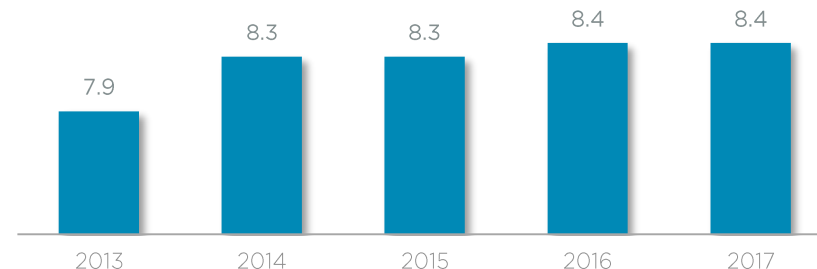
- **Relative RevPAR outperformance of +3.6 p.p. in top cities vs. competitors** through a mix of higher ADR (+1.5 p.p.) and relative occupancy (+2.0 p.p.)

2017	ADR % var.		"Relative" ADR Var.	"Rel." Occupancy Var.	"Rel." RevPAR Var.
	NH	Comp.Set			
Spain	13.3%	12.4%	0.9 p.p.	4.3 p.p.	5.8 p.p.
Italy	4.1%	-0.8%	4.9 p.p.	-2.5 p.p.	2.5 p.p.
Benelux	6.4%	2.0%	4.4 p.p.	4.3 p.p.	9.2 p.p.
Central Europe	-2.5%	1.2%	-3.7 p.p.	0.8 p.p.	-2.9 p.p.
<b>Total NH</b>	<b>5.4%</b>	<b>3.9%</b>	<b>1.5 p.p.</b>	<b>2.0 p.p.</b>	<b>3.6 p.p.</b>

Source: STR/MKG/Fairmas Competitive Set Average Growth

- Remarkable growth in Benelux with a relative RevPAR of +9.2 p.p. vs. competitive set explained by higher occupancy and ADR
- Good result in Spain with a relative RevPAR increase of +5.8 p.p. vs. competitive set, mainly due to improvement of the relative occupation and positive evolution in ADR
- **Outstanding performance in:**
  - **Amsterdam:** Relative ADR +5.1 p.p.; RevPAR +11.8 p.p.
  - **Madrid:** Relative RevPAR +9.9 p.p.; Occupancy+7.3 p.p.
  - **Rome:** Relative ADR +5.9 p.p.; RevPAR +6.3 p.p.
  - **Milan:** Relative ADR +4.9 p.p.; RevPAR +0.4 p.p.
- Tough comparison in Central Europe due to the 2016 fair calendar (prices increased above competitors) and military groups that were hosted during the refugee crisis in 2016

## Focus on quality



Source: TripAdvisor

## TripAdvisor ranking

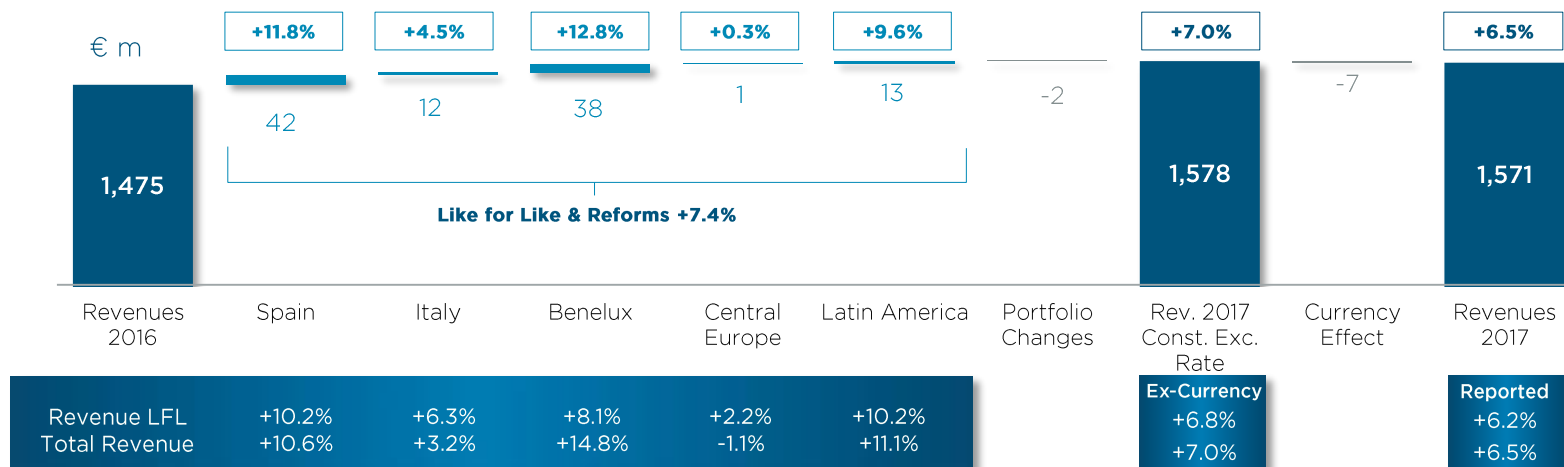
% hotels	Dec. 2013	Dec. 2015	Dec. 2016	Dec. 2017
Top 10	24%	27%	34%	35%
Top 30	47%	49%	53%	55%

Source: TripAdvisor



# Strong revenue performance in all key markets

- **Spain:** +11.8% growth in LFL&R, being LFL +10.2%. Remarkable LFL performance of Madrid (+14.4%), Barcelona (+8.3%, despite negative evolution in Q4 of -8.6%) and secondary cities (+7.8%)
- **Italy:** +6.3% growth in LFL and +4.5% including the 2 leased hotels under reform in Turin and Rome funded by the owners. Remarkable LFL performance of Milan (+7.9%) and secondary cities (+6.9%) with H2 improvement vs. H1
- **Benelux:** LFL Revenue growth of +8.1% supported by the higher activity level in Brussels (+19.0%) and the good performance of Amsterdam (+6.7%) and Dutch secondary cities (+7.6%). Including the ramp-up from 2016 renovations, revenue grew +12.8%
- **Central Europe:** Positive LFL increase (+2.2%) despite the tough comparison of the German 2016 trade fair calendar. Including the opportunity cost in revenues of 3 hotels under refurbishment in Berlin, Munich and Hamburg during 2017 totaling -€5.3m, revenue increased +0.3% in LFL&R. Total revenue of -1.1% impacted by the exit of 2 hotels with 205 rooms in 2016
- **Latin America:** +9.6% growth in LFL&R with constant exchange rate (+4.5% reported). By regions, Mexico increased revenues +5% despite the -3% currency impact and the earthquake (-€1.6m revenues loss vs Plan 2017). Argentina grew +18% despite the strong currency depreciation (-13%). In Hoteles Royal revenue decreased -4% explained by a key hotel in Chile under reform and the higher supply in Bogota with a flat currency evolution

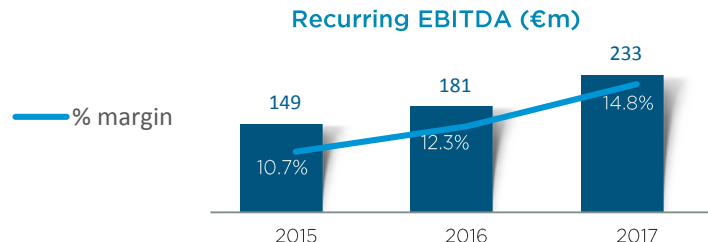
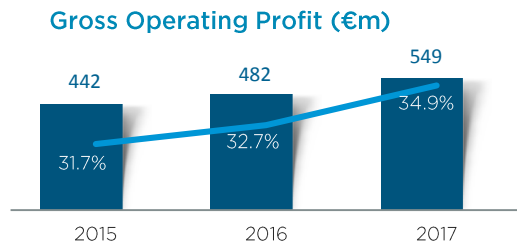


# 2017 EBITDA increased +29% due to a 54% conversion rate

€ million / Recurring Activity	2017 €m.	2016 €m.	VAR. €m. %.	
<b>TOTAL REVENUES</b>	<b>1,571.1</b>	<b>1,474.6</b>	<b>96.5</b>	<b>6.5%</b>
Staff Cost	(528.6)	(515.1)	(13.5)	2.6%
Operating expenses	(493.6)	(477.0)	(16.6)	3.5%
<b>GROSS OPERATING PROFIT</b>	<b>548.8</b>	<b>482.5</b>	<b>66.3</b>	<b>13.8%</b>
Lease payments and property taxes	(315.7)	(301.6)	(14.1)	4.7%
<b>EBITDA BEFORE ONEROUS</b>	<b>233.1</b>	<b>180.9</b>	<b>52.2</b>	<b>28.9%</b>

## ▪ Cost control in 2017 despite the occupancy growth (+3.4%)

- +2.6% increase in **Payroll cost** and +3.5% in **Operating Expenses** due to higher activity and variable costs, mainly commissions due to the evolution of the sales channel mix. Impact of 2016 & 2017 refurbished hotels explains 21% of the increase of staff costs and 26% of the Operating expenses
- 2017 Efficiency Plan target exceeded: €11m of savings achieved in 2017 implying an advancement of €3m from Phase II expected in 2018
- Improvement in GOP of +€66.3m (+13.8%). GOP margin improved by +2.2 p.p., reaching 34.9%
- Lease payments and property taxes increased -€14.1m (+4.7%). 2016 & 2017 refurbished hotels explains 33% of the increase. Variable lease components explain 35% of the total increase
- **Recurring EBITDA before onerous** in 2017 reached €233.1m (+€52.2m; +28.9%) due to a remarkable 54% conversion rate from incremental revenue to EBITDA. EBITDA margin reached 14.8% (+2.6 p.p.)

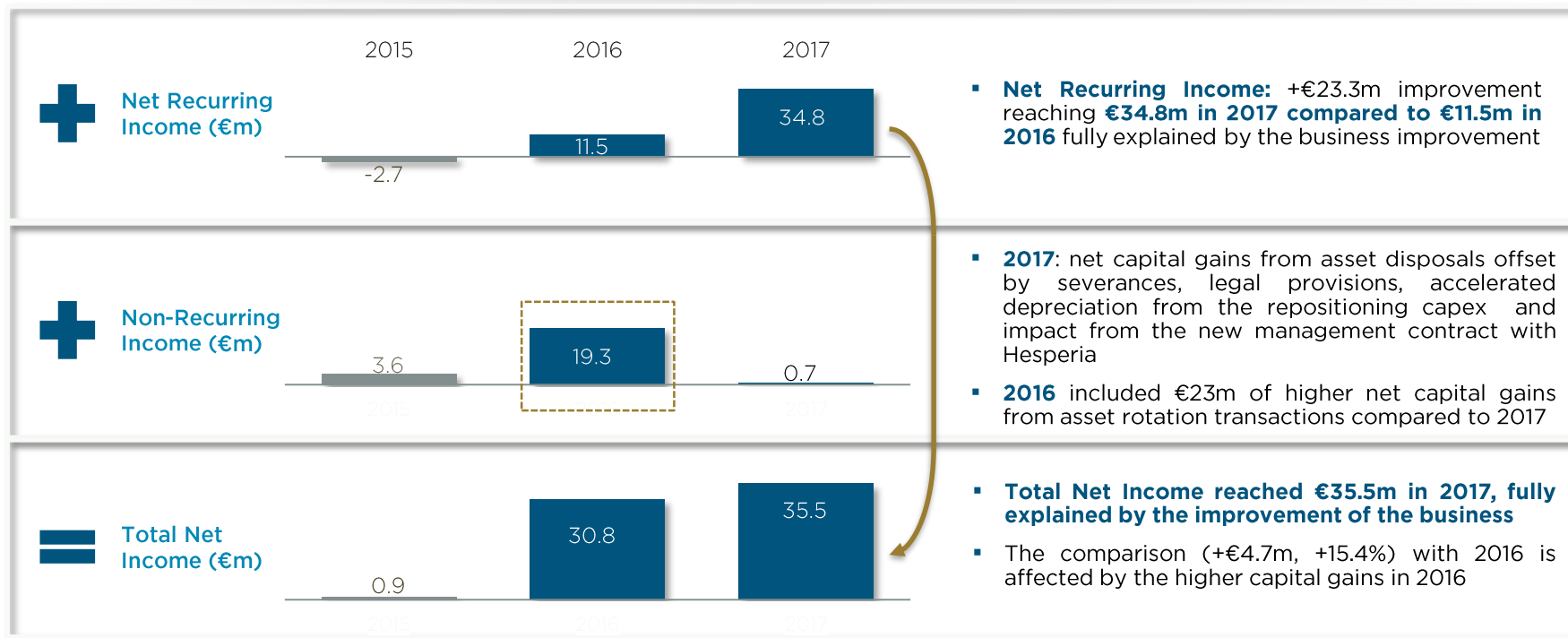


# Net Recurring Income: €34.8m, an increase of +€23.3m

€ million	2017 €m.	2016 €m.	VAR. €m. %.	
<b>EBITDA BEFORE ONEROUS</b>	<b>233.1</b>	<b>180.9</b>	<b>52.2</b> <sub>1</sub>	<b>28.9%</b>
Margin % of Revenues	14.8%	12.3%		2.6 p.p.
Onerous contract reversal provision	4.2	5.0	(0.8)	-15.6%
<b>EBITDA AFTER ONEROUS</b>	<b>237.3</b>	<b>185.9</b>	<b>51.5</b>	<b>27.7%</b>
Depreciation	(111.4)	(101.7)	(9.7) <sub>2</sub>	9.5%
<b>EBIT</b>	<b>125.9</b>	<b>84.1</b>	<b>41.8</b>	<b>49.6%</b>
Interest expense	(58.0)	(52.4)	(5.6) <sub>3</sub>	10.7%
Income from minority equity interest	(0.3)	0.1	(0.4)	N/A
<b>EBT</b>	<b>67.5</b>	<b>31.8</b>	<b>35.7</b>	<b>112.3%</b>
Corporate income tax	(29.0)	(17.0)	(12.1) <sub>4</sub>	71.3%
<b>NET INCOME BEFORE MINORITIES</b>	<b>38.5</b>	<b>14.9</b>	<b>23.6</b>	<b>159.1%</b>
Minorities interests	(3.7)	(3.4)	(0.3)	9.7%
<b>NET RECURRING INCOME</b>	<b>34.8</b>	<b>11.5</b>	<b>23.3</b>	<b>N/A</b>
Non Recurring EBITDA	18.8	43.9	(25.1)	N/A
Other Non Recurring items	(18.1)	(24.6)	6.5	N/A
<b>NET INCOME INCLUDING NON-RECURRING</b>	<b>35.5</b>	<b>30.8</b>	<b>4.7</b>	<b>15.4%</b>

- 1. Recurring EBITDA before onerous reached €233.1m, an increase of +€52.2m (+28.9%)**
- 2. Depreciation:** the increase of -€9.7m includes -€3.5m of amortization of the new management contract with Hesperia and the rest corresponds to the impact of 2016-2017 repositioning capex
- 3. Financial Expenses:** the increase of -€5.6m is mainly explained by issuance expenses of the €115m TAP Bond 2023, repurchase premium and write-off arranging expenses of 2019 Bond. Refinancing 2016 and 2017 comprised the following phases:
  - Refinancing Q3 2016: Issuance of 2023 Bond with a coupon of 3.75% to refinance bank debt maturing in 2017 & 2018 plus the signing of a €250m long term RCF (fully undrawn)
  - Refinancing Q2 2017: early redemption €150m of 2019 Bond (coupon 6.875%) with a €115m TAP of the 2023 Bond (coupon 3.75%, yield-to-maturity 3.17%) and cash
  - Early redemption of the €100m 2019 Bond with cash (effective date 30<sup>th</sup> November 2017) and extension of the €250m undrawn RCF to 2021
  - In 2018 cash impact of the refinancing completed in 2017 will represent total coupon savings of €12.9m
- 4. Taxes:** The higher Corporate Income Tax (-€12.1m) is mainly due to business improvement (-€8.9m) and the higher tax (-€3.5m) due to lower activation of negative tax bases in Italy and greater application of tax loss carryforwards activated in Central Europe

# Total Net Income evolution affected by non-recurring activity



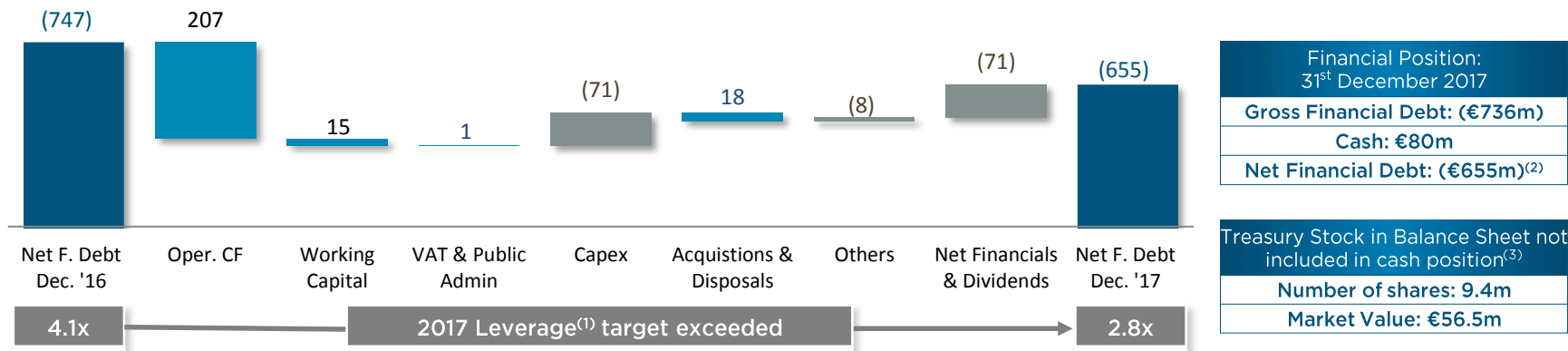
Dividend	2016	2017
Recurring Net Income	€11.5m	€34.8m
<b>Dividend per share</b>	<b>€0.05</b>	<b>€0.10<sup>(1)</sup></b>
Dividend payment <sup>(2)</sup>	€17m	€34m

<sup>(1)</sup> Proposal for 2017

<sup>(2)</sup> 2017 estimated payment based on current outstanding number of shares

# Reduction of leverage: target exceeded in 2017

The favorable operating cash flow generation more than compensates the capex, financial expenses and dividends paid



- (+) Operating Cash Flow** +€207m, including -€16.3m of credit card expenses and taxes paid of -€21.9m
- (+) Working Capital:** improvement due to a lower average collection period (from 23 days in December 2016 to 18 days in December 2017)
- (-) Capex payments:** -€71m in 2017. €14m executed in Q4 2017 will be paid in Q1 2018
- (-) Other:** payment of legal provisions
- (+) Acquisitions & Disposals:** +€60.4m from asset rotation, -€19.6m final payment of 2015 Hoteles Royal acquisition, first payment of the Hesperia contract -€11.0m and -€10.8m (-€8.8m debt and -€2.0m cash out) with regards the acquisition of 2 leased hotels restructured in Spain
- (-) Net Financials & Dividends:** -€52.6m of net interest expense including -€9.7m related to the refinancing in Q2 and full redemption of 2019 Bond in November and -€17.1m dividend payment in July related to 2016 fiscal year

(1) Leverage ratio: Net Financial Debt / Recurring EBITDA before onerous reversal and capital gains from asset disposals

(2) NFD excluding accounting adjustments for the portion of the convertible bond treated as Equity, arrangement expenses and accrued interest. Including these accounting adjustments, the Adj. NFD would be (€637m) at 31<sup>st</sup> Dec. 2017 and (€725m) at 31<sup>st</sup> Dec. 2016

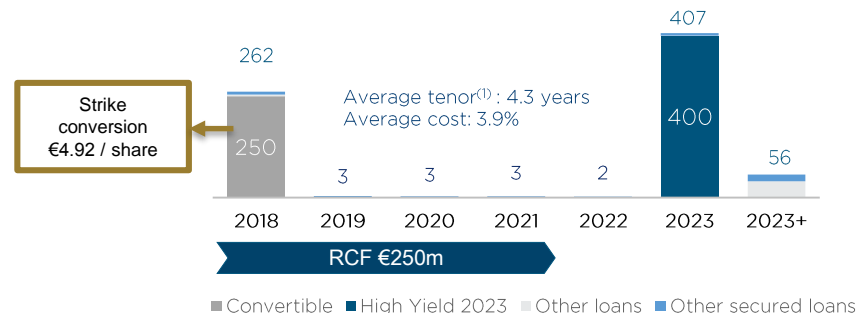
(3) As of 31<sup>st</sup> December 2017, the Company had 9,416,368 treasury shares in its balance sheet, of which 9m shares correspond to a loan of securities linked to the convertible bond issue in November 2013. Of those 9m shares, as of 31<sup>st</sup> December 2017, 7,615,527 had been returned and are therefore held by NH although they remain available to the financial institutions. In addition, in August 2016 the Company purchased 600,000 treasury shares and in 2017 the Company has delivered 183,632 shares to management under the Long Term Incentive Program, resulting in a net amount of 416,368. Treasury stock calculated with the price as of 31<sup>st</sup> December 2017 (€6.00 per share) totals €56.5m

# Only Convertible Bond in near term after 2019 Bond repayment

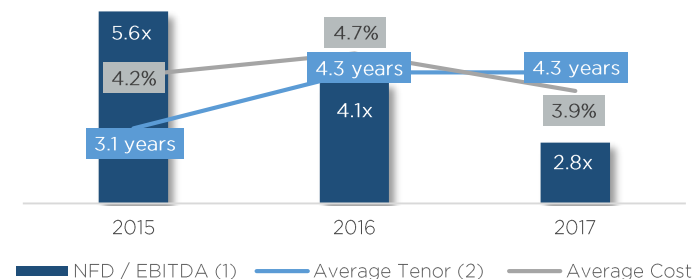
## Early call €100m 2019 Bond @ 103.4% in November 2017 with cash

- With this repayment, NH has delivered its commitment on refinancing, without using short term credit lines and reducing gross debt
- Key advantages:
  - ☑ Average tenor from 4.1 years as of 30<sup>th</sup> Sept. 2017 to 4.3 years<sup>(1)</sup> as of 31<sup>st</sup> Dec. 2017
  - ☑ Average cost of debt from 4.2% as of 30<sup>th</sup> Sept. 2017 to 3.9% as of 31<sup>st</sup> Dec. 2017
  - ☑ Annual Coupon Savings of €6.9m
  - ☑ Net Interest Savings of €10.0m from 30.11.2017-15.11.2019 (coupon savings – call price)
- €250m RCF maturity extended from Sept. 2019 to Sept. 2021
- More flexible Loan-to-Value covenant for secured debt

## Debt Maturity Profile 31<sup>st</sup> Dec. 2017: Gross debt (€736m)



## Improving Main Debt Parameters



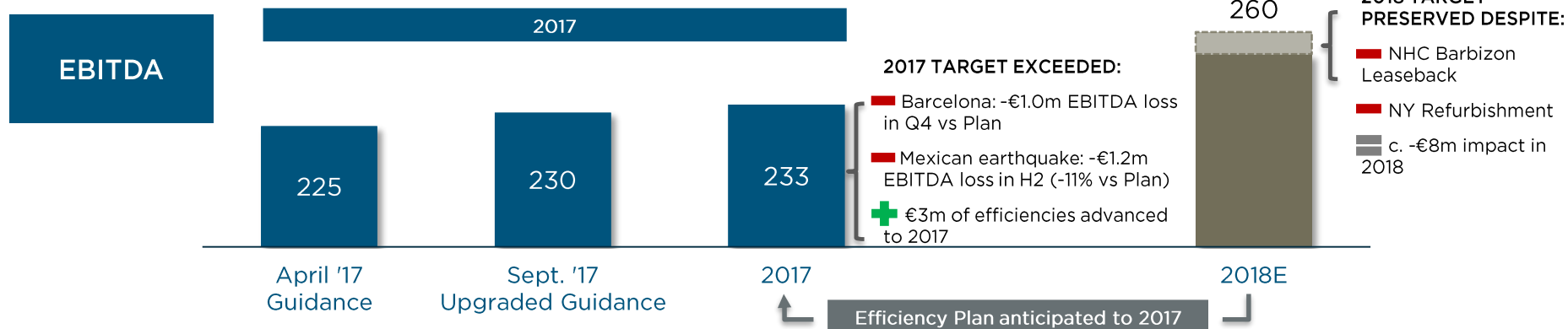
<sup>(1)</sup> Recurring EBITDA before onerous reversal and capital gains from asset disposals

<sup>(2)</sup> Excluding subordinated debt (2023+)

# Asset Management transaction: NH Collection Amsterdam Barbizon Palace

Summary	<ul style="list-style-type: none"> <li>Disposal of NH Collection Amsterdam Barbizon Palace for €155.5m (€584,500 per room)</li> <li>Significant value of the Leaseback agreement besides the disposal, maintaining the operation of the asset with sustainable ratios</li> </ul>
Transaction Price	<ul style="list-style-type: none"> <li>Gross price: €155.5m / Net Cash after tax: €122.4m</li> <li>Net Capital Gain estimated: c.€55m</li> </ul>
Leaseback agreement	<ul style="list-style-type: none"> <li>Long term sustainable contract: variable lease with minimum guaranteed</li> <li>Term: 20 years with two renewals for NH of 20 years each</li> <li>Variable rent: 28.6% over total revenues</li> <li>Fixed rent coverage 1.9x<sup>(1)</sup> / 75% CPI Index / Basket of Losses to limit downside</li> </ul>
Leverage	<p>Further deleverage beyond original target:</p> <ul style="list-style-type: none"> <li>Higher cash proceeds compared to New York expectation, compensating the refurbishment of the hotel</li> <li>2018E: 1.2x-2.1x, subject to 2018 Bond conversion</li> </ul>
Timing	<ul style="list-style-type: none"> <li>SPA &amp; Lease agreement signed in Dec. 2017</li> <li>Transfer of the asset and cash in proceeds done in February 2018</li> </ul>

# Guidance 2018





# 2018 Assumptions & Financial Targets 2019

## 2018 Guidance

P&L 2018E	Revenue growth	c.+5%
	Phase II Efficiency Plan	€5m of cost savings (€3m anticipated in 2017)
	EBITDA margin	+1.0 p.p., from 15% to 16%
	Conversion Rate	c.35% flow through from incremental revenues to EBITDA
EBITDA 2018E <sup>(1)</sup>		c.€260m (c.+12%)

Leverage 2018E	Capex 2018	Maintenance & IT Capex 4-5% revenues: c.€70m Expansion: €15-20m Repositioning: c.€30m NY assumption: renovation to be paid in 2018
	Others	€10m Hesperia management contract 2017 gross dividend: €0.10 per share
	NFD / Recurring EBITDA <sup>(1)</sup>	1.2x-2.1x, subject to 2018 Bond conversion and assuming NY hotel renovation in 2018

## 2019 Targets <sup>(2)</sup>

### EBITDA <sup>(1) (2)</sup>

2019E: €285-290m

2019 proforma: c.€300m<sup>(3)</sup>

### Rec. Net Income <sup>(2)</sup>

c. €100m

### Dividends

2018: 0.15€

> 2019: c. 50% Rec. Net Income

### Financial Leverage Ratio

2018 Bond conversion <1.2x

w/o 2018 Bond conversion: c.1.9x

<sup>(1)</sup> Recurring EBITDA before onerous reversal and capital gains from asset disposals

<sup>(2)</sup> Excluding IFRS 16 accounting impacts

<sup>(3)</sup> Proforma 2019 with "Run rate" from 2018-2019 Refurbishments & Openings

# 2017: a record year

## Comparison vs. 2016

Revenue  
€1,571m  
+6.5%

Rec. EBITDA<sup>(1)</sup>  
€233m  
+29%  
+2.6 p.p. margin

Rec. Net Income  
€35m  
x 3

FFO<sup>(2)</sup>  
€207m  
+22%

Leverage  
(NFD / EBITDA<sup>(1)</sup>)  
2.8x  
vs. 4.1x

Dividend Proposal  
per Share  
€0.10  
x 2

(1) Recurring EBITDA before onerous reversal and capital gains from asset disposals

(2) Funds From Operations

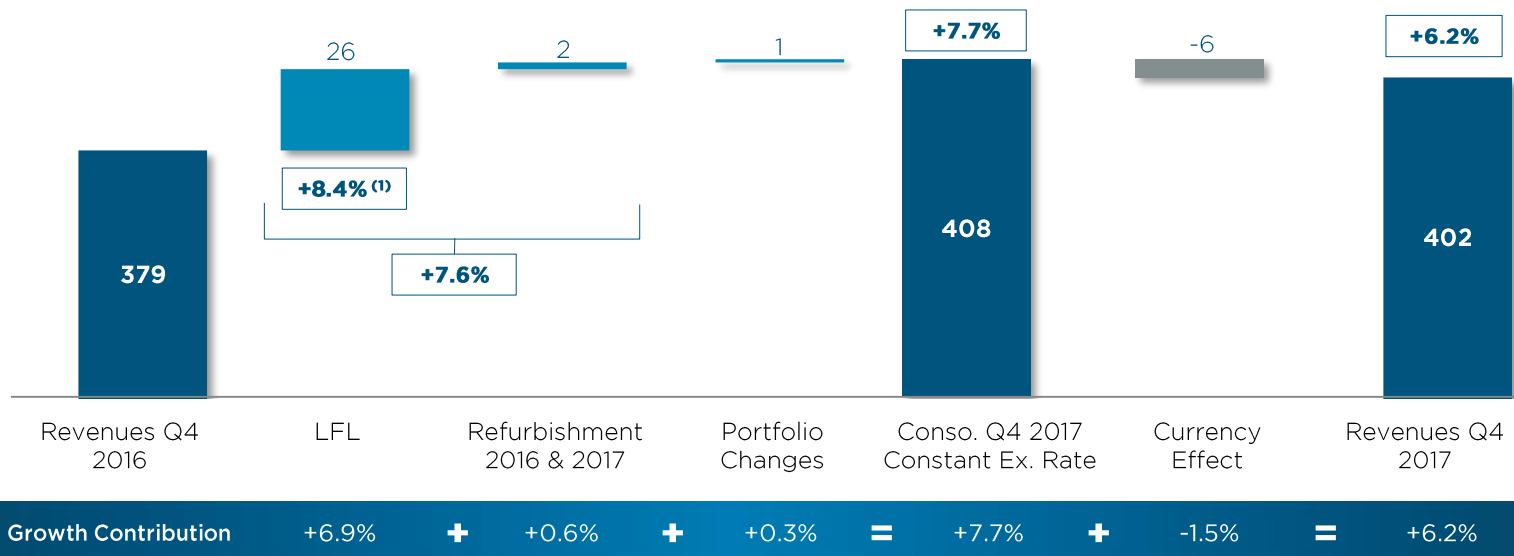
# Annex

- Q4 Revenue:
  - Per Perimeter
  - Per B.U.
- Q4 RevPAR
- Q4 P&L



# Solid revenue performance continued in Q4 2017

- **Total Revenue growth of +6.2%** reaching €402m (+€23m)
  - Revenue Like for Like (“LFL”) +8.4% with constant FX (+6.7% reported)
  - LFL & Refurbished hotels grew +7.6% (+6.1% reported)
    - Excellent performance in Benelux (+11.6%), Spain (+8.0%) despite Barcelona affected by the political context and Italy (+7.7%)
    - Refurbished hotels increased revenues in Q4 2017 by +€2.1m including opportunity costs of renovations in Germany during Q4 2017 of -€0.4m

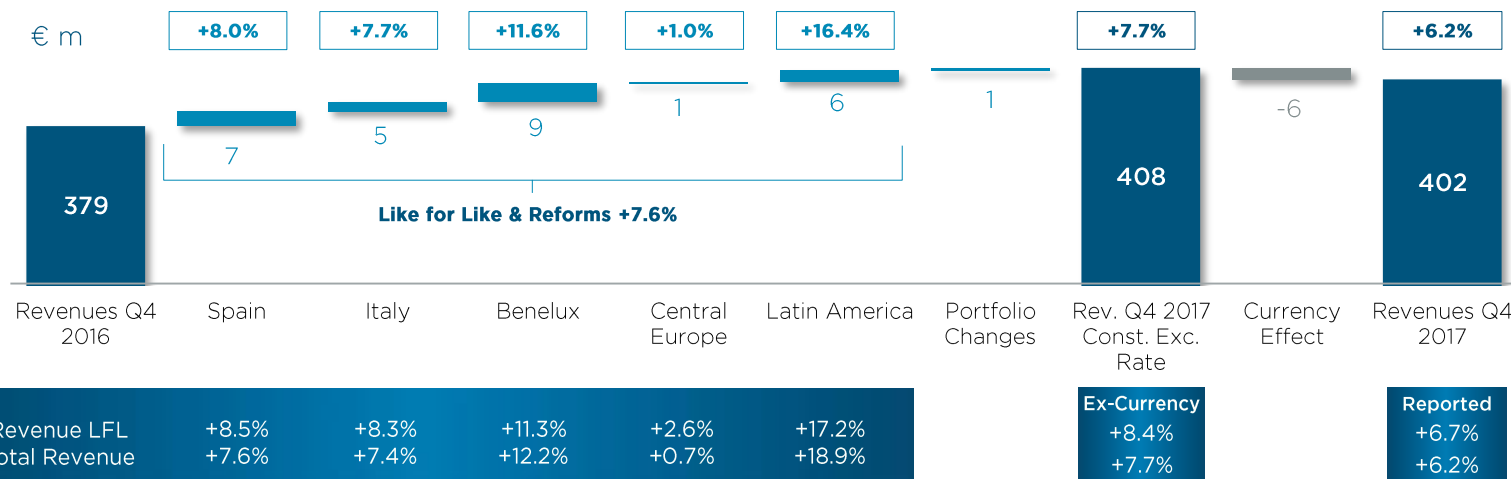


(1) On its 2016 own base. With real exchange rate growth is +6.7%

# Strong performance in all key markets

- **Spain:** +8.0% growth in LFL&R, being LFL +8.5%. Sustained LFL performance of Madrid (+12.7%) and secondary cities (+7.4%). Barcelona affected by the political context with a -8.6% (-€1.4m) including LFL and refurbished hotels in 2016
- **Italy:** +8.3% growth in LFL and +7.7% including the leased hotel under reform in Rome during the quarter funded by the owner. Outstanding LFL performance of Milan (+15.5%) while secondary cities grew +4.8%
- **Benelux:** LFL Revenue growth of +11.3% supported by the higher activity level in Brussels (+19.5%), the good performance of Amsterdam (+8.7%) and Dutch secondary cities (+9.2%)

- **Central Europe:** +1.0% growth in LFL&R, being LFL +2.6% due to the refurbishments of 2 hotels in Berlin and Hamburg with an opportunity cost of -€0.4m in revenues. Total revenue of +0.7% impacted by the exit of 1 hotel with 83 rooms in Q4 2016 and the tough comparison of the German 2016 trade fair calendar
- **LatAm:** +16.4% growth in LFL&R with constant exchange rate. Including the negative impact of currency reported LFL&R grew +1.9%. By regions, Mexico (+1%) affected by the earthquake of September (-€1.6m revenues vs Plan 2017) and despite a -4% currency depreciation. Argentina (+19%) despite the strong currency depreciation of -18%. Hoteles Royal revenue decreased -10% explained by the higher supply in Bogota and a -14% currency depreciation



# Combined Occupancy & ADR growth

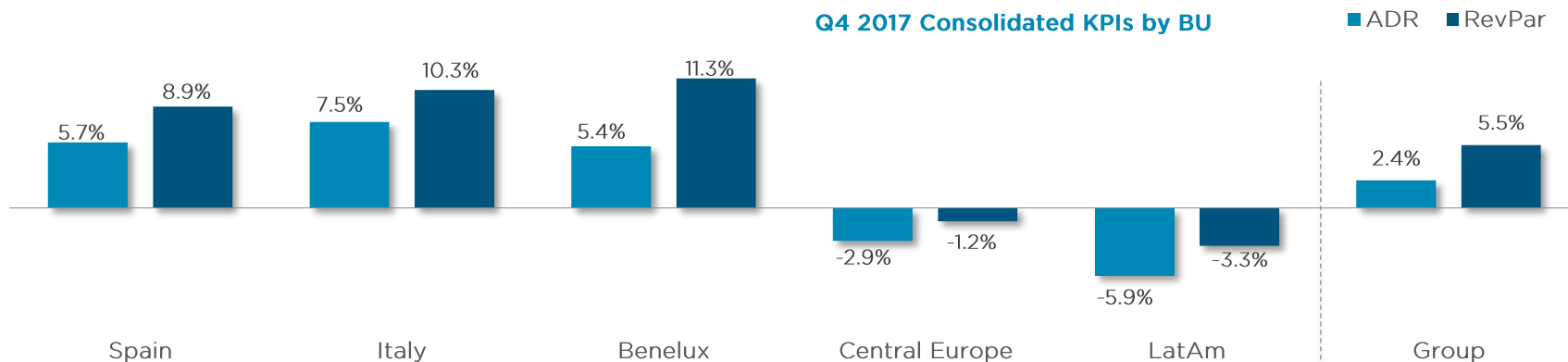
- **+5.5% RevPAR increase in Q4 2017, combined growth strategy of ADR and Occupancy**

- Outstanding double digit growth in Benelux, Italy and Spain excluding Barcelona impact
- ADR: +2.4% price increases (+€2.2) reaching €94
- Occupancy: +3.0% activity increase (+2.0 p.p.). All regions increasing activity levels highlighting Benelux (+5.6%), Spain (+3.0%) and LatAm (+2.8%)

- **LFL RevPAR grew +6.3%:**

- Spain (+8%): Very good performance of both Madrid (+15%) and secondary cities (+9%). Barcelona affected by the political context
- Italy (+10%): Excellent evolution of Milan (+20%) and secondary cities (+5%)
- Benelux (+12%): Brussels +16% explained by the recovery in occupancy, Amsterdam +11% and Dutch secondary cities +9%
- Central Europe (+1%): Berlin and Frankfurt +3%, Munich -1%. Difficult comparison due to positive 2016 trade fair calendar
- LatAm (-1%; real exchange rate ): Buenos Aires +22%, Mexico DF -1% impacted by the earthquake and Bogota -16% mainly by the negative exchange rate evolution (-14%) and higher supply

Q4 2017 Consolidated KPIs by BU



# Q4 EBITDA comparison affected by rent linearization in 2016

## NH Hotel Group P&L

€ million	Q4 2017 €m.	Q4 2016 €m.	VAR. €m. %.	
<b>TOTAL REVENUES</b>	<b>402.5</b>	<b>379.0</b>	<b>23.4</b> <sup>1</sup>	<b>6.2%</b>
Staff Cost	(134.7)	(130.5)	(4.2)	3.2%
Operating expenses	(125.4)	(120.7)	(4.7)	3.9%
<b>GROSS OPERATING PROFIT</b>	<b>142.4</b>	<b>127.9</b>	<b>14.5</b> <sup>2</sup>	<b>11.3%</b>
Lease payments and property taxes	(79.7)	(71.6)	(8.1)	11.3%
<b>EBITDA BEFORE ONEROUS</b>	<b>62.7</b>	<b>56.3</b>	<b>6.4</b> <sup>3</sup>	<b>11.4%</b>
Margin % of Revenues	15.6%	14.9%		0.7 p.p.
Onerous contract reversal provision	1.2	0.8	0.4	48.5%
<b>EBITDA AFTER ONEROUS</b>	<b>63.9</b>	<b>57.1</b>	<b>6.8</b>	<b>11.9%</b>
Depreciation	(30.5)	(26.4)	(4.1)	15.4%
<b>EBIT</b>	<b>33.4</b>	<b>30.7</b>	<b>2.7</b>	<b>8.9%</b>
Interest expense	(16.6)	(15.4)	(1.1)	7.3%
Income from minority equity interest	(0.4)	0.1	(0.5)	N/A
<b>EBT</b>	<b>16.5</b>	<b>15.4</b>	<b>1.2</b>	<b>7.5%</b>
Corporate income tax	(7.8)	(7.7)	(0.1)	0.6%
<b>NET INCOME BEFORE MINORITIES</b>	<b>8.7</b>	<b>7.6</b>	<b>1.1</b>	<b>14.4%</b>
Minorities interests	(1.0)	(0.7)	(0.4)	60.0%
<b>NET RECURRING INCOME</b>	<b>7.7</b> <sup>5</sup>	<b>7.0</b>	<b>0.7</b>	<b>10.2%</b>
Non Recurring EBITDA	10.0	1.7	8.3	N/A
Other Non Recurring items	(6.7)	0.5	(7.2)	N/A
<b>NET INCOME including non-recurring</b>	<b>11.0</b> <sup>6</sup>	<b>9.2</b>	<b>1.8</b>	<b>19.3%</b>

- Revenue** grew +6.2% reaching €402.5m (+€23.4m)
- GOP:** cost control allows to report in the fourth quarter a conversion rate at GOP level of 62%
- Lease payments:** the increase is explained by the positive rent linearization impact registered in Q4 2016 of +€4.1m
- EBITDA:** recurring EBITDA growth of +11.4% reaching €62.7m, which represents an increase of +€6.4m compared to Q4 2016. Conversion rate of the increase in revenues is 27%, affected by the linearization impact (45% excluding the linearization impact)
- Net Recurring Income reaches €7.7m**, an improvement of **+€0.7m compared to Q4 2016** due to higher depreciation expense (€0.9m related to new Hesperia contract), and the higher interest expense due to the early voluntary redemption of the €100m 2019 Bond
- Total Net Profit reached €11.0m** including non-recurring activity of capital gains from asset disposals partially offset by severances, accelerated depreciation from the repositioning investments and legal provisions

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