Conversation through 3D holographic telepresence system
between the Ambassador of Spain in Germany and the CEO of NH Hotel Group
nhow Berlin, Germany - NH Collection Eurobuilding, Madrid - Spain

ANNUAL REPORT 2014

CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

NH | HOTEL GROUP

NH HOTELS · NH COLLECTION HOTELS · nhow · Hesperia RESORTS

NH Parma
Parma, Italy

ANNUAL REPORT 2014

CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

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

This document was published on recycled paper and is also available in electronic format on our web page http://www.nhhotelgroup.com where detailed information on the different sections of the Annual Report 2014 can be found.

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INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
NH Hotel Group, S.A.:

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of NH Hotel Group, S.A. ("the Parent") and subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements, so that they present fairly the consolidated equity, consolidated financial position and consolidated results of NH Hotel Group, S.A. and subsidiaries, in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial Reporting framework applicable to the Group in Spain , identified in Note 2.1 to the accompanying consolidated financial statements, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of NH Hotel Group, S.A. and subsidiaries as at 31 December 2014, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2014 contains the explanations which the Parent's directors consider appropriate about the situation of NH Hotel Group, S.A. and subsidiaries, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2014. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of NH Hotel Group, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in R.O.A.C. under no. S0692

Pilar Cerezo Sobrino

26 March 2015

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CONSOLIDATED MANAGEMENT REPORT

For the financial year ending 31 December 2014

EVOLUTION OF BUSINESS AND GROUP'S SITUATION

In 2014, world economic activity grew at a steady pace (2.6%), slightly faster than the previous year (2.4%). The economies of the euro zone, the US, the UK and Latin American countries where the Group operates its 363 hotels also grew at a similar rate, slightly higher than last year. In line with the above, if we compare the year-on-year growth rates of the four countries that account for the largest part of the Group's sales and results, i.e. Germany (1.2% vs. 1.1%), the Netherlands (1% vs. 0.8%), Spain (1.6% vs. -0.1%) and Italy (-0.5% vs. -1.2%), we can see that Italy, although still in negative growth, improved relative to the previous year, with the situation in the other countries also improving and growth gradually speeding up, particularly in the case of Spain.

According to the UNWTO, there were 1,138 million international tourist arrivals in 2014, a 4.7% increase from the previous year. This is the fifth year in a row with growth above the average since the 2009 economic crisis. The UNWTO forecast for 2015 is for international tourism to increase by 3% - 4%, and to continue to contribute to the global economic recovery.

By regions, North and South America (+7%) and Asia and the Pacific (+5%) saw considerable increases, while in Europe (+4%), the Middle East (+4%) and Africa (+2%) growth was more moderate. At the sub-regional level, North America (+8%) had the best results, followed by North-East Asia, Southern Asia, Southern Europe and the Mediterranean, Northern Europe and the Caribbean, which grew by 7%.

Against this backdrop, the Company's hotel business indicators reflected a positive trend. The second half of 2014 was marked by a significant increase in prices and revenue per available room (RevPAR). In this second half of the year, prices rose faster than the occupancy rate, improving the composition of the Group's RevPAR.

Consequently, over the year as a whole there was a 1.7% increase in the average price and a 3.6% increase in RevPAR, thanks to the positive trend shown by the hotel business throughout the year and the effect of the Company's strategic plan initiatives.

In this context, the Group achieved a 76% improvement in its net results. In this period, recurring revenues rose to €1,265.1 million, €12.5 million more than the previous year, and recurring EBITDA increased by 2.5% to €126.2 million. It should be noted that this improvement is more significant when we take into account the loss of contributions from the hotels which left the scope of consolidation last year, and the unfavourable exchange rate. If we discount these effects, revenue would have grown by 4.0% and EBITDA by 10.1%.

2014 was a transitional year in the five-year Strategic Plan. The plan was structured so that the first three years are focused on developing and implementing the new value proposition and the new business model, strong investment in asset repositioning and a limited impact of the expansion plan. Later, in 2017 and 2018, the Company will drive its organic growth.

One of the most notable milestones of this first year of transformation is the effective materialisation of a new value proposition by the NH Hotel Group, focused on a new brand architecture, the flagship brands NH Collection, NH Hotels, nhow and Hesperia, and a different new look and feel for each brand.

Meanwhile, the Group has improved the customer experience thanks to implementing a solid operational vision, including the new elements making up the hotels' basic product range (a €30 million investment), known as Brilliant Basics, which are already in place in the vast majority of the establishments and which we believe are contributing to a better experience and higher average score.

Also, thanks to the relaunch of the NH Rewards loyalty programme, it now has over 4.4 million members, 31% of whom joined in the last 12 months.

The quality indicators confirm the improvement in user opinions of the Group's hotels over 2014, particularly in the hotels where the first transformational measures are already in place. For example, the NH Collection Eurobuilding Madrid has risen from 153rd to 10th place, and the NH Collection Venezia Palazzo Barocci from 164th to 25th.

In the Meetings and Events segment, NH has strengthened its leadership with the introduction of a new technological initiative pursuant to which. 3D holographic projection technology and telepresence and interactive collaboration systems are being deployed, and have been permanently installed in some of the Group's hotels for high-performance, high-impact meetings and events.

As part of its asset repositioning plan, NH Hotel Group invested €220 million from 2014 to 2016 to renovate or remodel its mid-range hotels with the greatest potential for improvement. 73% of the investment went to repositioning hotels for conversion to the NH Collection brand, and the process has been completed in some, such as the NH Berlin Mitte (Germany), NH Collection Palazzo Barocci (Italy), and NH Collection Eurobuilding and NH Collection Abascal in Spain. As part of its expansion plans, NH Hotel Group added nine hotels to its portfolio in 2014 (four openings and five contracts signed) and launched a joint venture with the HNA Group in China to develop a portfolio of hotels in that country with the management contract formula.

Also, in February 2015, NH Hotel Group signed an agreement to acquire the Latin American company Hoteles Royal. The Colombian group focuses on developing and managing city hotels. The agreement will mean the addition of 20 hotels and 2,257 rooms in Colombia, Chile and Ecuador.

Finally, the optimisation of management and organisation, especially technological systems, is making satisfactory progress. The Group's new digital strategy has reduced agency costs, thanks to the comprehensive redesign of the Group's commercial website. It has also launched the website of the new NH Collection brand.

In 2014 the Group amply exceeded its asset sale commitment, which had been set at €125 million. It completed a sale and lease-back transaction on the hotel NH Amsterdam Centre worth €45 million, it sold its 25% stake in the hotel NH Harrington Hall, London, for €13.3 million, and finally, it sold its 97% stake in Sotogrande, S.A., valued at €225 million, excluding international business.

During 2014, the NH Group received the following awards at the global level:

- Zoover.nl: Best hotel chain in the Netherlands, with a score of 8.91 out of 10. Dutch consumers highlighted our hospitality, rooms, services, and the quality of our restaurant services.
- Top Employer: Top Employer in Germany for the fourth time. This award recognises the employment policies and practices of the Human Resources department in this business unit, which are regarded as among the best in Germany.
- Universum: We were the only company in the tourism sector to be included in the Top 10 employers in Spain for university students.
- TripAdvisor: 130 NH hotels received the '2014 TripAdvisor Certificate of Excellence', based on user reviews.
- TripAdvisor Traveller's choice: Hesperia WTC Venezuela, best choice.
- TripAdvisor: 5 NH Hotel Group restaurants in Spain and the Netherlands received the '2014 Certificate of Excellence', which is awarded only to establishments ranked as Excellent by users of TripAdvisor.
- TripAdvisor GreenLeaders: Recognition for 42 hotels in 25 countries, 12 at the Gold level. This award is presented by TripAdvisor and the United Nations Environmental Programme.
- Business Monitor of Corporate Reputation (Merco): For the ninth year, we were included in the Top 100 most reputable companies. NH Hotel Group rose 31 positions, to 25th place.
- Reputation Institute: NH Hotel Group was ranked 16th among the Spanish companies with the best reputation. The study assesses seven aspects: financial results, integrity, citizenship, leadership, innovation, workplace and product quality.
- Business Traveller: Best hotel group for business travellers. A survey of the readers of the magazine Business Traveller, who scored their experiences as business travellers: hotels, airlines, car rental services, airports.
- Biodiversity Foundation (Ministry of Agriculture, Food and the Environment): Sustainable Development Award for the company's commitment to the environment and sustainability.
- Wine Spectator: The wine list of the Santceloni restaurant (2 Michelin stars) has been ranked as outstanding at a global level. This prestigious award is given to restaurants whose wine lists offer interesting choices, suitable for the cuisine, and designed to attract wine enthusiasts.

THE ENVIRONMENT

For the NH Hotel Group, sustainability drives innovation, focusing on surprising and delighting our guests while improving water and energy efficiency. Important environmental actions in 2014 included the approval of the five-year Energy Efficiency Plan and the creation of the Eco-Efficient Hotel Manual for the company.

The Energy Efficiency Plan envisions the implementation of management measures and investment in energy installations valued at €31 million. Notable actions outlined in the Plan include a planned investment of €5.6 million, of which 29% will go towards improving ventilation and climate control systems, 40% to heating and air conditioning, 25% to regulation and control systems and 6% to other installations.

The Eco-Efficient Hotel Manual is a technical document for designing and building new hotels, which will help the hotel chain to expand based on solid sustainability principles that ensure the protection of the environment where the hotels are located, maximum efficiency in water and energy use, and the incorporation of innovative solutions for guest comfort. We believe NH Hotel Group is the first international hotel company to have a technical manual of this kind, which will allow new hotels to consume 25% to 40% of the energy of a conventional hotel.

In this first year after putting the 5Y Plan's Sustainability initiative into effect, NH Hotel Group met its projected targets for both energy cost savings and reducing energy and water consumption.

	BASELINE	OBJECTIVE	REAL	IMPROVEMENT	OBJECTIVE 5YP	
	2013	2014	2014	13vs14	2016	2018
YTD Energy saving [€M] (*)	n.a.	0.9	1.1	-	4.75	12.78
Hotels with environmental certification (nº hotels)	73	104	105	+32	125	150
Energy ratio (Kwh/RN)	53.2	51.9	49.56	-6.8%	50	49
Water ratio (l/RN)	310	309	305	-1.6%	298	298
Carbon footprint ratio (kg CO_2/RN)	9.31	8	6.41	-31.1%	8	8

(*) Data audited by KPMG- 2015

The energy savings achieved come from reducing energy consumption as well as from global negotiation of favourable energy prices for 2014. The reduction in energy consumption was helped by good weather conditions in the major European cities, as well as by the implementation of energy efficiency systems and investment in energy installations.

NH Hotels is certified by leading international standards such as ISO 50001, which certifies the efficiency of the hotel network's energy management on an international scale, and ISO 14001, which certifies environmental management. NH Hotels was the first global hotel chain to obtain the prestigious ISO 50001 certification, which allows the Group to go even further in its bid for energy efficiency improvements.

NH Hotels reports its climate change commitment and strategy to the Carbon Disclosure Project (CDP). The CDP's A-rating places NH Hotels Group among the leading companies in the hotel industry for its strategy to combat climate change. NH Hotels Group forms part of FTSE4 Good, an index on the London Stock Exchange which recognises the socially responsible behaviour of companies worldwide.

NH Hotels was awarded with the Gold Medal for Sustainability from the Global Business Travel Association (GBTA) and is the first international hotel chain to receive this prize. NH Hotels Group's environmental actions have received numerous awards, including the European Business Award for the Environment, granted by the European Commission in 2014.

RESULTS

The Group continues to have significant indicators of activity, with the consolidated RevPAR up by 3.6% (€53.70 in 2014 compared with €51.80 in 2013, in like-for-like terms). Per business unit:

- The trend in Spain is favourable, with comparable RevPAR growth of 4.8% in the fourth quarter, mainly thanks to a 3.9% rise in prices. Madrid and other large cities such as Valencia and Seville continue to show signs of growth in occupancy and prices. Over twelve months, comparable revenue grew by 5.3% in this market, with a notable increase of activity in the restaurant business, up by 8.2%.

- Meanwhile, Italy had a strong final quarter, with growth of 6.3% in revenue per available room, 60% of which was based on mid-range growth. The Group's Milan hotels performed well compared to the market, with a higher price index than the competition. Over the year, comparable revenue was up by 4.2%, and the prospects for 2015 are positive.

- Benelux had a slightly higher RevPAR in the fourth quarter, offsetting the lower occupancy for events this year with a 3.7% price increase. Cumulative comparable revenue for the year was up by 1.5%, in line with RevPAR, and favourable trends are predicted for 2015, especially in Amsterdam.

- Central Europe: Due to the scheduling of congresses and events, this business unit had a last quarter which was very similar to the previous year. Over the year, the Group's hotels in Berlin performed well above the competition in price. Comparable revenue increased by 1.8%, and RevPAR is expected to increase next year.

- Latin America: At constant exchange rates, there was a 24.6% increase in the comparable RevPAR throughout the region in the last quarter, basically explained by a substantial price rise of 27.8%. At actual exchange rates, and despite the depreciation of the Argentine peso and its effect on surrounding countries, comparable revenues grew by 2.9%. By region, each performed well over the year, especially in the evolution of average prices, which grew at a constant exchange rate by 11.9% in Mexico and cumulatively by 47.1% in Argentina.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (€ millions)

	2014		2013*		2014/2013
	€ Millions	%	€ Millions	%	VAR. %
Income from the hotel business	1,265.1	97.7%	1,252.6	96.5%	1.0%
Non-recurring income	29.8	2.3%	45.0	3.5%	(33.7%)
TOTAL INCOME	**1,294.9**	**100.0%**	**1,297.6**	**100.0%**	**(0.2%)**
Staff costs	(460.0)	(35.5%)	(450.0)	(34.7%)	2.2%
Direct management costs	(413.2)	(31.9%)	(404.1)	(31.1%)	2.3%
Non-recurring costs	(24.4)	(1.9%)	(22.6)	(1.7%)	8.1%
OPERATING PROFIT	**397.2**	**30.7%**	**420.9**	**32.4%**	**(5.6%)**
Reversal of provision for onerous contracts and other	16.1	1.2%	12.4	1.0%	30.0%
Leases and property tax	(281.7)	(21.8%)	(287.7)	(22.2%)	(2.1%)
Non-recurring leases and property tax	(2.4)	(0.2%)	(3.4)	(0.3%)	(27.9%)
EBITDA	**129.1**	**10.0%**	**142.1**	**11.0%**	**(9.1%)**
Provision for impaired assets	5.2	0.4%	(3.8)	(0.3%)	(236.4%)
Depreciation	(89.1)	(6.9%)	(88.9)	(6.8%)	0.3%
Non-recurring depreciation	(12.3)	(0.9%)	(11.7)	(0.9%)	4.8%
EBIT	**32.9**	**2.5%**	**37.7**	**2.9%**	**(12.6%)**
Financial expenses	(49.9)	(3.9%)	(57.9)	(4.5%)	(13.9%)
Non-recurring finance costs	(1.0)	(0.1%)	(11.1)	(0.9%)	(91.3%)
Non-recurring exchange differences	0.0	0.0%	7.6	0.6%	(100.0%)
Change in fair value of financial instruments	(2.0)	(0.2%)	1.9	0.1%	(207.4%)
Results of entities accounted for using the equity method	(1.6)	(0.1%)	(1.8)	(0.1%)	(12.5%)
Non-recurring results of entities accounted for using the equity method	33.8	2.6%	(6.7)	(0.5%)	(604.3%)
EBT	**12.2**	**0.9%**	**(30.4)**	**(2.3%)**	**(140.3%)**
Corporation Tax	(22.7)	(1.8%)	(9.6)	(0.7%)	136.7%
PROFIT before minority interests	**(10.4)**	**(0.8%)**	**(40.0)**	**(3.1%)**	**(73.9%)**
Minority interests	0.9	0.1%	(1.5)	(0.1%)	(157.9%)
NET PROFIT	**(9.6)**	**(0.7%)**	**(41.5)**	**(3.2%)**	**(77.0%)**

Note: This consolidated income statement, on which the accounting aggregates of this Director's Report are based, was prepared using hotel management grouping criteria that do not necessarily coincide with the accounting principles and rules applied in the preparation of the consolidated financial statements of the NH Hotel Group. Further, the balances relating to 2014 are shown without the retrospective application of the changes in legislation.

In 2014, NH Hotel Group obtained annual revenues amounting to €1,265.1 million, up by 1% on the previous year, representing an increase of €12.5 million. It should be noted that this improvement is more significant when we take into account the loss of contributions from the hotels which left the scope of consolidation last year, and the unfavourable exchange rate. If we discount these effects, revenue would have grown by 4.0% and EBITDA by 10.1%.

Operating costs increased slightly, in line with the Group's increased activity, basic salary increases for unionised personnel in Central Europe, and the costs associated with implementing the Strategic Plan and reinforcing operational, sales, website, revenue management and marketing personnel.

The Company was able to reduce total lease expenses by -2.1% in the twelve months of 2014 due to renegotiating agreements, mainly in Spain and Italy, abandoning agreements with negative contributions, and offsetting increases resulting from negotiations in previous years and CPI revisions. In the twelve months of 2014, 61 actions were carried out on leased hotels, achieving the cancellation of five leases, worth €0.7 million. These actions led to annual savings of €10.7 million, of which approximately €6 million long-term. In the fourth quarter annualised savings of €0.8 million were achieved.

In 2014 the Group's net interest expense was €49.9 million, a reduction of -13.9% compared to the previous year. This was largely due to the downward trend of the Euribor, the reference interest rate for most of the Group's variable interest rate debt, and the reduction of debt and margins due to the refinancing of much of the Group's debt, which was formalised in November 2013.

The change in Corporate Income Tax expense compared to 2013 corresponds to the approval of tax reform in Spain, where the tax rates applicable to resident companies will be 28% in 2015 and 25% in 2016 and following years. Due to this regulation, the company has updated its tax credits.

In 2014, the negative result before tax of NH Hotel Group amounted to €10.4 million which, after applying corporation tax of €22.7 million, and non-controlling interests, €0.9 million, produced net loss of €9.6 million.

INCOME STATEMENT EXCLUDING ELEMENTS THAT DO NOT REPRESENT CASH OUTFLOWS OR INFLOWS

	12 M 2014 (Millions of euros)
Income from the hotel business	1,265.1
Non-recurring activity	29.8
TOTAL INCOME	**1,294.9**
Staff costs	(460.0)
Direct management costs	(413.2)
Other non-recurring costs	(24.4)
Leases and property tax (excl. Revers. of prov. for onerous contracts and other)	(281.7)
Financial expenses	(49.9)
TOTAL COSTS	**(1,229.3)**
TOTAL OPERATING CASH FLOW	**65.6**

Note: This Consolidated Statement of Cash Position was prepared using hotel management criteria that do not necessarily coincide with the accounting.

Reduced cash outflow related to expenses compared with the previous year (€1,252.8 million) and an increase in revenues of €12.5 million compared with 2013 are the main components of the greater generation of cash flow from operating activities of NH Hotel Group.

OVERVIEW OF NH RISK POLICY

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

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

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

The size of NH Hotel Group and its excellent penetration and brand recognition provide the Group with access to many expansion opportunities, although these are selected more on the basis of rate of return and less on the need for investment, always attempting to minimise the risk inherent in the industry in which the Group operates. The industry is characterised by economic cycles, and is therefore exposed to fluctuating prices, which the Group has always managed to offset with occupancy.

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

Concerning interest rate risks, the Group is exposed to fluctuations in the interest rates of its financial assets and liabilities, which may have an adverse effect on its results and cash flows. In order to mitigate this risk, the Group has established policies and has refinanced its debt at fixed interest rates through the issuance of convertible bonds and guaranteed convertible senior notes. At 31 December 2014, approximately 65% of the gross borrowings was tied to fixed interest rates.

The Group has subsidiaries in several countries with operating currencies other than the euro, the Group's currency of reference. The operating results and financial position of these subsidiaries (mainly located in Mexico and Argentina) are recognised in their corresponding currencies and converted later at the applicable exchange rate for their inclusion in the financial statements of NH Hotel Group. In 2014 the euro fluctuated against other major currencies and this affected sales, equity and cash flows. In order to ensure that such risks are mitigated as much as possible, the Group takes out debt in the same currency as the investment, always considering that the income generated in geographic areas with currencies other than the euro remains below 7% of total income.

Regarding liquidity risks, NH Group has a suitable debt maturity calendar, which is set out in Note 16 of the Consolidated Annual Report for 2014.

The level of consolidated net financial debt at 31 December 2014, in accordance with the definition of the syndicated loan, was €807 million, representing a decrease of €64 million in the Group's level of borrowing compared with the previous year-end. The Group continuously evaluates the possibility of refinancing part or all of its existing financial debt.

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

The Group estimates that the average payment period to suppliers of operational and financial services is approximately 68 days for NH Hotel Group, S.A. If we include all the Spanish companies of the Group the period decrease to 57 days.

SHARES AND SHAREHOLDERS

The share capital of NH Hotel Group, S.A. at the end of 2014 comprised 350,271,788 fully subscribed and paid-up bearer shares (308,271,788 shares in 2013) with a par value of two euros each.

The capital increase of the Parent Company, approved by the Board of Directors in its meeting of 14 April 2014, was registered and finalised on 30 June 2014. With this increase, NH Hotel Group acquired a 44.5% stake in NH Italia from Banca Intesa, thus bringing its holding in NH Italia to 100%.

All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

This capital increase was fully subscribed and paid up, and involved the issue of 42 million new shares at the price of €4.70 each, with the capital consisting of 350.3 million shares.

According to the latest notifications received by the Company and the notices given to the Spanish Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2014 were as follows:

	2014	2013
HNA Group Co Limited	29.50%	20.00%
Grupo Inversor Hesperia, S.A.	9.24%	20.07%
Banco Santander, S.A.	8.57%	-
Intesa Sanpaolo, S.p.A.	7.64%	4.52%
UBS Group AG	2.01%	-
Blackrock Inc.	2.31%	5.62%
Fidelity International Limited	0.96%	1.47%
Banco Financiero y de Ahorros, S.A.	-	12.60%
Pontegadea Inversiones, S.L.	-	4.06%
Shares allocated to cover the Employee Remuneration Plan	0.10%	-
Shares owned by NH employees	0.07%	0.12%

In January 2015, Intesa San Paolo through UBS Limited transferred 100% of its shares in NH Hotel Group, S.A. to a group of accredited investors, and therefore at the date of drafting these Annual Accounts Intesa San Paolo is no longer a Company's shareholder.

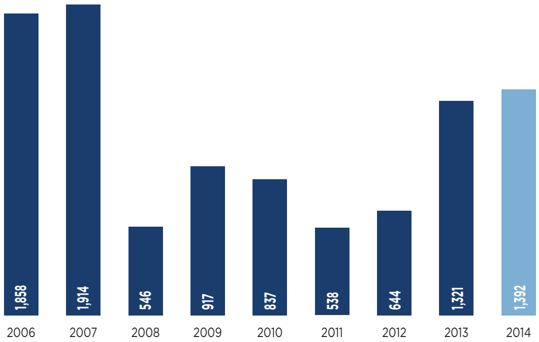
On 17 January 2014, Banco Financiero y de Ahorros, S.A. informed the Spanish Securities Market Commission of the sale of 38,834,034 shares, representing its 12.6% stake in NH Hotel Group, S.A.

NH Hoteles, S.A.'s average share price listing was €4.28 per share (€3.52 in 2013). The lowest share price of €3.06 per share (€2.20 in March 2013) was recorded in October and the highest share price of €5.26 per share in March (€4.43 in December 2013). The market capitalisation of the company at the close of 2014 stood at €1,392.33 million (€1,320.94 million in 2013).

At year end, NH Hotel Group held 9,359,003 treasury shares representing 2.67% of its share capital at a total cost of €38,821 thousand. On 4 November 2013, the Spanish Securities Market Commission was informed of the loan of 9,000,000 shares from the total number of treasury shares to three financial entities that were involved in the placement of bonds convertible or exchangeable into the shares of NH Hotel Group, S.A. in the amount of €250 million; The purpose of this loan was to allow those financial entities to offer the shares to subscribers of the bonds requesting them.

CAPITALISATION 2006-2014

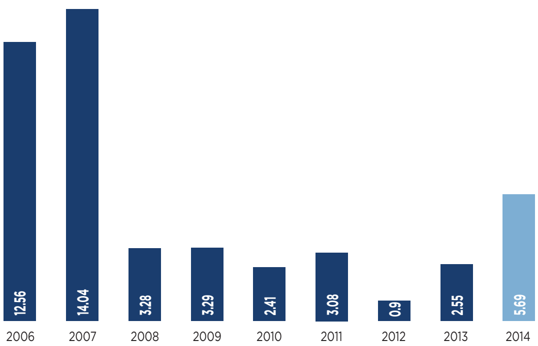
(€ millions)



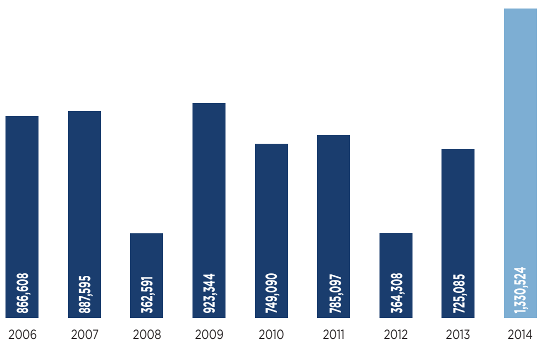
A total of 339,283,674 shares in NH Hotel Group, S.A. were traded on the Continuous Market over the course of 2014 (184,896,795 shares in 2013), which accounted for 1.03 times (1.66 times in 2013) the total number of shares into which the Company's share capital is divided. Average daily share trading on the Continuous Market amounted to 1,330,524 securities (725,085 in 2013).

AVERAGE DAILY TRADING 2006-2014

(€ millions)

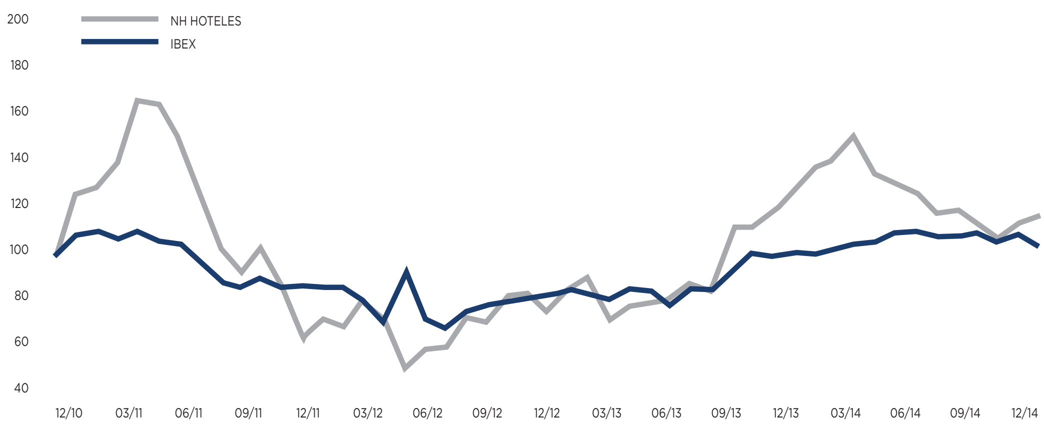


AVERAGE DAILY TRADING IN SECURITIES 2006-2014



PERFORMANCE NH HOTELES - IBEX

December 2010 - December 2014



FUTURE OUTLOOK

Good prospects for tourism continue into 2015. The World Tourism Organisation (UNWTO) estimates that international tourist arrivals will grow by between 3% and 4%. By region, growth is expected to be strongest in Asia and the Pacific (+4% to +5%) and the Americas (+4% to +5%), followed by Europe (+3% to +4%). An increase of +3% to +5% is expected for Africa, while in the Middle East growth will be from +2% to +5%.

The UNWTO also expects demand to continue growing throughout this year, and for the world economic situation to improve despite there still being many challenges ahead. The price of oil has dropped to a level not seen since 2009 and this should bring down transport costs and boost economic growth by raising the purchasing power and private demand of oil-importing economies. The Confidence Index developed by UNWTO is also positive. According to the 300 experts consulted worldwide to create this index, tourism results are expected to improve in 2015, although admittedly expectations are lower than they were a year ago. Europe strengthens its position as the most-visited region in the world, with arrivals increasing by 22 million in 2014 to reach a total of 588 million. Thanks to these results, tourism remains a positive factor contributing to the incipient, though still weak, European economic recovery.

While it is true that the macroeconomic scenario of the group's 2014-2018 Business Plan is based on weak growth in the economies where it operates, any improvement in world expectations would boost the group's results.

Moreover, 2015 will be a year of extensive renovations, with more than 30 hotels in the pipeline and investments of nearly €100 million. The plan's initiatives are advancing well.

EVENTS AFTER THE REPORTING PERIOD

On 2 February 2015 the conditions were met for the effectiveness of the binding agreement signed by NH Hotel Group, S.A. to acquire a majority stake, representing 80.77% of the share capital, in Hoteles Royal, S.A. ("HR"), a Colombian entity which is the head company of the Latin American hotel management group Hoteles Royal, present mainly in Colombia, Chile and Ecuador.

As part of the agreements reached with the vendors, NH undertook to make an offer to buy the remaining 19.73% share capital of HR from the other shareholders. The offer made was substantially similar to the terms agreed by NH and the vendors of 80.77% of the share capital of HR.

As a result of this transaction, and after the recent sale in Colombia of the hotel NH Bogotá Parque 93 in January 2015, NH has strengthened its presence in these countries, going from 2 to 21 hotels, and from 259 to 2,379 rooms under management.

The net amount to be paid for 100% of the share capital of HR, discounting the €21.5 million received for the sale of the NH Bogotá Parque 93, is €65.6 million, of which (i) €48.18 million will be paid directly by NH on the formal acquisition of the shares ("Closing Date") and financed with part of the funds obtained from the sale of Sotogrande in November 2014; and (ii) €17.42 million will be deferred, to be paid over two years from the Closing Date, while also being retained as security, as is customary in this type of transaction.

The conditions which were met for the binding agreement mentioned above to become effective include an agreement between NH, the Carlson Rezidor Hotel Group and the HR Group, whereby the HR Group and Carlson Rezidor agree, among other matters, to dissolve the master franchise agreement which initially granted a subsidiary in the HR Group the exclusive franchise rights to the Radisson brand until 2018 for much of Latin America, and to dissolve the international franchise contracts of most of the hotels that had been managed by the HR Group under the Radisson brand which would remain in HR and be managed in the future under NH brands.

The Closing Date was on 4 March 2015, which was object of the appropriate communication to the market. The Group has yet to allocate the difference on first consolidation, which will be significantly affected by the exchange rate.

These operations give NH a more appropriate presence in Colombia, and consolidate a substantial presence in certain markets it has identified as priority markets, acquiring the management of assets in desirable locations, and making considerable progress towards the goals of its Strategic Plan.

ANNUAL CORPORATE GOVERNANCE REPORT

Listed Public Limited Companies
Identification details of the issuer
End date of 12-month period of reference
C.I.F.: A28027944
Company Name: NH Hotel Group, S.A.

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED PUBLIC LIMITED COMPANIES

A - OWNERSHIP STRUCTURE

A.1 Fill in the following table regarding the share capital of the Company:

Date of last modification	Share capital	Number of Shares	Number of voting rights
26/06/2014	700,543,576,00	350,271,788	350,271,788

Indicate whether there are different shares classes with different associated rights::

NO

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

Name or business name of the shareholder	Number of direct rights	Indirect rights		% of total voting rights
		Direct owner of the shareholding	Number of voting rights	
TAUBE HODSON STONEX PARTNERS LLP	0	TAUBE HODSON STONEX PARTNERS LLP	12,000,000	3.89
GRUPO INVERSOR HESPERIA, S.A.	31,870,384	-	-	9.09
HNA GROUP CO LIMITED	0	TANGLA SPAIN, S.L.	103,329,925	29.50
BANCO SANTANDER, S.A.	30,000,000	-	-	8.56
INTESA SANPAOLO, S.P.A.	18,629,089	PRIVATE EQUITY INTERNATIONAL	8,148,802	7.60

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

Name or business name of the shareholder	Date of the Transaction	Description of transaction
BANCO FINANCIERO Y DE AHORROS, S.A.	17/01/2014	Fell below 3%
PONTEGADEA INVERSIONES, S.L.	28/01/2014	Fell below 3%
INTESA SANPAOLO, S.P.A.	30/06/2014	Exceeded 15%
BLACKROCK INC	14/05/2014	Fell below 3%
INTESA SANPAOLO, S.P.A.	11/11/2014	Fell below 10%
HNA GROUP CO LIMITED	11/11/2014	Exceded 25%
GRUPO INVERSOR HESPERIA, S.A.	23/12/2014	Fell below 10% of share capital
BANCO SANTANDER, S.A.	23/12/2014	Exceeded 5% of share capital

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

Name or company name of Director	Number of direct voting rights	Indirect voting rights: Direct owner of the shareholding	Indirect voting rights: Number of voting rights	% of total voting rights
RODRIGO ECHENIQUE GORDILLO	100	ABUVILLA INVERSIONES, SICAV, S.A.	100,000	0.03
FEDERICO GONZÁLEZ TEJERA	100			0.00
FRANCISCO JAVIER ILLA RUIZ	1			0.00
XIANYI MU	1			0.00
CHARLES MOBUS	250			0.00
JOSE MARÍA LÓPEZ ELOLA	21,000			0.00
CARLOS GONZALEZ FERNANDEZ	25,050	NOBELIUM PONTI, S.L.	11,400	0.00
FRANCISCO ROMAN RIECHMANN	100			0.00
JOSE ANTONIO CASTRO SOUSA	1,000	GRUPO INVERSOR HESPERIA, S.A. EUROFONDO, S.A.	31,870,384 474,804	9.23
HAIBO BAI	1			0.00
LING ZHANG	1			0.00
LIVIO GIOVANNI MARIA TORIO	1			0.00
% of total voting rights held by the Board of Directors:				**9.26**

Fill in the following tables with information on the members of the Company's Board of Directors who hold rights over shares in the Company:

Name or company name of Director	Number of direct rights	Indirect rights: Direct holder	Indirect rights: Number of voting rights	Number of equivalent shares	% of total voting rights

A.4 Indicate, where applicable, the family, commercial, contractual or corporate relationships existing between major shareholders, insofar as they are known by the Company, unless they have little relevance or arise from normal trading activities:

Related name or business name	Type of relationship	Brief description

A.5 Indicate, where applicable, the commercial, contractual or corporate relationships existing between major shareholders, and the company and/or its group, unless they have little relevance or arise from normal trading activities:

Related name or business name	Type of relationship	Brief description

A.6 Indicate whether the company has been informed of shareholders' agreements which affect it, as established in Articles 530 and 531 of the Capital Companies Act. If applicable, describe them briefly and list the shareholders bound by the agreement:

YES

Participants in the shareholder	% share capital affected	Brief description of the agreement
INTESA SANPAOLO, S.P.A. HNA GROUP CO LIMITED	30.00	On 26 May 2014, HNA Group Co Limited notified the CNMV in its Relevant Fact no. 206337 of the signature of an agreement to purchase shares in NH Hotel Group, S.A. with Intesa Sanpaolo, S.p.A. This purchase and sale contract included clauses considered to be shareholder agreements in the terms provided for in Articles 530 and 531 of the Capital Companies Act, by which HNA Group Co Limited and Intesa Sanpaolo SpA undertook to attend the NH Hotel Group General Shareholders' Meeting which would be voting on the capital increase, and to vote in favour.
NH HOTEL GROUP, S.A. INTESA SANPAOLO, S.P.A.	7.60	The suscription agreement signed between the parties on 15th April 2014 and duly described in the Relevant Fact notifed to the CNMV on the mentioned date (nº203707), contained certain clauses that (i) regulate the voting rights on behalf of Intesa Sanpaolo, SpA in the General shareholders´meeting of NH Hotel Group, S.A. that would decide over the increase of capital, and (ii) establish certain temporary restrictions over the transfer of shares of NH Hotel Group, S.A., to be subscribed by Intesa Sanpaolo and that could be considered as shareholders´agreement according to articles 530 and following of the Companies´Act.

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

NO

Parties to agreed action	% share capital affected	Brief description of the concerted action

In the event of any modification or termination of these pacts, agreements or agreed actions during the year, please specify it:

On 11th November 2014, HNA Group has notified the acquisition of the NH Hoteles Group´s shares that were held by Intesa Sanpaolo Spa, that lead to the termination of the Sahreholders´ agreement that was signed between the parties.

A.7 Indicate whether any individual person or legal entity exercises, or could exercise, control over the Company in accordance with Article 4 of the Stock Market Act. If so, give details here:

NO

Name or company name

Remarks

A.8 Fill in the following tables regarding the Company's treasury stock:

Number of direct shares	Number of indirect shares	% of total share capital
9,359,003	0	2.67

(*) Through:

Name or company name of the direct holder of the shareholding	Number of direct shares
Total:	

Describe any significant changes, in accordance with Royal Decree 1362/2007, that occurred during the year:

Notification date	Total shares acquired	Total indirect shares acquired	% of total share capital

A.9 Describe the conditions and the term of the current mandate of the Board of Directors to issue, repurchase or transmit treasury stock, as conferred by the General Shareholders' Meeting.

The General Shareholders' Meeting held on 25 June 2013 authorised the Board of Directors of the Company to repurchase treasury stock under the terms indicated below:

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

b) The acquisition, including the shares which the Company, or a person acting in their own name but on behalf of the Company, may have acquired beforehand and have in its portfolio, can be made as long as this does not lead to net equity being below the amount of share capital plus the reserves made unavailable by law or the Company's articles of association. For these purposes, net assets shall be considered to be the amount identified as such in accordance with the criteria for preparing annual accounts, less the profits directly attributable to it, and plus the uncalled share capital, as well as the amount of the principal and the share premium that are registered in the accounts as liabilities.

c) The shares must be fully paid up.

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

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

The shares acquired due to the authorisation can be disposed of or amortised, or used in the payment systems set out in Article 146.a)3 of the Capital Companies Act, and in particular may be wholly or partly allocated to the beneficiaries of the Payment Plan or Plans for Company executives and employees.

A.10 Indicate whether there is any restriction on the transmissibility of securities and/or any restriction on voting rights. In particular, report the existence of any type of restriction which could hinder control of the company being taken through acquiring its shares on the market

NO

Description of the restrictions

A.11 State whether the General Shareholders' Meeting has agreed to adopt neutralisation measures against take-overs bids, pursuant to Law 6/2007.

NO

If so, explain the approved measures and the terms under which the restrictions would be lifted:

A.12 State whether the company has issued securities which are not traded on a regulated EU market.

NO

If applicable, indicate the different types of shares, and the rights and obligations each type of share confers.

B - GENERAL SHAREHOLDERS' MEETING

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

NO

	% quorum different from that established in Article 193 of the LSC for general cases	% quorum different from that established in Article 194 of the LSC for the specific cases of Art. 194 LSC
Quorum required for 1st call		
Quorum required for 2nd call		

Description of the differences

B.2 Indicate, and if applicable, specify any differences from the system established in the Capital Companies Act (LSC) for adopting company agreements:

NO

Describe how it differs from the LSC.

	Reinforced majority other than as established in Article 201.2 LSC for the cases in 194.1 LSC	Other cases of reinforced majority
% established by the entity for adopting agreements		

Description of the differences

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

Title VIII, covering Articles 285 - 345, of Royal Decree-Law 1/2010 of 2 July, approving the Revised Text of the Capital Companies Act (hereunder, LSC), and Articles 158 - 164 of Royal Decree 1784/1996, of 19 July, approving the Regulation of the Companies Register (hereunder, RRM), establish the legal system applicable to the modification of articles of association. The text of the articles of association of NH Hotel Group faithfully reflects these legal regulations, with no higher quorum or majority required than is set out therein.

B.4 Details of attendance at the general shareholders' meetings held during the year to which this report refers, and for the previous year:

	Attendance Details				
			% remote voting		
Date of general meeting	% present in person	% by proxy	Electronic vote	Others	Total
25/06/2013	0.36	80.11	0.01	0.00	80.48
26/06/2014	20.38	53.33	0.20	0.00	73.94

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

NO

Number of shares required to attend the General Shareholders' Meeting

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

NO

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

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

C - COMPANY MANAGEMENT STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the company's articles of association:

Maximum number of Directors	**20**
Minimum number of Directors	**5**

C.1.2 Board Members

Name or company name of Director	Representative	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
RODRIGO ECHENIQUE GORDILLO		CHAIRMAN	23/11/2012	25/06/2013	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
JOSE ANTONIO CASTRO SOUSA		DEPUTY CHAIRMAN	24/05/2012	29/06/2012	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
FEDERICO GONZÁLEZ TEJERA		EXECUTIVE DIRECTOR	23/11/2012	25/06/2013	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
CARLOS GONZALEZ FERNANDEZ		DIRECTOR	29/06/2011	26/06/2014	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
FRANCISCO JAVIER ILLA RUIZ		DIRECTOR	27/10/2009	25/06/2013	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
JOSE MARÍA LÓPEZ ELOLA		DIRECTOR	25/04/2012	29/06/2012	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
XIANYI MU		DIRECTOR	17/04/2013	25/06/2013	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
CHARLES MOBUS		DIRECTOR	26/04/2013	25/06/2013	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
HAIBO BAI		DIRECTOR	27/02/2014	26/06/2014	AGREEMENT BY GENERAL SHAREHOLDERS'
FRANCISCO ROMAN RIECHMANN		DIRECTOR	04/07/2014	04/07/2014	CO-OPTED
LING ZHANG		DIRECTOR	18/12/2014	18/12/2014	CO-OPTED
LIVIO GIOVANNI MARIA TORIO		DIRECTOR	26/06/2014	26/06/2014	AGREEMENT BY GENERAL SHAREHOLDERS'

Total number of directors	**12**

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

Name or company name of Director	Type of director at time of departure	Date of leaving
DAOQI LIU	Proprietary	27/02/2014
GILLES PÉLISSON	Independent	04/07/2014
ROSALBA CASIRAGHI	Proprietary	18/12/2014
RAMÓN LANAU VIÑALS	Proprietary	23/12/2014

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

Executive Directors

Name or company name of Director	Committee reporting the appointment	Position in the company's organisational chart
FEDERICO GONZÁLEZ TEJERA	APPOINTMENTS AND REMUNERATION	EXECUTIVE DIRECTOR

Total number of executive directors	**1**
% of the Board as a whole	**7.70**

External Proprietary Directors

Name or company name of Director	Committee reporting the appointment	Name or company name of the major shareholder represented or who proposed the appointment
JOSE ANTONIO CASTRO SOUSA	APPOINTMENTS AND REMUNERATION COMMITTEE	GRUPO INVERSOR HESPERIA, S.A.
FRANCISCO JAVIER ILLA RUIZ	APPOINTMENTS AND REMUNERATION COMMITTEE	GRUPO INVERSOR HESPERIA, S.A.
XIANYI MU	APPOINTMENTS AND REMUNERATION COMMITTEE	HNA GROUP CO LIMITED
CHARLES MOBUS	APPOINTMENTS AND REMUNERATION COMMITTEE	HNA GROUP CO LIMITED
HAIBO BAI	APPOINTMENTS AND REMUNERATION COMMITTEE	HNA GROUP CO LIMITED
LING ZHANG	APPOINTMENTS AND REMUNERATION COMMITTEE	HNA GROUP CO LIMITED
LIVIO GIOVANNI MARIA TORIO	APPOINTMENTS AND REMUNERATION COMMITTEE	INTESA SANPAOLO, S.P.A.
RODRIGO ECHENIQUE GORDILLO	APPOINTMENTS AND REMUNERATION COMMITTEE	BANCO SANTANDER, S.A.

Total number of proprietary directors	**8**
% of the Board as a whole	**61.54**

Independent External Directors

Name or company name of Director	Profile
CARLOS GONZALEZ FERNANDEZ	Graduate in economics from the University of Bilbao and chartered accountant. He spent 35 years of his career at Arthur Andersen, which in 2003 merged with Deloitte. He was appointed Chairman, firstly of Arthur Andersen in 2000 and subsequently of the firm that resulted from the merger - Deloitte - from 2003 to 2009.
JOSE MARÍA LÓPEZ ELOLA	Graduate in economics from the Complutense University of Madrid. For the last 35 years, he has been director general of various credit and banking institutions, such as Bancaya Hipotecaria, S.A., Citibank España, S.A., Banco Zaragozano, S.A. and Barclays, S.A. He is currently a member of the Board of Directors of companies including Festina Lotus, S.A. and Celo, S.A.
FRANCISCO ROMAN RIECHMANN	Graduate in Telecommunications Engineering. He began his career at Sainco, and in 1983 joined a subsidiary of the computer multinational Hewlett Packard, where he was appointed Sales Director. In 1992 he became the Director in Spain of Pacific Telesis, later known as AirTouch Internacional, one of the founding companies of Airtel Móvil S.A. Managing Director of Microsoft Ibérica from 1998, in July 2002 he joined Vodafone as General Operations Manager, where he was appointed Managing Director in February 2003 and Chairman-CEO in January 2008.

Total number of independent directors	**3**
% of total Board	**23.08**

Indicate if any Director classified as independent receives any payments or benefits from the company or its group other than remuneration for the post of Director, or maintains, or has maintained, a business relationship with the company or any company in the group in the last year, whether in his own name or as a major shareholder, director or senior manager of an entity maintaining, or which has maintained, such a relationship.

NO

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

Name or company name of Director	Description of the relationship	Reasoned statement

Other External Directors

Name or company name of Director	Committee reporting or proposing his or her appointment

Total number of Other External Directors	
% of the Board as a whole	

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

Name or company name of Director	Reasons	Company, director or shareholder with whom they are

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

Name or company name of Director	Date of the change	Former status	Present status
RODRIGO ECHENIQUE GORDILLO	23/12/201	Other External	Proprietary

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

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

	% of total directors of each type			
	Year t	**Year t-1**	**Year t-2**	**Year t-3**
Female Executive	0.00	0.00	0.00	0.00
Proprietary	0.00	10.00	11.11	11.11
Independent	0.00	0.00	33.33	25.00
Other External Female Executives	0.00	0.00	0.00	0.00
Total	0.00	7.14	13.33	13.33

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

Explanation of the measures

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

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

Explanation of the measures

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

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

Explanation of the measures

See above.

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

As set out in Article 9 of the Board Regulations, the Board will ensure that the majority group of external Directors includes, on one hand, those proposed by the holders of significant stable holdings in the company capital (proprietary Directors) and, on the other, professionals of recognised prestige who are not associated with the executive team nor with major shareholders (independent Directors).

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

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

a) He/she was appointed by virtue of the right to representation.
b) He/she is a director, senior manager, employee or regular service provider of this shareholder, or of companies belonging to its group.
c) The company documentation states that the shareholder accepts that the director has been appointed by it or represents it.
d) He/she is the spouse, or connected by a similar relationship, or related up to the second degree of kinship to a major shareholder.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed at the request of shareholders whose holdings are below 5% of share capital:

Name or business name of the shareholder	Justification

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

NO

Name or business name of the shareholder	Explicación

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

Name of the director	Reason for departure
DAOQI LIU	Decision by the shareholder HNA Group Co Limited to replace Mr. Daoqi Liu with Mr. Haibo Bai.
GILLES PÉLISSON	Personal reasons
ROSALBA CASIRAGHI	Reduction in the holding of the major shareholder Intesa Sanpaolo, S.P.A.
RAMÓN LANAU VIÑALS	Reduction in the holding of the major shareholder Grupo Inversor Hesperia, S.A.

C.1.10 Name or company name of Director

Name or company name of Director	Brief description
FEDERICO GONZÁLEZ TEJERA	ALL THE POWERS THAT CORRESPOND TO THE BOARD OF DIRECTORS, EXCEPT THOSE THAT CANNOT BE DELEGATED BY LAW OR THE COMPANY'S ARTICLES OF ASSOCIATION.

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

Name or company name of Director	Company name of group company	Position
FRANCISCO JAVIER ILLA RUIZ	COPERAMA HOLDING, S.L.	DIRECTOR

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

Name or company name of Director	Listed company business name	Position
RODRIGO ECHENIQUE GORDILLO	VOCENTO. S.A.	CHAIRMAN
RODRIGO ECHENIQUE GORDILLO	BANCO SANTANDER. S.A.	DEPUTY CHAIRMAN
RODRIGO ECHENIQUE GORDILLO	INDITEX, S.A.	DIRECTOR
CARLOS GONZALEZ FERNANDEZ	SOTOGRANDE, S.A.	DIRECTOR

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

YES

Explanation of the measures

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

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

The investment and financing policy	YES
The definition of the corporate group structure	YES
The corporate governance policy	YES
The corporate social responsibility policy	YES
The strategic or business plan, management objectives and annual budgets	YES
The policy on remuneration and performance evaluations of senior managers	YES
The risk control and management policy, and regular monitoring of internal information and control systems	YES
The dividend and treasury stock policy, and in particular, their limits	YES

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

Remuneration of the Board of Directors (€ thousands)	2,611
Amount of overall remuneration corresponding to the pension rights accumulated by the Directors (€ thousands)	0
Overall remuneration of the Board of Directors (€ thousands)	2,611

C.1.16 Identify members of senior management who are not also Executive Directors, and indicate their total remuneration for the year:

Name or company name	Position(s)
ROBERTO CHOLLET IBARRA	FINANCE DIRECTOR
RAMÓN ARAGONÉS MARÍN	GENERAL MANAGER, OPERATIONS
IÑIGO CAPELL ARRIETA	GENERAL MANAGER, RESOURCES
JESUS IGNACIO ARANGUREN GONZALEZ-TARRÍO	GENERAL MANAGER, ASSETS AND REVENUE
CARLOS ULECIA PALACIOS	GENERAL SECRETARY
ISIDORO MARTINEZ DE LA ESCALERA	GENERAL MANAGER, MARKETING

Total remuneration of senior management (€ thousands)	**2,937**

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

Name or company name of Director	Company name of major shareholder	Position
FRANCISCO JAVIER ILLA RUIZ	GRUPO INVERSOR HESPERIA, S.A	JOINT DIRECTOR
XIANYI MU	TANGLA SPAIN, S.L.	CHAIRMAN
HAIBO BAI	TANGLA SPAIN, S.L.	DIRECTOR
CHARLES MOBUS	TANGLA SPAIN, S.L.	DIRECTOR
RODRIGO ECHENIQUE GORDILLO	BANCO SANTANDER, S.A.	DEPUTY CHAIRMAN
LING ZHANG	HNA GROUP CO LIMITED	DIRECTOR

Provide details, if applicable, of the relevant relationships other than those included in the previous heading, of the members of the Board of Directors with major shareholders and/or in entities of their Group:

Name or business name of the associated Director	Name or business name of the related major shareholder	Description of relationship
JOSE ANTONIO CASTRO SOUSA	GRUPO INVERSOR HESPERIA, S.A	NATURAL PERSON REPRESENTING THE JOINT AND SEVERAL ADMINISTRATOR

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

NO

Description of changes

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

Selection procedures for members of the Board.

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

The proposals to appoint directors that the Board of Directors puts to the General Shareholders' Meeting for its consideration, and the appointments decided by said Board by virtue of its legal empowerment to co-opt members, must follow the provisions of the Regulations of the Board of Directors and be proposed by the Appointments and Remuneration Committee in the case of independent directors, and based on a prior report from said Committee in the case of all other types of directors.

1. Appointment of external directors

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

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

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

1.1 Proprietary Directors

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

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

a) He/she was appointed by virtue of the right to representation.
b) He/she is a director, senior manager, employee or regular service provider of this shareholder, or of companies belonging to its group.
c) The company documentation states that the shareholder accepts that the director has been appointed by it or represents it.
d) He/she is the spouse, or connected by a similar relationship, or related up to the second degree of kinship to a major shareholder.

2.2 Independent Directors

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

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

a) Those that have been employees or executive directors of companies in the group, unless 3 or 5 years have passed, respectively, since the relationship was terminated.

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

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

d) Those that are executive directors or senior managers of another company in which an executive director or senior manager of the Company is an external director.

e) Those that maintain, or have maintained during the last year, a significant business relationship with the Company or with any Company in its group, whether on their own behalf or as a major shareholder, director or senior manager of a company that has or has had this relationship. Business relations are defined as the supply of goods or services, including financial or advisory services, or consultancy.

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

g) Those that are spouses, persons connected by a similar type of affinity, or relative of up to of the second degree of kinship of an executive director or senior manager of the Company.

h) Those that have not been proposed, whether for appointment or renewal, by the Appointments Committee.

i) Those that are in any of the situations indicated in points a), e), f) or g) of this article in relation to another significant shareholder or representative on the Board. In the case of being a relation as indicated in paragraph g), the limitation shall not only apply in connection with the shareholder, but also with its proprietary directors in the investee company.

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

YES

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

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

C.1.21 Indicate cases in which Directors are compelled to resign.

Directors shall step down when the period for which they were appointed comes to an end or when agreed by the General Shareholders' Meeting based on the powers legally attributed to it.

In addition, Directors shall place their office at the disposal of the Board of Directors and tender their resignation in any of the following circumstances:

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

b) When they are removed from the executive offices with which their appointment as a Director was associated or where the reasons for which they have been appointed are no longer valid. Such a circumstance shall be understood to apply to Proprietary Directors when the entity or business group they represent ceases to hold a significant shareholding in the Company's share capital or when, in the case of independent Directors, they become an executive of the Company or of any of its subsidiaries.

c) Where they are in any of the circumstances for incapacity, incompatibility or prohibition set forth in legal provisions, along with any of the other circumstances laid down in the Board regulations. All those directly or indirectly holding interests of any type or that have an employment, professional or mercantile relationship, or relations of any other type with competitor companies, shall be considered incompatible for the position of director, except when the Board of Directors, with a favourable vote of at least 70% of its members, agrees to set aside this condition.

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

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

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

NO

Measures to limit risks

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

YES

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

C.1.23 Are reinforced majorities other than those applicable by law required for any type of decision?:

YES

If so, describe the differences.

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

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

NO

Description of the requirements

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

YES

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

C.1.26 Indicate whether the Articles of Association or the Board Regulations establish any age limit for Directors

YES

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

C.1.27 State whether the articles of association or the Board Regulations establish a limited mandate for Independent Directors, other than as provided for in the legal regulations

NO

Maximum number of years of mandate	

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

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

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

Number of Board meetings	11
Number of Board meetings not attended by the Chairman	0

State the number of meetings held by the different Board Committees over the year:

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

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

Attendances by Directors	**6**
Attendances as a percentage of total votes during the year	**54.50**

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

NO

First Name	Position

C.1.32 Explain, if applicable, the mechanisms established by the Board of Directors to prevent the individual and consolidated annual accounts it draws up from being submitted to the General Meeting of Shareholders with qualifications in the auditors' report

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

C.1.33 Is the Secretary of the Board a Director?

NO

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

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

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

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

YES

Remarks
As laid down by Article 19.3 of the Board Regulations, the Secretary shall ensure the legality of the form and content of all the Board's actions and ensure that its procedures and rules of governance are duly respected.

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

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

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

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

NO

Outgoing auditor	Incoming auditor

In the event that there were disagreements with the outgoing auditor, explain the content of the disputes:

Explain the disagreements

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

YES

	Sociedad	Grupo	Total
Amount for work other than auditing (€ thousands)	877	208	1,085
Amount for work other than auditing /Total amount invoiced by the auditing firm (%)	63.50	15.93	40.39

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

NO

Explanation of the reasons

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

	Company	Group
Number of consecutive years	13	13

	Company	Group
Number of years audited by the current audit firm / Number of years that the company has been audited (%)	45.00	45.00

C.1.40 Indicate and, if applicable, provide details of whether there is a procedure whereby directors can receive external advice:

YES

Explanation of the reasons
Article 28 of the Regulations of the Board of Directors expressly states that directors may request the use of legal, accounting or financial advisers, or other experts, paid for by the Company, to help them in the discharge of their duties. Such help must relate to specifically defined and complex problems that arise in the course of their work. The decision to employ such services must be communicated to the Chairman of the Company and implemented through the Secretary of the Board, unless the Board of Directors considers that such services are not necessary or appropriate.

C.1.41 Indicate and, if applicable, provide details of whether there is a procedure whereby Directors can have the information necessary to prepare for meetings of the management bodies with sufficient time:

YES

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

C.1.42 State and, if applicable, provide details on whether the company has established rules that require directors to report and, as applicable, resign in those cases where the company's credibility and reputation may be harmed.

YES

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

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

NO

Name of the director	Criminal Proceedings	Remarks

State whether the Board of Directors has studied the case. If so, give a reasoned explanation of the decision as to whether or not the Director should continue in his or her post, or if applicable, describe the actions taken by the Board of Directors up to the date of this report, or those it intends to take

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

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

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

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

Number of beneficiaries	4
Type of beneficiary	**Description of agreement**
Board Members and certain members of Senior Management	In order to encourage loyalty and permanence in the Company, compensation has been provided for which may be more than the amount resulting from applying legal regulations, in the event of unilateral termination by the Company. These amounts range from one year's fixed salary to two years' total salary, i.e., fixed plus variable pay received over the last two years.

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

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

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

C.2 Committees of the Board of Directors

C.2.1 List all the committees of the Board of Directors, their members and the proportion of Proprietary and Independent Directors on them:

EXECUTIVE COMMITTEE

First Name	Position	Type
RODRIGO ECHENIQUE GORDILLO	CHAIRMAN	Proprietary
FEDERICO GONZÁLEZ TEJERA	MEMBER	Executive
XIANYI MU	MEMBER	Proprietary
JOSÉ ANTONIO CASTRO	MEMBER	Proprietary

% of Executive Directors	25.00
% of Proprietary Directors	75.00
% of Independent Directors	0.00
% of other external directors	0.00

AUDIT AND CONTROL COMMITTEE

First Name	Position	Type
CARLOS GONZALEZ FERNANDEZ	CHAIRMAN	Independent
XIANYI MU	MEMBER	Proprietary
FRANCISCO JAVIER ILLA RUIZ	MEMBER	Proprietary

% of Executive Directors	0.00
% of Proprietary Directors	66.00
% of Independent Directors	33.00
% of other external directors	0.00

APPOINTMENTS AND REMUNERATION COMMITTEE

First Name	Position	Type
FRANCISCO ROMAN RIECHMANN	CHAIRMAN	Independent
FRANCISCO JAVIER ILLA RUIZ	MEMBER	Proprietary
XIANYI MU	MEMBER	Proprietary

% of Executive Directors	0.00
% of Proprietary Directors	66.00
% of Independent Directors	33.00
% of other external directors	0.00

C.2.2 Fill in the table below with the information relating to the number of female directors on Board of Directors' committees in the last four financial years:

	Number of female directors							
	Year t		Year t-1		Year t-2		Year t-3	
	Number	%	Number	%	Number	%	Number	%
EXECUTIVE OR DELEGATE COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00
AUDIT COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00
APPOINTMENTS AND REMUNERATION	0	0.00	0	0.00	1	33.33	1	33.33

C.2.3 Indicate whether the following duties correspond to the Audit Committee.

Supervising the preparation and safeguarding the integrity of the financial reporting relating to the company and, if applicable, to the group, reviewing compliance with regulations, the adequate delimitation of the consolidated group and the proper application of accounting standards.	YES
Periodically reviewing the internal control and risk management systems so that the principal risks are appropriately identified, managed and made known.	YES
Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-election and removal of the manager of the internal audit service; proposing the budget for this service; receiving periodic information about its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.	YES
Establishing and supervising a mechanism that allows employees to report any potentially significant irregularities, particularly financial and accounting, they discover within the Company, confidentially, and if appropriate, anonymously.	YES
Presenting to the Board of Directors proposals to select, appoint, re-elect and substitute the external auditor, as well as the conditions of its contract.	YES
Receiving information about the audit plan and its results from the external auditor on a regular basis and verifying that senior management takes its recommendations into account.	YES
Ensuring the independence of the external auditor.	YES

C.2.4 Describing the organisational and operational rules and the responsibilities attributable to each of the Board's committees.

1. **EC**
   The matters referred to are governed by Articles 45 et seq of the Articles of Association and 24 of the Board Regulations. The Executive Committee has a general decision-making capacity, with express delegation of all the powers corresponding to the Board of Directors, except those that cannot be delegated by law or the Company's Articles of Association. It will be made up of the Chairman of the Board and 3 to 9 members who are Directors appointed by the Board. The participation structure of the different categories of directors should be similar to that of the Board itself, and the secretary will be the same as for the Board.
   Its members must be appointed or renewed by a vote in favour by two-thirds of the Board. It will meet as often as called by its Chairman, and will be validly constituted when attended by half its members plus one. Resolutions will be adopted by a majority of attending Directors, with the Chairman holding the casting vote. It will inform the Board of the matters discussed and decisions adopted.

2. **ACC**
   The matters referred to are governed by Articles 48 of the Articles of Association and 25 of the Board Regulations. The Audit and Control Committee shall comprise a minimum of three and a maximum of five directors, appointed by the Board of Directors. All members of the Committee must be external or non-executive directors. Its members, and particularly its Chairman, shall be appointed taking into account their knowledge and experience in accounting and/or auditing matters. The Chairman must be Independent and be appointed from among its non-executive members. The Chairman must also be replaced every four years; previous chairmen may be re-elected one year after their previous mandate has ended. The Audit and Control Committee shall meet at least once every quarter and as often as considered necessary by its Chairman, or when requested by two of its members or the Board of Directors.
   The Audit and Control Committee may summon any employee or manager of the Company, and also the Company's accounts auditor, to attend its meetings. Its main function will be to support the Board in its supervisory duties, and will have at least the following responsibilities:
   - Report to the General Meeting on any matters it discusses.
   - Oversee the efficacy of the company's internal controls, its internal auditing, and its risk management, and discuss with the accounts auditors or auditing firms any significant weaknesses detected in the internal control system during the course of an audit.
   - Oversee the process of drawing up and submitting mandatory financial reporting.
   - Propose the appointment of accounts auditors or auditing firms to the Board.
   - Establish appropriate contact with the accounts auditors in order to receive information on matters that may jeopardise the independence of the auditor, and any other issues related to the process of auditing the accounts.
   - Issue an annual report on the independence of the accounts auditors or auditing firms. The report must always comment on the provision of additional services referred to in the preceding section.
   - Monitor the independence and efficacy of the internal audit function; propose the appointment, re-election and removal of the manager of the internal audit service; propose the budget for this service; receive periodic information about its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
   - Establish and oversee a mechanism that allows employees to report any breaches of the Code of Conduct confidentially and anonymously.
   - Supervise compliance and internal codes of conduct, as well as the rules of corporate governance
   - Report to the Board on related party transactions.
   - Report to the Board on the creation or acquisition of any equity investments in special purpose vehicles and companies registered in tax havens, and any other transactions or operations of a similar nature.

3. **ARC**

Article 47 of the Company Articles of Association and Article 26 of the Board Regulations govern every aspect of the Committee's organisation, duties and competencies. The Committee shall comprise a minimum of three and a maximum of five directors. All members of the Committee shall be non-executive directors and the majority of its members must be independent directors. The Chairman must be an independent director and be appointed by the Committee itself from among its members. The Committee shall meet as often as considered necessary by its Chairman, or when requested by two of its members or the Board of Directors. It will have at least the following responsibilities:

- Report on proposals to appoint and dismiss directors and senior managers and approve their remuneration scales.
- Approve the standard contracts for senior managers.
- Determine the remuneration scheme applied to the Chairman and the Chief Executive Director.
- Examine or organise the Chairman's and the chief executive's succession and bring proposals before the Board so that such successions are effected in an orderly fashion.
- Propose the remuneration scheme for the Directors to the Board of Directors, and review it.
- Report on incentive plans.
- Carry out an annual review of the remuneration policy applied to Directors and Senior Managers.
- Report on proposed appointments of members of the EC and other Committees.
- Prepare and maintain a register of the positions of directors and senior managers of the Company. It will inform the board of all its activities, providing the relevant documentation, to bring to its attention any matter where it may need to exercise its responsibility.

C.2.5 Indicate, as applicable, the existence of regulations governing the committees attached to the Board, where they are available for consultation and any amendments that have been made to them during the year. Also state whether an annual report on the activities of each committee has been voluntarily drafted.

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

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

C.2.6 State whether the composition of the delegate or executive committee reflects the participation on the Board of different categories of directors:

NO

If not, explain the composition of the Delegate or Executive Committee
The Executive Committee consists of 4 members, of whom the Chairman is a Proprietary Director, another is an executive and the remaining two members are Proprietary Directors.

D - RELATED AND IN-GROUP TRANSACTIONS

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

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

Procedure for approving related party transactions

Articles 33.1.c) of the Articles of Association and 5.5 c) of the Board Regulations assign the Board of Directors the duty of approving related party transactions, understood to be transactions between the Company and Directors, significant shareholders or bodies represented on the Board, or people associated with them, as defined in the LSC. This approval will follow a Report by the Audit and Control Committee (Article 48.4 of the articles of association and 25 b) of the Board Regulations).

Authorisation of the Board shall not be required however, for related party transactions that simultaneously meet the following three conditions:

1. That are carried out under agreements with standardised conditions and are applied in a general way to numerous clients;
2. That are carried out at generally established rates or prices, set by the supplier of the good or service;
3. For an amount not exceeding 1% of the company's annual revenues.

Without prejudice to the above, Article 3.2.7.f) of the NH Hotel Group, S.A. Code of Conduct, approved by the Board of Directors on 24 May 2011, interprets the foregoing internal regulation as follows:

"All the transactions referred to in this section shall be subject to the prior authorisation of the Board after having received a favourable report from the NH Hotel Group S.A. Audit and Control Committee

In the case of transactions forming part of normal company business, which are habitual and recurring, the general authorisation of the line of transactions and its execution conditions will be sufficient.

However, authorisation by the Board shall not be required for transactions that simultaneously meet the following conditions: (i) that are carried out under agreements with standardised conditions; (ii) that take place under market conditions and general conditions applicable to companies in the Group, and (iii) that the amount does not exceed 1% of the annual revenues of NH Hotel Group in relation to the audited annual consolidated accounts for the last year ended before the date of the transaction in question.

If the authorisation of the Board of Directors should not be mandatory due to the foregoing requirements not being found, people subject to substantive rules on conflicts of interest, shareholders and the heads of the departments which have to formalise the related party transactions between companies in the Group, must provide a written report on the transactions in which they take part, or if applicable, their respective Related Parties, by a notification to the Secretary of the Audit and Control Committee. Such notices shall be sent on a half-yearly basis within the first week of January and July of each calendar year.

The notification must include the following:
(a) Nature of the transaction;
(b) Transaction start date;
(c) Payment conditions and terms;
(d) Identity of the person carrying out the transaction, and their relationship, if any, with the person subject to substantive rules on conflicts of interest;
(e) Value of the transaction; and
(f) Other relevant aspects, such as pricing policies, guarantees issued and received, and any other aspect of the operations permitting a suitable interpretation of the transaction, including information on operations which were not carried out under market conditions.

For these purposes, every six months the Secretary of the above Committee will send the Directors and people subject to substantive rules on conflicts of interest a notification requiring them to send the relevant information to the Company.

The Secretary of the Company Audit and Control Committee will draw up a Register of transactions with people subject to substantive rules on conflicts of interest, significant shareholders, companies in the Group, or the respective related parties. The information in the Register will regularly be made available to the Board of Directors. The transactions in the Register will be published in the cases and within the scope set out in the applicable regulations."

Finally, on 26 March 2014 the Board of Directors approved a Procedure on Conflicts of Interest and Related Party Transactions which includes the approval of such transactions in greater detail.

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

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

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

Name or business name of the major shareholder	Name or company name of the company or group company	Nature of the relationship	Type of transaction	Amount (€ thousands)
INTESA SANPAOLO, S.P.A.	NH ITALIA, S.P.A.	Contractual	Others	6,083
INTESA SANPAOLO, S.P.A.	NH ITALIA, S.P.A.	Contractual	Others	36,250
GRUPO INVERSOR HESPERIA, S.A.	HOTELES HESPERIA, S.L.	Contractual	Others	2,960
BANCO SANTANDER, S.A.	NH FINANCE, S.A.	Contractual	Others	21,717

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

Name or company name of the director or manager	Name or business name of the related party	Relationship	Nature of the transaction	Amount (€ thousands)

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

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

Business name of the entity in its group	Brief description of the transaction	Amount (€ thousands)
SOTOCARIBE, S.L.	LOAN	3,223
CAPREDO INVESTMENTS GMBH	LOAN	222

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

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

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

Directors must therefore comply with the following obligations and requirements:

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

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

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

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

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

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

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

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

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

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

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

Finally, on 26 March 2014 the Board of Directors approved a Procedure on Conflicts of Interest and Related Party Transactions which includes the approval of such transactions in greater detail.

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

NO

Identify the affiliate companies listed in Spain:

Listed Subsidiary Company

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

State any possible business relationships between the parent company and the listed subsidiary, and between the latter and other group companies.

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

Mechanisms for resolving possible conflicts of interest

E - RISK CONTROL AND MANAGEMENT SYSTEMS

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

The NH Hotel Group Risk Management System applies to all of the entities over which NH has effective control.

The NH risks management model aims to identify those events which could have a negative impact on the attainment of the objectives in the company's strategic plan, obtaining the highest level of guarantee for the shareholders and stakeholders and protecting the group's revenue and its reputation.

The model established for the risk management is based on the ERM (Enterprise Risk Management) methodology and includes a set of methodologies, procedures and support tools which allow NH to:

Identify the most relevant risks, which could affect the attainment of the strategic objectives.

Analyse, measure and evaluate said risks according to their likelihood and their impact, which is assessed from the financial perspective and in terms of reputation.

Prioritise said risks

Identify measures to mitigate said risks according to the group's risk appetite, which is implemented by defining risk managers and establishing agreed action plans in the Management Committee.

Monitoring of the mitigation measures established for the main risks.

Periodic update of the risks and their assessment.

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

Board of Directors
The entity's Board of Directors is the body responsible for supervising the Risk Management System, according to the provisions of article 5 of the Regulations of the Board of Directors.

Audit Committee
As regulated in article 25 b) Section 3 of the Regulations of the Board of Directors, the Audit and Control Committee supports the Board of Directors in the effective supervision of the Company's internal control, the internal audit, if applicable, and the risk management systems, as well as discussing with the account auditors or audit companies the significant weaknesses in the internal control system detected in the audit.

Management Committee
The Management Committee meets on a weekly basis and is made up of the Chief Officer or heads of the general departments from each area. The Management Committee, amongst other functions, manages and controls the risk according to the risk appetite.

NH also has the other committees:

Expansion Committee: Entrusted with examining the investment opportunities and managing the risks associated to the management of the investment portfolio.

Investments Committee: Entrusted with monitoring and controlling the risks related to the refurbishment and repositioning projects in hotels.

Innovation Committee: Entrusted with assessing and decision-making regarding the technological resources to be implemented in order to achieve a more efficient rendering of the service and an increase of the added value to the client.

Systems Committee: Entrusted with monitoring and controlling of the risks associated mainly with the front and back end systems and the website.

Financial Department
The Financial Department is responsible for establishing the global design, implementation and monitoring of the Internal Control System in the Group's Financial Information.

Strategy Department
The Strategy Department is entrusted with monitoring each of the strategic initiatives through the KPIs (Key Performance Indicators).

Risk and Compliance Office
The Risk and Compliance Office is part of the Internal Audit Department and is entrusted with preparing the Map of Corporate Risks and monitoring the action plans agreed with each risk manager and their relationship to the strategic objectives.

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

a) Financial Risks, like fluctuations of interests rates, exchange rates, inflation, liquidity, breach of finance undertakings, finance restrictions and credit management.
b) Compliance Risks, deriving from possible regulatory changes, changes to the interpretation of legislation, regulations and contracts, as well as breach of both the internal and external regulations.
c) Business Risks generated due to the inappropriate management of processes and resources, whether human or material and technological. Included in this category is the difficulty to adapt to the changes in the demand and the client's requirements.
d) Systems Risk, produced due to attacks or faults in the infrastructure, communication networks and applications which may affect the security (physical and logical), as well as the integrity, availability and reliability of the operative and financial information. This section also includes the risk of business interruption.
e) Reputation Risks, deriving from the company's behaviour which has a negative effect on the satisfaction of the expectations of one of more of its stakeholders (shareholders, clients, suppliers, employees, environment and society in general.
f) External Risks, resulting from natural disasters, political instability or terrorist attacks.
g) Strategic Risks, produced due to the difficulty in accessing markets and difficulties in asset disinvestments.

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

NH Hotel Group, S.A. has a risk tolerance level which basically depends on the financial and asset capacity of NH Hoteles when it comes to assuming the materialisation of certain risks.

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

The following risks have materialised during the financial year:
Exchange rate risks: exchange rate fluctuations, specifically the Argentinean peso.
Credit management risk: impossibility for some clients to meet their debt with the Group. The balances have been provided for and in some cases are guaranteed by insurance policies.
Business risk: drop in the demand as a result of the economic situation and changes in the scheduling of evens. The fall in occupation has been offset by an increase in prices.
Strategic risk: asset disinvestment as a result of the contractual obligation with the majority shareholders. The impact was not significant in the Group's results.

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

The design of the Risk response takes into account the cost/profit analysis between the impact of the Risk and the actions to be implemented in order to manage it, the Risk appetite and tolerance and the strategic objectives of the NH Hotel Group.
The NH Hotel Group follows a broad hedging policy by signing insurance policies for those risks which can be transferred. It also has a policy of continuous hedging review.
The Strategy Department supervises the attainment of the strategic objectives through the continuous monitoring of the strategic initiatives and detection of new risks.
The Internal Audit Department supervises the implementation of the response plans in order to manage the main risks.
The Audit and Control Committee regularly performs the supervision and control functions, as specified in the Regulations of the Board of Directors in its article 25 b).

F - INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (SCIIF)

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

F.1 The company's control environment

Report, indicating the main characteristics of at least:

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

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

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

In order to carry out the oversight function described above, the Board of Directors turns to the Audit and Control Committee, which is obliged, through its internal auditing function, to supervise the process of drawing up and submitting regulatory financial information, as described in Article 25 of the Regulations of the Board of Directors.

F.2.2 If the following elements exist, particularly in relation to the financial report generation process:

Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining areas of responsibility and authority, with a suitable distribution of tasks and functions; and (iii) the existence of sufficient procedures for these to be properly disseminated within the entity

Defining and reviewing the organisational structure of the Group is the responsibility of the Management Committee. Significant changes to the organisation chart, i.e., those affecting senior management, are approved by the Board of Directors, after approval by the Appointments and Remuneration Committee. The organisation chart is available to all employees on the Group's intranet.

The lines of both hierarchical and operational responsibility are duly communicated to all the Group's employees, using internal Group communication channels, particularly the intranet, management meetings and the notice boards in place in each hotel.

In order to fulfil the objectives and responsibilities relating to maintenance and supervision of the Financial Reporting Control process, specific functions have been defined which apply to those responsible for each process involved with Financial Reporting, in order to ensure compliance with the implemented controls, analyse how well they function, and report any changes or incidents that may occur.

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

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

NH has had a Code of Conduct since 2006, which was last revised in 2011. Responsibility for approving the Code of Conduct rests with the NH Board of Directors. This document affects all NH group employees, being applicable not only to employees and members of the Board of Directors, but also, in certain cases, to customers and suppliers.

The Code of Conduct summarises the professional conduct expected of NH employees. NH is committed to acting with integrity, honesty, respect and professionalism while performing its activities. NH is committed to complying with the laws and regulations in the countries and jurisdictions in which it operates. These include laws and regulations on health and safety, discrimination, taxation, data privacy, competition, and commitment to the environment. The key areas covered by the Code are:

- Commitment to employees
- Commitment to suppliers
- Commitment to customers
- Commitment to shareholders
- Commitment to communities and society
- Commitment to the Group's assets, knowledge and resources
- Obligations regarding fraudulent or unethical practices
- Commitment to the stock market
- Commitment to competitors

Also, in October 2014 the Audit and Control Committee approved creation of the Compliance Committee, consisting of Board members and SVPs, which is empowered to supervise compliance with the group's Internal Conduct Regulations for employees who deal with the group's Stock market, Code of Conduct, Criminal Risk Prevention Model and Conflict of Interest Procedure activities. This body is chaired by the General Secretary and reports to the Audit and Control Committee.

The key activities of the Compliance Committee regarding the Code of Conduct include:
• Ensuring that the Code of Conduct is acted on throughout the organisation
• Making decisions on the penalties to be applied for breaches of the code of conduct
• Managing any queries about the code.
• Supervising all training activities stemming from the implementation of the code.

The Code of Conduct is available for employees on the company intranet, and for third parties on the company website.

Through the Human Resources departments of each business unit, the company has put in place a procedure for requesting all employees to adhere to the code. Learning courses have been done to the employees in relation to the Code of Conduct.

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

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

- "NH Hotel Group shall ensure that all records of financial and accounting activity are prepared in an accurate and reliable manner, cooperating with and facilitating the work of the internal audit, inspection and intervention units and other internal control units, as well as that of external auditors and competent authorities, in all cases collaborating with the Justice department".

- "Transparency of information is a fundamental principle of the conduct of the Group, being a commitment to giving reliable information to markets, whether financial or of any other kind. Therefore,
the company's internal and external financial reporting shall faithfully reflect its economic, financial and equity position in accordance with generally accepted accounting standards."

The aforesaid section stresses that "the individuals responsible must transmit truthful, complete and comprehensible financial reports. In no case will they knowingly provide incorrect, imprecise or inaccurate information. Employees will refrain from:

- keeping a record of transactions in non-accounting media not recorded in official books;
- recording non-existent expenses, revenue, assets or liabilities;
- booking entries in accounting books with an incorrect indication as to their purpose;
- using false documents;
- deliberately destroying documents before the end of the legally-required time limit for retaining them."

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

A procedure has been established for lodging complaints about breaches of the principles enshrined in the Code of Conduct, and this enables employees to provide confidential information about any non-compliance with the principles set out in the Code of Conduct.The procedure for reporting and dealing with possible non-compliance and reports relating to the Code of Conduct is administered by the SVP of the Group's Internal Audit Department, who acts independently, giving an account of the most significant incidents over the course the year to the Company's Audit and Control Committee.Breaches should preferably be reported using a channel expressly set up for the purpose on the NH intranet (codeofconduct@nh-hotels.com), through which they are forwarded to the SVP of the Internal Audit Department, thereby ensuring that they remain confidential. In addition, they may be sent by post for the attention of the SVP of NH Hoteles, S.A., Internal Audit Department at Santa Engracia 120, 28003 Madrid, Spain.The SVP of the Internal Audit Department is responsible for analysing the information presented and requesting the corresponding evidence and reports. All significant complaints are presented to the Compliance Committee and the Audit and Control Committee.

Regular training and refresher courses on, at least, accounting standards, audits, internal control and risk management for staff involved in preparing and reviewing financial reports and evaluating the reporting system.

Through the Internal Audit Department, the company has carried out the following training activities in relation to the Financial Reporting and Control system:

Workshops for staff from the Shared Services Centre and remaining department personnel: on the aims and characteristics of the Financial Reporting and Control System, and the risks and controls matrix. The aim is to provide information on the most important aspects of the Financial Reporting generation process: the Company's operating processes that make up the Control System, bodies responsible for maintaining the defined controls within each process, reporting improvements or changes, understanding the established supervision system, etc., and confirming that each body responsible for controls understands both the controls and the type of evidence they need to provide.

Alongside this, the Financial Department occasionally attends training courses or conferences on updated accounting standards, consolidation standards and the specific financial reporting applicable to the sector, which are considered especially relevant to its work.

F.2 Financial reporting risk assessment Report at least:

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

Whether the process exists and is documented.

The goal of the process of assessing financial risks is to establish and maintain an effective process for identifying, analysing and managing the risks relevant to the preparation of financial statements.
At NH the risk management process consists of three levels of participation:

- The Board of Directors reviews the Audit and Control Committee's supervision of risk management policies, processes, personnel and control systems.
- The Internal Audit Department regularly reviews the corporate risk model.
- The Chief Officers or acting managers of each area, including the Chief Executive Officer or Managing Director and other professionals directly involved in the risk management process within their area of responsibility.

The types of risk are classified as follows:

Technological risks
Technological risks relate to the management of information systems to ensure the completeness, availability and reliability of financial information and avoid exposure of the company's significant assets to potential loss, damage or misuse.
These risks relate to the following areas:

- Access security
- Availability
- Completeness
- Supervision of

Accounting Risks
These are risks which affect the reliability of financial information in terms of accounting records and breaches of accounting principles, and refer to the following three categories of assertions:

- Types of transactions:
  - Occurrence
  - Completeness
  - Accuracy
  - Cut-off
  - Classification

- Accounts' balances:
  - Existence
  - Rights and obligations
  - Completeness
  - Valuation and allocation

- Presentation and breakdown:
  - Occurrence and rights and obligations
  - Completeness
  - Classification and clarity
  - Accuracy and valuation

Organisational and resource management risks
These risks include problems in the planning, management and monitoring of financial, material and human resources, and difficulties in interdepartmental communications and decision-making, including possible quality problems and other threats in the course of the Company's activities.
These risks relate to the following areas:

- Budget Control
- Credit Management
- Receivables Management
- Payables Management
- Personnel Management
- Fraud

Data processing risks
These risks include problems in data processing in information systems, mainly in the following areas:

- Human Error
- Completeness of Invoicing
- Completeness of Master Files
- Review

Presentation and process risks
These risks can lead to ineffectiveness and inefficiency within the group structure when drawing up financial reports in terms of quality, time and costs, and include the following aspects:

- Timeliness of the information
- Compliance with internal standards and policies

Business environment risks
Business environment risks arise due to external factors which can lead to significant changes in the basis underlying internal control of the objectives of financial reporting and the Company's strategies. Business environment risks are related to the following matters:

- Failure to comply with commitments undertaken
- Fiscal contingencies

Outsourcing risks
Outsourcing risks arise as a result of the process of transferring part of the administration service to a third party, and are categorised as follows:

- Service Level Agreements.
- Availability
- Personnel Management
- Knowledge Management
- Legal

The risk identification and evaluation process is supervised by the Audit and Control Committee as part of its duties.

Risks relating to the Financial Reporting System are regularly determined and evaluated.

Whether the process covers all financial reporting assertions (existence and occurrence; completeness; evaluation; presentation, disclosure and comparability; and rights and obligations), whether it is updated and how often.

In order to ensure the reliability of Financial Reporting, when identifying risks and controls, the accounting errors that may arise from the following control objectives are always considered:

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

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

The Financial Department will consolidate the accounts every month.

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

This means all the Business Units share a documentation and consolidation system that is approved by the Financial Department, which reviews it once a year. It is important to stress that the Company has a single Accounts Plan for the entire Group, as well as shared management IT tools in all the Business Units.

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

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

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

- Determination of the relevant risk categories and types for each of the different Internal Financial Information Control System processes defined in the point above.
  Corresponding subcategories have been defined for each of these risk categories. The Accounting, Reporting and Internal Control subcategories are differentiated and defined within the section on the group's operational risks.

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

Which governing body of the company supervises the process.

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

F.3 Control Activities.

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

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

Every month, the Group's Finance Department submits the management report to the Board of Directors for their consideration. This report includes the most important financial and management information, the Profit and Loss account and the main financial indicators and ratios. The Board of Directors reviews the intermediate financial statements every six months.

The Board of Directors periodically requests an analysis of specific issues, as well as the details of particular financial transactions which, because of their importance, need to be studied in greater depth. The Chairman of the Audit and Control Committee periodically reviews this financial reporting during its meetings, and when appropriate, requests the attendance of the external and/or internal auditors.

The Financial Statements are drawn up based on a reporting calendar in accordance with legal requirements and are shared among the areas involved in preparing them.

NH has an internal financial reporting control system (SCIIF) based on the COSO model (Committee of Sponsoring Organisations of the Treadway Commission). This model has the following objectives:

• Effectiveness and efficiency of operations
• Safeguarding assets
• Reliability of financial reporting
• Compliance with applicable laws and regulations

The SCIIF model includes reviewing the Entity-Level Controls (ELC).
The SCIIF model used by NH contains a matrix of financial risks and controls which includes the following business cycles, which are relevant to the preparation of the Group's financial statements:

- Loyalty programme
- Purchasing and Suppliers
- Sales and Customers
- Cash
- Financing
- Fixed assets
- Inter-company
- Tax
- Human Resources
- Provisions and contingencies
- Accounting close and consolidation process
- Shared services centre
- IT controls

The business cycles include 19 processes and 62 sub-processes. In order to achieve financial reporting reliability and completeness targets, a total of 417 controls have been defined to prevent, detect, mitigate, compensate for or correct their potential impact.
NH has defined the scope of the SCIIF in the following group companies: NH Hotel Group, S.A. and NH Hoteles España, S.L. These entities represent XX of revenues and XX of the assets of the consolidated Group.

The structure of the financial risk matrix includes the following information:
• Process and Sub-process
• Risk, being the possible events or actions which could affect the capacity of the company to meet financial reporting objectives and/or implement strategies successfully.
• Description of the control, defining the control activities included in the policies, procedures and practices applied by the Company to ensure it meets its control objectives and the risk is mitigated.
• Evidence, the documentation maintained by those responsible for the control (company personnel), so that the entire model can be regularly supervised and audited.
  A first classification indicates whether the control is a key one, or not. The controls have been defined as prevention or detection, and manual or automatic, depending on whether they can be monitored using data from automated tools. Those responsible for the controls and frequency of execution have been defined for each control.
  The SCIIF model was substantially changed in 2014 due to the Administration function being outsourced from 1 January 2014, adapting the controls to the new defined processes and sub-processes. Therefore, controls have been defined to be run by personnel from the Shared Services Centre, the administrative and corporate personnel function retained.

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

Internal control of IT systems
There is an internal control model for the Group's information systems which covers the different IT processes and is based on their associated risks. This model (based on COSO and COBIT) includes a matrix of 100 general IT system controls (GITC), and policies and procedures relating to the security the IT systems need.
The internal control model covers the systems that contribute to the preparation of the Group's consolidated financial statements and thus assures the completeness, availability, validity and quality of the information provided to the markets.
The GITC matrix is aligned with the control models created by NH for other business cycles, which are structured into the following processes:

Access to programmes and data
There are policies and procedures that can guarantee, within reason:
• Restricted access to the systems, avoiding unauthorised access or changes to programmes that could affect the completeness, integrity and reliability of financial reports.
• Correct separation of functions, in order to guarantee secure access to the information systems.
• Security in the facilities housing the systems, ensuring that only authorised personnel have access to them.

Operations
There are policies and procedures that can guarantee, within reason:
• The availability of the information, ensuring that financial data are complete, valid and accurate.
• Good management of incidents, enabling quick resolutions and minimising their impact.
• That operations are monitored, ensuring that they are executed completely and on time. Any incidents are resolved, enabling jobs to be restarted and run correctly.

Software acquisition, maintenance and changes
There are policies and procedures that can guarantee, within reason:
That changes to the IT systems are authorised, tested and approved before going live.
That changes to the IT systems are correctly managed to avoid downtime or unauthorised alterations.

Since 2011, the Group has had an Information Security area, part of the IT Department, which monitors security in all IT processes, assuring the availability, reliability and completeness of information.

Security Policy
The security policy, which is published and known to all Group personnel, is the reference framework defining the directives to be followed by all employees, and makes it possible to ensure the security of the IT systems and, therefore, of all the business processes.

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

Since 1 January 2014, the Administration function has been outsourced to a third party in the companies included in the scope of the SCIIF. This outsourcing has been defined as a process with a significant impact on the preparation of financial reports.
The group has implemented an internal control model for the Shared Services Centre (SSC) aligned with the control models defined for the other business cycles.
Therefore, a matrix has been defined with 6 sub-processes and 26 control activities, including controls relating to the handover period of transferring the administrative function to the SSC, the settling-in period, the provision of the service, compliance with regulations, the continuity of the service and the governance model in the outsourcing contract.
The service provider has also been asked to obtain an ISAE (International Standard on Assurance Engagements) 3402 report, allowing NH to check whether the control objectives and activities of the service provider have been effective in the corresponding period.

F.4 Information and Communication.

Report, indicating the main characteristics, on the availability of at least:

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

The Financial Department is responsible for issuing and updating accounting policies and the resolution of queries or conflicts arising from their interpretation.
The Company's Organisation and Human Resources Department is responsible for standardising, analysing and publishing all the regulations and procedures applicable within the department, particularly those dealing with operating, administrative (including accounting), quality and regulatory matters.

The Internal Audit Department is responsible for reviewing the previously defined processes and procedures regularly, ensuring the control tasks they include work and are correctly applied.

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

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

The Financial Department will consolidate the accounts every month.

This process starts with the consolidated accounts being received from the various Business Units each month. These are checked and approved to ensure they comply with the established principles of control and significant influence.
The last phase of this process includes verification of the standardisation adjustments affecting the income statement (monthly) and the balance sheet (quarterly)
This means all the Business Units share a documentation and consolidation system that is approved by the Financial Department, which reviews it once a year. It is important to stress that the Company has a single Accounts Plan for the entire Group, as well as shared management IT tools in all the Business Units.

F.5 Supervision of the system.

Report, indicating the main characteristics of at least:

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

The Audit and Control Committee is the advisory body to which the Board of Directors has delegated its powers to update and supervise the SCIIF. As part of this function and to fulfil the tasks delegated by the Board, the Committee receives and reviews the financial reports which the group issues to the markets and regulatory bodies, particularly the audit report and the consolidated annual financial statements. The Committee supervises the preparation process and the completeness of the financial reports of the Company and its subsidiaries, and checks that the legal requirements applicable to the company are complied with, the consolidation perimeter is appropriate and that generally accepted accounting standards are applied correctly.

The Audit and Control Committee receives an annual report from the Internal Audit SVP on its assessment of the effectiveness of the SCIIF model, the weaknesses detected during internal audits, and the plans or actions already in place to remedy any detected weaknesses.

The Committee supports and supervises the work of the internal audit department in its assessment of the SCIIF. The Committee proposes the selection, appointment and replacement of the body or person responsible for internal audit services, validates and approves the internal audit plan and objectives for the year, and is responsible for evaluating the performance of the Internal Audit Department.

The internal audit plan for assessing the SCIIF is presented to the Audit and Control Committee for final validation and approval before it is put into practice, in order to include all the considerations of the Committee.

The external auditor notifies the Audit and Control Committee of the conclusions of its audit procedures, and any other matters which may be considered important, 6 times a year. The external auditor also has access to the Audit and Control Committee in order to share, comment on or report any aspects they consider necessary or pertinent. Without compromising its independence, the external auditor engages in a dialogue with the Board, informing it of new accounting standards, the most suitable accounting system for complex or unusual transactions, or the appropriate scope for audit procedures, in regular meetings.
Audit and Control Committee proceedings are documented in the minutes of its meetings.

Internal Audit Function
Internal audits are carried out by the Group's Internal Audit Department, which reports functionally to the General Secretary and directly to the Audit and Control Committee. This hierarchical structure is designed to enable the Internal Audit function to remain structurally independent and to encourage direct communication to and from the Audit and Control Committee.

The Internal Audit function ensures, within reason, the effectiveness of the internal control system, supervising and evaluating the design and effectiveness of the risk management system applied to the company, including specific IT audits.

This function has internal auditing statutes that have been formally approved by the Audit and Control Committee, and an internal audit manual which sets out the Department's working methods.

In relation to monitoring the SCIIF, the Internal Audit Department is responsible for:
- Independently evaluating the internal control model for financial reporting.
- Testing the assertions of the Board.
- Testing the effectiveness of internal controls in the companies within the scope of application, in a maximum period of one year for key controls and three years for non-key controls.
- Helping to identify weaknesses in controls and reviewing action plans to correct inadequate controls.
- Conducting follow-up checks to see if weaknesses in controls have been properly remedied.
- Coordinating between the Board and the external auditor when clarification is needed on scope and testing plans.

Scope of SCIIF 2014

As explained above, the Group's SCIIF model covers the 2 main companies based in Spain: NH Hotel Group, S.A. and NH Hoteles España, S.A., and 13 business cycles of great importance to the presentation of financial reports.

A total of 417 control activities have been defined, divided between financial reporting and IT systems, and classified as key and non-key controls. Those responsible for the controls have been defined at Corporate level, for Business Units and at the Shared Services Centre.

Since October 2014, a monthly calendar has been defined for internal control reporting where, at the end of each month, each responsible body performs a self-assessment of the controls for which it is responsible. This self-assessment leads to a certification process at Administration SVP level.

During 2014, the Internal Audit Department supervised the self-assessment process and evidence deposited in a file shared by the Shared Services Centre, Administration and the Audit Department.

The 2014 evaluation process analysed a total of 351 controls. These controls were evaluated according to the guidelines included in the "SCIIF Evaluation Procedure", summarised below:
- The controls evaluated each month were subjected to two types of review, one based on the supervision of the evaluation by the owners of the controls, and another where the objective was to repeat the tests and checks of the effectiveness of the control.
- For the other controls, evidence was obtained and the necessary tests were run to enable conclusions to be drawn on their effectiveness.
- User-defined files (UDA) have been identified which impact the preparation of financial reports, where the existence has been verified of controls of completeness, availability and security.

The review has detected weaknesses in internal controls and room for improvement in certain processes which do not have a significant impact on the quality of financial reporting, and action plans agreed with the bodies responsible for the controls have been proposed. The Internal Audit Department will check the implementation of these action plans during its regular tests of the SCIIF.

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

The Audit Committee meets approximately every six weeks to review the regular financial reports. It also discusses matters relating to internal controls and/or other current initiatives.

The Financial Department, through the Chief Financial Officer, is responsible for notifying senior management of any important matter relating to the SCIIF and/or financial reporting through the meetings of the Board of Directors, which are attended by the CEO and occasionally by the SVP of the Internal Audit Department.

All the weaknesses detected by the Internal Audit Department during its work are subject to recommendations and action plans agreed with the audited department. The Internal Audit Department supervises the implementation of the agreed actions and reports their status to the Company's various governing bodies (mainly the Audit Committee).

The external auditor also issues an annual report on improvements and/or deficiencies found, relating to the internal control system, through its regular reports to the Audit and Control Committee and its Letter of Internal Control Recommendations.

F.6 Other relevant information

None.

F.7 Report by the external

Auditor Report on:

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

NH has asked the external auditor to issue a report reviewing the information described in the present SCIIF report for 2014, and this report is attached as an Appendix.

G - DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

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

1. The articles of association of listed companies should not limit the maximum number of votes that a single shareholder may cast, nor contain other restrictions that stand in the way of a company take-over through the acquisition of its shares in the market.

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

   Compliant

2. When a parent company and a subsidiary company are both stock market listed, both must provide detailed disclosure on:
   a) Their respective areas of activity and possible business relations between them, as well as between the listed subsidiary and the other companies in the group;
   b) The mechanisms in place for resolving potential conflicts of interest that may arise.

   See sections: D.4 and D.7.

   Not Applicable

3. Although not expressly required under mercantile law, operations that involve a structural change to the company, especially the following, are subject to the approval of the General Shareholders' Meeting:
   a) The transformation of listed companies into holding companies by conversion to subsidiaries, or the transfer to subsidiary entities of essential activities which were hitherto carried out by the parent company, even though it maintains full control over them;
   b) The acquisition or disposal of essential operational assets when this involves an effective modification of the corporate purpose;
   c) Operations equivalent to effectively winding up the company.

   See section: B.6

   Partially compliant

   The amendment of the articles approved by the General Shareholders' Meeting on 29 June 2011 expressly included the transactions mentioned in sections b) and c) of this Recommendation as matters to be submitted to the General Meeting for its approval. This does not apply to the transactions described in section a). Without prejudice to the foregoing, and as a consequence of the coming into force of Law 31/2014, of 3 December, amending the Capital Companies Act for the improvement of corporate governance, the Company intends to adapt the wording of its articles of association and other internal regulations expressly in order to include the competencies described in this Recommendation within the scope of competency of the General Shareholders' Meeting.

4. Detailed proposals of the resolutions to be adopted by the General Shareholders' Meeting, including the information referred to in Recommendation 27, should be published at the same time as the announcement of the General Meeting is published.

   Compliant

5. The General Shareholders' Meeting votes separately on those subjects that are essentially independent so that shareholders are able to exercise their voting preferences separately. And that this rule is applied, particularly to:
   a) The appointment or ratification of directors, who must be voted for individually;
   b) In the event of amendments to the articles of association, to each essentially independent article or group of articles.

   Compliant

6. Companies allow split votes, so that financial intermediaries that legitimately appear as shareholders, but are acting on behalf of different clients, can cast their votes according to their clients' instructions.

   Compliant

7. The Board carries out its functions with a unity of purpose and independent criteria, treating all shareholders equally, guided by the interests of the company, which is understood to be the constant maximisation of the financial value of the company.
   It should also ensure that the company respects all laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories in which it operates; and observes the principles of social responsibility to which it has voluntarily subscribed.

   Compliant

8. The principal objective of the Board should be to approve the Company's strategy and the organisational requirements for its implementation, as well as to supervise and control management to ensure it achieves the objectives set and fulfils the company's objectives and corporate purpose. Therefore, the plenary sessions of the Board reserves the authority to approve:

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

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

      ii) The investment and financing policy;

      iii) The definition of the corporate group structure;

      iv) The corporate governance policy;

      v) The corporate social responsibility policy;

      vi) The senior executive remuneration and performance evaluation policy;

      vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.

      viii) The dividend and treasury stock policy, and in particular, their limits.

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

   b) The following decisions:

      i) The appointment and removal of senior managers, as well as their compensation clauses, as proposed by the Chief Executive Director of the company.

      ii) The remuneration of directors and, in the case of executives, the additional remuneration for their executive functions and other conditions that are to be respected in their contracts.

      iii) The financial information that the company, as a listed company, must periodically disclose.

      iv) All investments or operations that, due to their significant value or special characteristics, are considered strategic, except those that are approved by the General Shareholders' Meeting.

      v) The creation or acquisition of stakes in special-purpose entities or those domiciled in countries or territories deemed to be tax havens, as well as any other transactions or operations of an analogous nature which could erode the group's transparency due to their complexity

   c) Any transactions which the Company may carry out with directors, significant shareholders or shareholders represented on the Board, or with people related to them ("related-party transactions"). Authorisation of the Board shall not be required however, for related party transactions that simultaneously meet the following three conditions:

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

      2 They are carried out at generally established rates or prices, set by the supplier of the good or service;

      3 Their amount does not exceed 1% of the company's annual revenues

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

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

   See sections: D.1 and D.6

   Partially compliant

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

9. That, in the interests of effectiveness and participation, the Board should comprise no fewer than five and no more than 15 members

   See section: C.1.2

   Compliant

10. External proprietary directors and independent directors should comprise a significant majority of the Board of Directors, and the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage shareholdings of the executive directors in the company.

    See sections: A.3 and C.1.

    Compliant

11. Among the external directors, the proprietary/independent director ratio should reflect the existing ratio between the capital of the company represented by the proprietary directors and the remaining capital.

    This criterion of strict proportionality can be relaxed so that the percentage of proprietary directors is greater than the total percentage of capital they represent:

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

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

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

    Compliant

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

    See section: C.1.3

    Explain

    Notwithstanding the fact that the Board is composed of 13 members, out of the 12 directors making up the Board of Directors of NH Hotel Group, S.A. on 31 December 2014, three were independent, accounting for a quarter of the total number of directors.

13. Each specific directorship is explained by the Board to the General Shareholders' Meeting, which must make or ratify the appointment, and is confirmed or, as applicable, reviewed annually in the Annual Corporate Governance Report following verification by the Appointments Committee. And this Report also explains the reasons why proprietary directors have been appointed on behalf of shareholders with stakes of less than 5% in the company capital and the reasons for ignoring, if applicable, formal requests for presence on the Board from shareholders with stakes equal to or greater than others who have successfully proposed proprietary directors.

    See section: C.1.3 and C.1.8

    Compliant

14. When there are few or no women directors, the Appointments Committee will ensure that when vacancies arise:

    a) The selection procedures do not suffer from any implicit bias that hampers the selection of female directors;

    b) The company deliberately seeks and includes women who match the professional profile sought among the potential candidates.

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

    Compliant

15. The chairman, as the person responsible for the efficient conduct of the Board, ensures that directors receive sufficient information in advance; promotes discussion and the active participation of directors during Board meetings, ensuring their freedom to make judgements and express opinions; and organises and coordinates with the chairmen of the relevant committees to periodically evaluate the Board as well as the Managing Director or the Chief Executive, as applicable.

    See sections: C.1.19 and C.1 41

    Compliant

16. When the chairman of the Board is also the chief executive officer of the company, one of the independent directors is to be empowered to call meetings of the Board or to include new items on the agenda; to coordinate and take note of the concerns of the external directors; and to direct the evaluation of the Chairman by the Board.

    See sections: C.1.22

    Not applicable

17. The secretary of the Board takes pains to ensure that the actions of the Board:

    a) Comply with the conditions and the spirit of the laws and regulations, including those approved by regulatory entities;

    b) Comply with the company's Articles of Association and with the regulations of the Shareholders' Meeting, the Board of Directors and any other company regulations;

    c) Take into account the recommendations on good governance contained in this Unified Code that the company has accepted.

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

    See sections: C.1.34

    Compliant

18. The Board is to meet as frequently as required to efficiently perform its functions, following the schedule of dates and matters established at the start of the year, and each director may propose other items not initially included on the agenda.

    See sections: C.1.29

    Compliant

19. Directors should be absent only when it is essential and the number of absences should be included in the Annual Corporate Governance Report. And in the event that representation is unavoidable, it should be granted with instructions.

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

Partially compliant

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

20. When directors or the secretary raise concerns about a proposal or, in the case of directors, about the performance of the company, and such concerns are not resolved by the Board, these concerns are recorded in the minutes at the request of the director raising them.

Compliant

21. Once a year, a plenary session of the Board should assess:

a) The quality and efficiency of the Board's work;

b) The performance of the chairman of the Board and the Chief Executive of the company based on the report provided by the Appointments Committee;

c) The performance of its committees based on the reports provided by them

See sections: C.1.19 and C.1.20

Compliant

22. That all directors can exercise their right to obtain any additional information they consider necessary on matters for which the Board is responsible. And, unless otherwise stated by the articles of association or the Board Regulations, they address their requirements to the Chairman or to the Secretary of the Board.

See section: C.1.41

Compliant

23. That all directors have the right to obtain from the company the advice they need to carry out their duties. The company facilitates the appropriate channels for exercising this right, which in special circumstances may involve external advice at the expense of the company.

See section: C.1.40

Compliant

24. Companies establish an orientation programme that provides new directors with a quick but sufficient understanding of the company and of its rules of corporate governance. And directors are also offered programmes to improve their knowledge when circumstances demand.

Compliant

25. Companies require directors to dedicate the time and effort required to discharge their duties effectively and, as a result:

a) That directors notify the Appointments Committee of any other professional obligations that could interfere with the commitment required;

b) That companies regulate the number of boards their directors may belong to.

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

Compliant

26. Proposals on the appointment or re-election of directors submitted by the Board to the General Meeting of Shareholders, as well as their provisional appointment by co-opting, are to be passed by the Board:

a) At the proposal of the Appointments Committee in the case of independent directors.

b) After a prior report from the Appointments Committee in the case of other directors.

See section: C.1.3

Compliant

27. Companies publish and update the following information about their directors on their website:
    a) Professional profile and biography;
    b) Other boards they sit on, whether or not these are listed companies;
    c) Indication of the type of director, stating in the case of proprietary directors, the shareholder that they represent or with which they have ties.
    d) Date of their first appointment as a director in the company as well as the date of subsequent re-appointments, and;
    e) Shares and share options held by the director.

    Partially compliant

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

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

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

    Compliant

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

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

    Compliant

30. Companies establish rules that require directors to report and, as applicable, resign when circumstances arise that could damage the company's credibility and reputation, and in particular to notify the Board of any criminal proceedings in which they are involved, and the subsequent developments of any court action.
    If a director is indicted or tried for any of the offences set out in Article 213 of the Capital Companies Act, the Board examines the case as soon as possible and, based on the specific circumstances, decide whether the director should continue in their post. The Board reports and explains all such occurrences in the Annual Corporate Governance Report.

    See sections: C.1.42, C.1.43

    Compliant

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

    Compliant

32. When, due to resignation or for other reasons, a director vacates their post before the end of their term, they explain the reasons in a letter sent to every member of the Board. And, notwithstanding the fact that this departure is reported as a significant event, the reason for the departure is reported in the Annual Corporate Governance Report.

    See section: C.1.9

    Compliant

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

    Compliant

34. The remuneration of external directors is sufficient to compensate the dedication, qualifications and responsibility required for the position; but not so high as to compromise their independence.

    Compliant

35. Remuneration linked to the results of the company shall take into consideration any possible qualifications in the auditor's report that might reduce such results.

Not applicable

36. In the case of variable remuneration, payment policies incorporate the limits and technical safeguards required to ensure that such remuneration is in line with the professional performance of the beneficiaries and is not simply derived from the general evolution of the markets or the business sector of the company or from other similar circumstances.

Compliant

37. When there is a Delegate or Executive Committee (hereinafter "Executive Committee"), the participation structure of the different types of directors is similar to that of the main Board and its secretary is the Secretary of the Board

See sections: C.2.1 and C.2.6

Compliant

38. The Board is always aware of the issues discussed and the decisions adopted by the Executive Committee and each member of the Board receives a copy of the minutes of the Committee's meetings.

Compliant

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

a) The Board appoints the members of these committees taking into account the knowledge, skills and experience of the directors and the tasks of each committee; it discusses their proposals and reports, and during the first plenary session following their meetings, receives the report on their activities and responds to the work carried out;

b) These committees are exclusively formed of external directors, comprising at least three members. The foregoing does not exclude the attendance of executive directors or senior managers when the members of the committee expressly agree.

c) The chairmen are independent directors.

d) They have access to external advice when they deem it necessary to perform their duties.

e) Minutes should be kept for each meeting, a copy of which should be sent to all Board members.

See sections: C.2.1 y C.2.4

Compliant

40. Supervision of compliance with the internal codes of conduct and the rules on corporate governance is the responsibility of the Audit Committee, the Appointments Committee, or if separate, the committees for compliance or corporate governance.

See sections: C.2.3 y C.2.4

Compliant

41. 41. Members of the Audit Committee, particularly its chairman, are appointed on the basis of their knowledge and experience in accountancy, auditing or risk management.

Compliant

42. Listed companies have an internal audit area, supervised by the Audit Committee, which ensures the correct operation of the IT and internal control systems.
See section: C.2.3

Compliant

43. The manager of the internal audit area presents their annual work plan to the Audit Committee, directly reports the incidents that occur to it and submits an activity report to the Committee at the end of every year.

Compliant

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

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

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

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

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

See section: E

Compliant

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

1. In relation to internal control and information systems:

   a) Manage and report the main risks identified due to supervising the effectiveness of the company's internal control and internal auditing appropriately.

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

   c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously any potentially significant irregularities, particularly financial and accounting, they discover within the Company.

2. In relation to the external auditor:

   a) Receive information about the audit plan and its results from the external auditor on a regular basis and verify that senior management takes its recommendations into account.

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

      i) That the company notifies the Spanish Stock Market Commission (CNMV) of the change of auditor as a significant event and accompanies it with a statement about the existence of disagreements with the outgoing auditor and the content of such disagreements, if they exist.

      iii) In the case of the resignation of the external auditor, to examine the circumstances that may have caused it.

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

Compliant

46. The Audit Committee may summon any employee or director of the company, and may require the appearance of the same without the presence of any other director

Compliant

47. The Audit Committee notifies the Board, prior to it adopting the corresponding decisions, about the following issues indicated in Recommendation 8:

a) The financial information that the company, as a listed company, must periodically disclose. The Committee must ensure that the interim accounts are drafted using the same accounting criteria as the annual accounts, and therefore consider the appropriateness of a limited review by the external auditor.

b) The creation or acquisition of stakes in special-purpose entities or those domiciled in countries or territories deemed to be tax havens, as well as any other transactions or operations of an analogous nature which could erode the group's transparency due to their complexity.

c) Related party transactions, unless another supervision and control committee has been appointed to draw up the report.

See sections: C.2.3 and C.2.4

Compliant

48. The Board of Directors shall make every effort to present financial statements to the General Shareholders' Meeting that are free from reservations or qualifications in the audit report and, in exceptional circumstances where they may exist, both the Chairman of the Audit Committee and the auditors shall provide the shareholders with a clear explanation of the content and scope of such reservations or qualifications.

See section: C.1.38

Compliant

49. The majority of the members of the Appointments Committee (or Appointments and Remuneration in the case of a single committee) are independent directors.

See section: C.2.1

Explain

On 31 December 2014, the Appointments and Remuneration Committee consisted of one Independent Director (Francisco Román Riechmann), who was also its chairman, and two Proprietary Directors. Nevertheless, on 26 January 2015 the Board appointed a new independent director as a new member of this Committee

50. In addition to the functions indicated in the preceding Recommendations, the following correspond to the Appointments Committee:

a) Evaluating the skills, knowledge and experience required by the Board in order to define the abilities and functions required by candidates to cover each vacancy, and assessing the time and dedication required to correctly carry out their functions.

b) Examining or organising, as they deem appropriate, the Chairman's and the chief executive's succession, and if necessary bringing proposals before the Board so that such successions are effected in an orderly and well-planned fashion.

c) Reporting appointments and departures of senior managers proposed by the Chief Executive Director to the Board.

d) Informing the Board about the gender diversity issues indicated in Recommendation 14 of this Code.

See section: C.2.4

Compliant

51. The Appointments Committee consults the chairman and the Chief Executive Director of the company, particularly regarding issues concerning executive directors.
And that any director can request the Appointments Committee to take into consideration potential candidates to cover any director vacancies, if they considers the candidate appropriate.

Compliant

52. In addition to the functions indicated in the preceding Recommendations, the following correspond to the Remuneration Committee:

a) Proposing to the Board of Directors:

i) The remuneration policy for directors and senior managers;

ii) The individual remuneration of executive directors and the other conditions of their contracts.

iii) The basic conditions of contracts of senior managers.

b) Safeguarding compliance with the remuneration policy established by the company

See sections: C.2.4

Compliant

53. The Remuneration Committee consults the chairman and the Chief Executive Director of the company, particularly regarding issues concerning executive directors.

Compliant

H - OTHER USEFUL INFORMATION

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

SECTION A.2

The information provided in the reference section reflects holdings in the Company's shares on 31 December 2014.

Notwithstanding this, on 23 January 2015, Intesa Sanpaolo S.p.A. and Private Equity International S.A. reported the sale of 7.6% of the share capital of NH Hotel Group, S.A.

SECTION A.3

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

SECTION A.5

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

SECTION A.6

In relation to the shareolders´agreement signed between Intesa Sanpaolo y NH Hotel Group, that comes from the Agreement described under this paragraph A.6, the Companies wants to clarify that these agreements have been terminated, as duly communicated to the CNMV on 27th January 2015, as a consequence of the sale of the whole stake in Intesa Sanpaolo.

SECTION C.1.2

This section shows the composition of the Board on 31 December 2014. It should be noted that, due to Intesa Sanpaolo S.p.A. and Private Equity International S.A. having sold their entire shareholding in NH Hotel Group, S.A., reported on 23 January 2015, Livio Giovanni Maria Torio presented his resignation to the Board on 27 January 2015.

Furthermore, the same Board meeting on 27 January 2015, after a favourable report by the Appointments and Remuneration Committee, approved the appointment of the Director Ling Zhang as Vice-Chairman of the Board of Directors.

Taking into account the aforementioned, although the General Shareholders´meeting helt on 26th June 2015 has approved to fix the number of the Directors up to 13, as per 31 december 2014 the Board was composed by 12 members, after the vacancy of Mr. Ramon Lanau after his resignation on 23th December 2014.

Therefore all percentages included in this Report with regard to the total members of the Board have been done over 13 members, instead of the 12 existing members as per 31.12.2014.

At the issuance date of this Report there has been a second vacancy, after the resignation of Mr Livio Giovanni Maria Torio on 27th January 2015.

SECTION C.1.3

Mr. José Maria Lopez Elola was member of the board of Sotogrande, S.A., a company belonging to NH Hotel Group, SA. (100%) until its sale on 14th November 2014. Mr. Lopez Elola has gained 56.785,72 Euros as fix remuneration as member of the Board in Sotogrande, S.A. and until the mentioned sale date.

SECTION C.1.15

Following the instructions of CNMV Circular 5/2013, of 12 June, establishing the IAGC models, the amount in thousands of Euros in the field "Remuneration of the board of Directors" will relate to the amount the entity declares as total remuneration accrued, according to Table c) "Summary of Remunerations" in Section D.1 – "Details of the individual remuneration accrued by each Director", of the model defined in Appendix I of CNMV Circular 4/2013, of 12 June, on the IAR.

SECTION C.1.16

The amount reflected in this paragraphs includes the amounts paid to members that have been members of the Management Committee during 2014.

SECTION C.2.1

With regard to the composition of the Audit and Control Committee, it shall be noted that although the nomination of Mr. Francisco Javier Illa was done on 27th January 2015, he has been covering the vacancy of Mr. Ramon Lanau as member of the mentioned Committee, after his resignation on 23th December 2014.

SECTION D.2

The Audit and Control Commission held on 22 September 2014 has informed favorably to the constitution of the Joint Venture with the shareholder HNA Group for the development of the trademark NH in China. This approval has been adopted without the presence of the Proprietary Director representing the shareholder HNA Group and was duly communicated by Relevant Fact of 25th September 2014 and with registry number 211.146.

SECTION F.25

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

2. You may include any other information, clarification or detail in this section, related to the previous sections of the report, which may be relevant but not repetitive.

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

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

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

25/03/2015

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

NO

Name or business name of the Director who did not vote to approve this report	Reasons (opposed, abstention, non-attendance)	Explain the reasons

CONSOLIDATED BALANCE SHEETS

At 31 December 2014 and 31 December 2013 (€Thousand)

ASSETS

	Note	31.12.14	31.12.13*
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,606,360	1,714,980
Goodwill	6	93,923	97,221
Intangible assets	7	78,842	72,616
Real estate investment		-	957
Investments valued using the equity method	10	17,816	84,179
Non-current financial investments		165,564	111,599
Loans and accounts receivable not available for trading	11.1	158,859	103,867
Other non-current financial investments	11.2	6,705	7,732
Deferred tax assets	20	157,858	198,782
Other non-current assets		11,085	578
Total non-current assets		**2,131,448**	**2,280,912**

	Note	31.12.14	31.12.13*
CURRENT ASSETS			
Non-current assets classified as held for sale	9	95,193	-
Inventories	12	8,226	79,635
Trade receivables	13	136,012	119,195
Non-trade receivables		69,789	60,856
Tax Note	20	35,123	39,692
Other non-trade debtors		34,666	21,164
Short-term financial investments	4.6.3	2,787	-
Cash and cash equivalents	14	200,103	133,869
Other current assets		17,441	13,042
Total current assets		**529,551**	**406,597**
TOTAL ASSETS		**2,660,999**	**2,687,508**

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	31.12.14	31.12.13*
EQUITY			
Share capital	15.1	700,544	616,544
Parent Company reserves	15.2	624,570	657,800
Reserves in fully consolidated companies		(68,049)	(106,071)
Reserves in companies consolidated using the equity method		(19,794)	(11,699)
Other equity instruments		27,230	27,230
Exchange differences		(102,659)	(103,657)
Treasury shares	15.3	(38,805)	(38,115)
Consolidated Profit/(Loss) for the financial year		(9,550)	(41,562)
Equity attributable to Parent Company shareholders		**1,113,487**	**1,000,470**
Non-controlling interests	15.4	23,181	153,001
Total equity		**1,136,668**	**1,153,471**

	Note	31.12.14	31.12.13*
NON-CURRENT LIABILITIES			
Obligations and other marketable securities	16	463,982	458,288
Bank borrowings	16	268,944	321,295
Obligations under finance leases		2,782	1,703
Other non-current liabilities	17	88,484	50,306
Provisions for risks and charges	19	56,930	66,735
Deferred tax liabilities	20	179,730	201,225
Total non-current liabilities		**1,060,852**	**1,099,552**

	Note	31.12.14	31.12.13*
CURRENT LIABILITIES			
Liabilities associated with non-current assets classified as held for sale	9	56,075	-
Obligations and other marketable securities	16	3,517	3,661
Bank borrowings	16	70,911	96,044
Obligations under finance leases		1,056	2,428
Trade and other payables	21	231,427	229,588
Tax payables	20	40,094	37,495
Provisions for contingencies and charges	19	14,835	26,270
Other current liabilities	23	45,564	38,999
Total current liabilities		**463,479**	**434,485**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,660,999**	**2,687,508**

(*) Audited balances. Presented for purposes of comparison only.
Notes 1 to 31 in the Consolidated Annual Report and Annexes I/II form an integral part of the Consolidated Balance Sheet at 31 December 2014.
The Consolidated Balance Sheet at 31 December 2013 is presented solely for the purposes of comparison.

CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENTS

For 2014 and 2013 (€Thousand)

	Note	2014	2013*
Net turnover	25.1	1,246,954	1,232,172
Other operating income	25.1	3,299	1,494
Net gains on the disposal of non-current assets	7, 8 and 25.1	(1,005)	2,120
Procurements		(67,321)	(71,190)
Purchases		(67,321)	(71,190)
Inventory impairments	12	-	-
Personnel expenses	25.3	(373,793)	(387,229)
Allocation for depreciation	7 and 8	(98,516)	(101,322)
Net impairment losses	6, 7 and 8	12,810	28,103
Other operating expenses		(705,296)	(697,515)
Variation in the provision for onerous contracts		14,721	6,642
Other operating expenses	25.4	(720,017)	(704,157)
Profit (loss) on disposal of financial investments	2.5.4	17,278	40,851
Profit (loss) from companies valued using the equity method	10	(1,341)	(1,521)
Financial income	25.2	7,368	4,099
Change in fair value of financial instruments	25.6	2,016	9,511
Financial assets held for trading and others		-	9,511
Financial expenses	25.6	(68,829)	(76,346)
Net exchange differences (Income/(Expense))		38	(7,483)
Impairment of financial investments		-	-
PROFITS / (LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS		**(26,338)**	**(24,256)**
Corporation tax	20	(15,611)	(9,122)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR - CONTINUING		**(41,949)**	**(33,378)**
Profit (loss) for the year from discontinued operations net of tax		31,509	(6,669)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		**(10,440)**	**(40,047)**
Exchange differences		1,330	(25,650)
Arising from the measurement of financial instruments		(4,321)	5,690
Income and expenses recognised directly in equity		**(2,991)**	**(19,960)**
TOTAL COMPREHENSIVE LOSS		**(13,431)**	**(60,007)**
Profit / Loss for the year attributable to:			
Parent Company Shareholders		(9,550)	(41,562)
Non-controlling interests		(623)	1,741
Non-controlling interests in discontinued operations		(267)	(226)
Comprehensive loss attributable to:			
Parent Company Shareholders		(12,873)	(57,974)
Non-controlling interests	15.4	(558)	(289)
Profit / Loss per share in Euros (basic and diluted)	**5**	**(0.03)**	**(0.13)**

(*) Presented for purposes of comparison only. Audited balances adjusted for changes to IFRS 5.

Notes 1 to 31 set forth in the Consolidated Annual Report and Annexes I/II form an integral part of the Consolidated Comprehensive Profit and Loss Statement for 2014. The Consolidated Comprehensive Profit and Loss Statement for 2013 is presented solely for the purposes of comparison.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For 2014 and 2013 (€Thousand)

	Share Capital	Share Premium	Parent Company's Reserves		Reserves in Companies Consolidated by		Currency Translation Differences	Equity Instruments	Equity Valuation Adjustments	Treasury Shares	Income Attributable to the Parent Company	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Other Reserves	Full Consolida-tion	The Equity Method								
Balances at 31 December 2012	**493,235**	**413,747**	**43,121**	**119,637**	**160,894**	**(5,678)**	**(79,811)**	**-**	**(5,690)**	**(11,590)**	**(293,737)**	**834,128**	**159,158**	**993,286**
Auditing adjustments record	-	-	-	-	(2,795)	-	-	-	-	-	-	(2,795)	-	(2,795)
Initial balance adjusted 1 January 2013	**493,235**	**413,747**	**43,121**	**119,637**	**158,099**	**(5,678)**	**(79,811)**	**-**	**(5,690)**	**(11,590)**	**(293,737)**	**831,333**	**159,158**	**990,491**
Net profit (loss) for 2013	-	-	-	-	-	-	-	-	-	-	(39,818)	(39,818)	1,515	(38,303)
Exchange differences	-	-	-	-	-	-	(23,846)	-	-	-	-	(23,846)	(1,804)	(25,650)
Cash flow hedges	-	-	-	-	-	-	-	-	5,690	-	-	5,690	-	5,690
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognised income and expenses for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(23,846)**	**-**	**5,690**	**-**	**(39,818)**	**(57,974)**	**(289)**	**(58,263)**
Capital increase	123,309	107,512	-	-	-	-	-	-	-	-	-	230,821	-	230,821
Distribution of Profit (Loss) 2012:												-		-
- To Reserves	-	-	-	(25,481)	(262,235)	(6,021)	-	-	-	-	293,737	-	-	-
- To Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in treasury shares	-	-	-	-	-	-	-	-	-	(26,525)	-	(26,525)	-	(26,525)
Remuneration scheme in shares	-	-	-	483	-	-	-	-	-	-	-	483	-	483
Acquisition of non-controlling interests	-	-	-	-	364	-	-	-	-	-	-	364	(3,875)	(3,511)
Business combination	-	-	-	-	-	-	-	-	-	-	-	-		-
Distribution of dividends	-	-	-	-	-	-	-	-	-	-	-	-	(1,466)	(1,466)
Convertible obligations	-	-	-	-	-	-	-	27,230	-	-	-	27,230	-	27,230
Other movements	-	-	-	(1,219)	(2,299)	-	-	-	-	-	-	(3,518)	(527)	(4,045)
Balances at 31 December 2013	**616,544**	**521,259**	**43,121**	**93,420**	**(106,071)**	**(11,699)**	**(103,657)**	**27,230**	**-**	**(38,115)**	**(39,818)**	**1,002,214**	**153,001**	**1,155,215**
Auditing adjustments record	-	-	-	-	-	-	-	-	-	-	(1,744)	(1,744)	-	(1,744)
Initial balance adjusted 1 January 2014	**616,544**	**521,259**	**43,121**	**93,420**	**(106,071)**	**(11,699)**	**(103,657)**	**27,230**	**-**	**(38,115)**	**(41,562)**	**1,000,470**	**153,001**	**1,153,471**
Net profit (loss) for 2014	-	-	-	-	-	-	-	-	-	-	(9,550)	(9,550)	(890)	(10,440)
Exchange differences	-	-	-	-	-	-	998	-	-	-	-	998	332	1,330
Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	(4,321)	-	-	-	-	-	-	(4,321)	-	(4,321)
Recognised income and expenses for the period	**-**	**-**	**-**	**-**	**(4,321)**	**-**	**998**	**-**	**-**	**-**	**(9,550)**	**(12,873)**	**(558)**	**(13,431)**
Capital increase	84,000	113,400	-	(75,289)	-	-	-	-	-	-	-	122,111	(123,055)	(944)
Distribution of Profit (Loss) 2013:														
- To Reserves	-	-	-	(71,647)	38,180	(8,095)	-	-	-	-	41,562	-	-	-
- To Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- To Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in treasury shares	-	-	-	-	-	-	-	-	-	(690)	-	(690)	-	(690)
Remuneration scheme in shares	-	-	-	1,167	-	-	-	-	-	-	-	1,167	-	1,167
Business combination	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	325	-	-	-	-	-	-	325	(765)	(440)
Other transactions with shareholders or owners	-	-	-	-	-	-	-	-	-	-	-	-	(4,626)	(4,626)
Other movements	-	-	-	(861)	3,838	-	-	-	-	-	-	2,977	(816)	2,161
Balances at 31 December 2014	**700,544**	**634,659**	**43,121**	**(53,210)**	**(68,049)**	**(19,794)**	**(102,659)**	**27,230**	**-**	**(38,805)**	**(9,550)**	**1,113,487**	**23,181**	**1,136,668**

Notes 1 to 33 in the Consolidated Annual Report and Annexes I/II form an integral part of the Consolidated Statement of Changes in Shareholders' Equity for the financial year ending 31 December 2014.

The Consolidated Statement of Changes in Shareholders' Equity for the year ending 31 December 2013 is presented solely for the purposes of comparison.

CONSOLIDATED CASH FLOW STATEMENTS

For the twelve months ending 31 December 2014 and 2013 (€Thousand)

	Note	31/12/13	31/12/12*
1. OPERATING ACTIVITIES			
Consolidated profit (loss) before tax		**(26,338)**	**(22,512)**
Adjustments:			
Amortisation of tangible and intangible assets (+)	7 and 8	98,516	101,322
Impairment losses (net) (+/-)	6, 7 and 8	(12,810)	(28,103)
Allocations for provisions (net) (+/-)	19	(14,721)	(6,642)
Gains/Losses on the sale of tangible and intangible assets (+/-)	25.1	1,005	(2,120)
Gains/Losses on investments valued using the equity method (+/-)	10	1,341	1,521
Financial income (-)	25.2	(7,368)	(4,099)
Financial expenses and variation in fair value of financial instruments (+)	25.6	66,813	67,287
Net exchange differences (Income/(Expense))		(38)	7,483
Profit (loss) on disposal of financial investments		(17,278)	(40,851)
Other non-monetary items (+/-)		4,108	(14,995)
Adjusted profit (loss)		**93,230**	**58,291**
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		361	(29)
(Increase)/Decrease in trade debtors and other accounts receivable		(44,383)	(5,486)
(Increase)/Decrease in other current assets		(6,014)	8,330
Increase/(Decrease) in trade payables		3,674	358
Increase/(Decrease) in other current liabilities		(3,847)	(13,172)
Increase/(Decrease) in provisions for contingencies and expenses		(7,158)	(959)
Income tax paid		(3,750)	(7,082)
Total net cash flow from operating activities (I)		**32,113**	**40,251**
2. INVESTMENT ACTIVITIES			
Financial income		7,289	3,753
Investments (-):			-
Tangible and intangible assets and investments in property		(109,892)	(38,768)
Non-current assets classified as held for sale		(4,256)	-
Non-current financial investments		(370)	(17,560)
		(114.518)	**(56,328)**
Disinvestment (+):			
Group companies, joint ventures and associates	2	58,278	141,388
Tangible and intangible assets and investments in property		6,449	1,962
Non-current assets classified as held for sale		-	5,150
Non-current financial investments		4,247	-
Other assets		-	287
		68,974	**148,787**
Total net cash flow from investment activities (II)		**(38,255)**	**96,212**
3. FINANCING ACTIVITIES			
Interest paid on debts (-)		(59,952)	(68,055)
Variations in (+/-):			
Equity instruments:			
- Capital		-	123,309
- Reserves		-	107,512
- Non-controlling interests		-	-
- Treasury shares		(692)	(23,634)
- Equity components of convertible bonds		-	27,230
Debt instruments:			
- Bonds and other tradable securities (+)		-	457,641
- Loans from credit institutions (+)		10,000	137,575
- Loans from credit institutions (-)		(37,227)	(765,684)
- Other financial liabilities (+/-)		(15,911)	(37,585)
Total net cash flow from financing activities (III)		**(103,782)**	**(41,691)**
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		(109,924)	94,772
5. Effect of exchange rate variations on cash and cash equivalents (IV)		254	1,210
6. Effect of variations in the scope of consolidation (V)		176,412	-
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		66,234	93,562
8. Cash and cash equivalents at the start of the financial year		**133,869**	**40,307**
9. Cash and cash equivalents at the end of the financial year (7+8)		**200,103**	**133,869**

** Audited balances adjusted for IFRS 5.*
Notes 1 to 31 in the Consolidated Annual Report and Annexes I/II are an integral part of the Consolidated Comprehensive Income for 2014.
The Consolidated Comprehensive Income Statement for 2013 is presented solely for the purposes of comparison.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

NH Hotel Group, S.A. (formerly NH Hoteles S.A.) and Subsidiaries Report on the Consolidated Financial Statements for 2014

1.- ACTIVITY AND COMPOSITION OF THE PARENT COMPANY

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

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

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

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

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

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

Between 2003 and 2005, the Group’s organic growth allowed it to enter different European markets, such as Italy and Romania, as well as new cities such as London. It also entered the quality tourist sector, with a significant real estate component in 2005 with projects in Cap Cana (Dominican Republic) and the Mayan Riviera (Mexico).

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

The Group entered into an agreement with Grupo Inversor Hesperia, S.A. (hereinafter “Hesperia”) in 2009 to merge their respective hotel management businesses. As a result, the Group now manages 49 hotels owned or operated by Hesperia. The Group currently manages 34 hotels belonging to Grupo Inversor Hesperia.

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

At the end of 2014, the Group was operating hotels in 28 countries, with 363 hotels and 57,127 rooms, of which around 79% are located in Spain, Germany, Italy and Benelux.

The General Shareholders’ Meeting of 26 June 2014 agreed to change the company’s name from “NH Hoteles, S.A.” to “NH Hotel Group, S.A.”

NH Hotel Group, S.A. has its registered address in Madrid.

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

2.1. Basis of Presentation of the Financial Statements

The consolidated financial statements for 2014 were drawn up by the directors of NH Hotel Group, S.A. at the Board meeting held on 25 March 2015, in accordance with the regulatory reporting framework applicable to the Group, as established in the Code of Commerce and all other Spanish corporate law, and in the International Financial Reporting Standards (“IFRS”) adopted by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and in Law 62/2003, of 30 December, the Tax, Administrative, Labour and Social Security Measures Act, and as such give a true and fair presentation the Group’s equity and financial position at 31 December 2014 and of the results of its operations, changes in equity and consolidated cash flows for the year then ended.

The consolidated financial statements for 2014 of the Group and the entities that it comprises have not yet been approved by the shareholders at the respective Annual General Meetings or by the respective shareholders or sole shareholders. Nonetheless, the directors of the Parent Company believe that said financial statements will be approved without any significant changes. The consolidated financial statements for 2013 were approved by the shareholders at the Annual General Meeting held on 26 June 2014 and filed with the Mercantile Registry of Madrid.

Since the accounting standards and valuation criteria applied in the preparation of the Group's consolidated financial statements for 2014 may differ from those used by some of its member companies, adjustments and reclassifications were used to standardise them and adapt them to IFRS as adopted by the European Union.

2.1.1 Standards and interpretations effective in this period

In 2014 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements, but which did not give rise to a change in the Group's accounting policies:

New standards, amendments and interpretations		Mandatory application starting from:
Approved for use in the European Union		
IFRS 10 Consolidated Financial Statements (published in May 2011)	Replaces the current consolidation requirements set by IAS 27	01 January 2014[1]
IFRS 11 - Joint Arrangements (published in May 2011)	Replaces the current IAS 31 on joint ventures	
IFRS 12 - Disclosure of Interests in Other Entities (published in May 2011)	Single standard which establishes the disclosure of interests in subsidiaries, associates, joint ventures and unconsolidated entities	
IAS 27 (Revised) - Separate Financial Statements (published in May 2011)	The standard has been reviewed, given that since the issuance of IFRS 10 now only the separate financial statements of an entity are included	
IAS 28 (Reviewed) - Investments in Associates and Joint Ventures (published in May 2011)	Parallel review relating to the issue of IFRS 11 Joint Arrangements	
Transitional rules: Amendment to IFRS 10, 11 and 12 (published in June 2012)	Clarification of the transitional rules for these standards	
Investment companies: Amendment to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Exception from consolidation for parent companies that meet the definition of investment companies	01 January 2014
Amendment to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (published in December 2011)	Further clarifications regarding the rules for offsetting financial assets and liabilities under IAS 32	
Amendment to IAS 36 - Recoverable amount disclosures for non-financial assets (published in May 2013)	Clarifies when certain disclosures are required and extends the requirements when the recoverable amount is based on the fair value less selling costs	
Amendments to IAS 39 - Novation of derivatives and continuation of hedge accounting (published in June 2013)	The amendments establish the cases and criteria in which the novation of derivatives does not necessarily entail discontinuing hedge accounting	

**(1) The European Union postponed the date of mandatory application by a year. The original date for application of the IASB was 1 January 2013.*

The Group had opted for voluntary early adoption, beginning in 2013, of the following standards and interpretations, in force as of 2014:

IFRS 10 Consolidated Financial Statements

New regulations for consolidation, replacing the consolidation provisions of IAS 27 and interpretation SIC-12 on the consolidation of special purpose entities. The main new feature is the change to the definition of control: power over an investee, exposure or rights to variable returns on investment, and the ability to affect those returns.

This new definition and the entire new regulatory framework do not require changes to the consolidated companies.

IFRS 11 Joint Arrangements

Replaces IAS 31. The essential change brought about is the elimination of the proportional consolidation option for entities subject to joint control, which shall be accounted for using the equity method.

This standard was applied early, from 1 January 2013. The impact of its application is detailed in the consolidated annual accounts for 2013.

2.1.2 Standards and interpretations issued and not in force

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

New standards, amendments and interpretations		**Mandatory application starting from:**
Approved for use in the European Union		
IFRIC 21 Levies (published in May 2013)	Interpretation of when to recognise a liability for levies that are dependent on the entity's participation in an activity on a given date	17 June 2014
Awaiting approval for use in the European Union as of the date of publication of this document (2)		
IFRS 9 Financial Instruments (final phase published in July 2014)	It replaces the classification and measurement, impairment and hedge accounting requirements in IAS 39	01 January 2018
IFRS 15 - Revenue from Contracts with Customers (published in May 2014)	New standard on revenue recognition (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31)	01 January 2017
Amendments and/or interpretations		
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions (published in November 2013)	The amendment was issued to make it possible to deduct these costs from the service cost in the same period in which they are paid when certain requirements are met	01 July 2014
Improvements to the 2010-2012 and 2011-2013 IFRS Cycles (published in December 2013)	Minor amendments to a number of standards	
Amendment to IAS 16 and IAS 38 - Acceptable Methods of Depreciation and Amortisation (published in May 2014)	Clarifies the methods acceptable for depreciating and amortising property, plant and equipment and intangible assets	1 January 2016
Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Ventures (published in May 2014)	Specifies how to account for the acquisition of an interest in a joint venture whose activity constitutes a business	
Improvement to IFRS 2012 -2014 Cycle (published in May 2014)	Minor amendments to a number of standards	
Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (published in September 2014)	Clarification on the result of these operations if dealing with businesses or assets	
Amendment to IAS 27 Equity Method in Separate Financial Statements (published in August 2014)	This will allow the equity method to be applied to the individual statements of an investor	
Amendments to IAS 16 and IAS 41: bearer plants (published in June 2014)	Bearer plants will be measured at cost instead of fair value	

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

2.2. Information on 2013

As required by IAS 1, the information from 2013 contained in this consolidated annual report is presented solely for comparison with the information from 2014, and consequently does not in itself constitute the Group's consolidated annual accounts for 2013.

In accordance with IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, as indicated in Note 4.7.2, non-strategic assets and liabilities undergoing divestment were reclassified as "Non-Current Assets and Liabilities Classified as Held for Sale" in the accompanying consolidated balance sheet and as "Profits (Loss) for the Year from Discontinued Operations Net of Tax" in the accompanying comprehensive consolidated income statement. Likewise, in accordance with this regulation, for comparison purposes the relevant uniformity adjustments were made to the consolidated comprehensive income statement and statement of cash flows for 2013.

The accompanying Consolidated Statements of Changes in Equity include, under "Record of Audit Adjustments", adjustments identified in previous years relating to calculating rental linearisation. The adjustments for 2012 and before come to €2,795 thousand and those for 2013 are €1,744 thousand.

2.3. Currency of Presentation

These consolidated financial statements are presented in euros. Any foreign currency transactions have been recognised in accordance with the criteria described in Note 4.11.

2.4. Responsibility for the Information, Estimates Made and Sources of Uncertainty

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

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

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

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

2.5. Consolidation Principles Applied

2.5.1 Subsidiaries (See Appendix I)

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

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

Stakes held by non-controlling shareholders in the Group's equity and results are respectively presented in the "Non-controlling interests" item of the consolidated balance sheet and of the consolidated comprehensive profit and loss statement.

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

2.5.2 Associates (See Appendix II)

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

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

2.5.3 Foreign currency translation

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

- Assets and liabilities have been converted by applying the effective exchange rate prevailing at year-end.
- Equity has been converted by applying the historical exchange rate. The historical exchange rate existing at 31 December 2003 of any companies included within the scope of consolidation prior to the transitional date has been considered as the historical exchange rate.
- Income statement items were translated to euros at the average exchange rate for the year.

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

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

2.5.4 Changes in the scope of consolidation

The most significant changes in the scope of consolidation during 2014 and 2013 that affect the comparison between financial years were the following:

a.1 Changes in the scope of consolidation in 2014

a.1.1 Disposals

On 14 November 2014, the Parent Company's stake in Sotogrande, S.A., representing 96.997% of its share capital, was sold for €224,947 thousand. The net amount received after deducting municipal taxes, transaction costs, net debt and financial effects was €181,110 thousand, of which €129,312 thousand corresponded to shares in Sotogrande, S.A. and €51,798 thousand to the liquidation of the intercompany account which the Parent Company maintained with Sotogrande, S.A.

This transaction involved the transfer of the entire property business segment of Sotogrande, S.A., based in Cádiz (Spain). The transaction excluded ownership of shares in the international assets (Capredo Investments GmbH, Sotocaribe, S.L., and Donnafugata Resort, S.r.l., see note 9), and the rights to receivables arising from the claim against the insurance agency which provided the ten-year policy covering building work in a housing development by Sotogrande (see Note 11.1) and the deferred payment of the sale of 15 business premises in another property development.

Before the sale, Sotogrande, S.A. acquired 504,089 and 46,865 shares in Residencial Marlin, S.L. and Los Alcornoques de Sotogrande, S.L., respectively, representing 50% of the share capital of both companies, for a total of €16.65 million. Thus, the Group acquired control of both companies, which it later sold in the context of the sale of its shares in Sotogrande, S.A.

At the same time as the transfer of shares in Sotogrande, S.A., the stakes in the excluded international assets listed above were transferred to NH at market prices, maintaining their value for accounting purposes according to the consolidated financial statements of NH Hotel Group and Subsidiaries. A period of five years was established for transferring the stake in Sotocaribe, S.L. through reciprocal sales and purchase options, to be exercised within the indicated period. The strike price of the option, €58.25 thousand, is equivalent to the part of the price of the stake in Sotogrande, S.A. which the purchaser left deferred, with both items to be offset when the option is exercised. (See Notes 11 and 17).

The overall effect of the transaction on the consolidated financial statements of NH Hotel Group and Subsidiaries is as follows:

	€Thousand
Non-Current Assets	77,321
Inventories	67,439
Long-term liabilities	(11,415)
Working capital	(4,137)
Net assets disposed of	129,208
Net Consideration	(129,312)
Non-Controlling interests (Note 15.4)	(4,626)
Profit before tax	(4,730)
Transaction costs	3,804
Tax effect (Note 20)	20,440
Consolidation adjustment	(64,626)
Profit of the transaction	(45,112)
Profit from Sotogrande until sale (Note 9)	6,961
Total Profit (Loss) (Note 9)	**(38,151)**

The consolidation adjustments mainly correspond to the adjustment made to the reserves of Sotogrande, S.A. in 2006 due to the acquisition of 18.66% of its share capital after a takeover bid.

On 11 June 2014, the Group sold the Amsterdam Centre Hotel through its Dutch subsidiary Marquette Beheer BV and the sale of shares of its subsidiary Onroerend Goed Beheer Maatschappij Stadhouderskade Amsterdam BV. The net amount of the sale totalled €45 million, giving rise to a capital gain of €4 million.

The effect of the disposal of the aforementioned company on the abridged consolidated balance sheet at 31 December 2014 is as follows:

	€Thousand
Property, plant and equipment	43,176
Working capital	(2,176)
Net assets disposed of	41,000
Net Consideration	(44,986)
Consolidated profit	(3,986)

On 12 August 2014 the Group sold its 25% stake in the share capital of the company Harrington Hall Hotel Ltd., owner of the Harrington Hall hotel in London, for €13,292 thousand. The company was accounted for using the equity method, and at the date of the transaction the value of the stake was zero, so that the net result of the transaction was a consolidated gain of €13,292, plus a positive effect of €370 miles of the currency translation associated with the stake, recognised under net exchange differences in the consolidated statement of comprehensive income.

a.1.2 Additions to the consolidation scope

On 26 June 2014, the Group acquired 44.5% of the Group company NH Italia, S.p.A. through a €113.4 million increase in the share capital of NH Hotel Group, S.A., with the issue of 42,000,000 new ordinary shares with a par value of €2 each and an issue premium of €2.70 per share. The capital increase was fully paid up by Intesa Sanpaolo, S.p.A. through the contribution of 445,000 shares representing 44.5% of the share capital of NH Italia, S.p.A.

The effect of the aforementioned acquisition on the consolidated balance sheet at 31 December 2014 is as follows:

	€Thousand
Share Capital Increase and Issue Premium	197,400
Non-Controlling interests (Note 15.4)	123,055
Arrangement expenses	(944)
Effect on equity attributable to the shareholders of the Parent Company	**75,289**

The difference between equity attributable to shareholders of the Parent Company and the derecognised non-controlling interests corresponds to the costs associated with the transaction.

a.2 Changes in the scope of consolidation in 2013

a.2.1 Additions

During the first six months of 2013, the Group sold Krasnapolsky H&R Onroerend Goed, B.V. and Expl. Mij. Grand Hotel Krasnapolsky, B.V., owner and manager, respectively, of the NH Grand Hotel Krasnapolsky in Amsterdam. The gross amount of the sale was €157 million and the net amount €141 million, generating a capital gain of approximately €42 million.

The effect of removing the above-mentioned companies from the abridged consolidated balance sheet as at 31 December 2013 was:

	€Thousand
	2013 Carrying Amount
Tangible fixed assets (Note 8)	108,992
Deferred tax	(8,915)
Working capital	(853)
Total net assets sold	**99,224**
Sale price	(141,388)
Consolidated Profit	**(42,164)**

a.2.2 Other corporate transactions

In the first half of 2013, the Group acquired the 25% it did not already own of Group company Coperama Servicios a la Hostelería, S.L. for €3,511 thousand.

As a result of this transaction, there was an impact of €364 thousand on the Group's reserves.

On 29 October 2013, it was agreed that the loans granted by Sotogrande S.A. to Donnafugata Resort, S.r.l. would be capitalised for a total amount of €4.8 million. As a result of this increase, at 31 December 2013 the Group's consolidated controlling interest in Donnafugata Resorts, S.r.l. was 98.99%. As a result of the put option granted to the non-controlling shareholders of Donnafugata Resort, S.r.l., described in Note 18, the Group consolidates the annual accounts of this company considering the equity interest represented by said option in relation to the share capital of this subsidiary.

3.- DISTRIBUTION OF PROFITS

At the Ordinary General Shareholders' Meeting, the Parent Company's directors will propose that the losses be applied to the "Previous years' losses" account to be offset in future financial years. In accordance with Article 273.4 of the Consolidated Text of the Corporate Enterprises Act, the directors will propose to allocate €418 thousand as an unavailable reserve, as provided by such article, at the Ordinary General Shareholders' Meeting and charge it to freely available reserves, because the Parent Company has not generated any profits this year.

4.- VALUATION STANDARDS

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

4.1 Tangible Fixed Assets

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

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

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

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

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

4.2 Consolidation Goodwill

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

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

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

Goodwill is recognised only when it has been acquired for valuable consideration.

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

Goodwill is not amortised. In this regard, at the end of every year, or whenever there are indications of a loss of value, the Group estimates, using the so-called "Impairment Test", the possible existence of permanent losses of value that would reduce the recoverable amount of goodwill to less than the net cost recognised. Should this be the case, it is written down in the consolidated comprehensive profit and loss statement. Any write-downs recognised cannot subsequently be reversed.

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

4.3 Intangible Assets

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

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

Intangible assets with an indefinite useful life are not amortised and are hence subjected to the "impairment test" at least once a year (see Note 4.4).

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

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

i) Usufruct Rights: this item reflects the right to operate Hotel NH Plaza de Armas in Seville, acquired in 1994, amortisation of which is recognised in the consolidated comprehensive profit/loss over the 30-year term of the agreement at a rate which increases by 4% each year.

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

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

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

4.4 Impairment in the Value of Tangible and Intangible Assets Excluding Goodwill

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

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

The Group has defined each of the hotels it operates as cash-generating units, according to the real management of their operations.

In general, future estimates have been drawn up for a five-year period, except in cases in which the remaining term of a lease agreement is less, plus a residual value.

The discount rates used by the Group for these purposes range from 6.35% to 14%, depending on the different risks associated with each specific asset.

If the recoverable amount of an asset is estimated to be lower than its carrying amount, the latter is reduced to the recoverable amount by recognising the corresponding reduction through the consolidated comprehensive profit and loss statement.

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

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

4.5 Lease Rentals

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

4.5.1 Operating leases

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

When the Group acts as the lessor, it recognises the income from operating leases using the straight-line method according to the terms of the agreements signed. These assets are depreciated in accordance with the policies adopted for similar own-use tangible assets. When the Group acts as the lessee, the leasing costs are charged on a straight-line basis to its comprehensive consolidated income statement, the resulting asset or liability being recognised under “other non-current liabilities” and “other non-current assets” or “other current liabilities” and “other current assets”.

4.5.2 Finance leases

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

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

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

4.6 Financial Instruments

4.6.1 Financial assets

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

- Negotiable financial assets: these include any assets acquired by the companies with the aim of taking short-term advantage of any changes their prices may undergo or any existing differences between their purchase and sale price. This item also includes any financial derivatives that are not considered accounting hedges.

- Held to maturity financial assets: these are assets subject to a fixed or determinable redemption amount with a fixed maturity date. The Group declares its intention and its capacity to keep these in its power from the date of acquisition to their maturity date.

- Outstanding loans and accounts receivable generated by the Company: these are financial assets generated by the companies in exchange for deliveries of cash or the supply of goods or services.

Negotiable financial assets are valued after their acquisition at fair value, any changes in which are recognised through profit or loss for the year.

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

Held to maturity financial assets and loans and accounts receivable originated by the Group are valued at their amortised cost and accrued interest is recognised in the consolidated comprehensive profit and loss statement on the basis of their effective interest rate. Amortised cost is construed as the initial cost minus any collections or amortisation of the principal, taking into account any potential reductions arising from impairment or default.

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

4.6.2 Cash and cash equivalents

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

4.6.3 Financial liabilities

ISSUES OF BONDS AND OTHER SECURITIES

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

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

BANK LOANS

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

TRADE AND OTHER PAYABLES

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

DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

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

The Group hedges exchange rate exposure through various financial instruments with maturities of less than one year. These financial instruments are classified in Level 1. These financial instruments were contracted with various credit entities over the second half of 2014. These exchange rate hedges guarantee the NH Group a fixed purchase price, regardless of changes in the quoted value of the EUR/USD in 2015. On maturity, NH Hotel Group, S.A. will buy the nominal value set in USD at the fixed rate of 1.2857.

The change in fair value at 31 December 2014 contributed €2,787 thousand to the consolidated comprehensive profit and loss statement for 2014.

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

Derivatives embedded in other financial instruments or in other main contracts are recognised separately as derivatives only when their risks and characteristics are not closely related to those of the main contract and providing such main contracts are not valued at fair value with changes through consolidated comprehensive profit and loss.

VALUATION TECHNIQUES AND ASSUMPTIONS APPLYING TO THE MEASUREMENT OF FAIR VALUE

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

- The fair value of financial assets and liabilities under standard terms and conditions which are traded in active liquid markets are based on market prices.

- The fair value of other financial assets and liabilities (excluding derivatives) is determined in accordance with generally accepted valuation models on the basis of cash flow discounting using the price of observable market transactions and contributor listings of similar instruments.

- In order to determine the fair value of interest rate derivatives, cash flow discounting is used based on the implicit flow determined by the interest rate curve according to market conditions. In order to determine the fair value of options, the Group uses the Black-Scholes valuation model and its variants, using for this purpose market volatilities for the strike and maturity prices of said options.

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

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

4.6.4 Equity instruments

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

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

4.7 Non-Current Assets and Associated Liabilities Held for Sale and Discontinued Operations

Assets and liabilities, the carrying amount of which is recovered through a sale and not from continued use, are classified as non-current assets held for sale and liabilities associated with non-current assets held for sale. This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its current state, and it is estimated that the sale will be completed within one year from the date of classification.

Non-current assets and associated liabilities classified as held for sale are measured at the lower of carrying amount and fair value less selling expenses.

Discontinued operations represent components of the Group which will be disposed of. These components are activities and cash flows that can be clearly distinguished from the rest of the Group, both operationally and for the purposes of financial reporting, and represent lines of business or geographical areas which can be considered as separate from the rest.

4.8 Investments in Associates

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

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

4.9 Inventories

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

Hotel operations

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

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

After the sale of Sotogrande, S.A. in 2014, the Company no longer holds any inventory evaluated as follows in 2013:

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

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

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

ii) Developed land: Developed land is valued at cost or market value, whichever is lower. The cost mentioned above includes the cost of land, development costs and the cost of technical projects. Taking into consideration the peculiar characteristics of this activity (development and sale of a property measuring approximately 16 million square metres over a period of approximately 50 years), the value of developed land includes the personnel expenses and overheads incurred by the technical department in connection with the development and design of the different projects. In 2013, costs attributable directly to said projects amounted to €38,000 (no amount was attributed in 2012).

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

4.10 Foreign Currency Transactions and Balances

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

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

4.11 Classification of Financial Assets and Debts into Current and Non-Current

In the attached consolidated balance sheet, financial assets and debts are classified on the basis of their maturity; in other words, those with a maturity date equivalent to or less than twelve months are classified as current and those with a maturity date exceeding this are non-current.

4.12 Income and Expenses

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

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

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

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

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

4.13 Official Subsidies

Group companies follow the criteria set out below in recognising official subsidies:

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

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

4.14 Corporate Income Tax

The cost of the year's income tax is calculated through the sum of the current tax resulting from applying the tax rate to the taxable income for the year and then applying the relevant tax adjustments according to the law plus any changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities include temporary differences, being any amounts expected to be payable or recoverable due to differences between the carrying amounts of the assets and liabilities and their tax value, as well as tax loss carry-forwards and any credits resulting from unapplied tax deductions. Said amounts are recognised by applying to the relevant temporary difference or credit the tax rate at which they are expected to be recovered or settled.

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

Deferred tax liabilities for all taxable temporary differences are recognised, except for those in which the temporary difference arises from the initial recognition of goodwill amortisation of which is not tax-deductible or the initial recognition of other operating assets and liabilities which do not affect either the tax or accounting result.

Deferred tax assets identified as temporary differences are recognised only if it is deemed probable that the consolidated entities will make sufficient tax profits in the future to realise them and they do not come from the initial recognition of other assets and liabilities in a transaction which does not affect either the tax or accounting result. Other deferred tax assets (tax loss carry-forwards and tax credits) are recognised only if it is likely that the consolidated companies will make sufficient tax profits in the future to be able to apply them.

At each year-end, deferred taxes (both assets and liabilities) are reviewed in order to verify that they remain in force and the relevant corrections are made in accordance with the outcome of the analyses conducted.

4.15 Obligations to Employees

Spanish hotel companies are obliged to make a specific number of monthly salary payments to those employees who leave the company due to retirement, permanent disability or upon reaching a certain age and having a certain number of years of service and fulfilling certain pre-established requirements.

In this regard and in compliance with Royal Decree-Law 16/2005, the Group has outsourced its pension obligations for its employees' pension plans.

Also, in accordance with Italian law, employees of Italian companies have the right to compensation if they resign or are dismissed.

Therefore, to provide for these obligations to future payments to personnel, the Group has recognised a liability under "Provisions for Risks and Charges" (Note 19).

Its obligations to personnel also include those arising from contracting pension funds for certain employees, which in the Group, mainly affects the business units of Italy and the Netherlands. The liability associated with these obligations is also recognised under "Provisions for Risks and Charges".

4.16 Onerous Contracts

The Group considers onerous agreements to be those in which the inevitable costs of fulfilling the obligations they entail exceed the economic benefits expected from them.

The Group follows the principle of recording a provision at the present value of the aforementioned differences between the costs and benefits of the contract, or the compensation foreseen for abandonment of the contract, if such is decided.

The pre-tax discount rates used reflect the current market value of money, as well as the specific risks associated with these agreements. More specifically, a rate of between 6.35% and 14% has been used.

4.17 Share-Based Remuneration Schemes

These schemes are valued at the time of granting, using a financial method based on a binomial model which takes into consideration the strike price, volatility, the exercise period, the expected dividends, the risk-free interest rate and the assumptions made concerning the financial year.

In accordance with IFRS 2, the above-mentioned valuation is recognised in profit or loss under personnel expenses during the period established as a requirement for the employee to remain in the company before exercising the option. Said value is recognised on a straight-line basis in the consolidated comprehensive profit and loss statement from the date the option is granted until the date on which it is exercised.

Plans settled in shares

The expense for the year is recognised directly in equity. On each subsequent closing date, the Group reviews the estimates regarding the number of options expected to be exercisable, adjusting the equity figure if necessary.

Cash-settled plans

The valuation obtained is recognised with a corresponding entry as a liability in favour of employees. Similarly, the Group re-estimates the initial valuation mentioned above every year, recognising in the year's profit or loss both the part corresponding to the year in question and that corresponding to previous years.

Subsequently, the difference between the settlement price and the recognised liability, as described above, for any transactions settled, is recognised in the consolidated comprehensive profit and loss statement once the period during which the employee is required to remain has elapsed. Ongoing transactions at year-end are likewise charged to the consolidated comprehensive profit and loss statement for the amount of the difference between the recognised liability to date and the corresponding updated value.

28 May 2013 marked the end of the last period for cash settlement of the equity swap, and since then no Cash-settled Plan has been introduced.

4.18 Treasury Shares

Pursuant to IAS 32, treasury shares are presented by reducing the Group's equity.

4.19 Provisions

The Group follows the policy of provisioning for the estimated amounts arising from ongoing litigation, indemnities or obligations, as well as for any sureties or guarantees granted by Group companies which could involve the Group in a payment obligation (either legal or implicit), provided the amount can be reliably estimated.

4.20 Termination Benefits

In accordance with current employment regulations and certain employment contracts, the Group is obliged to pay indemnities to employees who are dismissed under certain conditions. The Group recognised expenses of €9,043 thousand for this item in 2014 (€5,838 thousand in 2013).

The consolidated balance sheet at 31 December 2014 includes, pursuant to IFRS (IAS 37), a provision of €4,721 thousand for this item (€4,864 thousand at 31 December 2013).

4.21 Business Combinations

Business combinations whereby the Group acquires control of an entity are accounted for using the acquisition cost method, calculating goodwill as the difference between the sum of the consideration transferred, the non-controlling interests and the fair value of any previous stake in the acquired entity, less the identifiable net assets of the acquired entity, measured at fair value.

In the event that the difference between these items is negative, income is recognised in the consolidated comprehensive profit and loss statement.

In the case of business combinations carried out in stages, goodwill is measured and recognised only once control of a business has been acquired. To do this, previous holdings are re-measured at fair value and the corresponding gain or loss is recognised.

4.22 Environmental Policy

Investments arising from environmental activities are valued at their original cost and capitalised as increases in the cost of fixed assets or inventory in the financial year in which they are incurred.

Any expenses arising from environmental protection and improvement are recognised in profit or loss for the year in which they are incurred, irrespective of the moment when the cash or financial flows deriving from them arise.

Provisions for likely or certain liabilities, ongoing litigation and outstanding indemnities or obligations of an indeterminate amount connected with the environment and not covered by the insurance policies taken out are established at the time the liability or obligation linked to the indemnities or payment arises.

4.23 Consolidated Cash Flow Statements

The following terms with their corresponding explanation are used in the consolidated cash flow statements prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: The typical activities of the entities forming the consolidated group, along with other activities that cannot be classified as investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

5.- EARNINGS PER SHARE

Basic earnings per share (EPS) are calculated by dividing the net profit or loss attributable to the Group in a period by the weighted average number of shares in circulation during the period, excluding the average number of treasury shares held during the same period.

In accordance with this:

	31/12/2014	31/12/2013
Net Profit/(Loss) for the year (€000s)	(9,550)	(39,818)
Weighted average number of shares in circulation (thousands)	319,284	295,228
Basic Earnings per share in euros	**(0.03)**	**(0.13)**

Diluted earnings per share are established on a similar basis to basic earnings per share; however, the weighted average number of shares outstanding is increased by options on shares, warrants and convertible debt.

	31/12/2014	31/12/2013
Net Profit/(Loss) for the half-year (€000s)	(9,550)	(39,818)
Weighted average number of shares with dilutive effect (in thousands)	370,107	337,975
Diluted Earnings per share in euros	**(0.03)**	**(0.12)**

6.- GOODWILL

The balance included under this item corresponds to the net goodwill arising from the acquisition of certain companies, and breaks down as follows (€000s):

	2014	2013
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	89,945	94,710
Others	3,978	2,511
Total	**93,923**	**97,221**

The movements in this heading of the consolidated balance sheet in 2014 and 2013 were as follows (€Thousand):

Company	Goodwill 31.12.12	Currency translation	Impairment	Goodwill 31.12.13
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	97,467	-	(2,757)	94,710
Others	4,347	(1,836)	-	2,511
Total	**101,814**	**(1,836)**	**(2,757)**	**97,221**

Company	Goodwill 31.12.13	Currency translation	Impairment	Goodwill 31.12.14
NH Hoteles Deutschland GmbH and NH Hoteles Austria GmbH	94,710	-	(4,765)	89,945
Others	2,511	1,467	-	3,978
Total	**97,221**	**1,467**	**(4,765)**	**93,923**

Recoverable goodwill values have been allocated to each cash-generating unit, mainly rental agreements, by using five-year projections on results, investments and working capital.

A breakdown of the cash generating units to which goodwill on consolidation has been allocated is shown below:

	€Thousand
CGU 6	16,754
CGU 21	10,856
CGU 22	8,243
CGU 12	7,758
CGU 13	6,208
CGU 2	5,525
CGUs with individually allocated goodwill < €4 million	38,579
	93,923

The basic assumptions used to estimate future cash flows of these CGUs are detailed below:

- Discount rate: 6.52% and 6.85%, since these are CGUs subject to the same risk (German and Austrian market).
- Terminal value growth rate (g): 2%.

As a result of the impairment analysis carried out by the Group at the end of 2014, an impairment of €4,765 thousand was recognised.

The Group has also run a sensitivity analysis on the result of the impairment test, with variations on the following assumptions:

Scenario 1:

- An increase of 100 basis points in the discount rate.

- Use of a perpetuity growth rate of 0%.

Scenario 2:

- A 1% reduction in the occupancy level.

- A 1% reduction in the average daily rate (ADR).

These sensitivity analyses do not reveal the existence of any impairment in either scenario.

The impairment provision for the year was produced as a consequence of not considering perpetuities in the case of cash-generating units where there is no guarantee of renewal of rental contracts. Thus the projections are for the term of these contracts.

7.- INTANGIBLE ASSETS

The breakdown and movements under this heading during 2014 and 2013 were as follows (€Thousand):

	Balance at 31.12.2012	Change in consolidation boundary	Inclusions/ Allowances	Retirements	Assignments (Note 8)	Balance at 31.12.2013	Change in consolidation boundary	Exchange differences	Inclusions/ Allowances	Retirements	Assignments	Balance at 31.12.2014
COST												
Rights of use	30,298	-	251	-	-	30,549	-	-	99	-	(38)	30,610
Rental agreement premiums	70,020	-	-	(1,590)	-	68,430	-	(4)	-	(757)	-	67,669
Concessions, patents and trademarks	34,610	-	-	(12)	64	34,662	-	-	87	(503)	(1,646)	32,600
Software applications	62,104	(9)	10,389	(76)	(2,535)	69,873	-	(7)	21,592	(4,106)	(383)	86,969
	197,032	**(9)**	**10,640**	**(1,678)**	**(2,471)**	**203,514**	**-**	**(11)**	**21,778**	**(5,366)**	**(2,067)**	**217,848**
CUMULATIVE AMORTISATION												
Rights of use	(16,388)	-	(1,298)	-	-	(17,686)	-	-	(1,221)	(10)	3	(18,914)
Rental agreement premiums	(12,763)	-	(1,690)	636	(202)	(14,019)	-	4	(924)	260	6,034	(8,645)
Concessions, patents and trademarks	(11,156)	-	929	12	-	(10,215)	-	-	(556)	483	(5,440)	(15,728)
Software applications	(52,167)	9	(14,520)	46	636	(65,996)	-	7	(8,033)	788	(41)	(73,275)
	(92,474)	**9**	**(16,579)**	**694**	**434**	**(107,916)**	**-**	**11**	**(10,734)**	**1,521**	**556**	**(116,562)**
Impairment	(12,590)	-	(1,195)	1,163	(10,360)	(22,982)	-	-	(464)	141	861	(22,444)
NET BOOK VALUE	**91,968**					**72,616**						**78,842**

Transfers mainly record the reclassification of all the assets of companies classified as assets available for sale and then disposed of in the context of Sotogrande, S.A. leaving the scope of consolidation (see note 9), for a net value of €1.9 million.

Impairment write-offs refer to the withdrawal of licences of Hesperia hotels which we no longer manage (Hotel Hesperia Emperatriz and Hesperia La Toja) in 2014.

7.1 Rights of Usufruct

On 28 July 1994, NH Hotel Group, S.A. was granted a right of usufruct on Hotel NH Plaza de Armas in Seville, which is owned by Red Nacional de los Ferrocarriles Españoles (RENFE), for a thirty-year period commencing on the date the agreement was executed. NH Hotel Group, S.A. agreed to pay RENFE €30.2 million in accordance with a payment schedule which concluded this year.

The Group has reflected the entire amount agreed upon as the transaction’s price in the “Rights of use” item. In order to correctly accrue this price, the result of spreading out the cost over the thirty-year term of the agreement is assigned to the consolidated comprehensive profit and loss statement in accordance with an increasing instalment with a percentage annual growth of 4%.

7.2 Software Applications

The most significant inclusions in 2014 were in Spain, as a result of the investments made to develop the new website and implement the SAP tool.

8.- PROPERTY, PLANT & EQUIPMENT

The breakdown and movements under this heading during 2014 and 2013 were as follows (€Thousand):

	Balance at 31/12/2012	Change in scope of consolidation	Currency translation	Additions	Retirements	Assignments	Balance at 12/31/13	Change in scope of consolidation (see note 2.5.4)	Currency translation	Additions	Retirements	Assignments	Balance at 31/12/2014
COST													
Land and buildings	1,947,279	(109,072)	(23,137)	5,479	(907)	(3)	1,819,639	(50,333)	(3,749)	14,206	(2,913)	(118,175)	1,658,675
Plant and machinery	796,859	(12,072)	(9,288)	3,313	(15,269)	(3)	763,540	(4,116)	776	38,136	(24,707)	(15,221)	758,408
Other fixtures, tools and furniture	522,953	(26,982)	(4,362)	15,704	(25,004)	2,477	484,786	(214)	595	41,156	(28,742)	(27,061)	470,520
Other fixed assets	1,651	-	(41)	246	(598)	-	1,258	-	3	268	(44)	(1,143)	342
Assets under construction	26,498	(234)	(161)	5,657	(88)	-	31,672	-	(129)	11,618	(133)	(25,016)	18,012
	3,295,240	**(148,360)**	**(36,989)**	**30,399**	**(41,866)**	**2,471**	**3,100,895**	**(54,663)**	**(2,504)**	**105,384**	**(56,539)**	**(186,616)**	**2,905,957**
CUMULATIVE DEPRECIATION													
Buildings	(295,529)	9,791	4,109	(25,139)	438	-	(306,330)	7,668	(3,146)	(22,354)	848	24,362	(298,952)
Plant and machinery	(494,974)	5,160	4,808	(39,232)	15,221	2	(509,015)	3,623	1,162	(39,342)	19,806	12,755	(511,011)
Other fixtures, tools and furniture	(425,384)	24,417	3,201	(25,169)	24,474	(434)	(398,896)	196	101	(25,960)	23,293	15,588	(385,678)
Other fixed assets	(1,591)	-	-	(61)	600	-	(1,014)	-	(3)	(126)	42	761	(340)
	(1,217,478)	**39,368**	**12,157**	**(89,539)**	**40,731**	**(434)**	**(1,215,255)**	**11,487**	**(1,886)**	**(87,782)**	**43,989**	**53,466**	**(1,195,981)**
Provisions	(220,067)	-	237	(2,261)	41,071	10,360	(170,660)	-	(13)	(7,939)	25,978	49,019	(103,616)
NET BOOK VALUE	**1,857,695**						**1,714,980**						**1,606,360**

The "Translation differences" column reflects the effect of changes in the exchange rate used in the conversion of the different tangible fixed asset items.

The most significant movements in this heading during the 2014 and 2013 were as follows:

i) The most significant additions under this heading, broken down by business units, were:

In Spain, the most significant additions in 2014 were related to the renovation of the hotels NH Collection Eurobuilding (€17.4 million), NH Aránzazu (€3.79 million), NH Collection Abascal (€3.31 million), NH Iruña Park (€1.66 million), NH Gran Hotel (€0.86 million), NH Collection Constanza (€0.82 million), NH Plaza de Armas (€0.72 million), NH Calderón (€0.60 million), and others.

In Benelux, the most significant additions in 2014 correspond to central services (€2.65 million), and renovations in the hotels NH Conference Centre Koningshof (€1.81 million), NH Conference Centre Leeuwenhorst (€1.67 million), NH Schiphol Airport (€0.54 million) and NH Luxembourg (€0.46 million).

In Germany, the renovation of the hotels NH Berlin Mitte (€2.4 million) and NH München am Ring (€1.8 million).

In Italy, the renovation of the hotels NH Milano Fiori (€2.43 million), NH Touring (€1.77 million), NH Madison (€1.56 million), NH Firenze (€1.23 million), NH Laguna Palace (€0.83 million), NH President Milano (€0.6 million), NH Vittorio Veneto Roma (€0.53 million), NH Ambasciatori Torino (€0.49 million), NH Leonardo da Vinci Roma (€0.48 million), Nhow Milano (€0.46 million), NH Carlton Amsterdam (€0.41 million), and others.

ii) The most significant asset retirements in 2014 were:

In Spain, abandonment of the hotels NH Palacio de Oriol (€2.11 million), NH Inglaterra (€1.49 million), NH Santander Parayas (€1.12 million) and NH Orus (€0.51 million) and renovation of the hotels NH Collection Eurobuilding (€9.15 million), NH Aránzazu (€2.47 million), NH Collection Abascal (€1.40 million), NH Iruña Park (€0.67 million), and others.

In Italy, renovation of the hotels NH Manin (€1.21 million), NH President Milano (€0.17 million), NH Vittorio Veneto Roma (€0.17 million), NH Leonardo da Vinci Roma (€0.17 million), NH Ambasciatori Torino (€0.16 million), and others.

And, in Germany, mainly building work on the NH Berlin Potzdamer Platz (€0.74 million).

iii) Transfers mainly record the reclassification of all the assets of Sotogrande as available for sale (Note 9), for a net amount of €82.89 million.

At 31 December 2014, there were tangible fixed asset elements with a carrying amount of €686 million (€807.3 million in 2013) to guarantee several mortgage loans (see Note 16).

The applied provisions include, on one hand, a balance of €0.14 million corresponding to the impairment balance associated with the hotels abandoned over the year, and on the other, the impairment write-offs include €4,887 thousand due to the Group continuing to depreciate fixed assets with allocated impairment.

The Group has taken out insurance policies to cover any possible risks to which the different elements of its tangible fixed assets are subject, and to cover any possible claims that may be filed against it in the course of its activities. It is understood that such policies sufficiently cover the risks to which the Group is exposed.

Firm purchase undertakings amounted to €17.8 million at 31 December 2014. These investments will be made in 2015, 2016 and 2017.

9.- NON-CURRENT ASSETS HELD FOR SALE, LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In accordance with IFRS 5, Non-current assets classified as held for sale and discontinued operations (see Note 4.8), non-strategic assets which, pursuant to the Strategic Plan, are undergoing divestment with committed sales plans, were reclassified.

We classified as discontinued operations Sotogrande, S.A., Donnafugata Resort, S.R.L., Resco Sotogrande, S.L., Sotocaribe, S.L., Los Alcornoques de Sotogrande S.L., Residencial Marlin, S.L. and Capredo Investments, GmbH, the last four accounted for using the equity method. These companies represent NH Hotel Group's entire property business and include the operation of businesses associated with the hospitality and leisure sectors, including two golf courses and three hotels.

The assets classified as held for sale, after deducting their liabilities, were measured at the lower of their carrying amount and the expected sales price minus costs.

Also, in accordance with these regulations, the balances in the 2013 consolidated comprehensive income statement corresponding to operations considered to have been discontinued that year were standardised.

On 14 November 2014, the sale was formalised of the Parent Company's stake in Sotogrande, S.A., representing 96.997% of its share capital (see note 2.5.4).

The sections below detail, by type, the various income and balance sheet items relating to assets and liabilities classified as held for sale and discontinued operations.

Consolidated balance sheets. Headings of Non-current assets and liabilities classified as Held for Sale

A movement by balance headings of the assets and liabilities presented under the corresponding Held for Sale headings at 31 December 2014 is shown below:

	31.12.2013	Assignments	Net Variation	Changes in scope of consolidation (see Note 2)	31.12.2014
Property, plant and equipment	-	82,891	(3,440)	(40,668)	38,783
Intangible assets	-	1,920	(68)	(1,837)	15
Investment property	-	957	(61)	(896)	-
Financial assets	-	73,941	(1,259)	(25,694)	46,988
Investments accounted for using the equity method	-	67,617	(1,251)	(19,410)	46,956
Other non-current financial investments	-	6,324	(8)	(6,284)	32
Deferred tax assets	-	8,268	251	(8,226)	293
Inventories	-	71,034	(2,926)	(67,439)	669
Accounts receivable for sales and services and trade receivables	-	12,473	(3,070)	(7,654)	1,749
Tax receivables	-	9,030	(7,687)	(808)	535
Other current financial assets	-	93	68	(161)	-
Cash	-	5,150	2,740	(1,868)	6,022
Other current assets	-	212	57	(130)	139
Non-current assets classified as held for sale	**-**	**265,969**	**(15,395)**	**(155,381)**	**95,193**
Bank borrowings (non-current)	-	6,494	(2,672)	(3,822)	-
Obligations under finance lease	-	132	(29)	(103)	-
Other non-current liabilities	-	18,538	(720)	(2,037)	15,781
Capital subsidies	-	18,086	(737)	(1,568)	15,781
Other liabilities	-	452	17	(469)	-
Provisions for contingencies and charges	-	1,411	53	(995)	469
Deferred tax liabilities	-	9,461	(4,717)	(4,458)	286
Bank borrowings (current)	-	41,985	(7,129)	(6,644)	28,212
Trade payables	-	11,704	(2,971)	(5,091)	3,642
Tax receivables	-	804	575	(1,073)	306
Other current liabilities	-	7,031	2,298	(1,950)	7,379
Liabilities associated with assets classified as held for sale	**-**	**97,560**	**(15,312)**	**(26,173)**	**56,075**

Consolidated comprehensive profit and loss statement

The profit and loss of the discontinued operations shown in the accompanying consolidated profit and loss statement is broken down by company as follows:

	Sotogrande, S.A.	Capredo Investments, GmbH	Sotocaribe, S.L.	Donnafugata Resort, S.R.L.	Total
2014					
Net turnover and other operating income	22,015	-	-	8,022	30,037
Operating expenses	(14,031)	-	-	(10,382)	(24,413)
Operating profit (loss)	7,984	-	-	(2,360)	5,624
Profit (loss) before tax	(8,117)	(444)	(1,836)	(4,120)	(14,517)
Income tax	1,156	-	-	(242)	914
Profit (loss) for the year from discontinued operations net of tax	(6,961)	(444)	(1,836)	(4,362)	(13,603)
Profit (loss) from the sale of Sotogrande, S.A. (see Note 9)	45,112	-	-	-	45,112
Profit attributed to non-controlling interests	-	-	-	267	267
2013					
Net turnover and other operating income	22,825	-	-	5,831	28,656
Operating expenses	(14,171)	-	-	(8,898)	(23,069)
Operating profit (loss)	8,654	-	-	(3,067)	(5,587)
Profit (loss) before tax	1,891	(5,741)	(538)	(5,937)	(10,325)
Income tax	3,695	-	-	(39)	3,656
Profit (loss) for the year from discontinued operations net of tax	5,586	(5,741)	(538)	(5,976)	(6,669)
Profit attributed to non-controlling interests	(115)	-	-	341	226

Cash Flow Statement

The cash flow statement of Donnafugata Resort, S.R.L. is detailed below:

2014	Sotogrande, S.A.	Donnafugata Resort, S.R.L.
Operating activities:		
Profit (loss) before tax	36,995	(4,120)
Adjustments	(42,701)	2,081
Net variation in assets and liabilities	7,295	4,210
Total net cash flow from operating activities I	1,589	2,171
Finance income	-	495
Disinvestment	176,412	-
Total net cash flow from investment activities II	176,412	495
Financing activities		
Interest paid on debts	(429)	(900)
Variation in:		
Bank borrowings	(2,054)	-
Total net cash flow from financing activities III	(2,483)	(900)
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**175,518**	**1,766**
Cash and cash equivalents at the start of the financial year	894	4,256
Cash and cash equivalents at end of year	176,412	6,022

2013	Sotogrande, S.A.	Donnafugata Resort, S.R.L.
Operating activities:		
Profit (loss) before tax	1,891	(5,937)
Adjustments	7,065	2,636
Net variation in assets and liabilities	(5,450)	8,198
Total net cash flow from operating activities I	3,506	4,897
Finance income	72	5
Investment	(2,464)	-
Disinvestment	1,253	-
Total net cash flow from investment activities II	(1,139)	5
Financing activities		
Interest paid on debts	(1,419)	(891)
Variation in:		
Bank borrowings	(294)	-
Total net cash flow from financing activities III	(1,713)	(891)
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**653**	**4,011**
Cash and cash equivalents at the start of the financial year	241	245
Cash and cash equivalents at end of year	894	4,256

10.- INVESTMENTS VALUED USING THE EQUITY METHOD

The movements under this heading of the consolidated balance sheet during 2014 and 2013 were as follows:

Company	Net balance at 31/12/12	Transfers	Profit (Loss) 2013	Currency translation	Net balance at 31/12/13
Sotocaribe, S.L.	43,809	-	(538)	(1,330)	41,941
Capredo Investments GmbH	13,897	-	(5,741)	(1,808)	6,348
Varallo Comercial, S.A.	7,058	-	1,918	717	9,693
Inmobiliaria 3 Poniente, S.A. de C.V.	1,918	-	15	(391)	1,542
Palacio de la Merced, S.A.	1,338	-	58	-	1,396
Mil Novecientos Doce, S.A. de C.V.	2,003	-	277	(493)	1,787
Consorcio Grupo Hotelero T2, S.A. de C.V.	196	-	355	(177)	374
Hotelera del Mar, S.A.	-	2,730	131	(2,647)	214
Fonfir1, S.L.	20	-	-	-	20
Residencial Marlin, S.L.	21,190	-	(1,862)	-	19,328
Borokay Beach, S.L.	4,245	-	(2,709)	-	1,536
Los Alcornoques de Sotogrande, S.L.	-	-	-	-	-
Losan Investment, Ltd.	-	-	-	-	-
Harrington Hall, Ltd.	-	-	-	-	-
Total	**95,674**	**2,730**	**(8,095)**	**(6,130)**	**84,179**

Company	Net balance at 31/12/13	Retirements	Assignments (Note 9)	Profit (Loss) 2013	Currency translation	Net balance at 31/12/14
Sotocaribe, S.L.	41,941	-	(41,941)	-	-	-
Capredo Investments GmbH	6,348	-	(6,348)	-	-	-
Varallo Comercial, S.A.	9,693	-	-	(1,717)	(564)	7,412
Inmobiliaria 3 Poniente, S.A. de C.V.	1,542	-	-	218	419	2,179
Palacio de la Merced, S.A.	1,396	-	-	52	-	1,448
Mil Novecientos Doce, S.A. de C.V.	1,787	-	-	87	208	2,082
Consorcio Grupo Hotelero T2, S.A. de C.V.	374	-	-	121	382	877
Hotelera del Mar, S.A.	214	-	-	-	2,170	2,384
Fonfir1, S.L.	20	(20)	-	-	-	-
Residencial Marlin, S.L.	19,328	-	(19,328)	-	-	-
Borokay Beach, S.L.	1,536	-	-	(102)	-	1,434
Los Alcornoques de Sotogrande, S.L.	-	-	-	-	-	-
Losan Investment, Ltd.	-	-	-	-	-	-
Harrington Hall, Ltd.	-	-	-	-	-	-
Total	**84,179**	**(20)**	**(67,617)**	**(1,341)**	**2,615**	**17,816**

Once Hotelera del Mar, S.A. commenced its activity, the NH Group consolidated it, reclassifying the balance from “Other non-current financial investments” with effect from 1 January 2013.

Although the NH Group has an ownership interest of only 22.33%, it exercises significant influence, since it participates in the determination of the distribution/allocation of its profit/loss.

NH Hotel Group’s policy on interests in associates consists in the Group ceasing to recognise losses in these companies if the associate’s consolidated losses attributable to the Group are equivalent to or exceed the cost of its interest in them, provided there are no additional contingencies or guarantees connected with already incurred losses. This is the situation of the stake in Losan Investment, Ltd.

On 12 August 2014 the NH Group sold its shares in Harrington Hall, Ltd. for €13,291 thousand generating a net gain of €13,662 thousand (see Note 2.5.4).

The most significant financial information related to the main ownership interests in joint ventures is detailed in Appendix II to this consolidated annual report.

11.- NON-CURRENT FINANCIAL INVESTMENTS

11.1 Loans and Accounts Receivable Not Available for Trading

The breakdown of this item at 31 December 2014 and 2013 is as follows:

	€Thousand	
	2014	**2013**
Subordinated loans to companies owning hotels operated by the Group through leases (*)	46,740	45,885
Accounts receivable in respect of put option for Sotocaribe (Note 2.5.4)	58,250	-
Other collection rights	10,116	10,116
Other loans	17,230	16,722
Lease advance payments	3,535	3,660
Accounts receivable from joint ventures (Note 26)	6,279	5,576
Loans to associates (Note 26) (*)	-	2,250
Long-term deposits and sureties	12,789	15,172
Others	3,930	4,486
Total	**158,859**	**103,867**

**These loans accrue an average rate of interest of 3% to 4.89%.*

The “Subordinated loans to companies owning hotels operated by the Group through leases” item includes a series of loans granted by the Group to companies which own hotels in countries such as Germany, Austria, Luxembourg, the Netherlands, Italy and Spain, and which are operated by the Group under a leasing agreement.

The main features of these agreements are as follows:

- Hotel rentals are not subject to evolution of the inflation rate or to that of any other index.
- The above-mentioned subordinated loans accrue interest at a fixed rate of 3% per year (€2.36 million in 2014 and €2.23 million in the preceding year).
- New lease agreements establish a purchase right on properties subject to agreements that, as a general rule, may be executed in the fifth, tenth and fifteenth year from the entry into force of the agreement.
- The model used for these lease agreements has been analysed and independent experts consider them to be operating leases.

The “Other collection rights” item reflects the claim filed against the insurance company that underwrote the ten-year construction insurance. The amount claimed corresponds to the repairs made and pending in a housing development. This claim was left out of the 2014 sale agreement for Sotogrande, S.A., the company which first presented the claim (see note 2.5.4).

“Other Loans” includes the loan granted to the owner of the Nhow Rotterdam hotel, operated on a management basis, which accrues a fixed annual interest rate of 3%.

The “Lease advance payments” item consists of advance payments made to the owners of certain hotels operated under a lease arrangement for the purchase of decoration and furniture; these are discounted from future rental payments.

11.2 Other Non-Current Financial Investments

This heading of the consolidated balance sheet comprised, at 31 December 2014 and 2013, the following equity interests, valued at cost:

	€Thousand	
	2014	2013
NH Panamá	3,767	3,767
Other investments	4,525	6,072
Other provisions	(1,587)	(2,107)
Total	**6,705**	**7,732**

These companies were not consolidated at 31 December 2014, since they were inactive on said date.

12.- INVENTORY

This item of the consolidated balance sheet was as follows at 31 December 2014 and 2013, including movements during both years:

	Balance at 31/12/2012	Additions	Net Changes in Inventories	Balance at 31/12/2013	Transfers (Note 9)	Net Changes in Inventories	Balance at 31/12/2014
Developed land	46,558	38	-	46,596	(46,596)	-	-
Undeveloped land	10,697	-	(157)	10,540	(10,540)	-	-
Finished works	26,579	-	(59)	26,520	(26,520)	-	-
Ancillary materials and others	9,016	-	(53)	8,963	(362)	(375)	8,226
	92,850	**38**	**(269)**	**92,619**	**(84,018)**	**(375)**	**8,226**
Impairment	(6,735)	(6,249)	-	(12,984)	12,984	-	-
Net value	**86,115**	**(6,211)**	**(269)**	**79,635**	**(71,034)**	**(375)**	**8,226**

The transfers record the inventory of the companies classified as assets available for sale and then disposed of in the contract removing Sotogrande, S.A. from the scope of consolidation (see note 9).

13.- TRADE RECEIVABLES

This item reflects different accounts receivable from the Group's operations. The breakdown at 31 December 2014 and 2013 is as follows:

	€Thousands	
	2014	2013
Trade receivables for services provided	149,054	127,190
Trade receivables for real-estate product sales	-	7,654
Provision for bad debts	(13,042)	(15,649)
Total	**136,012**	**119,195**

As a general rule, these receivables do not accrue interest and are due at less than 90 days with no restrictions on how they may be availed.

Movements in the provision for bad debts during the years ending 31 December 2014 and 2013 were as follows:

	€Thousands	
	2014	2013
Balance at 1 January	15,649	15,144
Changes in scope	(4,271)	-
Exchange differences	(19)	(132)
Additions	2,852	2,798
Applications	(1,169)	(2,161)
Balance at 31 December	**13,042**	**15,649**

The analysis of the ageing of financial assets in arrears but not considered impaired at 31 December 2014 and 2013 is as follows:

	€Thousands	
	2014	2013
Less than 30 days	23,117	22,565
From 31 to 60 days	13,060	12,568
More than 60 days	25,054	14,377
Total	**61,231**	**49,510**

14.- CASH AND CASH EQUIVALENTS

This item essentially includes the Group's cash position, along with any loans granted and bank deposits that mature at no more than three months. The average interest rate obtained by the Group for its cash and cash equivalents balances during 2014 and 2013 was a variable Euribor-indexed rate. These assets are recognised at their fair value.

There are no restrictions on cash withdrawals, except an escrow deposit agreement of US$7 million for the purchase of Hoteles Royal.

As a result of the enactment of Royal Decree 1558/2012 of 15 November, of Article 42 bis of Royal Decree 1065/2007 of 27 July, approving the General Regulations on tax management, inspection and procedures, and implementing the common rules of the procedures for applying taxes, which establishes certain reporting obligations with regard to overseas assets and rights, among others, it is disclosed that some members of the NH Hotel Group S.A. Board of Directors have the right, as representatives or authorised officials, to dispose of bank accounts located abroad, which are in the name of Group companies. The reason certain Board members have the right to dispose of overseas bank accounts is that they are directors or board members of said subsidiaries.

NH Hotel Group S.A. holds other accounting documents, namely the consolidated annual accounts, from which sufficient data can be extracted in relation to the aforementioned accounts.

15.- EQUITY

15.1 Subscribed Share Capital

On 26 June, the increase in the share capital of NH Hotel Group, S.A. was executed and completed. The capital increase involved the issue of 42,000,000 new ordinary shares, each with a par value of €2, with an issue premium of €2.70 per share which were fully subscribed and paid up by Intesa San Paolo, S.p.A. through the contribution of 445,000 shares representing 44.5% of the share capital of NH Italia, S.p.A.

At 31 December 2014 the Parent Company's share capital after the capital increase was represented by 350,271,788 fully subscribed and paid up bearer shares, each with a par value of €2.

All these shares are entitled to identical voting and economic rights and are traded on the Continuous Market of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

According to the latest notifications received by the Parent Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2014 and 2013 were as follows:

	2014	2013
HNA Group Co Limited	29.50%	20.00%
Grupo Inversor Hesperia, S.A.	9.24%	20.07%
Banco Santander, S.A.	8.57%	-
Intesa Sanpaolo, S.p.A*	7.64%	4.52%
UBS Group AG	2.01%	-
Blackrock Inc.	2.31%	5.62%
Fidelity International Limited	0.96%	1.47%
Banco Financiero y de Ahorros, S.A.	-	12.60%
Pontegadea Inversiones, S.L.	-	4.06%
Shares allocated to Employee Remuneration Schemes	0.10%	-
Shares owned by NH employees	0.07%	0.12%

**In January 2015, Intesa San Paolo through UBS Limited transferred 100% of its shares in NH Hotel Group, S.A. to a group of accredited investors, and therefore at the date of drafting these Annual Accounts, Intesa San Paolo is no longer a Company shareholder.*

At year-end 2014 and 2013, members of the Board of Directors were the holders or stable proxies of shareholdings representing approximately 46.43% and 61.43% of the share capital, respectively.

The main aims of the Group's capital management are to ensure short-term and long-term financial stability, a positive trend for NH Hotel Group, S.A. share prices, and suitable funding for investments while maintaining the level of indebtedness. All the above is geared towards ensuring that the Group maintains its financial strength and the strength of its financial ratios, enabling it to maintain its businesses and maximise value for its shareholders.

In recent years, the Group's strategy has not varied, maintaining a financial leverage ratio of 0.53x. The leverage ratios at 31 December 2014 and 2013 were as follows:

	€Thousand	
	2014	2013
Bonds and other marketable securities (Note 16)	467,499	461,949
Bank borrowings and other financial liabilities (Note 16)	339,855	417,339
Gross debt	**807,354**	**879,288**
Cash and cash equivalents (Note 14)	200,103	133,869
Liquid assets	200,103	133,869
Total Net Debt	**607,251**	**745,419**
Total Equity	1,136,668	1,153,471
Financial leverage	**0.53**	**0.64**

15.2 Parent Company Reserves

i) Legal reserve

In accordance with the Consolidated Text of the Corporate Enterprises Act, 10% of the net profit for each year must be allocated to the legal reserve until it reaches at least 20% of share capital. The legal reserve may be used to increase capital provided its remaining balance does not fall below 10% of the increased capital amount. With the exception of the aforementioned purpose, and when it does not exceed 20% of share capital, this reserve may be used only to offset losses, provided no other reserves are available for this purpose.

ii) Share premium

The Consolidated Text of the Corporate Enterprises Act expressly allows the balance of this reserve to be used to increase capital and imposes no restrictions on its availability.

15.3 Treasury Shares

At year-end, NH Hotel Group held 9,359,003 treasury shares representing 2.67% of its share capital at a total cost of €38,805 thousand. On 4 November 2013, the Spanish Securities Market Commission was informed of the loan of 9,000,000 shares from the total number of treasury shares to three financial entities that were involved in the placement of bonds convertible or exchangeable into the shares of NH Hotel Group, S.A., worth €250 million. The purpose of this loan was to allow those financial entities to offer the shares to subscribers of the bonds requesting them (see note 16).

15.4 Non-Controlling Interests

The movements in this heading in 2014 and 2013 are summarised below:

	€Thousand	
	2014	2013
Opening balance	**153,001**	**159,158**
Capital increases (Note 2.5.4)	(123,055)	-
Comprehensive profit (loss) attributed to non-controlling interests	(558)	(289)
Percentage changes in shares and sales (Note 2.5.4)	(4,626)	(3,875)
Dividends paid to non-controlling interests	(765)	(1,466)
Other movements	(816)	(527)
Closing balance	**23,181**	**153,001**

The “Dividends paid to non-controlling interests” item basically reflects the dividends paid out in 2014 to the following companies: NH Marín, S.A., for €250 thousand, and Latinoamericana de Gestión Hotelera, S.A., for €515 thousand.

16.-DEBT IN RESPECT OF BOND ISSUES AND BANK BORROWINGS

The balances of the “Bonds and other negotiable securities” and “Debts with credit institutions” items at 31 December 2014 and 2013 were as follows:

	€Thousand			
	2014		2015	
	Long-term	Short-term	Long-term	Short-term
Convertible notes	228,156	-	223,417	-
Guaranteed senior notes	250,000	-	250,000	-
Borrowing costs	-	3,517	-	3,661
Arrangement expenses	(14,174)	-	(15,129)	-
Obligations and other negotiable securities	**463,982**	**3,517**	**458,288**	**3,661**
Syndicated loans	111,633	19,700	114,333	19,000
Mortgages	86,415	18,807	131,124	55,855
Equity loans	-	-	-	6,493
Subordinated loans	75,000	-	75,000	-
Credit lines	-	32,617	6,506	12,482
Arrangement expenses	(4,104)	(1,365)	(5,668)	(716)
Borrowing costs	-	1,152	-	2,930
Debts with credit institutions	268,944	70,911	321,295	96,044
Total	**732,926**	**74,428**	**779,583**	**99,705**

Convertible bonds

On 31 October 2013, the Parent Company placed convertible bonds among institutional investors, for a total of €250,000 thousand, with the following characteristics:

Amount of the issue	€250,000,000
Nominal value of the bond	€100,000
Maturity	5
Rank of debt	Unguaranteed senior
Issue price	100%
Coupon	4%
Exchange price	€4,919
Conversion premium	30%
Redemption price	100%
Maximum number of shares to issue	50,823,338

In certain circumstances, at the request of the bondholder or Parent Company, this instrument may be redeemed or converted early.

This transaction is considered an instrument comprising liabilities and equity, with the equity at the time of issuance worth €27,230 thousand.

As it is commonplace for this type of issue, and in order to enhance the liquidity of the instrument on the secondary market, NH Hotel Group, S.A. signed a security loan agreement with the placing entities for up to 9 million treasury shares. This loan bears interest at 0.5% and was drawn to the extent of 8.4 million shares at 31 December 2014 (see Note 15.3).

Guaranteed senior notes

On 30 October 2013 the Parent Company placed guaranteed senior notes, which mature in 2019, at the nominal value of €250,000 thousand. The nominal yearly interest rate for said issuance of notes is 6.875%.

This line of financing requires adherence to a series of financial ratios that, to 31 December 2014, have been fully met.

Syndicated loan

In November 2013, one of the Group's companies and a group of eight financial entities signed a new syndicated loan worth €200,000 thousand with a final maturity date at four years, in November 2017. This syndicated loan comprises two tranches:

- Tranche A: taken out as a business loan of €133,333 thousand with €19,000 thousand maturing on each of the first three annual anniversaries from the effective date on which the syndicated loan was granted, and a final maturity on the fourth annual anniversary of €76,333 thousand. In November 2014 the first repayment of €19,000 thousand was made. The balance pending amortisation at 31 December 2014 was €114,333 thousand.

- Tranche B: taken out as a revolving business credit of €66,667 thousand with quarterly drawdowns and final maturity in November 2017. The balance pending amortisation at 31 December 2014 was €10,000 thousand.

As regards this financing, the commitment remains to adhere to a series of financial ratios, measured twice yearly; at 31 December 2014, these have been met in full.

The guaranteed senior notes and the syndicated loan share first tier mortgage guarantees on NH Group hotels in Spain (NH Eurobuilding) and the Netherlands (NH Barbizon Palace, NH Conference Centre Leeuwenhorst, NH Conference Centre Koningshof, NH Schiphol Airport, NH Conference Centre Sparrenhorst, NH Zoetermeer, NH Naarden, NH Capelle, NH Geldrop, NH Best and NH Marquette), pledging 100% of the shares in H.E.M. Diegem, B.V. and Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V., and pledging 60% of the shares in the company NH Italia, and the joint and several guarantee payable on demand of the Group's main operating companies that are wholly owned by the Parent Company.

The senior secured obligations and the syndicated loan contain clauses limiting the distribution of dividends.

In the context of the restructuring of the financial debt of Donnafugata, in December 2014 NH Europa, S.A. assumed a debt of €7,000 thousand. The rest of the financial debt associated with Donnafugata is recorded in note 9.

Mortgages

Mortgage loans and credits, whether syndicated or not, can be broken down as follows (€Thousand):

	Mortgaged asset	Fixed rate	Variable Interest	Total	Net book value mortgaged asset
Spain	NH Lagasca	-	7,360	7,360	17,156
	NH Príncipe de La Paz	-	2,765	2,765	7,377
Total Spain		**-**	**10,125**	**10,125**	**24,533**
Mexico	NH Qerétaro	-	2,231	2,231	6,082
	NH Santa Fe	-	2,508	2,508	8,828
Total Mexico		**-**	**4,739**	**4,739**	**14,903**
Netherlands	NH Carlton	-	-	-	-
	NH Groningen	-	2,088	2,088	6,255
	NH Rotterdam	-	11,463	11,463	13,659
Total Netherlands		**-**	**13,551**	**13,551**	**19,914**
Germany	NH Leipzig Messe	6,710	-	6,710	12,989
	NH Bingen & Viernheim	5,400	-	5,400	10,313
	NH Airport Raunheim	15,200	-	15,200	10,936
	NH Aukamm Wiesbaden	8,241	-	8,241	1,159
Total Germany		**35,551**	**-**	**35,551**	**35,397**
Italy	NH Ancona, NH Palermo, NH Cavalieri, NH Ravenna., NH Vitorio Venetto	-	36,250	36,250	139,320
	NH Torino Ambasaciori	-	625	625	15,977
	NH Milanofiori y centro de convenciones	-	5,400	5,400	42,555
	NH Bellini	-	833	833	8,481
	NH Genova	-	2,371	2,371	21,932
	NH Villa San Mauro	-	2,749	2,749	4,175
Total Italy		**-**	**48,228**	**48,228**	**232,440**
Switzerland	NH Fribourg	4,491	-	4,491	9,264
Total Switzerland		**4,491**	**-**	**4,491**	**9,264**
Total		40,042	76,643	116,685	336,451

On 31 December 2014, NH Italia S.P.A pre-paid a €20,000 thousand loan backed by a mortgage on the hotels NH Ancona, NH Palermo, NH Cavalieri, NH Ravenna and NH Vittorio Veneto with part of the funds from the sale of Sotogrande, S.A. On 13 February 2015 an agreement was formalised with a group of four Spanish financial entities to refinance the same loan with a new mortgage on the hotel NH Carlton (Netherlands). This loan matures in November 2017, with partial annual repayments of €8,000 thousand on the first two anniversaries and a final payment on the third anniversary of €24,000 thousand.

Assets granted as mortgage security against the syndicated loan of €200,000 thousand and guaranteed senior notes of €250,000 thousand, can be broken down as follows (€thousand):

	Mortgaged asset	Net book value mortgaged asset
Spain	NH Eurobuilding	119,885
Total Spain		**119,885**
Netherlands	NH Barbizon Palace	58,024
	NH Conference Centre Leeuwenhorst	46,819
	NH Conference Centre Koningshof	31,521
	NH Schiphol Airport	37,342
	NH Conference Centre Sparrenhorst	16,709
	NH Zoetermeer	6,868
	NH Naarden	10,767
	NH Capelle	6,012
	NH Geldrop	6,938
	NH Best	4,655
	NH Marquette	3,994
Total Netherlands		**229,649**
Net book value of assets assigned as mortgage collateral		349,534
Value of guaranteed debt		**431,000**
Fixed interest		250,000
Variable interest (amount used plus amount available)		181,000

There are also companies whose shares are pledged as collateral for said lines of financing.

Subordinated loans

Two loans for a combined amount of €75,000 thousand fully drawn at 31 December 2014 and with a single maturity and repayment in 2037, are included in this item.

Credit lines

At 31/12/2014, the balances under this item include the amount drawn down from several loan agreements and credit facilities. The joint limit of loan agreements and credit facilities as at 31 December 2014 amounts to €41,550 thousand. This heading includes a mortgage-backed line of credit for €11,463 thousand.

The detail, by maturity, of the items included under "Non-Current and Current Payables" is as follows (€Thousand):

				Maturity						
Instrument	**Limit**	**Available**	**Disposed**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Remainder**
Mortgages	105,222	-	105,222	-	18,807	48,076	25,463	5,981	743	6,152
Fixed rate	40,042	-	40,042	-	2,823	32,893	84	82	83	4,077
Variable interest	65,180	-	65,180	-	15,984	15,183	25,379	5,899	660	2,075
Subordinated loans	75,000	-	75,000	-	-	-	-	-	-	75,000
Variable interest	75,000	-	75,000	-	-	-	-	-	-	75,000
Syndicated loans	188,000	56,667	131,333	-	19,700	19,700	87,033	700	700	3,500
Tranche A (floating rate)	114,333	-	114,333	-	19,000	19,000	76,333	-	-	-
Tranche B (floating rate)	66,667	56,667	10,000	-	-	-	10,000	-	-	-
Syndicated NH Europa (floating rate)	7,000	-	7,000	-	700	700	700	700	700	3,500
Guaranteed line of credit	14,000	2,537	11,463	-	11,463	-	-	-	-	-
Variable interest	14,000	2,537	11,463	-	11,463	-	-	-	-	-
Convertible notes	228,156	-	228,156	-	-	-	-	228,156	-	-
Fixed rate	228,156	-	228,156	-	-	-	-	228,156	-	-
Guaranteed senior notes	250,000	-	250,000	-	-	-	-	-	250,000	-
Fixed rate	250,000	-	250,000	-	-	-	-	-	250,000	-
SUBTOTAL	**860,378**	**59,204**	**801,174**		**49,970**	**67,776**	**112,496**	**234,837**	**251,443**	**84,652**
Credit lines	27,550	6,396	21,154	-	21,154	-	-	-	-	-
Variable interest	27,550	6,396	21,154	-	21,154	-	-	-	-	-
Arrangement expenses	-	-	(19,643)	-	(1,365)	(307)	(2,310)	(5,358)	(8,817)	(1,487)
Borrowing costs	-	-	4,669	-	4,669					
Borrowing situation at 31/12/2014	**887,928**	**65,600**	**807,354**	**-**	**74,428**	**67,469**	**110,186**	**229,479**	**242,626**	**83,165**
Borrowing situation at 31/12/2013	**974,989**	**80,779**	**879,288**	**99,705**	**44,583**	**37,486**	**122,769**	**242,850**	**250,743**	**81,152**

17.- OTHER NON-CURRENT LIABILITIES

The breakdown of the "Other non-current liabilities" item in the accompanying consolidated balance sheets, at 31 December 2014 and 2013, is as follows:

	€Thousand	
	2014	**2013**
At fair value:		
Put option for Donnafugata Resort, S.r.l.	10,670	9,900
At amortised cost:		
Linearisation of revenue	15,895	14,441
Issue of promissory notes	1,810	1,810
Capital subsidies (Note 9)	-	18,086
Indemnity for termination of the Hotel Bühlerhöhe lease (Note 23)	-	3,593
Loans from shareholders	533	818
Other liabilities	1,326	1,658
Purchase option on Sotocaribe, S.L. (see note 2.5.4)	58,250	-
	88,484	**50,306**

On 26 October 2012 the arbitration tribunal ratified the valuation of Donnafugata Resort, S.r.l. made by an independent valuer in response to the communication made by the non-controlling interests of said company in 2010 of their intention to exercise the put option (at 31 December 2012 they represented 8.81% of the share capital). As a result of this decision, the Parent recognised the put option of the non-controlling interests in accordance with said valuation, which amounted to €9,900 thousand. In December 2014, an arbitration ruling set the costs and financial expenses payable by the Group at €770 thousand. The change in the fair value of this option was recognised under the heading "Change in fair value of financial instruments" in the accompanying comprehensive consolidated profit and loss statement for 2014. (See Note 25.6).

The financial liability resulting from recognising the Donnafugata Resort, S.r.l. put option at fair value was classified as level 2 in accordance with the calculation hierarchy established in IFRS 7.

18.- SHARE-BASED REMUNERATION SCHEMES

31 December 2013 marked the end of the Group's share-based remuneration scheme, approved in May 2007. On this date, none of the legal rights had been exercised, since the quoted price of the shares of NH Hotel Group S.A. had not reached the minimum required, whereupon on that date, in accordance with the legislation applicable to this remuneration scheme, the legal rights automatically expired.

In order to hedge the possible financial liabilities of said remuneration scheme, the Group entered into a swap agreement to hedge the possible financial liabilities arising from the exercise of this share-based incentives plan. Subsequently, a novation amending this agreement was signed on 13 June 2009 to complement the financial hedge and adjust it to new market conditions.

Upon expiry of the last equity swap settlement date, a six-month extension of the swap agreement was granted. Subsequently, on 6 November 2013, the Group settled the swap for €30,601 thousand.

The change in the fair value of this financial instrument until the settlement date had a positive impact of €9.5 million on the consolidated comprehensive profit and loss statement for the year ending 31 December 2013 (see Note 27.6).

Long-term share-based incentive plan

The shareholders at the Annual General Meeting held on 25 June 2013 approved the grant of a total of 896,070 shares of the Parent to the CEO. The Group valued these shares at the closing market price on the date of assuming the commitment to the beneficiary. The effect of this item on the profit and loss statement for 2014 was €452 thousand (€453 thousand in 2013).

New long-term incentive plan

On 25 June 2013, the Company's General Shareholders Meeting approved a long-term share-based incentive plan ("the plan") for the NH Hotel Group SA's executives and employees, as follows:

The plan will consist of the grant of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of the fixed salary, according to their level of responsibility. The number of shares to be granted shall be subject to the degree of fulfilment of the following objectives:

- TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, S.A. shares with the following indices:

  - IBEX Medium Cap
  - Dow Jones Euro STOXX Travel & Leisure

- EBITDA, discounting the amount corresponding to rentals compared annually with the forecasts of the Company's strategic plan.

If the minimum degree of fulfilment established in the aforementioned objectives is not achieved, the plan beneficiaries shall not be entitled to shares under said plan.

The plan is aimed at a maximum of 100 beneficiaries. The Board of Directors, at the proposal of the CEO, may include new members in the plan.

The plan will have a total duration of five years, divided into three three-year cycles:

- The first cycle commences on 1/1/14 with delivery of shares on 1/1/17.
- The second cycle commences on 1/1/15 with delivery of shares on 1/1/18.
- The third cycle commences on 1/1/16 with delivery of shares on 1/1/19.

The Board of Directors will be authorised to decide, before the start of each of the cycles, the effective implementation thereof in accordance with the Group's financial position at the time. At 31 December 2014, only the first cycle had been approved.

The number of shares to be delivered to each beneficiary shall be that resulting from dividing the maximum amount destined to each beneficiary in each cycle by NH's share price in the ten days prior to the grant date of each cycle ("reference value").

The total maximum amount destined to the plan in each of the cycles is as follows:

- First cycle: €6,170,000
- Second cycle: €5,830,000
- Third cycle: €4,440,000
- Total: €16,400,000

The beneficiaries must remain in the Group on each of the plan settlement dates, notwithstanding the exceptions deemed appropriate. Also, the aforementioned minimum TSR and EBITDA thresholds must be reached.

The item recognised in the income statement for 2014 in this connection amounted to €746 thousand.

19.- PROVISIONS FOR RISKS AND CHARGES

The breakdown of "Provisions for risks and charges" at 31 December 2014 and 2013, together with the main movements recognised in those years were as follows:

	€Thousand				
	Balance at 31/12/2012	Additions	Applications/ Reductions	Transfers	Balance at 31/12/2013
Provisions for contingencies and extraordinary costs:					
Onerous contracts	26,344	12,732	-	(11,835)	27,241
Provisions for pensions and similar obligations	23,321	58	(5,428)	-	17,951
Other claims	14,126	5,741	(726)	2,402	21,543
	63,791	18,531	(6,154)	(9,433)	66,735
Provisions for contingencies and current expenses:					
Onerous contracts	33,477	-	(21,504)	9,433	21,406
Restructuring provisions	19,981	5,275	(20,392)	-	4,864
	53,458	5,275	(41,896)	9,433	26,270
Total	**117,249**	**23,806**	**(48,050)**	**-**	**93,005**

	€Thousand				
	Balance at 31/12/2013	Additions	Applications/ Reductions	Transfers (Note 9)	Balance at 31/12/2014
Provisions for contingencies and extraordinary costs:					
Onerous contracts	27,241	14,809	(4,950)	(10,114)	26,986
Provisions for pensions and similar obligations	17,951	209	(4,131)	(232)	13,797
Other claims	21,543	3,390	(7,607)	(1,179)	16,147
	66,735	18,408	(16,688)	(11,525)	56,930
Provisions for contingencies and current expenses:					
Onerous contracts	21,406	-	(21,406)	10,114	10,114
Restructuring provisions	4,864	4,740	(4,883)	-	4,721
	26,270	4,740	(26,289)	10,114	14,835
Total	**93,005**	**23,148**	**(42,977)**	**(1,411)**	**71,765**

Onerous contracts

The Group has classified a number of hotel lease agreements, to which it is committed between 2014 and 2041 and on which the Group makes a loss, as onerous. Cancellation of these agreements could force the Group to make full payment of rent for the outstanding years of the lease or compensation, where applicable.

The provisions for the year include €3,456 thousand corresponding to the increase in the provision for onerous contracts (see note 25.6), while the applications include the application of €282 thousand corresponding to a hotel no longer managed by the Group.

Provision for pensions and similar obligations

The "Provisions for pensions and similar obligations" account includes the pension fund of a certain number of employees of the Netherlands business unit, and the T.F.R. (Trattamento di fine rapporto), an amount paid to all workers in Italy at the moment they leave the company for any reason. This is another remuneration element, whose payment is deferred and annually allocated in proportion to fixed and variable remuneration both in kind and in cash, which is valued on a regular basis. The annual amount to be reserved is equivalent to the remuneration amount divided by 13.5. The annual cumulative fund is reviewed at a fixed interest rate of 1.5% plus 75% of the increase in the consumer price index (CPI).

At the end of 2014, the liabilities entered against this item were of €13,797 thousand (€17,951 thousand at 31 December 2013).

The breakdown of the main assumptions used to calculate actuarial liabilities is as follows:

	2014		2013	
	Netherlands	Italy	Netherlands	Italy
Discount rates	2.10%	0.18%	2.10%	0.18%
Expected annual rate of salary rise	2.50%	1.90%	2.50%	1.90%
Expected return from assets allocated to the plan	2.10%	2.50%	2.10%	2.50%

Restructuring provision

The lower restructuring provision is due to the restructuring plan that the Group approved for reorganisation in Italy and Spain, which was executed in 2014 and 2013. At the end of 2014, the Group's provisions amounted to €4,721 thousand.

20.- TAX NOTE

Balances with Public Administrations

The balance of tax receivables at 31 December 2014 and 2013 were as follows:

	€Thousand	
	2014	2013
Deferred tax assets		
Tax credits	105,449	140,048
Tax assets due to asset impairment	35,353	38,735
Withholdings on personal income tax	1,703	1,437
Derivative financial instruments	-	-
Other prepaid taxes	15,353	18,562
	157,858	**198,782**

	€Thousand	
	2014	2013
Short-term taxes receivable		
Income tax	11,068	4,746
Value Added Tax	18,405	29,196
Other tax receivables	5,650	5,750
Total	**35,123**	**39,692**

The movements of the "Deferred tax assets" item in 2014 and 2013 were as follows:

	€Thousand	
	2014	2013
Opening balance	198,782	210,939
Asset impairment	(3,382)	(1,856)
Disposals due to derivative instruments	-	(10,932)
Cancellation of assets due to changes in scope	(28,708)	-
Cancellation of assets due to change in tax rate	(21,861)	-
Tax loss carry-forward for the year	12,056	(761)
Others	971	1,392
Total	**157,858**	**198,782**

Asset cancellations due to change in scope correspond to the derecognition of the tax losses contributed by Sotogrande and its subsidiaries, worth €20,440 thousand, which are now lost due to the exit of these entities from the Spanish tax consolidation group (see note 2.5.4.) and to the derecognition of the deferred tax assets these companies contributed to the consolidated balance sheet, worth €8,268 thousand (see note 9).

Asset disposals due to tax rate changes have arisen due to the change in the rate of Spanish Corporate Income Tax introduced by Law 27/2014, of 27 November. As the rate has been reduced, the Group has adjusted its deferred tax assets and liabilities and its tax loss assets, using the rate which is likely to be applicable in the period when it estimates the asset will be realised or the liability will be settled.

At 31 December 2014, the Group had updated the tax credit recovery plan based on the Group's business plan, considering an annual increase in the tax base of 2% starting in 2020, in which extraordinary transactions are not taken into account. In accordance with the results of said recovery plan, the tax credits will be fully offset in 2024. For this reason, the directors of the Parent Company have decided to capitalise the tax losses registered for the year.

Below is a sensitivity analysis based on the tax base used in the estimate:

Annual Tax Base Variation	(10%)	(20%)	(30%)
Year of Recovery	2025	2026	2028

At 31 December 2014 and 2013 the Group had tax credits worth €574,544,000 that had not been entered in the accompanying balance statement because the Directors considered they did not meet accounting standard requirements. These assets are grouped as follows:

	€Thousand	
	2014	2013
Non-deductible financial expenses in Spain	138,113	96,575
Non-deductible financial expenses in Italy	28,519	30,298
Non-deductible financial expenses in Germany	12,900	11,400
Tax bases generated by the Spanish entities before consolidation	108,790	11,976
Tax bases generated in Spain	31,213	31,213
Tax bases generated in Italy	43,762	39,016
Tax bases generated in Germany	168,700	192,000
Deductions generated in Spain	42,548	45,463
Total	**574,544**	**557,940**

Financial expenses that cannot be deducted from Spanish Corporate Income Tax, due to exceeding 30% of the operating income of the tax group, calculated according to Article 20 of the Redrafted Text of the Corporate Income Tax Act, approved by Legislative Royal Decree 4/2004, of 5 March, were €41,538 thousand in 2014 (€54,074 thousand in 2013). In accordance with the new stipulations of Law 27/2014, there is no deadline for offsetting non-deductible finance costs. Regarding Italian and German Corporate Income Tax, tax regulations in those countries are similar to those of Spain on the deductibility limit of financial expenses. In accordance with Italian and German legislation, there is no deadline for offsetting non-deductible finance costs.

The composition of the credit balances with Public Administrations at 31 December 2014 and 2013 is as follows:

	€Thousand	
	2014	2013
Deferred tax liabilities		
Revaluation of assets and other valuation differences	179,730	201,225
Total	**179,730**	**201,225**

	€Thousand	
	2014	2013
Short-term taxes payable		
Corporate Income Tax	15,412	7,314
Value Added Tax	1,763	12,009
Personal Income Tax	8,321	5,124
Tax on Income from Capital	90	1,196
Social Security	8,196	6,695
Others	6,312	5,157
Total	**40,094**	**37,495**

The movements in deferred tax liabilities during 2014 are as follows:

	€Thousand	
	2014	2013
Opening balance	201,225	233,939
Cancellation of liabilities due to change in tax rate	(6,510)	-
Cancellation of liabilities due to changes in scope (Note 9)	(9,461)	(8,915)
Others	(5,524)	(23,799)
Closing balance	**179,730**	**201,225**

The derecognitions in 2013 relate mainly to Sotogrande S.A. and its subsidiaries leaving the group, and the adaptation of tax liabilities associated with accounting revaluations at the expected effective tax rate.

The detail, by country and item, of these deferred taxes is as follows:

	€Thousand			
	Tax credits	Prepaid Taxes	Total Assets	Liabilities
Spain	99,436	36,390	135,826	50,640
Italy	5,277	6,947	12,224	119,022
Germany	-	3,229	3,229	673
Others	736	5,843	6,579	9,395
TOTAL	**105,449**	**52,409**	**157,858**	**179,730**

Corporate Income Tax expense

The Group operates in many countries and is therefore subject to the regulations of different tax jurisdictions regarding taxation and corporate income tax.

NH Hotel Group, S.A. and the companies with tax domicile in Spain in which it held a direct or indirect stake of at least 75% during the 2014 tax period are subject to the tax consolidation scheme governed by Title VII, Chapter VII of the Consolidated Text of the Corporate Tax Act, approved by Royal Legislative Decree 4/2004 of 5 March.

The companies belonging to the tax group have signed an agreement to share the tax burden. Hence, the Parent Company settles any credits and debts which arise with subsidiary companies due to the negative and positive tax bases these contribute to the tax group.

During 2014, Sotogrande, S.A., Resco Sotogrande, S.L. and Club Deportivo Sotogrande, S.A. were excluded from the Spanish tax consolidation group. Coperama Spain, S.L. was included in the group.

Corporation tax is calculated on the financial or accounting profit or loss resulting from the application of generally accepted accounted standards in each country, and does not necessarily coincide with the tax result, this being construed as the tax base.

In 2014, Spanish companies pay taxes at the general tax rate of 30% irrespective of whether they apply the consolidated or separate taxation schemes. Following the approval of tax reform in Spain, the tax rates applicable to resident entities will be 28% in 2015 and 25% in 2016 and the following years. The foreign companies are subject to the prevailing tax rate in the countries where they are domiciled. In addition, taxes are recognised in some countries at the estimated minimum profit on a complementary basis to Corporation Tax.

The prevailing income tax rates in the different jurisdictions where the Group has significant operations are as follows:

Country	Nominal Rate
Argentina (1)	35%
Colombia (2)	-
Chile	20%
Panama	25%
Brazil	34%
Mexico	30%
Uruguay	25%
Dominican Republic	28%
Germany	30%

Country	Nominal Rate
Romania	16%
Poland	19%
Switzerland	7.80%
Dominican Rep.	19%
Luxembourg	29.20%
Italy	31.70%
Netherlands	25%
France	33%
Portugal	31.50%

(1) Jurisdictions in which there is a minimum taxable income.
(2) NH Parque de la 93, S.A.S., the Colombian company which operates a hotel in Bogotá, is exempt from Income Tax.

The reconciliation between the consolidated comprehensive profit or loss statements, the corporation tax base, current and deferred tax for the year, is as follows:

	€Thousand													
	2014												2013	
	Spain	**Germany**	**Czech R.**	**Romania**	**Poland**	**Switzerland**	**Luxembourg**	**Latin America (1)**	**Italy**	**Netherlands (2)**	**Portugal**	**TOTAL**	**Spanish Companies**	**Other Companies**
Consolidated comprehensive profit and loss statements	(75,876)	9,339	194	28	49	(701)	1,060	10,044	22	29,559	(56)	(26,338)	(125,754)	92,917
Adjustments to consolidated comprehensive profit and loss:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounting consolidation adjustments	(25,339)	4,765	-	-	-	-	-	-	4,680	-	-	(15,894)	22,770.00	9,974
Due to permanent differences	35,823	(12,621)	-	196	-	1,460	(1,060)	(1,435)	(10,572)	3,416	56	15,263	40,433	(2,069)
Due to temporary differences	17,225	(188)	-	-	-	-	-	2,857	1,124	(7,956)	-	13,062	22,618	14,806
Tax base (Taxable profit or loss)	(48,167)	1,293	194	224	49	759	-	11,465	(4,746)	25,018	-	(13,911)	(39,935)	115,628
Current taxes to be refunded / (to pay)	(1,088)	179	-	1	-	(27)	2	(604)	4,183	1,751	(54)	4,343	(194)	2,761
Total current tax income / (expense)	11,275	(388)	-	(36)	(9)	(59)	-	(3,153)	(4,645)	(6,254)	-	(3,269)	387	(26,266)
Total deferred tax income / (expense)	3,914	(57)	-	-	-	-	-	786	356	(1,989)	-	3,010	(7,827)	28,238
Total income / (expense) due to tax rate changes	(14,562)	-	-	-	-	-	-	(789)	-	-	-	(15,351)	-	-
Total Corporation Tax income / (expense)	**626**	**(444)**	**-**	**(36)**	**(9)**	**(59)**	**-**	**(3,157)**	**(4,289)**	**(8,243)**	**-**	**(15,611)**	**(7,440)**	**1,972**

(1) The Latin America business area includes the profits and losses obtained by the Group in Argentina, Mexico, Uruguay, the Dominican Republic, Colombia, Chile, Panama and Brazil.
(2) The Netherlands business area includes Belgium and France.

Financial years subject to tax inspection

In accordance with Spanish tax legislation, the years open for review to the Consolidated Tax Group are:

Tax	Pending Periods
Corporation	2010 to 2013
VAT	2011 to 2014
IRPF (personal income tax)	2011 to 2014
Others	2011 to 2014

On 30 January and 3 February 2015, NH Hotel Group, S.A. and NH Hoteles España, S.A. received separate notifications from the Spanish Tax Agency of audit and investigation inspections, with the following scope:

Item	Period
Corporate Income Tax	2010 to 2014
Value Added Tax	2011 to 2013
Withholdings on earnings	2011 to 2013
Withholdings on property income	2011 to 2013
Withholdings on non-resident income (NH Hotel Group)	2011 to 2013

The notification of the start of audit and investigation inspections was sent to NH Hotel Group, S.A. in its role as the parent company of Grupo 23/92, regarding Corporate Income Tax, and of Group 161/09, regarding VAT.

Deductions applied by the consolidated tax group of the Parent Company

The deductions generated during the year are essentially due to double taxation. 2014 marked the end of the compensation period of the €9 million deduction to avoid double taxation generated in 2006.

At 31 December 2014, the Tax Group held the following tax credit carry-forward (€thousand):

Year Origin	Deduction pending application	Amount
2002 to 2010	Investment in export activity	29,047
2007 to 2013	Tax deduction to avoid double taxation	12,222
2002 to 2013	Other	1,279
		42,548

Similarly, the consolidated tax group of the Parent Company took advantage in prior years of the "Deferral of extraordinary profits for reinvestment" scheme. The essential characteristics of such reinvestment are as follows (€thousand):

		Amount offset			
Year of origin	Revenue Qualifying for deferral	Previous years	Year 2014	Amount Outstanding	Last year of deferral
1999	75,145	50,757	682	23,706	2049

This income was reinvested in the acquisition of buildings.

Revenue from previous year written off for the reinvestment of extraordinary profits in accordance with the provisions set forth in Section 42 of the Consolidated Text of the Corporation Tax Act is shown below (€thousand).

Financial year	Date of transmission	Revenue deferred	Deduction		Company generating the capital gain	Company reinvesting
			Applied	Outstanding		
2008	June	1,583	-	190	Gran Círculo de Madrid, S.A.	NH Europa, S.L.

The capital gains obtained in 2008 were re-invested in 2009 through the Group's acquisition of new shares in the Italian subsidiary through NH Europa, S.L., formerly "NH Hotel Rallye, S.A.". These shares were issued as a result of a capital increase of €73 million, allocated to acquiring new hotels and refurbishing existing ones, with an obligation to maintain the investment during a three-year period.

Negative tax bases

At 31 December 2014, the Consolidated Tax Group headed by NH Hotel Group, S.A. has the following tax loss carry-forwards:

Financial year	Amount
2007	8,992
2008	17,711
2009	91,223
2010	50,107
2011	23,706
2012	156,689
2013	31,213
2014	49,316
Total	**428,958**

The exit of Sotogrande, S.A., Resco Sotogrande, S.L. and Club Deportivo Sotogrande, S.A. from the Tax Group means an estimated reduction in tax loss carry-forwards of €68 million.

21.- TRADE PAYABLES

The breakdown of this item in the consolidated balance sheet at 31 December 2014 and 2013 is as follows (€thousand):

	€Thousand	
	2014	2013
Trade payables	206,288	208,160
Advance payments from customers	25,139	21,428
	231,427	**229,588**

The "Trade payables" item reflects the accounts payable arising from the Group's regular trading activities.

The "Advance payments from customers" item mainly includes customer deposits arising from the Group's hotel businesses.

22.- INFORMATION ON DEFERRED PAYMENTS TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DUTY TO REPORT" OF ACT 11/2013 OF 26 JULY

A breakdown of the information required by the Third Additional Provision of Act 15/2010 of 5 July on agreements executed under Spanish legislation appears below:

	2014		2013	
	€Thousand	%	€Thousand	%
Payments made within the maximum legal term	93,882	35%	186,466	70%
Remainder	171,783	65%	81,102	30%
Total payments in the financial year	**265,665**	**100%**	**267,568**	**100%**
Weighted average exceeded payment period (days)	65		38	
Deferrals which exceeded the maximum legal deadline at year-end	19,833		18,418	

The above information on payments to suppliers refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Trade creditors" item in current liabilities of the attached consolidated balance sheet at 31 December 2014.

The weighted average exceeded payment period (PMPE) has been calculated as the sum of the product of each of the supplier payments made in the year with a delay exceeding the legal payment deadline and the number of days by which the relevant deadline has been exceeded in the numerator, and the total amount of the payments made in the year with a delay exceeding the legal payment deadline in the denominator.

The maximum legal payment period applicable to the Group's Spanish companies in 2014 and 2013 is 30 days, unless there is an agreement between the parties with a maximum period of 60 days, in accordance with Law 4/2013 of 26 July, amending Law 3/2004, establishing measures to combat delinquency in commercial transactions.

The weighted average exceeded payment period (PMPE) for payments due in 2014 is higher because after the migration of the accounting system in January 2014, payments were delayed in the first half of 2014 until the system was stabilised.

23.- OTHER CURRENT LIABILITIES

The composition of this item at 31 December 2014 and 2013 is as follows:

	€Thousand	
	2014	2013
Outstanding remuneration	30,555	28,687
Compensation for termination of the Hotel Bühlerhöhe lease (Note 17)	3,915	2,936
Linearisation of revenue	3,159	1,970
Corporate restructuring provision in Mexico	-	2,500
Provision for Los Cortijos refurbishment expenses	-	682
Other creditors	7,935	2,224
	45,564	**38,999**

In 2014 the corporate restructuring provision was applied in Mexico due to a company divestment operation there in April.

The heading "Compensation for termination of the Hotel NH Bühlerhöhe lease" includes the liability corresponding to the part of the compensation to be paid to the hotel's owner for termination of the long-term-maturity lease agreement. At 31 December 2014, compensation liability was €3,915 thousand which is expected to be settled in full in 2015 (see Note 25.6).

24.- THIRD-PARTY GUARANTEES AND CONTINGENT ASSETS AND LIABILITIES

Financial institutions had granted surety to the Group for an amount totalling €22.05 million (€21.68 million at 31 December 2013) which, in general terms, guarantee the fulfilment of certain obligations taken on by the consolidated companies in the performance of their activities.

At 31 December 2014, the Group had taken out insurance policies to cover risks arising from damage to material goods, loss of profits and third-party liability. The capital insured sufficiently covers the assets and risks mentioned above.

Commitments to third parties

- A Group company currently acts as co-guarantor for a syndicated loan granted by two banks to the associate Sotocaribe, S.L. which at 31 December 2014 had an outstanding principal of €19,508 thousand with final maturity in 2014. On 23 September 2014 a novation was signed to extend the loan maturity to 2015.

- On 10 March 2006, NH Europa, S.A. and Losan Hoteles, S.L. (now Carey Property, S.L.) signed a shareholders' agreement on Losan Investments Ltd. (the owner of the Kensington Hotel), by means of which, should Losan Investments Ltd. receive an offer to purchase 100% of its shares at a price deemed to be a market price, Losan Hoteles, S.L. (now Carey Property, S.L.) may require NH Europa, S.A. to transfer its shares to the third party who made the offer and the latter will be obliged to accept. However, NH Europa, S.A. will have preferential acquisition rights over shares held by Losan Hoteles, S.L. (now Carey Property, S.L.) in Losan Investments, Ltd.

  On 25 March 2009, Sotogrande, S.A. granted the non-controlling shareholders of Donnafugata Resort S.r.l. representing 30% of its share capital a put option. On 20 October 2010, the shareholders of Compagnia Immobiliare Azionaria, S.p.A. and Repinvest Sicily S.r.l. gave notice of their intention to partially exercise the above-mentioned put option in accordance with the agreement signed by the parties in March 2009. An independent expert was commissioned to appraise the company as a consequence of this notice. Sotogrande, S.A. considered this expert's valuation of the company to be excessive and far from its real value, and began arbitration proceedings in which it challenged the independent expert's report. On 26 October 2012 the arbitral tribunal issued an award in which it confirmed the valuation of the independent valuer. Sotogrande, S.A. lodged an appeal against this award and the hearing has been set for 23 February 2016. On 15 November 2013, CIA and Repinvest Sicily filed new arbitration proceedings seeking for Sotogrande, S.A. to be ordered to pay €9,900,000 plus €11,451, plus interest, in accordance with the valuation stated in the aforementioned ruling. On 3 December 2014 the tribunal issued a ruling ordering Sotogrande, S.A. to pay the sum of €10,673,484 fully provided for. Due to the operation described in Note 2, the Group stood in for Sotogrande S.A. in this dispute.

- In the context of operations in the Caribbean, and within the management contract for the Real Arena complex, there is a commitment by the management company to obtain a minimum profit.

Contingent assets and liabilities

The Group's main contingent assets and liabilities on the date these consolidated financial statements were drawn up, are set out below:

- In 2008, a Group subsidiary in Italy terminated a service agreement with the construction company in charge of building a tourist complex being developed by said subsidiary on the grounds of several breaches of contract. As a result of this termination, the construction company filed a suit against the Italian company claiming damages in the amount of approximately €15 million.

- The Group company in Italy has filed a counterclaim, affirming that the termination was due to breach of contract and for this reason, compensation of approximately €33 million is being claimed from the construction company. The tribunal appointed a technical expert, who quantified the damages in the construction company's favour at approximately €1.4 million, and in favour of Donnafugata Resort S.r.l. at €6.4 million minimum and approximately €9.1 million maximum.

- The Italian company has already received €5.1 million in payment for the damages from the first-demand bank guarantee provided by Intesa San Paolo, S.p.A.; in order to seek payment of any additional damages, it must be borne in mind that the construction company would pay a part under the terms of the court approved restructuring plan.

- However, for reasons of prudence and given the financial situation of the Group, on 31 December 2014, the attached consolidated balance sheet includes a liability for the sum of €6,771 thousand under the heading "Assets available for sale".

- The owner of a tourist complex has initiated arbitration proceedings against Donnafugata Resort S.r.l., claiming damages for a delay in construction work and demanding demolition of part of the work and the execution of some additional work. The Italian company has filed a counterclaim for, among other things, errors in the maps attached to the lease agreement, which gave rise to errors in the sizes of the plots. The Directors, following the opinion of their legal advisers, have not made provisions for the amount, as they consider it will probably not be needed.

- NH Group has appeared in the insolvency proceedings of Viajes Marsans, S.A. and Tiempo Libre, S.A., from the unsettled estate of Gonzalo Pascual Arias and Gerardo Díaz Ferrán, and in the voluntary insolvency proceedings against María Angeles de la Riva Zorrilla, in order to claim outstanding amounts. Said balances were provisioned in consolidated financial statements in the amounts deemed not recoverable.

- The owner of 4 hotels in the Netherlands made a claim for a payment of €2,723 thousand from a Dutch subsidiary because there was supposedly a change of control in 2014, and this supposedly gives it the right to claim a penalty, according to the lease. The notification was accompanied by the written demand, and it announced it would go to court if the Dutch subsidiary does not pay within 8 days of 19 February. The Directors, in accordance with their legal advisers, consider it unnecessary to register a provision for this item at present.

25.- INCOME AND EXPENSES

25.1 Income

The breakdown of these headings in the consolidated comprehensive profit and loss statements for 2014 and 2013 is as follows:

	€Thousand	
	2014	2013
Hotel occupancy	847,717	833,598
Catering	297,218	300,261
Meeting rooms and others	62,541	62,985
Rentals and other services	39,479	35,328
Net turnover	**1,246,955**	**1,232,172**
Operating subsidies	6	156
Other operating income	3,293	1,338
Other operating income	3,299	1,494
Net gain (loss) on disposal of assets	**(1,005)**	**2,120**

"Rentals and Other Services" includes the income from fees invoiced to hotels operated on a management basis and the services provided by the NH Group to third parties.

The breakdown of net turnover by geographical markets in 2014 and 2013 was as follows:

	€Thousand	
	2014	2013
Spain	294,970	285,646
Germany	288,253	282,984
Benelux	256,580	266,823
Italy	227,400	217,710
Rest of Europe	92,636	92,125
Latin America	87,115	86,884
Net gain (loss) on disposal of assets	**1,246,954**	**1,232,172**

25.2 Financial Income and Changes in The Fair Value of Financial Instruments

The breakdown of this item's balance in the consolidated profit and loss statement is as follows:

	€Thousand	
	2014	2013
Dividend income	935	22
Income from marketable securities	396	1,539
Interest income	2,521	1,892
Other financial income	3,516	646
	7,368	**4,099**

25.3 Personnel Expenses

This item in the consolidated comprehensive profit and loss statement is broken down as follows:

	€Thousand	
	2014	2013
Wages, salaries and similar	282,173	296,461
Social security contributions	69,764	70,219
Indemnifications	9,043	5,838
Contributions to pension plans and similar	3,460	5,102
Other social expenses	9,353	9,609
	373,793	387,229

The average number of people employed by the Parent Company and the companies consolidated through full consolidation in 2014 and 2013 broken down by professional categories was as follows:

	2014	2013
Group's general management	6	8
Managers and heads of department	1,077	1,069
Technical staff	771	922
Sales representatives	444	397
Administrative staff	154	327
Rest of workforce	10,257	10,421
	12,709	13,144

The breakdown of the personnel at 31 December 2014 and 2013, by gender and professional category, is as follows:

	31/12/14		31/12/13	
	Hombres	Mujeres	Hombres	Mujeres
Group's general management	6	-	7	1
Managers and heads of department	648	390	682	388
Technical staff	419	331	427	331
Sales representatives	89	283	165	492
Administrative staff	44	92	90	188
Rest of workforce	6,251	3,482	6,215	3,427
	7,457	4,578	7,586	4,827

The average number of people with disabilities equivalent to or greater than 33%, directly employed by the Parent Company and fully consolidated companies in Spain in 2014, broken down by professional categories, is as follows:

	2014	2013
Managers and heads of department	4	2
Technical staff	4	5
Rest of workforce	20	23
	28	30

The average age of the Group's workforce was approximately 38 years and average seniority in the Group amounted to 7.8 years.

25.4 Other Operating Expenses

The detail of "Other Operating Expenses" of the consolidated statement of comprehensive income for 2014 and 2013 is as follows:

	€Thousand	
	2014	**2013**
Lease rentals	272,156	275,230
External services	452,078	423,912
Additions to contingency and expense provisions	(4,217)	5,015
	720,017	**704,157**

During 2014 and 2013, the fees for account auditing and other services provided by the auditor of the Group's consolidated annual accounts, Deloitte, S.L., and the fees for services invoiced by the entities related to it by control, shared ownership or management, were as follows:

	€Thousand	
	2014	**2013**
Auditing services	464	488
Other verification services	241	395
Total auditing and related services	705	883
Tax consulting services	246	133
Other services	666	1,260
Total other services	912	1,393
Total professional services	**1,617**	**2,276**

Additionally, entities associated with the Deloitte international network have invoiced the Group for the following services:

	€Thousand	
	2014	**2013**
Auditing services	890	899
Other verification services	35	143
Total auditing and related services	925	1,042
Tax consulting services	133	161
Other services	42	39
Total other services	175	200
Total	**1,101**	**1,242**

During 2014, other auditing firms apart from Deloitte, S.L. or entities associated with this company by control, shared ownership or management, have provided account auditing services to the companies making up the Group, for fees totalling €57 thousand (€69 thousand in 2013). The fees accrued in 2014 by these firms for tax advice services were €232 thousand (€205 thousand in 2013) and for other services, €399 thousand (€31 thousand in 2013).

25.5 Operating Leases

At 31 December 2014 and 2013, the Group had made undertakings concerning future minimal rental payments by virtue of non-cancellable operating lease agreements, which expire as set out in the table below.

The current value of the rental payments has been calculated by applying a discount rate in keeping with the Group's weighted average cost of capital and includes the commitments which the Group estimates will have to be met in the future to guarantee a minimum return from hotels operated under a management agreement.

	€Thousand	
	2014	**2013**
Less than one year	278,675	277,994
Between two and five years	1,053,825	1,042,681
More than five years	824,049	793,691
Total	**2,156,549**	**2,114,366**

The term of the operating lease agreements signed by the Group ranges from 5 to 40 years. Agreements likewise include several methods to determine the rent to be paid. Basically, the methods for determining rentals can be summarised as fixed rentals indexed to a consumer price index; fixed rentals complemented by a variable part, indexed to the property's operating profits; or completely variable rentals, determined by business performance during the year. In some cases, variable rentals are set with a minimum profitability threshold for the owners of the property under operation.

The breakdown, by business units, of the current value of the rental payments at 31 December 2014 is as follows:

	Less than one year	Between two and five years	More than five years	Total
Spain	80,742	317,450	159,043	557,235
Germany and Central Europe	109,344	414,517	305,619	829,480
Italy	40,692	129,258	59,275	229,225
Benelux	44,678	187,027	297,347	529,052
Latin America	3,219	5,572	2,765	11,556
Total	**278,675**	**1,053,824**	**824,049**	**2,156,548**

The breakdown, by business units, of the current value of the rental payments at 31 December 2013 is as follows:

	Less than one year	Between two and five years	More than five years	Total
Spain	85,046	334,745	234,601	654,392
Germany and Central Europe	108,551	404,856	282,473	795,880
Italy	41,014	141,144	63,706	245,864
Benelux	40,447	157,350	212,911	410,708
Latin America	2,936	4,586		7,522
Total	**277,994**	**1,042,681**	**793,691**	**2,114,366**

25.6 Financial Expenses and Changes in Fair Value of Financial Instruments

The detailed balance of this chapter of the consolidated statement of comprehensive income for 2014 and 2013 is as follows:

	€Thousand	
	2014	2013
Expenses for interest	53,488	54,462
Financial expenses for means of payment	10,354	10,489
Cancellation of interest rate derivatives	-	5,880
Other financial expenses	1,531	1,496
Financial effect relating to updating of provisions (Note 19)	3,456	4,019
Total financial expenses	**68,829**	**76,346**

	€Thousand	
	2014	2013
Interest rate derivatives (Note 4.7.3)	(2,786)	-
Put option for Donnafugata Resort, S.r.l.	770	-
Share-based remuneration scheme 2007-2013 (Note 18)	-	(9,511)
Total change in fair value of financial instruments	**(2,016)**	**(9,511)**

26.- RELATED-PARTY TRANSACTIONS

In addition to its subsidiaries, associates and joint ventures, the Group's "related parties" are considered to be the "key management personnel" of the Parent Company (Board Members and Directors, along with their immediate relatives), as well as organisations over which key management personnel may exert significant influence or control.

Transactions carried out by the Group with its related parties during 2014 are stated below, distinguishing between major shareholders, members of the Board of Directors and Directors of the Parent Company and other related parties. The conditions of the related-party transactions are equivalent to those of transactions carried out under market conditions:

Income and Expenses	€Thousand 31/12/14 Significant Shareholders	Directors and Senior Management	Group Persons, Companies or Entities	Total
Expenses:				
Finance costs	8,137	-	-	8,137
Management or cooperation agreements	-	-	-	-
R&D transfers and licence agreements	-	-	-	-
Lease rentals	10,143	-	-	10,143
Reception of services	-	-	-	-
Purchase of goods (finished or in-progress)	-	-	-	-
Write-downs for bad debts and doubtful accounts	-	-	-	-
Losses due to retirement or disposal of assets	-	-	-	-
Other expenses	-	-	-	-
	18,280	**-**	**-**	**18,280**
Income:				
Finance income	-	-	-	-
Management or cooperation agreements	5,869	-	-	5,869
R&D transfers and licence agreements	-	-	-	-
Dividends received	-	-	-	-
Lease rentals	-	-	-	-
Provision of services	-	-	-	-
Sale of goods (finished or in-progress)	-	-	-	-
Gains on retirement or disposal of assets	-	-	-	-
Other income	-	-	-	-
	5,869	**-**	**-**	**5,869**

Financial expenses accrued from financing agreements with credit institutions that are major shareholders of the Parent Company amounted to €8,137 thousand in 2014 (€13,839 thousand in 2013).

The Group maintains several operating lease agreements with Pontegadea Inversiones, S.L. totalling €10,143 thousand during all or part of 2014 (€9,366 thoushand in 2013).

The heading “Management or cooperation agreements” includes the amounts that have accrued in the form of management fees payable to the NH Hotel Group during the period of 2014 by virtue of the hotel management agreement signed with Grupo Inversor Hesperia, S.A.

Financing agreements: loans and capital contributions

The composition of the financing agreements entered into with the Group’s significant shareholders at 31 December 2014 and 31 December 2013 is as follows:

	€Thousand 2014	2013	Movement
Banco Financiero y de Ahorros, S.A.	-	104,870	(104,870)
Intesa Sanpaolo S.p.A.	42,333	65,764	(23,431)
Banco Santander, S.A.	21,717	-	21,717
Total	**64,050**	**170,634**	**(106,584)**
Interest accrued but not due	**145**	**377**	**(231)**

At 31 December 2014, unmatured accrued financial expenses in relation to the financing agreements with credit institutions that are shareholders in the Parent Company amounted to €145 thousand (€377 thousand as at 31 December 2013).

Other Financing agreements:

	€Thousand	
	2014	2013
Accounts receivable from joint operations:		
Los Alcornoques de Sotogrande, S.L.	-	5,576
Other accounts receivable from joint operations	-	478
Loans to associated companies		
Harrington Hall Hotel, Ltd.	-	5,962
Sotocaribe, S.L.	3,445	2,744
Total	**3,445**	**14,760**

The balance receivable from Los Alcornoques de Sotogrande, S.L., one of the Group's joint ventures following the sale of a plot of land in 2008, was entered under the heading "Accounts receivable from joint ventures: Los Alcornoques de Sotogrande, S.L.". This account was included in the assets of Sotogrande, S.A. transferred on 16 October 2014.

The subordinated loan of €2,250 thousand granted by the Group to Harrington Hall Hotel Ltd. to refinance the entity's financial debt prior to its acquisition is entered under "Loans to associates- Harrington Hall Hotel Ltd.". This loan was repaid on 12 August in the context of the sale of the Group's stake in Harrington Hall, Ltd.

Other operations

By virtue of the contractual relationship entered into with Grupo Inversor Hesperia, S.A., at 31 December 2014, €3.38 million had not yet been received for various reasons, of which €2.02 million were due on said date. At 31 December 2014 the net balance recognised in relation to Grupo Inversor Hesperia, S.A. came to €2.96 million (31 December 2013: €1.52 million).

	€Thousand			
	31/12/13			
Income and Expenses	Significant Shareholders	Directors and Senior Management	Group Persons, Companies or Entities	Total
Expenses:				
Finance costs	13,839	-	-	13,839
Management or cooperation agreements	-	-	-	-
R&D transfers and licence agreements	-	-	-	-
Lease rentals	9,366	-	-	9,366
Reception of services	-	-	-	-
Purchase of goods (finished or in-progress)	-	-	-	-
Write-downs for bad debts and doubtful accounts	-	-	-	-
Losses due to retirement or disposal of assets	-	-	-	-
Other expenses	1,238	-	-	1,238
	24,443	**-**	**-**	**24,443**
Income:				
Finance income	-	31	-	31
Management or cooperation agreements	5,337	-	-	5,337
R&D transfers and licence agreements	-	-	-	-
Dividends received	-	-	-	-
Lease rentals	-	-	-	-
Provision of services	-	-	(1,536)	(1,536)
Sale of goods (finished or in-progress)	-	-	-	-
Gains on retirement or disposal of assets	-	-	-	-
Other income	-	-	-	-
	5,337	**31**	**(1,536)**	**3,832**

27.- INFORMATION BY SEGMENTS

The information by segments is primarily structured around the Group different business lines, and secondarily according to geographical distribution.

Main segments – Business

On 14 November 2014, the NH Group sold its property business and reclassified as "Non-current assets held for sale and discontinued operations" the non-strategic assets involved in a divestment process with firm sale plans (see Note 9).

Consequently, it proceeded to standardise the balances of the profit and loss account for 2013 corresponding to activities considered to have been discontinued that year. This standardisation does not apply to the consolidated balance sheet for 2013.

At 31 December 2014, the NH Group focuses its operations on the hotel business, which constitutes the basis upon which the Group presents the information on its main segment.

The Group does not include its catering operations as a main segment because it cannot be separated from the accommodation activity; both together constitute a single business, the hotel business.

Secondary segments – Geographical

The Group's operations are located in Spain, the Benelux, Germany, Italy, the rest of Europe, South America and the rest of the world.

The information by segments set out below is based on the reports drawn up by NH Group and is generated through a computer application which categorises transactions by business lines and geography.

Ordinary revenues of the segment correspond to revenue directly attributable to the segment plus the relevant proportion of the Group's general income that can be distributed to it using fair rules of distribution. The ordinary revenues of each segment do not include interest income and dividends, gains on the disposal of investments or proceeds from debt redemption or extinguishment, or share of results of associates.

The assets and liabilities of the segments are those which are directly connected with the segments' operations.

The information by segments of these operations is presented below.

27.1 Information on Main Segments

This section breaks down information on main segments relating only to the Group's consolidated balance, given the reclassification of property business balances in the comprehensive consolidated income statement under "Profit (Loss) for the Year from Discontinued Operations Net of Tax", applying International Financial Reporting Standard 5 "Non-current Assets held for sale and discontinued operations", detailed in Note 9.

	€Thousand					
	Hotel Business		Real Estate		Total	
	2014	2013	2014	2013	2014	2013
OTHER INFORMATION						
Additions of fixed assets	127,162	30,361	-	38	127,162	30,399
Depreciation	(98,516)	(101,902)	-	580	(98,516)	(101,322)
Net profit (loss) for asset deterioration	12,810	28,103	-	-	12,810	28,103
CONSOLIDATED BALANCE SHEET						
ASSETS						
Assets by segments	2,643,183	2,495,210	-	108,119	2,643,183	2,603,329
Shareholdings in associated companies	(29,465)	16,562	47,281	67,617	17,816	84,179
Total consolidated assets	2,613,718	2,511,772	47,281	175,736	2,660,999	2,687,508
LIABILITIES						
Liabilities and equity by segments	2,613,718	2,511,772	47,281	175,736	2,660,999	2,687,508
Total Consolidated Liabilities and Shareholders' Equity	**2,613,718**	**2,511,772**	**47,281**	**175,736**	**2,660,999**	**2,687,508**

27.2 Information on Secondary Segments

The following table shows the breakdown of certain Group consolidated balances in accordance with the geographical distribution of the entities giving rise to them:

	€Thousand					
	Revenues		Total assets		Inclusions of tangible fixed assets and intangible assets	
	2014	2013	2014	2013	2014	2013
Spain	295,292	285,646	848,466	881,763	66,267	5,349
Benelux	256,580	266,823	600,816	614,007	21,003	4,359
Germany	288,253	282,984	303,599	300,031	16,592	9,199
Italy	227,078	217,710	578,681	591,083	17,344	7,095
Rest of Europe	92,636	92,125	36,463	37,543	799	1,056
Latin America	87,115	86,884	292,974	263,081	5,157	3,341
Total	**1,246,954**	**1,232,172**	**2,660,999**	**2,687,508**	**127,162**	**30,399**

28.- REMUNERATION AND OTHER STATEMENTS MADE BY THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The amount accrued in 2014 and 2013 by the members of the Parent's managing bodies, Board of Directors (2013: 13 members; 2013: 14 members), Executive Committee (four members), Audit and Control Committee (three members) and Appointments and Remuneration Committee (three members), by way of executive directors' salary, statutory directors' fees and attendance fees, is as follows:

28.1 Remuneration of the Board of Directors

	€Thousand	
Remuneration item	**2014**	**2013**
Fixed remuneration	1,050	800
Variable remuneration	787	800
Parent Company: allowances	129	225
Parent Company: attendance allowances	550	520
Options on shares and other financial instruments	952	452
Indemnifications/other	8	35
Life insurance premiums	83	18
Consolidated Companies: allowances	5	5
Consolidated Companies: attendance allowances	83	95
Total	**3,647**	**2,950**

At 31 December 2014, there were 12 members of the Board of Directors, all of whom were men (14 members in 2013: 1 woman and 13 men).

In relation to the chapter "Share transactions and/or other financial instruments", both in the case of the CEO and of the members of Senior Management, the objective remuneration earned has been taken into account.

28.2 Remuneration of Senior Management

The remuneration of members of the Management Committee at 31 December 2014 and 2013, excluding those who simultaneously held office as members of the Board of Directors (whose remuneration has been set out above), is detailed below:

	€Thousand	
	2014	**2013**
Remuneration in cash	2,535	2,512
Remuneration in kind	341	58
Others	61	-
Total	**2,937**	**2,570**

There were six members of Senior Management at 31 December 2014, excluding the CEO. In any case, the remuneration of the seven members who formed the Company's Senior Management last year was taken into account to calculate the indicated amounts.

The accrued part of the variable remuneration is included within the remuneration of Senior Management, excluding the CEO.

28.3 Information on Conflicts of Interest on the Part of Directors

The Board of Directors have a control and evaluation procedure in order to know all information related to the Article 229.3 of the Law on Corporations, with the obligations of transparence and internal control (Procedure for interest conflicts and Related Transactions with significant shareholders, Board and Senior Management of NH Hotel Group S.A.," approved by the Board of Directors on 20th March 2014). No Director has informed any situations described in this procedure.

At year-end 2014, members of the Board of Directors of NH Hotel Group, S.A. and some people associated with them, as defined in the consolidated text of the Corporate Enterprises Act, held interests in the capital of the following companies engaged in the same, similar or complementary type of operations as those constituting the corporate object of NH Hotel Group, S.A.

Holder	Investee company	Activity	Number of Shares
Francisco Javier Illa Ruiz	Hotel Comtat de Vic, S.A.	Hotel Business	23.50%
Francisco Javier Illa Ruiz	Hoteles y Gestión, S.A.	Hotel Business	1.086%
José Antonio Castro Sousa	Bonanova Squash Garden, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Bristol Services, S.L.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotel Colibri, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotel Conde de Aranda, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Cordobatel, S.A.	Hotel Business	65.47%
José Antonio Castro Sousa	Gerencias y Serv. Turísticos, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotelera Metropol, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Infond, S.A.	Hotel Business	89.52%
José Antonio Castro Sousa	Desjust, S.L.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotelera Sant Just, S.A.	Hotel Business	84.73%
José Antonio Castro Sousa	Hotelera del Noroeste, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotelera del Tormes, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotel Hesperia Madrid, S.L.	Hotel Business	100.00%
José Antonio Castro Sousa	Hoteles Almería, S.A.	Hotel Business	66.29%
José Antonio Castro Sousa	Hotelera Salvatierra, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotelera del Este, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotel Fontoria, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Hotelera Paseo de Gracia, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Bercuma, S.L.	Hotel Business	86.28%
José Antonio Castro Sousa	Hotels Hesperia Andorra, S.A.	Hotel Business	99.99%
José Antonio Castro Sousa	Corp. Hotelera Hemtex, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Desarrollo Turístico Isla Bonita, C.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Inversiones HMR, C.A.	Hotel Business	35.70%
José Antonio Castro Sousa	Hesperia del Golf, S.L.	Hotel Business	100.00%
José Antonio Castro Sousa	Hesperia Purchasing Center, S.A.	Procurement network	100.00%
José Antonio Castro Sousa	Hotelera de Levante, S.A.	Hotel Business	100.00%
José Antonio Castro Sousa	Espesalud, S.L.	Hotel Business	100.00%
José Antonio Castro Sousa	Fondotel, S.A.	Hotel Business	96.88%

The breakdown of the positions held in companies engaged in the same, similar or complementary type of operations as those constituting the corporate object of NH Hoteles, S.A. and which do not belong to the Group or are not associated to it, by members the Parent Company's Board of Directors and individuals associated with them, is as follows:

Holder	Investee company	Activity	Functions
Francisco Javier Illa Ruiz	Grupo Inversor Hesperia, S.A.	Hotel Business	Joint Director
	Hotels Hesperia Andorra, S.A.	Hotel Business	Board Sec. and Attorney-in-Fact
	Desarrollo Turístico Isla Bonita, C.A.	Hotel Business	Member of the Management Team
	HMR	Hotel Business	Member of the Management Team
	Infond, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Fondotel, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hoteles Almería, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Weddel Inversiones 2012, S.L.	Portfolio	Representative of the Joint and Several Administrator
	Hotelera Sant Just, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Cordobatel, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Gerencias y Serv. Turísticos, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotelera Metropol, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotelera Paseo de Gracia, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotel Hesperia Madrid, S.L.	Hotel Business	Representative of the Joint and Several Administrator
	Espesalud, S.L.	Hotel Business	Representative of the Joint and Several Administrator
	Bonanova Squash Garden, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Bercuma, S.L.	Hotel Business	Representative of the Joint and Several Administrator
	Hotel Conde de Aranda, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Desjust, S.L.	Hotel Business	Representative of the Joint and Several Administrator
	Hotelera del Este, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotelera Salvatierra, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotelera del Noroeste, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotelera del Tormes, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotel Fontoria, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hesperia Purchasing Center, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Bristol Services, S.L.	Hotel Business	Representative of the Joint and Several Administrator
	Hotel Colibri, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Hotelera de Levante, S.A.	Hotel Business	Representative of the Joint and Several Administrator
	Coperama Holding, S.L.	Hotel Business	Director and Chairman of the Board
	RH2005	Hotel Business	Member of the Management Team
	Corporación Hotelera Hemtex, S.A.	Hotel Business	Member of the Management Team
José Antonio Castro Sousa	Bonanova Squash Garden, S.A.	Hotel Business	Sole Director
	Bonanova Squash Garden, S.A.	Hotel Business	Sole Director
	Bristol Services, S.L.	Hotel Business	Sole Director
	Hotel Colibri, S.A.	Hotel Business	Sole Director
	Hotel Conde de Aranda, S.A.	Hotel Business	Sole Director
	Cordobatel, S.A.	Hotel Business	Board Member
	Gerencias y Serv. Turísticos, S.A.	Hotel Business	Sole Director
	Hotelera Metropol, S.A.	Hotel Business	Sole Director
	Infond, S.A.	Hotel Business	Joint Director
	Desjust, S.L.	Hotel Business	Sole Director
	Hotelera Sant Just, S.A.	Hotel Business	Sole Director
	Hotelera del Noroeste, S.A.	Hotel Business	Sole Director
	Hotelera del Tormes, S.A.	Hotel Business	Sole Director
	Hotel Hesperia Madrid, S.L.	Hotel Business	Sole Director
	Hoteles Almería, S.A.	Hotel Business	Sole Director
	Hotelera Salvatierra, S.A.	Hotel Business	Sole Director
	Hotelera del Este, S.A.	Hotel Business	Sole Director
	Hotel Fontoria, S.A.	Hotel Business	Sole Director
	Hotelera Paseo de Gracia, S.A.	Hotel Business	Joint Director
	Bercuma, S.L.	Hotel Business	Joint Director
	Hoteles Hesperia Andorra, S.A.	Hotel Business	
	Corp. Hotelera Hemtex, S.A.	Hotel Business	Director
	Desarrollo Turístico Isla Bonita, C.A.	Hotel Business	Director
	Inversiones HMR, C.A.	Hotel Business	Director
	Hesperia del Golf, S.L.	Hotel Business	Joint Director
	Hesperia Purchasing Center, S.A.	Hotel Business	Sole Director
	Hotelera de Levante, S.A.	Hotel Business	Sole Director
	Espesalud, S.L.	Hotel Business	Sole Director
	Fondotel, S.A.	Hotel Business	Sole Director
	Grupo Inversor Hesperia, S.A.	Hotel Business	Individual representing the Joint and Several Administrator
Ling Zhang	Tangla Spain, S.L.U.	Holding	Board Member
	HNA Tourism Holdig Group CO., LTD.	Holding	Chairman and CEO
Haibo Bai	Tangla Spain, S.L.U.	Holding	Director and General Manager
	NHA International Hotel Group management LTD.	Hotel Business	Chairman and CEO
Xianyi Mu	Tangla Spain, S.L.U.	Holding	Deputy Chairman and General Manager
	NHA International Hotel Group management LTD.	Hotel Business	Deputy Chairman
Charles Mobus	Tangla Spain, S.L.U.	Holding	Director

29.- EVENTS AFTER THE REPORTING PERIOD

On 2 February 2015 the conditions were met for the effectiveness of the binding agreement signed by NH Hotel Group, S.A. to acquire a majority stake, representing 80.77% of the share capital, in Hoteles Royal, S.A. ("HR"), a Colombian entity which is the head company of the Latin American hotel management group Hoteles Royal, present mainly in Colombia, Chile and Ecuador.

As part of the agreements reached with the vendors, NH undertook to make an offer to buy the remaining 19.73% share capital of HR from the other shareholders. The offer made was substantially similar to the terms agreed by NH and the vendors of 80.77% of the share capital of HR.

As a result of this operation, and after the recent sale in Colombia of the hotel NH Bogotá Parque 93 in January 2015, NH has strengthened its presence in these countries, going from 2 to 21 hotels, and from 259 to 2,379 rooms under management.

The net amount to be paid for 100% of the share capital of HR, discounting the €21.5 million received for the sale of the NH Bogotá Parque 93, is €65.6 million, of which (i) €48.18 million will be paid directly by NH on the formal acquisition of the shares ("Closing Date") and financed with part of the funds obtained from the sale of Sotogrande in November 2014; and (ii) €17.42 million will be deferred, to be paid over two years from the Closing Date, while also being retained as security, as is customary in this type of transaction.

The conditions which were met for the binding agreement mentioned above to become effective include an agreement between NH, the Carlson Rezidor Hotel Group and the HR Group, in which the HR Group and Carlson Rezidor agree, among other matters, to dissolve the master franchise agreement which initially granted a subsidiary in the HR Group the exclusive franchise rights to the Radisson brand until 2018 for much of Latin America, and to dissolve the international franchise contracts of most of the hotels that had been managed by the HR Group under the Radisson brand which would remain in HR and be managed in the future under NH brands.

The Closing Date was on 4 March 2015, which was object of the appropriate communication to the market. The Group has yet to allocate the difference on first consolidation, which will be significantly affected by the exchange rate.

These operations give NH a more appropriate presence in Colombia, and consolidate a substantial presence in certain markets it has identified as priority markets, acquiring the management of assets in excellent locations, and making considerable progress towards the goals of its Strategic Plan.

30.- INFORMATION ON ENVIRONMENTAL POLICY

The Group had not allocated any provisions for environmental contingencies and claims at year-end 2014.

The Group has no activities which require specific information to be shown in the environmental policy.

The environmental policy expressed through the management of the water cycle in the Sotogrande residential complex and its surrounding area, which included waste water treatment in order to minimise environmental impact, is no longer associated with the Group due to the sale of Sotogrande S.A.

31.- EXPOSURE TO RISK

The Group financial risk management is centralised at the Corporate Finance Division. This Division has put the necessary measures in place to control exposure to changes in interest and exchange rates on the basis of the Group's structure and financial position, as well as credit and liquidity risks. If necessary, hedges are made on a case-by-case basis. The main financial risks faced by the Group's policies are described below:

Credit risk

The Group's main financial assets include cash and cash equivalents (see Note 14), as well as trade and other accounts receivable (see Note 13). In general terms, the Group holds its cash and cash equivalents in entities with a high credit rating and part of its trade and other accounts receivable are guaranteed by deposits, bank guarantees and advance payments by tour operators.

The Group has no significant concentration of third-party credit risk due to the diversification of its financial investments as well as to the distribution of trade risks with short collection periods among a large number of customers.

Interest rate risk

The Group's financial assets and liabilities are exposed to fluctuations in interest rates, which may have an adverse effect on its results and cash flows. In order to mitigate this risk, the Group has established policies and has refinanced its debt at fixed interest rates through the issuance of convertible bonds and guaranteed convertible senior notes. At 31 December 2014, approximately 65% of the gross borrowings was tied to fixed interest rates.

In accordance with reporting requirements set forth in IFRS 7, the Group has conducted a sensitivity analysis on possible interest-rate fluctuations in the markets in which it operates, based on these requirements. In November 2013, the Group closed its debt refinancing process by issuing convertible bonds, guaranteed senior notes and a new syndicated loan, together totalling €700 million (Note 16).

Aside from the impact any changes in the interest rates could have on the financial assets and liabilities forming the net cash position, changes could arise in the valuation of the financial instruments contracted by the Group. The effects of changes in the interest rates on efficient derivatives are recognised in equity, while the effects of inefficient derivatives are recognised in the consolidated comprehensive profit and loss statement. The Group has chosen to exclude the temporary value of designating hedges in order to improve their efficiency.

Lastly, the long-term financial assets set out in Note 11 of this annual report are also subject to interest-rate risks.

Exchange rate risk

The Group is exposed to exchange rate fluctuations that may affect its sales, results, equity and cash flows. These mainly arise from:

- Investments in foreign countries (essentially Mexico, Argentina, the Dominican Republic, Colombia, Panama and the United States).

- Transactions made by Group companies operating in countries whose currency is other than the euro (essentially Mexico, Argentina, the Dominican Republic, Venezuela and the United States).

The NH Group endeavours to align its borrowings with the cash flows in the different currencies and follows the criteria of using financial derivatives (ERS) in order to reduce the impact of the exchange rate differences.

A sensitivity analysis was performed in relation to the possible fluctuations in the exchange rates that might arise in the markets in which it operates. For this analysis, the Group has taken into consideration fluctuations in the main currencies with which it operates other than its functional currency (the US dollar, the Argentine peso, the Mexican peso and the Colombian peso). On the basis of this analysis, the Group considers that a 5% depreciation in the corresponding currencies would have the following impact on equity:

	€Thousand	
	Equity	Profit (Loss)
US dollar	(824)	(15)
Argentine peso	(2,298)	(96)
Mexican peso	(4,681)	(217)
Colombian peso	(875)	(38)

Liquidity risk

Exposure to adverse situations in debt or capital markets could hinder or prevent the Group from meeting the financial needs required for its operations and for implementing its Strategic Plan.

Management of this risk is focused on thoroughly monitoring the maturity schedule of the Group's financial debt, as well as on proactive management and maintaining credit lines that allow forecast cash needs to be met.

The Group's liquidity position in 2014 is based on the following points:

- The group had cash and cash equivalents amounting to €200,103 thousand at 31 December 2014.

- Available undrawn credit facilities amounting to €65.6 thousand at 31 December 2014.

- The Group's business units have the capacity to generate cash flow from their operations in a recurrent and significant manner. Cash flow from operations in 2014 amounted to €110,100 thousand.

- The Group's capacity to increase its financial borrowing; given that the financial leverage ratio stood at 0.53 at 31 December 2014 (see Note 15).

On 14 November 2014, the date of the sale of its stake in Sotogrande, S.A., NH Hotels Group, S.A. terminated its agreement with Banco Bilbao Vizcaya Argentaria, S.A., signed in 2010 to increase the market liquidity and distribution of subsidiary company Sotogrande, S.A.'s shares.

Lastly, the Group makes cash flow forecasts on a systematic basis for each business unit and geographical area in order to assess their needs. This Group liquidity policy ensures payment undertakings are fulfilled without having to request funds at onerous conditions and allows its liquidity position to be monitored on a continuous basis.

APPENDIX I: SUBSIDIARIES

The data on the Company's subsidiaries at 31 December 2014 are presented below:

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Airport Hotel Frankfurt-Raunheim, GmbH & Co.	Munich	Real estate	94%	100%
Artos Beteiligungs, GmbH	Munich	Holding	94%	100%
Astron Immobilien, GmbH	Munich	Holding	100%	100%
Astron Kestrell Ltd. (**)	Plettenberg Bay	Hotel Business	100%	100%
Atlantic Hotel Exploitatie B.V.	The Hague	Hotel Business	100%	100%
Blacom, S.A.	Buenos Aires	Investment	100%	100%
Caribe Puerto Morelos, S.A. de C.V. (*)	Mexico D.F.	Hotel Business	100%	100%
Chartwell de México, S.A. de C.V. (*)	Mexico City	Hotel Business	100%	100%
Chartwell de Nuevo Laredo, S.A. de C.V. (*)	Nuevo Laredo	Hotel Business	100%	100%
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V. (*)	Coatzacoalcos	Hotel Business	100%	100%
City Hotel, S.A. (*)	Buenos Aires	Hotel Business	50%	50%
Cofir, S.L.	Madrid	Corporate services	100%	100%
Columbia Palace Hotel, S.A. (*)	Montevideo	Hotel Business	100%	100%
Compañía Servicios Queretaro	Querétaro	Hotel Business	50%	50%
Coperama Servicios a la Hosteleria, S.L.	Barcelona	Procurement network	100%	100%
Coperama Spain S.L.U.	Barcelona	Procurement network	100%	100%
DAM 9 B.V.	Amsterdam	Holding	100%	100%
De Sparrenhorst, B.V.	Nunspeet	Hotel Business	100%	100%
Desarrollo Inmobiliario Santa Fe, S.A. de C.V. (*)	Mexico City	Hotel Business	50%	50%
Donnafugata Resort, S.R.L. (*)	Italy	Tourist Services	95%	95%
DF Resort S.R.L.	Italy	Tourist Services	100%	100%
Edificio Metro, S.A. (*)	Buenos Aires	Hotel Business	100%	100%
NH Establecimientos Complementarios Hoteleros, S.A.	Barcelona	Sports Centres	100%	100%
Expl. Mij. Grand Hotel Krasnapolsky B.V.	Amsterdam	Hotel Business	100%	100%
Expl. Mij. Hotel Best B.V.	Best	Hotel Business	100%	100%
Expl. Mij. Hotel Doelen B.V.	Amsterdam	Hotel Business	100%	100%
Expl. Mij. Hotel Naarden B.V.	Naarden	Hotel Business	100%	100%
Expl. Mij. Hotel Schiller B.V.	Amsterdam	Hotel Business	100%	100%
Exploitatiemaatschappij Caransa Hotel, B.V.	Amsterdam	Without activity	100%	100%
Exploitatie Mij. Tropenhotel B.V.	Hilversum	Hotel Business	100%	100%
Fast Good Islas Canarias, S.A.	Las Palmas	Catering	100%	100%
Fast Good Península Ibérica, S.A.	Madrid	Catering	100%	100%
Franquicias Lodge, S.A. de C.V. (*)	Mexico City	Hotel Business	100%	100%
Gran Círculo de Madrid, S.A. (*)	Madrid	Catering	99%	99%
Grupo Financiero de Intermediación y Estudios, S.A.	Madrid	Corporate services	100%	100%
Grupo Hotelero Monterrey, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Grupo Hotelero Querétaro, S.A. de C.V.	Querétaro	Hotel Business	69%	69%
Hanuman Investment, S.L.	Tenerife	Hotel Business	50%	50%
Heiner Gossen Hotelbetrieb, GmbH	Mannheim	Hotel Business	100%	100%
HEM Atlanta Rotterdam B.V.	Hilversum	Hotel Business	100%	100%
HEM Epen Zuid Limburg B.V.	Wittem	Hotel Business	100%	100%
HEM Forum Maastricht B.V.	Maastricht	Hotel Business	100%	100%
HEM Jaarbeursplein Utrecht B.V.	Utrecht	Hotel Business	100%	100%
HEM Janskerkhof Utrecht B.V.	Hilversum	Hotel Business	100%	100%
HEM Marquette Heemskerk B.V.	Hilversum	Hotel Business	100%	100%
HEM Onderlangs Arnhem B.V.	Arnhem	Hotel Business	100%	100%
HEM Spuistraat Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
HEM Stadhouderskade Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
HEM Van Alphenstraat Zandvoort B.V.	Hilversum	Hotel Business	100%	100%

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Hesperia Enterprises de Venezuela, S.A.	Margarita Island	Hotel Business	100%	100%
Highmark Geldrop B.V.	Geldrop	Hotel Business	100%	100%
Highmark Hoofddorp B.V.	Hoofddorp	Hotel Business	100%	100%
Hispana Santa Fe, S.A. de C.V.	Mexico City	Hotel Business	50%	50%
Hotel Aukamm Wiesbaden, GmbH & Co.	Munich	Real estate	94%	100%
Hotel Ciutat de Mataro, S.A.	Barcelona	Hotel Business	50%	50%
Hotel de Ville B.V.	Groningen	Hotel Business	100%	100%
Hotel Expl. Mij. Amsterdam Noord B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij. Leijenberghlaan Amsterdam B.V.	Amsterdam	Hotel Business	100%	100%
Hotel Expl. Mij. Capelle a/d Ijssel, B.V.	Capelle a/d Ijssel	Hotel Business	100%	100%
Hotel Expl. Mij. Danny Kayelaan Zoetermeer B.V.	Hilversum	Hotel Business	100%	100%
Hotel Expl. Mij. Stationsstraat Amersfoort B.V.	Amersfoort	Hotel Business	100%	100%
Hotel Holding Onroerend Goed d'Vijff Vlieghen B.V.	Hilversum	Hotel Business	100%	100%
Hotel Houdstermaatschappij Jolly, B.V.	Amsterdam	Holding	56%	56%
Hoteleira Brasil, Ltda.	Brazil	Hotel Business	100%	100%
Hotelera de la Parra, S.A. de C.V. (*)	Mexico City	Hotel Business	100%	100%
Hotelera del Mar, S.A.	Mar del Plata	Hotel Business	20%	20%
Hotelera Lancaster, S.A. (*)	Buenos Aires	Hotel Business	50%	50%
Hotelera de Chile	Santiago de Chile	Hotel Business	100%	100%
Hoteles Hesperia, S.A. (*)	Barcelona	Hotel Business	100%	100%
Hotelexploitatiemaatschappij Vijzelstraat Amsterdam, B.V.	Amsterdam	Hotel Business	56%	56%
Hotels Bingen & Viernheim, GmbH & Co.	Munich	Real estate	94%	94%
Immobiliare 4 Canti S.r.l.	Messina	Hotel Business	50%	50%
Inmobiliaria y Financiera Aconcagua, S.A. (*)	Buenos Aires	Hotel Business	100%	100%
Inmobiliaria y Financiera Chile S.A.	Santiago de Chile	Real estate	100%	100%
Inversores y Gestores Asociados, S.A.	Madrid	Corporate services	100%	100%
Jan Tabak N.V. (**)	Bussum	Hotel Business	81%	81%
JH Belgium, S.A. (*)	Brussels	Hotel Business	100%	100%
JH Deutschland GmbH (*)	Cologne	Hotel Business	56%	56%
JH Holland N.V. (*)	Amsterdam	Hotel Business	56%	56%
JH USA, Inc. (*)	Wilmington	Hotel Business	100%	100%
Koningshof B.V.	Veldhoven	Hotel Business	100%	100%
Krasnapolsky Belgian Shares B.V.	Hilversum	Holding	100%	100%
COPERAMA Benelux, B.V.	Amsterdam	Without activity	100%	100%
Krasnapolsky H&R Onroerend Goed B.V.	Amsterdam	Real estate	100%	100%
Krasnapolsky Hotels & Restaurants N.V.	Amsterdam	Holding	100%	100%
Krasnapolsky Hotels Ltd. (**)	Somerset West	Hotel Business	100%	100%
Krasnapolsky ICT B.V.	Hilversum	Without activity	100%	100%
Krasnapolsky International Holding B.V.	Amsterdam	Holding	100%	100%
Latina Chile, S.A. (*)	Santiago de Chile	Hotel Business	100%	100%
Latina de Gestión Hotelera, S.A. (*)	Buenos Aires	Hotel Business	100%	100%
Latinoamericana de Gestión Hotelera, S.L.	Madrid	Holding	100%	100%
Leeuwenhorst Congres Center B.V.	Noordwijkerhout	Hotel Business	100%	100%
Liberation Exploitatie B.V.	Sprang Capelle	Hotel Business	100%	100%
Marquette Beheer B.V.	Hilversum	Real estate	100%	100%
Museum Quarter B.V.	Hilversum	Hotel Business	100%	100%
Nacional Hispana de Hoteles, S.A. (*)	Mexico City	Hotel Business	100%	100%
NH Aguamarina S.A.	Dominican Republic	Corporate services	100%	100%
NH Atardecer Caribeño, S.L.	Madrid	Corporate services	100%	100%
NH Belgium CvbA	Diegem	Holding	100%	100%
NH Caribbean Management B.V.	Hilversum	Management	100%	100%
NH Central Europe Management GmbH	Berlin	Hotel Business	100%	100%
NH Central Europe GmbH & Co. KG (*)	Berlin	Hotel Business	100%	100%

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
NH Central Reservation Office, S.L. (*)	Madrid	Call Centre	100%	100%
NH Fashion Tapas, S.L.	Madrid	Catering	100%	100%
NH Finance, S.A. (*)	Luxembourg	Financial company	100%	100%
NH Financing Services S.a r.l.	Luxembourg	Financial company	100%	100%
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel Business	90%	90%
NH Europa, S.A. (*)	Barcelona	Hotel Business	100%	100%
NH Hotelbetriebs-u Dienstleistungs, GmbH	Berlin	Hotel Business	100%	100%
NH Hotelbetriebs-u Entwicklungs, GmbH	Berlin	Hotel Business	100%	100%
NH Hoteles Austria GmbH (*)	Vienna	Hotel Business	100%	100%
NH Hoteles Deutschland GmbH (*)	Berlin	Hotel Business	100%	100%
NH Hoteles España, S.L. (*)	Barcelona	Hotel Business	100%	100%
NH Hoteles France S.A.S.U.	France	Hotel Business	100%	100%
NH Hoteles Participaties, N.V. (*)	Amsterdam	Holding	100%	100%
NH Hoteles Switzerland GmbH	Fribourg	Hotel Business	100%	100%
NH Hotels Czequia, s.r.o.	Prague	Hotel Business	100%	100%
NH Hotels Polska, Sp. Zo.o.	Poland	Hotel Business	100%	100%
NH Hotels USA Inc.	Houston	Hotel Business	100%	100%
NH Hungary Hotel Management, Ltd. (*)	Budapest	Hotel Business	100%	100%
NH Italia S.r.l. (*)	Milan	Hotel Business	56%	56%
NH Lagasca, S.A.	Madrid	Hotel Business	100%	100%
NH Las Palmas, S.A. (*)	Gran Canaria	Hotel Business	75%	75%
NH Logroño, S.A.	Logroño	Hotel Business	76%	76%
NH Management Black Sea, S.R.L.	Bucharest	Hotel Business	100%	100%
NH Marin, S.A. (*)	Barcelona	Hotel Business	50%	50%
NH Private Equity, B.V.	Amsterdam	Hotel Business	100%	100%
NH Rallye Portugal, Lda.	Portugal	Hotel Business	100%	100%
NH The Netherlands B.V. (formerly GTI B.V.)	Hilversum	Holding	100%	100%
NHOW ROTTERDAM B.V.	The Hague	Hotel Business	100%	100%
Noorderweb B.V.	Hilversum	Hotel	100%	100%
Nuevos Espacios Hoteleros, S.A.	Madrid	Hotel Business	100%	100%
Objekt Leipzig Messe, GmbH & Co.	Munich	Real estate	94%	100%
Olofskapel Monumenten B.V.	Amsterdam	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Atlanta Rotterdam, B.V.	Rotterdam	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Bogardeind Geldrop, B.V.	Geldrop	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Capelle aan den Ijssel, B.V.	Capelle a/d Ijssel	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Ijsselmeerweg Naarden, B.V.	Naarden	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Kruisweg Hoofddorp, B.V.	Hoofddorp	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Maas Best, B.V.	Best	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Marquette Heemskerk, B.V.	Heemskerk	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Prins Hendrikkade Amsterdam, B.V.	Amsterdam	Real estate	100%	100%
Onroerend Goed Beheer Maatschappij Van Alphenstraat Zandvoort, B.V.	Zandvoort	Real estate	100%	100%
Operadora Nacional Hispana, S.A. de C.V.	Mexico City	Hotel Business	100%	100%
Palatium Amstelodamum N.V.	Amsterdam	Hotel Business	100%	100%
Parque de la 93, Colombia (*)	Colombia	Hotel Business	100%	100%
Parque de la 93 B.V.	Amsterdam	Hotel Business	100%	100%
Polis Corporation, S.A.	Buenos Aires	Hotel Business	100%	100%
NH Resorts Europa, S.L.	Madrid	Hotel Business	100%	100%
Restaurant D'Vijff Vlieghen B.V.	Amsterdam	Catering	100%	100%
Servicios Chartwell de Nuevo Laredo, S.A. de C.V. (*)	Nuevo Laredo	Hotel Business	100%	100%
Servicios Corporativos Chartwell Monterrey, S.A. de C.V. (*)	Monterrey	Hotel Business	100%	100%

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Servicios Corporativos Hoteleros, S.A. de C.V. (*)	Mexico City	Hotel Business	100%	100%
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V. (*)	Mexico City	Hotel Business	100%	100%
Servicios de Operación Turística, S.A. de C.V. (*)	Guadalajara	Hotel Business	100%	100%
Servicios Hoteleros Tlalnepantla, S.A. de C.V. (*)	Mexico City	Hotel Business	100%	100%
Stadskasteel Oudaen B.V.	Utrecht	Without activity	100%	100%
Toralo, S.A. (*)	Montevideo	Hotel Business	100%	100%
VSOP VIII B.V. (**)	Groningen	Hotel Business	50%	50%

** The annual closing of all the companies is on 31/12/2014*
(*) Companies audited by Deloitte
(**) Companies audited by PriceWaterhouseCoopers

APPENDIX II: ASSOCIATED COMPANIES

Investee company	Registered address of investee company	Main activity of the investee company	Parent company's % stake in investee company	% of voting rights controlled by parent company
Borokay Beach, S.L.	Madrid	Hotel Business	50%	50%
Capredo Investments GmbH (*)	Switzerland	Holding	50%	50%
Consorcio Grupo Hotelero T2, S.A. de C.V.	Mexico City	Hotel Business	10%	10%
Fonfir1, S.L.	Madrid	Real estate	50%	50%
Harrington Hall Hotel, Ltd.	London	Hotel Business	25%	25%
Inmobiliaria 3 Poniente, S.A. de C.V.	Puebla	Hotel Business	27%	27%
Losan Investment Ltd.	London	Hotel Business	30%	30%
Mil Novecientos Doce, S.A. de C.V.	Mexico	Hotel Business	25%	25%
Palacio de la Merced, S.A.	Burgos	Hotel Business	25%	25%
Sotocaribe, S.L.	Madrid	Holding	36%	36%
Varallo Comercial, S.A.	Dominican Republic	Hotel Business	14%	14%

** The annual closing of all the companies is on 31/12/2014*
(*) Companies audited by Deloitte

ANNUAL REPORT OF THE AUDIT AND CONTROL COMMITTEE OF NH HOTEL GROUP, S.A.

Corresponding to the 2014 financial year

1) Functions, competencies and workings of the Audit and Control Committee

The Audit and Control Committee's primary function is to provide the Board of Directors with support in its oversight and control functions, the most important of which consist in ensuring appropriate internal control of the Company, and overseeing the process of drawing up and submitting regulated financial reporting.

On 31 March 2004, the Board of Directors approved the Regulations of the Board of Directors, which developed the provisions of the Articles of Association governing the system, functioning and composition of the Audit and Control Committee, with various subsequent amendments having been approved. One of the most significant changes has been caused by the entry into force of Law 12/2010 of 30 June amending Law 19/1988 of 12 July on the Auditing of Accounts, Law 24/1988 of 28 July on the Securities Market and the consolidated text of the Law on Limited Companies approved by Royal Legislative Decree 1564/1989 of 22 December, for its adaptation to EU regulations, by virtue of which the Audit and Control Committee has been given a specific legal framework regarding its functioning and powers. The provisions of the company's Articles of Association and the content of the Board Regulations on this matter have been appropriately amended for the purposes of adaptation to the aforementioned legal text. In view of the above-mentioned legislative changes, the Board of Directors approved, in its meeting of 24 May 2011, various amendments to the Regulations of the Board of Directors in order to bring it into line with said changes.

Without prejudice to the foregoing and as a consequence of the latest changes in the field of corporate governance introduced by Law 31/2014 of 3 December, amending the Corporate Enterprises Act with a view to improving corporate governance, as well as some of the Recommendations contained in the Unified Code of Good Governance approved on 24 February 2015 by the Spanish National Securities Market Commission, the Articles of Association and the Regulations governing the Board and the General Meeting of Shareholders will be subject to further amendments during 2015. Among these changes, the composition and the scope of competencies of the Audit and Control Committee will have to be adapted to the legislative provisions of the new Article 529M of the Corporate Enterprises Act.

Consequently, both the text of the Articles of Association and the rules contained in the Board Regulations govern all matters concerning the composition, competencies and functioning of the Audit and Control Committee, which can essentially be summarised as follows:

a) Composition.

The Audit and Control Committee shall comprise a minimum of three and a maximum of five directors, appointed by the Board of Directors. All members of the Committee must be external or non-executive directors. Furthermore, as introduced by the above mentioned Article 529M of the Corporate Enterprises Act and which is, at the time of this report's publication, in the process of being implemented in the internal regulations of NH Hotel Group, S.A., two members of the Committee must be independent directors.

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

The Chairman of the Audit and Control Committee shall be an independent director and shall be appointed from among the directors who hold neither management or executive responsibilities in the organisation nor maintain a contractual relationship other than the office to which they have been appointed. The Chairman shall be appointed from among the Committee's members who are non-executive directors. The chairman shall be replaced every four years and may be re-elected one year after standing down from office.

b) Competencies.

As of 31 December 2014, the Audit and Control Committee was governed by the functions assigned to it both by the legislation in force and by the Company's Articles of Association and the Regulations of its Board of Directors. The Committee's fundamental role is to provide the Board of Directors with support in its oversight function and, in particular, it has at least the following competencies:

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

2. Supervise the effectiveness of the company's internal control, internal auditing, where applicable, and risk-management systems, as well as discussing with auditors or audit companies any significant weaknesses in the internal control system identified during audits.

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

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

5. Establish suitable relationships with auditors or audit firms in order to receive information regarding any issues that may jeopardise their independence, so that these can be examined by the committee, and any other matters related with the process of conducting financial audits, as well as any other communications stipulated in the financial auditing legislation and audit regulations. In any event, it must receive written confirmation on an annual basis from the auditors or auditing firms of their independence from the Company or entities related to it either directly or indirectly, as well as information on any additional service of any kind provided to such entities by the aforementioned auditors or by persons related to them in accordance with the provisions set forth in Law 19/1988 of 12 July on Auditing.

6. Issue, once a year and prior to the release of the auditor's report on the financial statements, a report expressing an opinion on the independence of the auditors or audit firms. The report must always comment on the provision of additional services referred to in the preceding section.

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

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

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

10. Inform the Board about all matters connected with related party transactions, which shall be construed as they are defined by the Consolidated Text of the Corporate Enterprises Act.

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

12. Exercise any other competencies assigned to the Committee by these regulations or which may be assigned by the Board of Directors.

c) Functioning.

The Audit and Control Committee will meet at least once every quarter and as many times as may be necessary, after being called by the Chairperson on his/her own initiative or upon the request of two of the Committee or the Board of Directors.

The Audit and Control Committee may require any of the Company's employees or managers, including the Company's Accounts Auditor, to attend its meetings.

2) Composition of the Audit Committee.

The composition of the Audit and Control Committee fulfils the regulations laid down by the Board Regulations of NH Hoteles, S.A., which faithfully reflect the Recommendations of the Unified Code of Good Governance.

Two changes to the composition occurred in 2014, partly due to the Committee's size. Mr Manuel Galarza Pont (representative of Participaciones y Cartera de Inversión S.L.) left the Committee while Mr Ramón Lanau Viñals was replaced by Mr Francisco Javier Illa, as member of the Committee. Although Mr Francisco Javier Illa was appointed to this Committee on 27 January 2015, he had been a member since 23 December 2014 when he replaced the then departing Mr Ramón Lanau.

As a consequence, the composition of the Audit and Control Committee on 31 December 2014 was as follows:

Chairman:
Mr Carlos González Fernández

Directors:
Mr Xianyi Miu
Mr Francisco Javier Illa

Secretary: Mr Carlos Ulecia Palacios

Without prejudice to the foregoing, and in the interests of complying with the new legal requirements following the entry into force of Law 31/2014 of 3 December, amending the Corporate Enterprises Act with a view to improving corporate governance, the Board of Directors approved, on 27 February 2015 following the favourable report by the Appointments and Remuneration Committee, the appointment of independent director Mr. Francisco Román Riechmann as a new member of the Audit and Control Committee. This appointment fulfils the requirement of the Committee having at least two independent directors.

3) Relationships with External Auditors

The parent company of the NH Hotels Group has been audited by renowned companies since 1986. Between 1986 and 1992 it was audited by Peat Marwick, and by Arthur Andersen between 1993 and 2001. It has been audited by Deloitte since 2002.

The Consolidated Financial Statements for 2014 were audited by five independent firms.

Deloitte is the principal auditor and, as such, issues an auditing opinion on the consolidated financial statements. This auditor verified the accounts of the companies which form part of the Business Units of Spain (except Portugal), Italy (except the US), Germany, Netherlands/Belgium, Austria/Switzerland (except Hungary), Mexico and MERCOSUR, which account for 95.6% of all consolidated assets and 98.6% of net turnover.

Deloitte was appointed as the Group's principal auditor for a one-year period at the General Shareholders' Meeting of NH Hotel Group, S.A. held on 26 June 2014 and the auditors for the different Business Units mentioned above were appointed at their respective General Shareholders' Meetings. This firm has been the Group's principal auditor since 2002, though changes occurred regarding the partner responsibility for the audit in 2003, 2005, 2007 and 2014. The total fees received by the firm for its professional auditing services for financial year 2014 amounted to €1.33 million (€1.39 million in 2013).

PriceWaterhouseCoopers was appointed as auditor of the Dutch, Belgian and Swiss companies in 1998, of the Austrian companies in 2004 and of a Luxembourg company in 2009, having been replaced in this role by Deloitte in 2011.

NH's Portuguese companies are audited by Batista da Costa & Associados; the US subsidiary by Mc Gladrey & Pullen, LLP; Sotocaribe, S.L. by Ernst & Young; and the Hungarian company by Mazars. The total fees for the auditing services provided in financial year 2014 by all these auditing firms amounted to €60,000 (compared with €70,000 in 2013).

The Audit Committee received information about issues that could have jeopardised the independence of the auditors and, after carefully reviewing this information, issued a report expressing its opinion regarding their independence and the provision of additional services other than auditing.

4) Contents and Results of the Audit Committee's Work

The Audit Committee held seven meetings in 2014, which covered the following matters:

a) Analysis and assessment, along with the external auditors, of the Financial Statements and the Annual Reports for 2013, ensuring that the auditing opinion was issued under conditions of absolute independence.

b) Review of the information relating to any issues that might jeopardise the independence of the auditors. Issue of the report on the independence of the auditors.

c) Review of the 2014 periodic financial reporting prior to its analysis and approval by the Board of Directors in order to ensure that said reporting is reliable, transparent and drawn up using consistent accounting standards and principles.

d) Approval of External Auditor fees for the 2014 Audit

e) Approval of the hiring of the Internal Audit manager

f) Approval of the Internal Audit procedure rules

g) Supervision of the Internal Audit strategy

h) Monitoring of the Internal Audit Plan for 2014, including an examination of its conclusions and the implementation of any necessary corrective measures.

i) Approval of improvements introduced for improving the Company's Corporate Governance: New Internal Conduct Regulations, Conflict of Interest procedures and Criminal Risk Prevention models

j) Supervision of tasks completed by the Compliance Committee

k) Monitoring the most significant projects carried out by the internal auditing team.

l) Supervision of the updating of the Group's Risk Map.

m) Supervision of the risks related to the Financial Information Control System.

n) Examination of the Annual Corporate Governance Report prior to its submission to the Board of Directors for analysis and approval, placing special emphasis on analysing how the situations of directors and executives had been recorded.

o) Analysis of related-party transactions in order to verify that they had been performed under market conditions, as was the case.

p) Participation in training sessions: new auditing legislation and its impact on the NH Group's External Audits and Pricing Models.

5) Priorities for 2015

Apart from the normal tasks required by general and NH regulations in relation to financial information to be reported to the market and supervision of the independence of the external auditors, the Audit Committee has examined and approved a work plan of the Internal Audit department for 2015. The plan contains the following priorities:

1. Analysis of the Projects, Commercial and Revenue Management departments, along with supervision of the Shared Services Centre's business.

2. Supervision of the roll-out of suggested control measures consequent to introducing the Criminal Risk Prevention Model.

3. Supervision of Compliance Office activities.

4. Expansion of the Financial Information Control System to the Benelux and Central Europe business units. Implementation and periodic review of the established system (Spain, Portugal, Benelux and Central Europe companies and business units).

5. Adaptation of the Continuous Auditing Project to the newly introduced management systems.

6. Supervision of the introduction of the risk management system including the updating procedure for Group's Risk Map.

7. Monitoring of incidents detected in audits from previous years and implementation of action plans drawn up by different departments and business units.

To conclude this report, it should be highlighted that this Committee has had access to external experts (auditors, appraisers or consultants) and members of the economic and financial management teams, internal auditing teams and control management, whenever it has deemed useful, in order to carry out the aforementioned work.

Madrid, 24 March 2015

NH Collection Eurobuilding
Madrid, Spain

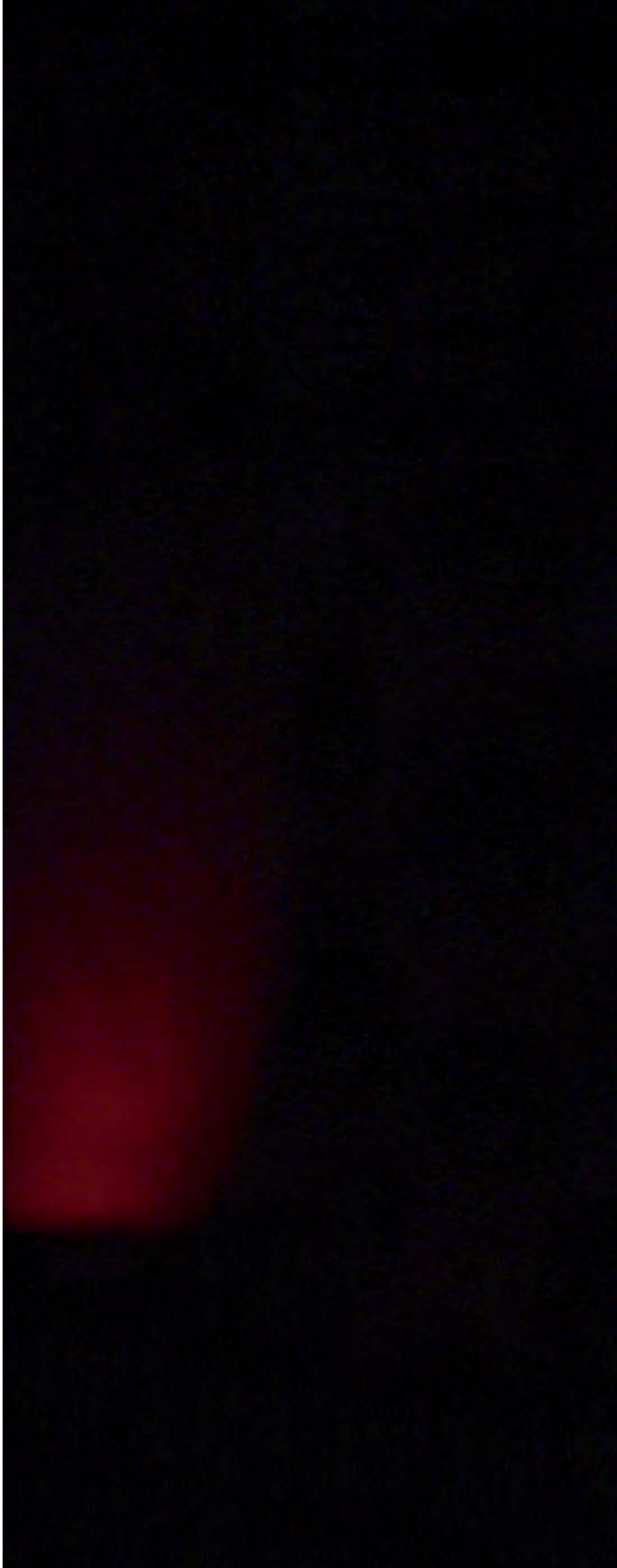
NH | HOTEL GROUP

NH HOTELS

NH COLLECTION HOTELS

nhow

Hesperia RESORTS



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