NH Hotel Group, S.A. and Subsidiaries

Abridged Consolidated Interim Financial Statements and
Interim Consolidated Management Report for the six-month period
ending 30 June 2017

Translation of 2017 Abridged Consolidated Interim Financial Statements and Interim 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.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

ABRIDGED CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2017 AND 31 DECEMBER 2016

(Thousands of euros)

ASSETS	Note	30/06/2017	31/12/2016 (*)
NON-CURRENT ASSETS:			
Goodwill	**6 - a**	113,959	117,736
Intangible assets	**6 - b**	157,306	126,453
Property, plant and equipment	**7**	1,668,335	1,701,428
Investments accounted for using the equity method		10,970	10,646
Non-current financial investments-	**8**	83,756	91,056
Loans and accounts receivable not available for trading		*71,087*	*78,385*
Other non-current financial investments		*12,669*	*12,671*
Deferred tax assets		143,239	152,389
Other non-current assets		18,993	18,939
Total non-current assets		**2,196,558**	**2,218,647**
CURRENT ASSETS:			
Non-current assets classified as held for sale	**5**	45,437	46,685
Inventories		9,942	9,870
Trade receivables		148,565	146,197
Non-trade receivables-		62,945	54,510
Tax receivables		*39,049*	*29,231*
Other non-trade debtors		*23,896*	*25,279*
Short-term financial investments	**8**	-	1,918
Cash and cash equivalents		114,532	136,733
Other current assets		13,896	12,677
Total current assets		**395,317**	**408,590**
TOTAL ASSETS		**2,591,875**	**2,627,237**

NET ASSETS AND LIABILITIES	Note	30/06/2017	31/12/2016 (*)
EQUITY:			
Share capital	**10**	700,544	700,544
Reserves of the parent company	**10**	524,458	412,827
Reserves of fully consolidated companies		39,382	137,512
Reserves of companies consolidated using the equity method		(23,087)	(23,206)
Other equity instruments		27,230	27,230
Exchange differences		(141,272)	(133,765)
Treasury shares and shareholdings	**10**	(39,279)	(39,983)
Consolidated profit for the period		7,646	30,750
Equity attributable to the shareholders of the Parent Company		**1,095,622**	**1,111,909**
Non-controlling interests	**10**	43,441	43,967
Total equity		**1,139,063**	**1,155,876**
NON-CURRENT LIABILITIES			
Debt instruments and other marketable securities	**9**	726,624	763,637
Bank borrowings	**9**	69,376	72,720
Other financial liabilities	**9**	13,133	1,435
Other non-current liabilities		38,561	34,037
Provisions for contingencies and charges	**12**	52,008	52,900
Deferred tax liabilities		169,375	174,987
Total non-current liabilities		**1,069,077**	**1,099,716**
CURRENT LIABILITIES:			
Liabilities associated with non-current assets classified as held for sale	**5**	2,496	2,661
Debt instruments and other marketable securities	**9**	1,677	2,233
Bank borrowings	**9**	18,807	23,226
Other financial liabilities	**9**	10,949	1,076
Trade and other payables		230,935	229,769
Public administration payables		56,030	44,938
Provisions for contingencies and charges	**12**	9,242	11,462
Other current liabilities		53,599	56,280
Total current liabilities		**383,735**	**371,645**
NET ASSETS AND LIABILITIES		**2,591,875**	**2,627,237**

(*) Presented for comparison purposes only. Audited balances.

Notes to the accounts 1 to 18 attached hereto form an integral part of the abridged consolidated statement of financial position as at 30 June 2017.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

ABRIDGED CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2017 AND 30 JUNE 2016

(Thousands of euros)

	Note	2017	2016 (*)
Revenues		752,465	701,628
Other operating income		8,342	2,949
Net gains on disposal of non-current assets	7 - a	10,097	41,468
Procurements		(37,698)	(31,554)
Staff costs		(211,300)	(211,623)
Depreciation and amortisation charges		(55,775)	(54,486)
Net impairment losses		1,392	(314)
Other operating expenses		(400,606)	(392,990)
Variation in the provision for onerous contracts		*2,050*	*2,961*
Other operating expenses		*(402,656)*	*(395,951)*
Profit (loss) on disposal of financial and other investments	2	6	3,643
Profit (loss) from companies accounted for using the equity method		29	146
Finance income		1,241	1,928
Change in fair value of financial instruments		(7)	(135)
Finance costs		(38,458)	(33,345)
Net exchange differences (Income/(Expense))		(6,006)	(186)
PROFITS / (LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS		**23,722**	**27,129**
Income tax		(14,651)	(14,481)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR - CONTINUING		**9,071**	**12,648**
Profit (loss) for the year from discontinued operations net of taxes	5	254	(1,048)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		**9,325**	**11,600**
Exchange differences		(8,974)	(3,953)
Income and expenses recognised directly in equity		**(8,974)**	**(3,953)**
TOTAL INTEGRAL PROFIT		**351**	**7,647**
Profit / Loss for the year attributable to:			
Parent Company Shareholders		7,646	9,714
Non-controlling interests	10 - c	1,679	1,886
Comprehensive loss attributable to:			
Parent Company Shareholders		139	5,820
Non-controlling interests		212	1,827
Profit / Loss per share in euros (basic)	4	**0.02**	**0.03**

* Presented for comparison purposes only. Unaudited balances.

The explanatory notes to the accounts 1 to 18 attached form an integral part of the consolidated comprehensive income statement for the six month period ended 30 June 2017.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

ABRIDGED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED

30 JUNE 2017 AND 30 JUNE 2016

(Thousands of euros)

	Equity Attributed to the Parent Company							
	Own Funds							
	Share capital	Issue premium and reserves	Treasury shares and shareholdings	Profit for the year attributable to the Parent Company	Other equity instruments	Valuation adjustments	Non-controlling interests	Total Equity
Adjusted balance at 31/12/2016	**700.544**	**527.133**	**(39.983)**	**30.750**	**27.230**	**(133.765)**	**43.967**	**1.155.876**
Net profit (loss) for 2017	-	-	-	7.646	-	-	1.679	9.325
Exchange differences	-	-	-	-	-	(7.507)	(1.467)	(8.974)
Total recognised income / (expense)	**-**	**-**	**-**	**7.646**	**-**	**(7.507)**	**212**	**351**
Transactions with shareholders or owners	**-**	**(221)**	**(16.408)**	**-**	**-**	**-**	**(682)**	**(17.311)**
Distribution of dividends	-	-	(17.112)	-	-	-	(682)	(17.794)
Treasury share transactions (net)	-	-	-	-	-	-	-	-
Remuneration Scheme in shares	-	(221)	704	-	-	-	-	483
Other changes in equity	**-**	**30.953**	**-**	**(30.750)**	**-**	**-**	**(56)**	**147**
Transfers between equity items	-	30.750	-	(30.750)	-	-	-	-
Other changes	-	203	-	-	-	-	(56)	147
Final balance as at 30/06/2017	**700.544**	**557.865**	**(56.391)**	**7.646**	**27.230**	**(141.272)**	**43.441**	**1.139.063**

	Equity Attributed to the Parent Company							
	Own Funds							
	Share capital	Issue premium and reserves	Treasury shares and shareholdings	Profit for the year attributable to the Parent Company	Other equity instruments	Valuation adjustments	Non-controlling interests	Total Equity
Adjusted balance at 31/12/2015	**700.544**	**527.317**	**(37.561)**	**938**	**27.230**	**(130.347)**	**37.963**	**1.126.084**
Net profit (loss) for 2016	-	-	-	9.714	-	-	1.886	11.600
Exchange differences	-	-	-	-	-	(3.894)	(59)	(3.953)
Total recognised income / (expense)	**-**	**-**	**-**	**9.714**	**-**	**(3.894)**	**1.827**	**7.647**
Transactions with shareholders or owners	**-**	**453**	**-**	**-**	**-**	**-**	**(268)**	**185**
Distribution of dividends	-	-	-	-	-	-	(268)	(268)
Treasury share transactions (net)	-	1.241	-	-	-	-	-	1.241
Other transactions with shareholders or owners	-	(788)	-	-	-	-	-	(788)
Other changes in equity	**-**	**(447)**	**-**	**(938)**	**-**	**-**	**1.385**	**-**
Transfers between equity items	-	938	-	(938)	-	-	-	-
Other changes	-	(1.385)	-	-	-	-	1.385	-
Ending balance at 30/06/2016	**700.544**	**527.323**	**(37.561)**	**9.714**	**27.230**	**(134.241)**	**40.907**	**1.133.916**

(*) Presented for comparison purposes only. Unaudited balances.

Notes to the accounts 1 to 18 attached hereto form an integral part of the abridged consolidated statement of changes in equity for the six-month period ended 30 June 2017.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

ABRIDGED CONSOLIDATED CASH FLOW STATEMENTS PRODUCED IN THE SIX-MONTH PERIODS ENDED 30 June 2017 AND 30 June 2016

(Thousands of euros)

	Note	30.06.2017	30.06.2016 (*)
1. OPERATING ACTIVITIES			
Consolidated profit (loss) before tax:		**23,722**	**27,129**
Adjustments:			
Depreciation of tangible and amortisation of intangible assets (+)		55,775	54,486
Impairment losses (net) (+/-)		(1,392)	314
Allocations for provisions (net) (+/-)	12	(2,050)	(2,961)
Gains/Losses on the sale of tangible and intangible assets (+/-)		(10,097)	(41,468)
Gains/Losses on investments valued using the equity method (+/-)		(29)	(146)
Financial income (-)		(1,241)	(1,928)
Financial expenses and variation in fair value of financial instruments (+)		38,465	33,480
Net exchange differences (Income/(Expense))		6,006	186
Profit (loss) on disposal of financial investments		(6)	(3,643)
Other non-monetary items (+/-)		213	20,388
Adjusted profit (loss)		**109,366**	**85,837**
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		(72)	(323)
(Increase)/Decrease in trade debtors and other accounts receivable		(2,872)	1,491
(Increase)/Decrease in other current assets	8	(6,147)	5,840
Increase/(Decrease) in trade payables		5,504	(7,720)
Increase/(Decrease) in other current liabilities	9	5,644	(2,444)
Increase/(Decrease) in provisions for contingencies and expenses		(3,028)	(202)
(Increase)/Decrease in non-current assets	8	713	15,807
Increase/(Decrease) in non-current liabilities	*9*	*495*	*139*
Income tax paid		(9,173)	(5,203)
Total net cash flow from operating activities (I)		**100,430**	**93,222**
2. INVESTMENT ACTIVITIES			
Finance income		**703**	**1,437**
Investments (-):			
Group companies, joint ventures and associates		(20,265)	(4,146)
Tangible and intangible assets and investments in property	6 and 7	(54,313)	(83,764)
		(74,578)	**(87,910)**
Disinvestment (+):			
Group companies, joint ventures and associates		62	-
Tangible and intangible assets and investments in property		31,930	50,938
Non-current financial investments		-	6,565
		31,992	**57,503**
Total net cash flow from investment activities (II)		**(41,883)**	**(28,970)**
3. FINANCING ACTIVITIES			
Dividends paid out (-)	10	(682)	-
Interest paid on debts (-)		(36,749)	(27,126)
Interest paid by means of payment		(7,920)	(6,951)
Interest paid by financing and other		(28,829)	(20,175)
Variations in (+/-):			
Equity instruments			
Debt instruments:			
- Bonds and other tradeable securities (+)	9	115,000	-
- Bonds and other tradeable securities (+)	9	(150,000)	-
- Loans from credit institutions (+)		-	9,490
- Loans from credit institutions (-)	9	(8,280)	(39,157)
- Finance leases		11	(637)
- Other financial liabilities (+/-)		-	1,897
Total net cash flow from financing activities (III)		**(80,700)**	**(55,533)**
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		(22,153)	8,719
5. Effect of exchange rate variations on cash and cash equivalents (IV)		-	(286)
6. Effect of variations in the scope of consolidation (V)		(48)	-
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		(22,201)	8,433
8. Cash and cash equivalents at the start of the financial year		**136,733**	**77,699**
9. Cash and cash equivalents at the end of the financial year (7+8)		**114,532**	**86,132**

(*) Presented for comparison purposes only. Unaudited balances.

Notes to the accounts 1 to 18 attached hereto form an integral part of the abridged consolidated cash flow statement produced in the six-month period ended 30 June 2017.

NH Hotel Group, S.A. and Subsidiaries

Explanatory notes to the interim financial statements for the six-month period ended 30 June 2017

1. Introduction, basis for presentation of the half-yearly abridged consolidated financial statements and other information

a) Introduction

NH Hotel Group, S.A. (hereinafter the "Parent Company") was incorporated as a limited company in Spain on 23 December 1981. The object of the company, as per its articles is, essentially, to operate and manage hotel establishments. The registered office is located at no. 120 Santa Engracia (Madrid, Spain). The articles of association and additional public information concerning the Parent Company can be consulted on its website: www.nh-hotels.com. and at its registered office.

In addition to the operations that it undertakes directly, the Parent Company is the head of a group of subsidiaries undertaking diverse activities and that, alongside the Parent, form the NH Group (hereinafter the "Group" or the "NH Group"). As a result, in addition to its own individual financial statements, the Parent Company must also prepare consolidated financial statements for the Group that include shareholdings in joint ventures and investments in associates.

At 30 June 2017, the NH Group was operating in 31 countries, with 380 hotels and 58,800 rooms, of which around 73% are located in Spain, Germany, Italy and Benelux.

The Group's consolidated financial statements for 2016 were approved by the shareholders at the Annual General Meeting of NH Hotel Group, S.A. held on 29 June 2017.

b) Basis for presentation of the half-yearly abridged consolidated financial statements

In accordance with European Parliament and Council Regulation (EC) 1606/2002 of 19 July 2002, all companies governed by the law of a European Union Member State, and whose securities are admitted to trading on a regulated market of any Member State, shall prepare their consolidated accounts for the years beginning on or after 1 January 2005 in conformity with the International Financial Reporting Standards (hereinafter, IFRS) previously adopted by the European Union.

The Group's consolidated financial statements for 2016 were prepared by the directors of the Parent Company in accordance with the provisions of the International Financial Reporting Standards adopted by the European Union, applying the principles of consolidation, accounting policies and measurement criteria described in Note 4 of the report on said consolidated financial statements, so that they provide a true and fair view of the consolidated equity and consolidated financial position of the Group as at 31 December 2016 and the consolidated results from its operations, the changes in consolidated equity and consolidated cash flows for the year ended on this date.

These abridged consolidated half-yearly financial statements are presented in accordance with International Accounting Standard (IAS) 34 on Interim Financial Information, and were prepared by the Directors of the Parent Company on 25 July 2017, all pursuant to Article 12 of Spanish Royal Decree 1362/2007 of 19 October, amending Law 24/1988 of 28 July on the Securities Market, in relation to the transparency requirements for information on the issuers whose securities are admitted for trading on an official secondary market or another regulated market in the European Union.

In accordance with the provisions of IAS 34, the interim financial report is drawn up only for the purposes of updating the content of the most recent financial statements drafted by the Group, placing emphasis on the new activities, events and circumstances that arose during the half-year period and not duplicating the information previously published in the consolidated financial statements for 2016. Therefore, the half-yearly abridged financial statements at 30 June 2017 do not include all the information that would be required by complete consolidated financial statements prepared according to the IFRS Standards adopted by the European Union, so that for a full understanding of the information included in these half-yearly abridged consolidated financial statements, they should be read together with the Group's consolidated annual accounts for 2016.

The consolidated results and the calculation of the consolidated equity are subject to the accounting principles and policies, measurement criteria and estimates followed by the Parent Company's Directors for the preparation of the half-yearly abridged consolidated financial statements. The main accounting principles and policies and measurement criteria correspond to those applied to the consolidated annual accounts for 2016, except for the standards and interpretations which came into force in the first half of 2017.

c) Standards and interpretations effective in this period

During the six-month period ending 30 June 2017 new accounting standards came into force and were therefore taken into account when preparing the interim consolidated financial statements, but which did not give rise to a change in the Group's accounting policies:

(1) New obligatory regulations, amendments and interpretations for the year commencing 01 January 2017.

New standards, amendments and interpretations		**Obligatory application in the years beginning on or after:**
Amendments and/or interpretations		
Amendment to IAS 27 disclosure initiative (published in January 2016)	Introduces additional disclosure requirements in order to improve information provided to users.	01 January 2017
Amendment to IAS 12: Recognition of deferred tax assets for unrealised losses (published in January 2016)	Classification of the principles set up in relation to the recognition of deferred tax assets for unrealised losses.	
Improvements to IFRS 2014-2016 Cycle (clarification relating to IFRS 12)	Clarification relating to IFRS 12 and its interaction with IFRS 5 comes into force during this period.	

(2) New obligatory regulations, amendments and interpretations which will be obligatory in the years following the year commencing 01 January 2018:

New standards, amendments and interpretations		Obligatory application in the years beginning on or after:
Approved for use in the European Union		
IFRS 15 - Revenue from Contracts with Customers (published in May 2014)	New standard on revenue recognition (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31)	01 January 2018
IFRS 9 Financial Instruments (published in July 2014).	Replaces the requirements for classification, valuation, recognition and derecognition of financial assets and liabilities in accounts, hedge accounting and impairment of IAS 39.	
Awaiting approval for use in the European Union as of the date of publication of this document (1)		
New standards		
Clarifications to IFRS 15 published in April 2016	They revolve around the identification of obligations in terms of performance, principal versus agent, licensing and their accrual at a point in time or over time, as well as some clarification of the transitional rules.	01 January 2018
IFRS 16 Leases (published in January 2016)	Replaces IAS 17 and associated interpretations. The main change hinges on the fact that the new standard proposes a single accounting model for lessees who will include all leases (with some limited exceptions) on the balance sheet with a similar impact to that of the current financial leases (the asset will amortise due to the right of use and a financial expense for the cost of amortising the liability).	01 January 2019
IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4 gathering accountancy, assessing, presentation and breakdown principles of the insurance contracts with the objective that the entity provides with relevant and reliable information allowing the its users to determine the effects that the contracts have on the Financial Statements.	01 January 2021
Amendments and/or interpretations		
Amendment to IFRS 2 Classification and measurement of share-based payment transactions (published in June 2016)	Narrow-scope amendments clarifying specific matters such as the effects of vesting and non-vesting conditions in cash-settled share-based payments, the classification of share-based payments where there are net settlement clauses and some aspects of the modifications to terms of a share-based payment.	01 January 2018
Amendment to IFRS 4 Insurance contracts (published in September 2016)	It allows entities within the scope of IFRS 4 the option of applying IFRS 9 ("overlay approach") or their temporary exemption	
Amendment to IAS 40 Reclassification of real estate investments (published in December 2016)	The amendment clarifies that the reclassification of an investment from or to real estate investment is only permitted when there is evidence of a change in its use.	
Improvements to IFRS 2014-2016 Cycle (published in December 2016)	Minor amendments to a number of standards (different effective dates).	
IFRS-IC 22 Transactions and advances in foreign currency (published in December 2016)	This interpretation establishes the "transaction date" for the purpose of determining the exchange rate applicable in transactions with foreign currency advances.	
IFRIC 23 Uncertainty on tax registration (published in June 2017)	This interpretation clarifies how to apply registration and valuation criteria of IAS 12 when exists uncertainty regarding the tax authority acceptability on determined tax treatment used by the entity.	01 January 2019
Amendments to IFRS 10 and IAS 28 Sale or transfer of assets between an investor and their associate/joint venture (published in September 2014)	Clarification on the result of these operations if dealing with businesses or assets.	No date set

The directors are assessing the potential impact of the future application of these regulations, and in particular, the application of IFRS 16 on Leases will entail a significant change in the Group's consolidated financial statements, with an increase in assets due to the recognition of the right to use the leased asset and an increase in liabilities due to the corresponding future payment commitments. In this regard, the scope of the transition to the application of the standard and the need for the adaptation of financial reporting systems are being assessed.

In relation to the other standards, amendments and interpretations, the Group is analysing all future impacts of the adoption of these standards and it is not possible to provide a reasonable estimate of their effects until that analysis is complete.

d) Estimates made

In the half-yearly abridged consolidated financial statements, estimates made by the Directors of the Parent Company and of the consolidated entities have been used to put a figure on some of the assets, liabilities, income, expenses and commitments that appear in these statements. In essence, these estimates, made on the basis of the best information available at the time, refer to:

- The assessment of possible impairment losses on certain assets;

- The hypotheses used in the actuarial calculation of liabilities for pensions and other undertakings made to the workforce;
- The useful life of tangible and intangible assets;
- The valuation of consolidation goodwill;
- The market value of certain financial instruments;
- Calculation of provisions and evaluation of contingencies.

In spite of the fact that the estimates described above were carried out using the best information available at 30 June 2017 on the events analysed, it is possible that events may take place in the future which compel their amendment (upwards or downwards) at the close of the year 2017, or in later years. This will be done, if it should be necessary and in accordance with the provisions of IAS 8, prospectively recognising the effects of the change in estimate on the integral consolidated profit and loss statement for the affected years.

At the close of each financial year, and in compliance with IAS 36 "Impairment of Assets", the Group will assess the possible existence of impairment losses which oblige it to reduce the book amount of its intangible and tangible fixed assets, unless signs of impairment are identified during the year.

There were no significant changes in the estimates made at the close of the 2016 financial year, nor changes in the accounting criteria during the six-month period ended 30 June 2017.

e) Contingent assets and liabilities

Note 22 of the report on the Group's consolidated financial statements for the year ended 31 December 2016 provides information on the contingent assets and liabilities as at that date. Note 11 to these abridged consolidated half-yearly financial statements for the six-month period ended 30 June 2017 details the most significant changes in the contingent assets and liabilities during that period.

f) Correction of errors

There have been no significant corrections of errors in the half-yearly abridged consolidated financial statements for the six-month period ended 30 June 2017.

g) Comparison of information

The information contained in these half-yearly abridged consolidated financial statements for 2016 is presented solely for the purposes of comparison with the information for the six-month period ended 30 June 2017 for the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated cash flow statement.

h) Seasonality of the Group's transactions

Given the activities of the Group's companies, its transactions are marked by a slight cyclical or seasonal character. Most of the hotels are aimed at business clients, so the months with the highest hotel sales are March to June and September to November. On the other hand, the seasonality in the holiday hotels varies in the months of December to April and July to August, when sales are higher.

i) Relative importance

In determining what information to break down in these notes on the different items in the financial statements or other matters, the Group, in accordance with IAS 34, has taken into account relative importance in relation to the half-yearly abridged consolidated financial statements.

j) Abridged consolidated cash flow statements

In the abridged consolidated cash flow statements the following expressions are used with the following meanings:

- <u>Cash flows</u> are the inflows and outflows of cash and cash equivalents.

- Operating activities are the activities that form the main source of ordinary income for the Group, as well as other activities that cannot be classified as investment or financing.

- Investment activities are the purchase and disposal of long-term assets, as well as other investments not included in cash and cash equivalents.

- Financing activities are those activities that bring about changes in the size and composition of own funds and the loans taken out by the Group.

For the purposes of preparing the abridged consolidated cash flow statement, "cash and cash equivalents" was considered to be cash and bank deposits payable on demand, in addition to those highly-liquid short-term investments that are readily convertible into specific cash amounts and subject to little risk of a change in value.

2. Significant changes in the composition of the Group and other sales of shares

On 19 April 2017 the Group sold 400,000 registered shares making up the equity capital of the commercial company Hesperia Enterprises de Venezuela, S.A. for 70,000 US dollars. The net result of the transaction was a consolidated profit of 6 thousand euros. An expenditure of 5,785 thousand euros was also recorded owing to the conversion negative differences associated with the aforementioned shareholding, which is entered in the net exchange differences item of the abridged consolidated comprehensive results.

3. Dividends paid by the Parent Company

The General Shareholders' Meeting held on 29 June 2017 approved the proposed distribution of 2016 profit and dividend payout. It was therefore decided to draw from the profits of the year ended 31 December 2016 and distribute a dividend of 5 euro cents gross per share in the parent company NH Hotel Group, S.A. with the right to receive it, outstanding on the date of the corresponding payment; all according to the following schedule:

- Last date of trading with dividend: 24 July 2017

- Ex-dividend date: 25 July 2017

- Registration date: 26 July 2017

- Payment date: 27 July 2017

This dividend will be distributed through the companies with shares in "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal" (IBERCLEAR), with powers granted for this purpose to the Board of Directors, with express powers of substitution, so that after checking for compliance with obligations under the finance contracts of the parent company, the Board will designate an entity to act as paying agent and perform the other necessary or advisable actions for a satisfactory distribution. The distribution basis (corresponding to the results for 2016) is 128,964,447.47 euros, with 17,112 thousand euros to be distributed as dividends. The total approved distribution of profits is shown below:

	Financial year 2016
To legal reserve	12,896
To distribution of dividends	
(Maximum amount to be distributed: gross 0.05 euros per share for all outstanding shares)	17,112
To offset losses from previous years	98,956
Total	**128,964**

4. **Profit per share in ordinary and discontinued activities**

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:

	30/06/2017	30/06/2016
Net Profit/(Loss) for the period (thousands of euros)	7,646	9,714
Weighted average number of shares in circulation (in thousands)	340,760	341,272
Basic Earnings per share in euros	**0.02**	**0.03**

Diluted earnings per share are established on a similar basis to basic earnings per share; however, the weighted average number of shares outstanding is increased by the maximum number of shares to be issued by the convertible bonds: 50,823,338 shares.

	30/06/2017	30/06/2016
Net Profit/(Loss) for the period (thousands of euros)	7,646	9,714
Weighted average number of shares with dilutive effect (in thousands)	391,583	392,095
Diluted Earnings per share in euros	**0.02**	**0.02**

5. **Non-current assets and disposal groups of items classified as held for sale**

In accordance with IFRS 5, "Non-current assets classified as held for sale and discontinued operations", the group has classified non-strategic assets under this heading which, pursuant to the Strategic Plan, are undergoing divestment.

Specifically, Sotocaribe, S.L and Capredo Investments GmbH are classified as discontinued operations. These companies represented the entirety of the Group's property activity.

Sotocaribe, S.L. was consolidated by the equity method, while Capredo Investments, GmbH was changed to the global method following the acquisition of the remaining 50% of the company by the Group on 28 December 2016.

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.

The sections below detail, by type, the various income and balance sheet items relating to assets classified as held for sale and discontinued operations.

Abridged consolidated balance sheets. Headings of Non-current assets and liabilities classified as held for sale:

	30/06/2017	31/12/2016
Property, plant and equipment	10,110	12,113
Financial assets	35,272	34,556
Investments accounted for using the equity method	*35,272*	*34,556*
Cash	5	2
Other current assets	50	14
Non-current assets classified as held for sale	**45,437**	**46,685**
Other non-current liabilities	*544*	615
Other liabilities	*544*	*615*
Deferred tax liabilities	8	-
Trade payables	1,906	1,979
Public administration payables	38	67
Liabilities associated with assets classified as held for sale	**2,496**	**2,661**

Consolidated comprehensive profit and loss statements:

The profit and loss of the discontinued operations shown in the accompanying consolidated comprehensive profit and loss statement is broken down by company as follows:

	Capredo Investments, GmbH	Sotocaribe, S.L.	Total
30/06/2017			
Net turnover and other operating income	-	-	-
Operating expenses	(39)	-	(39)
Operating profit (loss)	-	-	-
Profit (loss) before tax	(39)	293	254
Income tax	-	-	-
Profit (loss) for the year from discontinued operations net of tax	(39)	293	254
Profit attributed to non-controlling interests	-	-	-
30/06/2016			
Net turnover and other operating income	-	-	-
Operating expenses	-	-	-
Operating profit (loss)	-	-	-
Profit (loss) before tax	146	(1,194)	(1,048)
Income tax	-	-	-
Profit (loss) for the year from discontinued operations net of tax	146	(1,194)	(1,048)
Profit attributed to non-controlling interests	-	-	-

Consolidated cash flow statements

The consolidated cash flow statements for the fully consolidated companies in 2017 are detailed below (in thousands of euros):

	Capredo Investments, GmbH
30/06/2017	
Operating activities:	
Profit (loss) before tax	39
Adjustments	(36)
Total net cash flow from operating activities I	3
Total net cash flow from investment activities II	-
Total net cash flow from financing activities III	-
GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	3
Effect of variations in the scope of consolidation (IV)	-
Cash and cash equivalents at the start of the financial year	2
Cash and cash equivalents at end of year	**5**

6. Intangible assets

a) *Goodwill*

The breakdown of the heading "Goodwill" as at 30 June 2017 and 31 December 2016, depending on the companies that generated the goodwill, is as follows:

	Thousands of euros	
	30/06/2017	31/12/2016
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	79,752	80,485
Hoteles Royal, S.A.	29,651	32,719
Others	4,556	4,532
	113,959	**117,736**

Recoverable goodwill values have been allocated to each cash-generating unit, mainly rental agreements, by using five-year projections on results, investments and working capital.

The impairment testing policies applied by the Group to its intangible assets and to its goodwill in particular are described in Note 4.2 to the consolidated financial statements for the year ended 31 December 2016.

In accordance with the methods used and the available estimates, projections and valuations, the Parent Company directors recognised an impairment loss of 737 thousand euros in the first six months of 2017. The rest of the movement is explained by the conversion differences, which mainly affect to Hoteles Royal, S.A.

b) *Other intangible assets*

On 7 March 2017 a new agreement was signed to manage 28 hotels between NH Hotel Group, S.A. and Grupo Inversor Hesperia, S.A. ("GIHSA") during a 9-year period. This contract replaces and extends the previous one, signed in 2009. Due to the cancellation of previous framework agreement, GHISA paid 6,000 thousand euros to the Group company

Hoteles Hesperia, S.A., as compensation, recorded under "Other operating income" in the attached consolidated comprehensive income statement.

The new management contract represents a cost of 38,560 thousand euros for NH Hotel Group, S.A., paid in three instalments. The first payment was made in the first half of 2017 for an amount of 17,000 thousand euros, with two payments still pending, of 10,000 thousand euros to be paid on 30 April 2018 and 11,560 thousand euros to be paid on 30 April 2019. The debt pending payment accrues 4% interest (See Note 13).

The other significant inclusions in the rest of the Group at June 2017 were in Spain (4 million euros), as a result of the investments made to develop the corporate website, implementing front office systems for the hotels and IT transformation plan projects.

7. Tangible fixed assets

a) Movement in the period

The main additions occurring during the six month period ended on 30 June 2017 relate to hotel refurbishment. The main refurbishments in Spain were to the NH Les Corts and NH Calderón; in Italy to the NH President and NH Collection Koln Mediapark; in Central Europe to the NH Hamburg Mitte and NH Berlin Mitte; and in Benelux to the NH Jan Tabak and NH Amsterdam Noord. Finally, the most important refurbishments in Latin America were to the NH Monterrey la Fe and the NH México City.

During the first six months of 2017 and 2016, items were disposed of with a carrying amount of 14.4 million euros and 11.9 million euros, respectively, giving rise to capital gains before taxes of 10.1 million euros in 2017 and 41.5 million euros in 2016, respectively.

b) Impairment losses

In the first six months of 2017, no significant impairment losses were recognised on items of property, plant and equipment.

c) Commitments to purchase property, plant and equipment items

Firm purchase undertakings amounted to 54.4 million euros at 30 June 2017. These investments will be made between 2017 and 2020.

d) Insurance policy

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.

8. Financial assets

Composition and breakdown

The breakdown of the Group's financial assets as at 30 June 2017 and 31 December 2016 is shown below, presented by type and categories for the purposes of valuation:

Financial Assets: Type / Category	Thousands of euros 30/06/2017					
	Financial Assets Held for Trading	Other Financial Assets at Fair Value with Changes in P&L	Investments accounted for using the equity method	Loans and Accounts Receivable	Investments Held to Maturity	Hedging Derivatives
Equity instruments	-	-	12,669	-	-	-
Debt securities	-	-	-	69,320	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	1,767	-	-
Long-term / non-current	**-**	**-**	**12,669**	**71,087**	**-**	**-**
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Short-term / Current	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**12,669**	**71,087**	**-**	**-**

Financial Assets: Type / Category	Thousands of euros 31/12/2016					
	Financial Assets Held for Trading	Other Financial Assets at Fair Value with Changes in P&L	Investments accounted for using the equity method	Loans and Accounts Receivable	Investments Held to Maturity	Hedging Derivatives
Equity instruments	-	-	12,671	-	-	-
Debt securities	-	-	-	76,830	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	1,555	-	-
Long-term / non-current	**-**	**-**	**12,671**	**78,385**	**-**	**-**
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	1,918	-	-	-	-
Other financial assets	-	-	-	-	-	-
Short-term / Current	**-**	**1,918**	**-**	**-**	**-**	**-**
Total	**-**	**1,918**	**12,671**	**78,385**	**-**	**-**

As regards the fair value of financial assets, it does not differ significantly from its book value.

9. <u>Financial liabilities</u>

a) Composition and breakdown

The Group's financial liabilities at 30 June 2017 and 31 December 2016, broken down by type and category for the purposes of valuation, are shown below:

Financial Liabilities: Type / Category	Thousands of euros 30/06/2017			
	Financial Liabilities Held for Trading	Other Financial Liabilities at Fair Value with Changes in P&L	Debts and Accounts Payable	Hedging Derivatives
Bank borrowings	-	-	69,376	-
Debt instruments and other marketable	-	-	726,624	-
Derivatives	-	-	-	-
Other financial liabilities	-	-	13,133	-
Long-terms debts / Non-current financial current	**-**	**-**	**809,133**	**-**
Bank borrowings	-	-	18,807	-
Debt instruments and other marketable	-	-	1,677	-
Derivatives	-	-	-	-
Other financial liabilities	-	-	10,949	-
Short-term debts / Current financial current	**-**	**-**	**31,433**	**-**
Total	**-**	**-**	**840,566**	**-**

Financial Liabilities: Type / Category	Thousands of euros 31/12/2016			
	Financial Liabilities Held for Trading	Other Financial Liabilities at Fair Value with Changes in P&L	Debts and Accounts Payable	Hedging Derivatives
Bank borrowings	-	-	72,720	-
Debt instruments and other marketable	-	-	763,637	-
Derivatives	-	-	-	-
Other financial liabilities	-	-	35,472	-
Long-terms debts / Non-current financial current	**-**	**-**	**871,829**	**-**
Bank borrowings	-	-	23,226	-
Debt instruments and other marketable	-	-	2,233	-
Derivatives	-	-	-	-
Other financial liabilities	-	-	1,076	-
Short-term debts / Current financial current	-	**-**	**26,535**	**-**
Total	**-**	**-**	**898,364**	**-**

Financial liabilities at 30 June 2017 amounted to 847,600 in the long term and 21,527 million euros in the short term. As regards this financing, the commitment remains to adhere to a series of financial ratios, measured twice yearly, at 30 June and 31 December each year. At 30 June 2017 these financial ratios were completely adhered to.

b) Debts and accounts payable

The breakdown of the debts from credit institutions and debt instruments and other marketable as at 30 June 2017 and 31 December 2016 is as follows (thousands of euros):

				Maturities			
Instrument	Limit	Available	Drawn	Year 1	Year 2	Year 3	Remainder
Mortgage Loans	**33,764**	**-**	**33,764**	**3,811**	**6,210**	**2,131**	**21,612**
Fixed rate	19,346	-	19,346	292	439	585	18,030
Variable rate	14,418	-	14,418	3,519	5,771	1,546	3,582
Subordinated Loan	**40,000**	**-**	**40,000**	**-**	**-**	**-**	**40,000**
Variable rate	40,000	-	40,000	-	-	-	40,000
Senior Secured Revolving Credit	**250,000**	**250,000**	**-**	**-**	**-**	**-**	**-**
Variable rate	250,000	250,000	-	-	-	-	-
Convertible Bonds	**250,000**	**-**	**250,000**	**-**	**250,000**	**-**	**-**
Fixed rate	250,000	-	250,000	-	250,000	-	-
Senior Secured Bonds maturing in 2019	**100,000**	**-**	**100,000**	**-**	**-**	**100,000**	**-**
Fixed rate	100,000	-	100,000	-	-	100,000	-
Senior Secured Bonds maturing in 2023	**400,000**	**-**	**400,000**	**-**	**-**	**-**	**400,000**
Fixed rate	400,000	-	400,000	-	-	-	400,000
Unsecured Loans	**9,327**	**-**	**9,327**	**7,932**	**853**	**489**	**53**
Variable rate	9,327	-	9,327	7,932	853	489	53
Bilateral Credit Facilities	**60,941**	**53,755**	**7,186**	**7,186**	**-**	**-**	**-**
Variable rate	60,941	53,755	7,186	7,186	-	-	-
Borrowings at 30/06/2017	**1,144,032**	**303,755**	**840,277**	**18,929**	**257,063**	**102,620**	**461,665**
Equity component of convertible bond	(8,388)	-	(8,388)	-	(8,388)	-	-
Arranging expenses	(22,321)	-	(22,321)	(5,361)	(4,734)	(2,993)	(9,233)
Accrued interests	6,916	-	6,916	6,916	-	-	-
Total adjusted debt as of 30/06/2017	**1,120,239**	**303,755**	**816,484**	**20,484**	**243,941**	**99,627**	**452,432**
Total adjusted debt as of 31/12/2016	**1,181,208**	**308,908**	**861,816**	**25,459**	**241,379**	**249,645**	**345,333**

The Group's loans bear interest at a fixed rate for 91.6% of the total consolidated debt, including senior secured bonds maturing in 2019, senior secured bonds maturing in 2023, and convertible bonds, at 6.875%, 3.75%, and 4.00%, respectively.

Convertible Bonds

This transaction is considered an instrument comprising liabilities and equity, with the equity valued at the time of issue. At 30 June 2017, this amounts to 8,388 thousand euros. As is commonplace for this type of issue, and in order to enhance the liquidity of the instrument on the secondary market, NH Hotel Group, S.A. signed a stock borrow agreement with the placing entities for up to 9 million own shares. This loan bears interest at 0.5% and was drawn to the extent of 1.38 million shares at 30 June 2017 (see Note 10.b).

Senior secured bonds maturing in 2019

On 30 October 2013 the Parent Company placed senior secured bonds, which mature in 2019, at the nominal value of 250,000 thousand euros. The nominal yearly interest rate for said issuance of notes is 6.875%. The outstanding nominal amount at 30 June 2017 is 100,000 thousand euros (see section “Refinancing 2017”).

Senior secured bonds maturing in 2023

On 23 September 2016 the Parent Company placed senior secured bonds, which mature in 2023, at the nominal value of 285,000 thousand euros. The nominal yearly interest rate for said issuance of notes is 3.75%. On 4 April 2017, the parent company issued an extension of senior secured bonds maturing in 2023 for a nominal amount of 115,000 thousand euros with an implicit cost until maturity of 3.17%. The outstanding nominal amount at 30 June 2017 is 400,000 thousand euros (see section “Refinancing 2017”).

Refinancing 2017

In April 2017, the parent company issued an extension of senior secured bonds maturing in 2023 for a nominal amount of 115,000 thousand euros with an implicit cost until maturity of 3.17%. The parent company applied part of these funds and cash in hand to the early amortisation of 121,505 thousand euros of the senior secured bonds maturing in 2019 with an annual nominal interest of 6.875%, previously acquired by the London branch of Deutsche Bank. The parent company made the following payments corresponding to the accrued and unpaid coupon and premium for the repurchase offer:

- Nominal: 121,505 thousand euros
- Unpaid accrued interest and other: 3,225 thousand euros
- Amount of the repurchase premium: 9,599 thousand euros

In May 2017, the parent company voluntarily amortised, by paying the applicable premium, 28,495 thousand euros of the guaranteed senior bonds maturing in 2019 with an annual nominal interest rate of 6.875%. The payments made for the repurchase are broken down as follows:

- Nominal: 28,495 thousand euros
- Unpaid accrued interest and other: 920 thousand euros
- Amount of the repurchase premium: 2,068 thousand euros

Due to the two amortisations described above, the outstanding nominal amount on the senior secured bonds maturing in 2019 is 100,000 thousand euros at 30 June 2017.

Senior secured revolving credit

On 22 September 2016, the Parent Company and NH Finance, S.A. entered into a senior secured revolving credit facility agreement with credit institutions amounting to 250,000 thousand with a maturity of three years, extendable to five years at the time of the repayment or refinancing of the senior secured bonds maturing in 2019. As at 30 June 2017, this financing has not been drawn down.

The senior secured bonds maturing in 2019, senior secured bonds maturing in 2023, and the senior secured revolving credit facility share guarantees (mortgages and pledges) and personal guarantees from certain operational companies belonging to the parent company at 30 June 2017.

Liquidity

In addition to the senior secured revolving credit facility of 250,000 thousand euros, the Group has 114,532 thousand euros in cash and cash equivalents and 53,755 thousand euros in short-term bilateral credit facilities available at 30 June 2017.

Other financial liabilities

The headings “Other financial liabilities” mainly include the debt with Grupo Inversor Hesperoa, S.A., derived from the new management contract, amounting to 21,560 thousand euros, which comprise 11,560 thousand euros classified in the long term and 10,000 thousand euros in the short term (see Note 6.b).In addition, these headings include other obligation under finance leases.

10. Equity

At 30 June 2017, the share capital of NH Hotel Group, S.A. is represented by 350,271,788 fully subscribed and paid up bearer shares each with a par value of 2 euros. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Parent Company and the notices given to the National Securities Market Commission before the end of every financial year, the shareholders with shareholdings above 3% at 30 June 2017 and 31 December 2016 were as follows:

	30/06/2017	31/12/2016
HNA Group Co Limited	29.34%	29.50%
Oceanwood Capital Management LLP	14.12%*	11.97%*
Hesperia Group	9.27%**	9.23%**

* The shareholding of Oceanwood Capital Management LLP consists of the direct shareholding held by Grupo Oceanwood Opportunities Master Fund (11.78%) and Oceanwood Peripheral Euro Select Opportunities Fund (2.34%). 2.86% of the voting rights declared by Oceanwood correspond to borrowed shares.

** The shareholding of Hesperia Group consists of the direct shareholding held by Grupo Inversor Hesperia, S.A. (9.10%) and Eurofondo (0.17%).

a) Issue premium and reserves

The most significant variations shown in the abridged consolidated statements of changes in equity for the six-month period ended 30 June 2017 are due to the results of the previous year.

b) Treasury shares and shareholdings

At 30 June 2017, NH Hotel Group, S.A. had 9,423,924 own shares in its balance sheet, broken down as follows:

1. Stock borrow facility linked to the issue of convertible bonds on 8 November 2013: On 4 November 2013, the Spanish National Securities Market Commission (CNMV) was notified of the stock borrow of 9,000,000 of own shares to the three financial institutions involved in the placement of the convertible bonds or bonds exchangeable for shares of NH Hotel Group S.A. amounting to 250 million euros. The purpose of this loan was to allow said financial entities to offer the shares to subscribers to the convertible debentures requesting them.

   At 30 June 2017, the financial entities have returned 7,615,527 of those 9,000,000 shares, which are thus now held by NH Hotel Group SA., but which according to the terms of securities lending, continue to be available to the financial entities, who can borrow them at any time, until the convertible bonds are cancelled or amortised.

2. In August 2016, the Company bought 600,000 own shares.

3. In the first half of 2017 the first cycle was paid off of the long-term incentive plan, explained in Note 23 of the consolidated annual financial statement, corresponding to the year ended 31 December 2016. This plan was settled by the delivery of 176,076 shares on March and April, valued at 704 thousand euros on the date of settlement.

c) Non-controlling interests

The movements in this heading in the first six months of 2017 and the financial year 2016 are summarised below:

	Thousands of euros	
	30/06/2017	31/12/2016
Opening balance	**43,967**	**37,963**
Comprehensive profit (loss) attributable to non-controlling interests	1,679	3,614
Changes in percentage shareholdings and sales	-	2,589
Dividends paid to non-controlling interests	(682)	(1,056)
Other movements	(1,523)	857
Closing balance	**43,441**	**43,967**

11. Claims in process

Note 22 of the report on the consolidated annual accounts relating to the financial year ended 31 December 2016 describes the main tax and legal disputes involving the Group as at that date. Developments in the above mentioned disputes as at 30 June 2017 are detailed below:

- The NH Group filed an arbitration claim requesting the validity of the declaration of resolution to sell made on fifteen premises in San Roque, the decision on which was in favour of the NH Group. An application for annulment of the award was filed and has been rejected, although the ownership of the premises is still in dispute, due to the other party being declared bankrupt.

- The NH Group has filed an arbitration claim requesting the validity of the resolution of the leasing contract of a Hotel urged by the Group in 2015, with the claim for damages. The award, among other pronouncements, states the contractual and legal obligations of the sublessor to have been partially breached and states that the termination of the sublease agreement is unlawful and that it therefore remains in force. An application for annulment of the award has been filed and is still pending a decision.

- Legal actions have been brought against NH Group for the early resolution of the lease contract of a hotel. The ruling was against NH Group, which was ordered to pay for loss and damages to the property, although NH Group intends to appeal against the sentence.

As at 30 June 2017, the Directors of the Parent Company estimate that the hypothetical losses the Group could incur as a result of the ongoing disputes will have no significant impact on the Group's equity.

12. Provisions

Details of “Provisions for Contingencies and Expenses” at 30 June 2017 and 31 December 2016 are as follows:

	Thousands of euros	
	30/06/2017	31/12/2016
Provisions for contingencies and non-current expenses		
Onerous contracts	14,687	14,794
Provision for pensions and similar obligations	16,688	16,685
Others	20,633	21,421
	52,008	**52,900**
Provisions for contingencies and current expenses		
Onerous contracts	2,838	4,275
Provision for restructuring and other	6,404	1,187
	9,242	**11,462**
Total	**61,250**	**64,362**

13. Related parties

In addition to its subsidiaries, associates and joint ventures, the Group's "related parties" are considered to be the "key management personnel" of the Parent Company (Board Members and Directors, along with their immediate relatives), as well as organisations over which key management personnel may exert significant influence or control.

Transactions carried out by the Group with its related parties during the first half of 2017 are stated below, distinguishing between major shareholders, members of the Board of Directors and Directors of the Parent Company and other related parties. The conditions of the related-party transactions are equivalent to those of transactions carried out under market conditions:

Income and Expenses	Thousands of euros			
	30/06/2017			
	Major Shareholders	Directors and Senior Management	Associated Persons, Companies or Entities	Total
Expenses:				
Finance costs	252	-	-	252
Management or cooperation agreements	-	-	-	-
R&D transfers and licence agreements	-	-	13	13
Lease rentals	326	-	-	326
Reception of services	-	-	-	-
Purchase of goods (finished or in-progress)	-	-	-	-
Write-downs for bad debts and doubtful accounts	-	-	-	-
Losses on retirement or disposal of assets	-	-	-	-
Other expenses	-	-	-	-
	578	**-**	**13**	**591**
Income:				
Finance income	-	-	-	-
Management or cooperation agreements	4,146	-	1,086	5,232
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	6,000	-	-	6,000
	10,146	**-**	**1,086**	**11,232**

The heading "Management or cooperation agreements" includes the amounts that have accrued in the form of management fees payable to the NH Group during the first half of 2017 by virtue of the hotel management agreement signed with Grupo Inversor Hesperia, S.A.

The line "Other income" includes compensation received by the Group from Grupo Inversor Hesperia, S.A., for the cancellation of the management contract between the two companies, which was replaced by a new contract on 7 March 2017 (see Note 6.b).

The line "Finance Costs" includes interests accrued due to the debt with Grupo Inversor Hesperia, S.A. derived from the new management contract (see Note 6.b).

Financing agreements

	Thousands of euros	
	30/06/2017	31/12/2016
Accounts receivable from associated companies	61	840
Loans to associates		
Consorcio Grupo Hotelero T2, S.A. de C.V.	116	244
Sotocaribe, S.L.	6,194	5,955
Total	**6,371**	**7,039**

Management contracts

By virtue of the contractual relationship entered into with Grupo Inversor Hesperia, S.A. at 30 June 2017, 2.22 million euros had not yet been received for various reasons (1.88 million euros at 31 December 2016), of which 0.07 million euros was due on said date (0.21 million euros at 31 December 2016).

At the same time, through the new contract between Hoteles Hesperia, S.A. and Grupo Inversor Hesperia, S.A., on 7 March 2017, the Group agreed to pay 38,560 thousand euros, with 21,560 thousand euros still pending at 30 June 2017 (see Note 6.b.).

Other commitments to shareholders

By virtue of the dividend approved in the General Shareholders' Meeting of 29 June 2017, the Group has recorded a commitment to its shareholders worth 17,112 thousand euros (see Note 3).

14. Remuneration and other benefits of the Parent Company's Board of Directors and Senior Management

Note 27 of the report on the Group's consolidated financial statements for the year ended 31 December 2016 details the existing agreements on remuneration and other benefits of members of the Parent Company's Board of Directors and Senior Management.

A summary table containing the most relevant data concerning such remuneration and benefits in relation to the six-month periods ended 30 June 2017 and 2016 is provided below:

	Thousands of euros	
	30/06/2017	30/06/2016
Members of the Board of Directors:		
Remuneration item-		
Fixed remuneration	-	451
Variable remuneration	-	332
Parent Company: allowances	193	120
Allowances as per Articles	250	264
Others		10
	443	**1,177**
Other benefits-		
Life insurance premiums	-	37
		37
Senior management, excluding Directors:		
Total remuneration received by senior management	1,736	1,271
	1,736	**1,271**

The Board of Directors had twelve members at 30 June 2017, of which two are women and ten are men.

At 30 June 2017 there were eight members of Senior Management (seven at 30 June 2016). The General Shareholders' Meeting of 29 June 2017 appointed Ramón Aragonés as CEO of the company, and therefore his remuneration, as chief executive of the Group, for the purposes of this statement, is considered in the section Senior Management.

The accrued portion of the variable remuneration, and the economic valuation of payment in kind, are included under "Remuneration of Directors".

15. Segment information

Note 26 of the report on the Group's consolidated financial statements for the year ended 31 December 2016 provides details of the criteria used by the Group to define its business segments. There have been no changes to the segmentation criteria.

The breakdown of the segment information required by IFRS 8 is as follows:

	Thousands of euros													
	Hotel Business													
	30/06/2017							31/12/2016						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	**Total**	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET														
ASSETS														
Assets by segments	**2,535,468**	706,359	678,832	476,188	302,167	367,078	4,844	**2,569,906**	738,716	646,954	486,445	303,010	387,198	7,582
Shareholdings in associated companies	**10,970**	1,374	-	-	-	6,806	2,790	**10,646**	1,408	-	-	-	6,165	3,074
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total consolidated assets	**2,546,438**	**707,733**	**678,832**	**476,188**	**302,167**	**373,884**	**7,634**	**2,580,552**	**740,124**	**646,954**	**486,445**	**303,010**	**393,363**	**10,656**
LIABILITIES														
Liabilities and equity by segments	**2,546,438**	707,733	678,832	476,188	302,167	373,884	7,634	**2,580,552**	740,124	646,954	486,445	303,010	393,363	10,656
Total Consolidated Liabilities and Equity	**2,546,438**	**707,733**	**678,832**	**476,188**	**302,167**	**373,884**	**7,634**	**2,580,552**	**740,124**	**646,954**	**486,445**	**303,010**	**393,363**	**10,656**

	Thousands of euros													
	Real estate													
	30/06/2017							31/12/2016						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	**Total**	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET														
ASSETS														
Assets by segments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shareholdings in associated companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as held for sale	**45,437**	-	-	-	-	35,272	10,165	**46,685**	-	-	-	-	34,556	12,129
Total consolidated assets	**45,437**	**-**	**-**	**-**	**-**	**35,272**	**10,165**	**46,685**	**-**	**-**	**-**	**-**	**34,556**	**12,129**
LIABILITIES														
Liabilities and equity by segments	**45,437**	-	-	-	-	35,272	10,165	**46,685**	-	-	-	-	34,556	12,129
Total Consolidated Liabilities and Equity	**45,437**	**-**	**-**	**-**	**-**	**35,272**	**10,165**	**46,685**	**-**	**-**	**-**	**-**	**34,556**	**12,129**

	Thousands of euros													
	Total													
	30/06/2017							31/12/2016						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	**Total**	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET														
ASSETS														
Assets by segments	**2,535,468**	706,359	678,832	476,188	302,167	367,078	4,844	**2,569,906**	738,716	646,954	486,445	303,010	387,198	7,582
Shareholdings in associated companies	**10,970**	1,374	-	-	-	6,806	2,790	**10,646**	1,408	-	-	-	6,165	3,074
Non-current assets classified as held for sale	**45,437**	-	-	-	-	35,272	10,165	**46,685**	-	-	-	-	34,556	12,129
Total consolidated assets	**2,591,875**	**707,733**	**678,832**	**476,188**	**302,167**	**409,156**	**17,799**	**2,627,237**	**740,124**	**646,954**	**486,445**	**303,010**	**427,919**	**22,785**
LIABILITIES														
Liabilities and equity by segments	**2,591,875**	707,733	678,832	476,188	302,167	409,156	17,799	**2,627,237**	740,124	646,954	486,445	303,010	427,919	22,785
Total Consolidated Liabilities and Equity	**2,591,875**	707,733	678,832	476,188	302,167	409,156	17,799	**2,627,237**	740,124	646,954	486,445	303,010	427,919	22,785

a) Information on sub-segments

The following table shows the breakdown of certain Group consolidated balances in accordance with the geographical distribution of the entities giving rise to them:

Significant information from the Income Statement by Geographic Area	Thousands of euros						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	**TOTAL**
	30/06/2017	30/06/2017	30/06/2017	30/06/2017	30/06/2017	30/06/2017	**30/06/2017**
Revenues	197,717	152,090	135,385	149,768	69,795	47,710	**752,465**
Depreciation	(19,694)	(10,033)	(11,325)	(9,048)	(4,382)	(1,293)	**(55,775)**
Financial income	231	192	98	341	341	38	**1,241**
Financial expenses	(31,255)	1,247	(1,662)	(3,073)	(2,850)	(865)	**(38,458)**
Profit (Loss) from entities valued through the equity method	(34)	-	-	-	185	(122)	**29**
Variation in the provision for onerous contracts	1,313	-	-	263	-	474	**2,050**
Income tax	(5,525)	(4,734)	(2,061)	(933)	(1,325)	(73)	**(14,651)**
Profit (loss) for the year from discontinued operations net of tax	-	-	-	-	293	(39)	**254**

Significant information from the Income Statement by Geographic Area	Thousands of euros						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	**TOTAL**
	30/06/2016	30/06/2016	30/06/2016	30/06/2016	30/06/2016	30/06/2016	**30/06/2016**
Revenues	179,348	126,566	131,589	152,069	64,644	47,412	**701,628**
Depreciation	(19,158)	(8,923)	(12,228)	(8,875)	(3,929)	(1,373)	**(54,486)**
Financial income	778	383	31	466	230	40	**1,928**
Financial expenses	(24,784)	324	(2,753)	(3,206)	(2,014)	(912)	**(33,345)**
Profit (Loss) from entities valued through the equity method	38	-	-	-	353	(245)	**146**
Variation in the provision for onerous contracts	1,665	-	516	251	-	529	**2,961**
Income tax	(8,037)	(3,181)	(1,561)	(317)	(1,329)	(56)	**(14,481)**
Profit (loss) for the year from discontinued operations net of tax	-	-	-	-	(1,194)	146	**(1,048)**

16. Average workforce

The average number of people employed by the Parent Company and fully consolidated companies during the first half-year period of 2017 and 2016, broken down by professional categories, is as follows:

	30/06/2017	30/06/2016
Group's general management	8	8
Managers and heads of department	1,508	1,492
Technical staff	968	1011
Sales representatives	743	816
Administrative staff	249	254
Rest of workforce	7,543	7,489
	11,019	**11,070**

The workforce breakdown by sex and professional category as at 30 June 2017 and 2016 was as follows:

	30/06/2017		30/06/2016	
	Males	Females	Males	Females
Group's general management	6	2	6	1
Managers and heads of department	874	631	872	643
Technical staff	547	424	572	443
Sales representatives	227	531	208	575
Administrative staff	102	146	85	149
Rest of workforce	4,017	3,735	4,177	3,676
	5,773	**5,469**	**5,920**	**5,487**

The average number of people with a disability greater than or equal to 33% employed directly by the Parent Company and the fully consolidated companies as at 30 June 2017 and 2016, broken down by professional categories, is as follows:

	30/06/2017	30/06/2016
Group's general management	-	-
Managers and heads of department	6	6
Technical staff	10	13
Sales representatives	2	-
Administrative staff	3	1
Rest of workforce	63	61
	84	**81**

17. Tax note

The NH Hotel Group companies have calculated the estimated Corporate Income Tax to 30 June 2017 applying the regulations in force in the countries in which they operate and specifically, as regards companies resident in Spain, in accordance with the provisions contained in Law 27/2014, of 27 November.

18. Subsequent disclosures

No significant events have occurred since 30 June 2017.

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX MONTH PERIOD ENDED 30 June 2017

EVOLUTION OF BUSINESS AND GROUP'S SITUATION

NH Hotel Group is an international hotel operator and one of the leading urban hotel companies worldwide in terms of number of rooms. The Group operates nearly 380 hotels and 58,800 rooms in 31 countries, and has a significant presence in Europe.

The centralised business model allows it to offer a consistent level of service to its customers in different hotels in different regions. The corporate and regional head offices offer hotels a wide range of functions such as sales, reservations, marketing and systems.

The International Monetary Fund estimates (April 2017) growth of +3.5% for the world’s economic activity in 2017, noticeably higher than the previous year (+3.1%). More specifically in the European Union, the provisional growth rate for 2017 was 1.9% (+1.9% in 2016) (Data and estimates provided by the E.C. “European Economic Forecast – Spring 2017”, May 2017). As we approach the fifth year of recovery, confidence is increasing in most EU countries. The world economy continues to become more dynamic, and political uncertainty in Europe is slowly dissipating. Comparing year-on-year economic growth rates for the four countries that account for the largest proportion of the Group's sales and income, we find increases of: Germany +1.6% in 2017, Spain +2.8%, the Netherlands +2.1%, and Italy +0.9%.

In this context, in the first half of 2017, as a result of the favourable trend in the hotel business throughout the year and the effect of the initiatives it carried out, particularly the repositioning of its brands and hotels, the Group recorded a significant increase in average daily rate (“ADR”,) supported by improved quality and a lesser increase in occupancy.

During the first half of 2017, the value of the price strategy continued to be demonstrated, obtaining greater Group growth in the top cities compared to direct competitors, where there are market measures in place. The evolution of RevPar in our top destinations has been superior to that of our competitors. The average growth vs competitors of the semester has been +3.8 b.p. in Relative RevPar, driven by +2.1 relative ADR and +1.6% p.p. in relative occupation.

Meanwhile, in order to continue improving the quality and strengthen the NH Collection brand, the repositioning investment phase was completed in Benelux and Germany in 2016, following the investment in Spain and Italy made mainly in 2015. As part of its asset repositioning plan, NH Hotel Group invested almost 200 million euros from 2014 to 2016 to renovate or remodel its mid-range hotels with the greatest potential for improvement.

Meanwhile, the Group improved the customer experience thanks to implementing a solid operational vision, including the new elements making up the hotels' basic product range, known as Brilliant Basics, which are already in place in all of the establishments and which are contributing to better guest experiences and higher average ratings.

As a result, revenue in the first half of 2017 amounted to €752.5 million, representing growth of +7.2% (+€50.8 million), well above the increase in operating costs. In this period, revenue from the disposal of non-current assets was lower than the first half of 2016, so that despite improved operational management, the half-yearly profit attributable to the Parent Company was €7.6 million, compared to €9.7 million in the first half of 2016.

One of the most notable milestones of these three years 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 Hotel, nhow and Hesperia, and a new look and feel which is different for each brand.

The company’s transformation in a digital world was a priority in 2016 and the first part of 2017. The implementation of the Group’s new Information Systems in a single integrated system allows for real time management of predicted demand, an improved value proposal for our customers, and a faster check-in process rated highly by guests. It also produces cost efficiencies thanks to the digitisation and automation of invoices and commissions.

This single information system is a major competitive advantage for NH, enabling us to define dynamic prices both for bedrooms and for meeting rooms and halls, upselling options, improved interaction with our customers, and the opportunity to offer them additional advantages, such as “online check-in”, “choose your room”, and “express check-out”.

The trend in quality indicators confirms the improvement in user ratings for the Group's hotels throughout 2017. At a Group level, 37% of the portfolio is positioned in the Trip Advisor top 10 for the city (45% for NH Collection hotels) and

54% of the hotels are in the top 30 (63% for NH Collection hotels), which demonstrates the higher levels of quality perceived by customers.

Also, thanks to its relaunch, the NH Rewards loyalty programme now has over 7.0 million members, 20% of whom joined in the last 12 months, and 23% of the total are active.

Meanwhile, in the first half of 2017, another four hotels began operating in Marseilles, Curitiba, San Luis de Potosí and Shijiazhuang, with 380 hotels operating with 58,798 rooms as of 30 June 2017.

In addition, NH Hotel Group signed three hotels with 838 rooms in the first half of 2017. The signings were rental contracts in the top brand segment of primary cities (Frankfurt and Valencia).

In this year gross borrowing decreased from €861.8 million in December 2016 to €816.5 million in June 2017. At 30 June 2017, cash and cash equivalents amounted to €114.5 million (€136.7 million at 31 December 2016). Additionally, this liquidity was complemented by credit lines at the end of the first half of the year amounting to €308.9 million, of which €250 million corresponded to a long-term syndicated line of credit.

In the last 12 months, NH Hotel Group has enhanced the value of its operational improvements and leveraged market conditions to successfully bring forward its refinancing process. In September 2016 the Group formalised a guaranteed senior bond issue amounting to €285 million maturing in 2023, simplifying the capital structure and allocating the use of the proceeds obtained to repayment of bank debt with maturity mainly in the period 2016-2018. In addition, financial flexibility was increased by increasing liquidity through the subscription of a €250 million syndicated credit line, with a duration of three years and an additional two years, the latter subject to the refinancing of the bond issued by the Group in 2013 with maturity in 2019.

Meanwhile, in April 2017 the Group repaid €150 million of the bond maturing in 2019 and costs of 6.875%, through cash contributions and a new issue of €115 million maturing in 2023, with a yield to maturity of 3.17%. This operation enabled NH Hotel Group to extend maturity periods, reduce gross debt, and lower average financing costs.

This transformation of the Group is reflected in the improvement of the corporate credit ratings assigned by the main rating agencies. In both cases, Standard & Poor's and Fitch upgraded the rating to "B" with a stable outlook, considering that the Group’s positive operational performance and liquidity will continue to improve. In turn, Moody's assigned a B2 corporate rating, thanks to the Group's favourable performance, improved liquidity and its focus on less capital-intensive formulas.

Finally, the average number of people employed by the group increased from 11,068 in June 2016 to 11,019 in June 2017. At 30 June 2017, the breakdown of the personnel, by gender and professional category, was 49% women and 51% men: The average age of the Group’s workforce was approximately 38.3 and average seniority in the Group was 8.7 years.

THE ENVIRONMENT

Sustainability is part of the initiatives making up NH Hotel Group’s five-year Strategic Plan, defining six key targets. Based on these, the Group makes decisions transversally in order to reach the targets it has set. In 2017, the Group is continuing to implement its goals, reaching the predicted targets for energy savings, water savings, and the carbon footprint ratio in 2016. At the same time, the average satisfaction target in terms of sustainability in the hotels was reached and even surpassed.

From the start of the Group’s Strategic Sustainability Plan in 2007, the carbon footprint per room sold has decreased by 68%, energy consumption per room sold is down by 26%, and water consumption is down by 28%. 72% of the hotels consume green energy.

NH Hotel Group is certified by internationally recognised 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. A total of 131 hotels have achieved their own external certification for their sustainable management.

We want to emphasise in this period the excellent performance of the hotel NH Collection Colón, which earned a BREEAM certificate after submitting to an evaluation period of the building’s efficiency and management, becoming the second hotel in the NH Hotel Group to be certified according to this standard.

NH Hotel Group has reported its climate change commitment and strategy to the Carbon Disclosure Project (CDP) since 2010. The CDP assessment in 2016 places NH Hotels Group among the companies in the hotel sector that are taking new measures to effectively reduce emissions, which indicates advanced environmental management.

NH Hotel Group forms part of FTSE4 Good, an index on the London Stock Exchange which recognises the socially responsible behaviour of companies worldwide.

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. The objectives of the Group's directors include minimising risks and optimising their management by analysing and updating the corresponding risk maps.

Financial risk management is centralised in Corporate Finance Management. The 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 in its main markets 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.

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 low since the customer portfolio is spread among a large number of agencies and companies.

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.

The Group has subsidiaries in several countries with operating currencies other than the euro, the Group's reference currency. The operating results and financial position of these subsidiaries (mainly located in Mexico, Colombia, Chile 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. With the aim of mitigating these risks as far as possible, the Group tries in some cases to incur debt in the same currency as the investment was made in.

With respect to regulatory risk, the Group is exposed to compliance risks, arising from possible regulatory changes, interpretation of legislation, regulations and contracts, and non-compliance with internal and external regulations. Tax and environmental risks are included under this heading. It also includes Reputational Risks, arising from the company's behaviour which negatively affect fulfilment of the expectations of one or more of its stakeholders (shareholders, customers, suppliers, employees, the environment and society in general).

With regard to liquidity risk, during 2016 NH Hotel Group obtained a long-term syndicated credit line for €250 million to improve liquidity, and it has an appropriate debt maturity schedule, which is detailed in Note 9-b of the abridged consolidated financial statement. The Group is constantly evaluating the possibility of refinancing part or all of the existing financial debt.

Maintaining the operational sources of cash flow generation 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.

SHARES AND SHAREHOLDERS

At the close of the first half of 2017, the share capital of NH Hotel Group, S.A. comprised 350,271,788 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the most recent notifications received by the Company and the communications submitted to the Spanish National Securities Market Commission (CNMV) prior to the end of each reporting period, the main shareholdings at 30 June 2017 and 31 December 2016 were:

	30/06/2017	31/12/2016
HNA Group Co Limited	29.34%	29.50%
Oceanwood Capital Management LLP	14.12%*	11.97%*
Hesperia Group	9.27%**	9.23%**

* The shareholding of Oceanwood Capital Management LLP consists of the direct shareholding held by Grupo Oceanwood Opportunities Master Fund (11.78%) and Oceanwood Peripheral Euro Select Opportunities Fund (2.34%). 2.86% of the voting rights declared by Oceanwood correspond to borrowed shares.

** The shareholding of Hesperia Group consists of the direct shareholding held by Grupo Inversor Hesperia, S.A. (9.10%) and Eurofondo (0.17%).

The average share price of NH Hotel Group, S.A. in the first half of 2017 was 4.59 euros per share (4.11 euros in the same period in 2016), with a low of 3.95 euros per share recorded in January (3.28 euros in the same period in 2016). Stock market capitalisation of the Group at the close of the first half of 2017 was 1,845.93 million euros.

At 30 June 2017, NH Hotel Group, S.A. had 9,423,924 own shares in its balance sheet, broken down as follows:

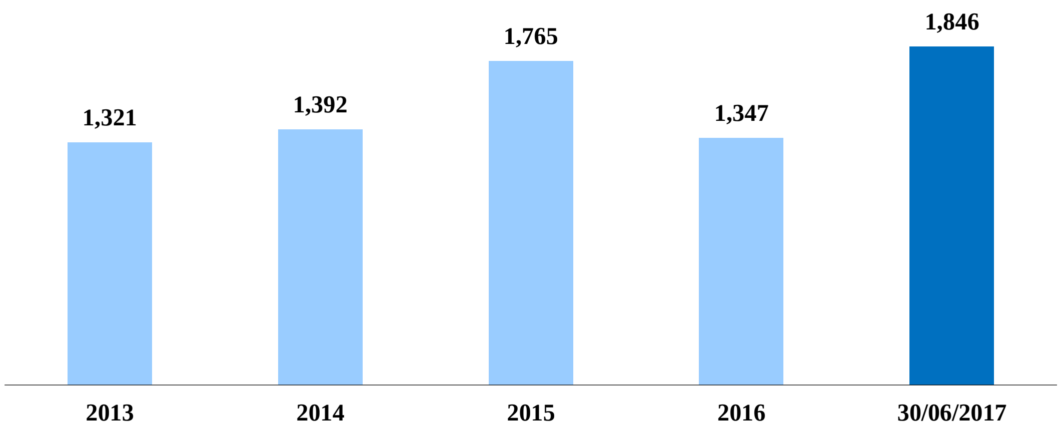
1. Stock borrow facility linked to the issue of convertible bonds on 8 November 2013: On 4 November 2013, the Spanish National Securities Market Commission (CNMV) was notified of the stock borrow of 9,000,000 of own shares to the three financial institutions involved in the placement of the convertible bonds or bonds exchangeable for shares of NH Hotel Group S.A. amounting to 250 million euros. The purpose of this loan was to allow said financial entities to offer the shares to subscribers to the convertible debentures requesting them.

   At 30 June 2017, the financial entities have returned 7,615,527 of those 9,000,000 shares, which are thus now held by NH Hotel Group SA., but which according to the terms of securities lending, continue to be available to the financial entities, who can borrow them at any time, until the convertible bonds are cancelled or amortised.

2. In August 2016, the Company bought 600,000 own shares.

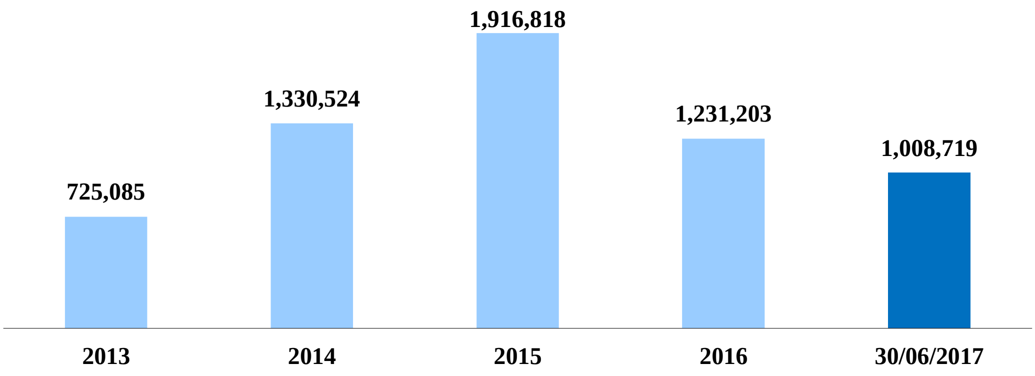
3. In the first half of 2017 the first cycle was paid off of the long-term incentive plan, explained in Note 23 of the consolidated annual financial statement, corresponding to the year ended 31 December 2016. This plan was settled by the delivery of 176,076 shares on March and April, valued at 704 thousand euros on the date of settlement.

CAPITALISATION (in millions of euros)
2013 - 30 June 2017

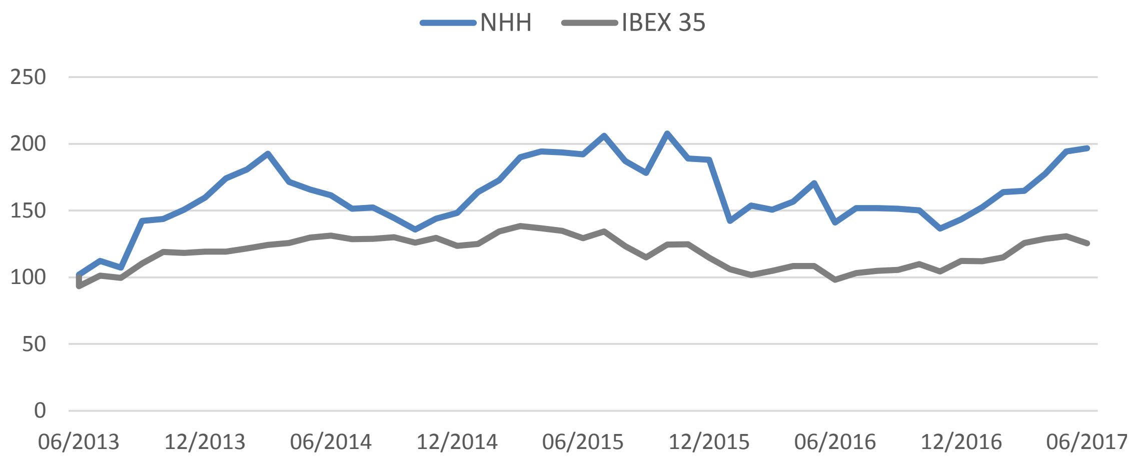


During the first six months of 2017, 128,107,269 shares in NH Hotel Group, S.A. were traded on the Continuous Market (195,291,458 shares in the same period in 2016) with average daily share trading on the Continuous Market of 1,008,719 shares (1,537,728 shares in the same period in 2016).

AVERAGE DAILY TRADING (in shares)
2013 - 30 June 2017



EVOLUTION NH HOTEL GROUP - IBEX
1 June 2013 - 30 June 2017



FUTURE OUTLOOK

The results of the UNWTO Confidence Index show strong confidence in 2017, with better expectations than in 2016. Therefore, growth is expected to remain at a similar pace. Based on current trends and with this general outlook, UNWTO forecasts between 3% and 4% growth in international tourist arrivals worldwide in 2017. By region, tourism in Europe is expected to grow by between +2% and +3% and in the Americas by between +4% and +5%.

On the other hand, GDP growth in Europe is expected to be +1.9% (Data and estimates provided by the E.C. "European Economic Forecast – Spring 2017", May 2017).

In this economic environment, the Group expects to benefit from the increase in sales associated with GDP growth expectations in 2017, together with the positive impact of the repositioning investments made in 2016 and supported by the implementation of price management tools which will allow us to continue to optimise this strategy.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the close of the year, there have been no events which would have a significant impact on the Company's financial-equity situation.