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In accordance with article 82 of Law 24/1988 on Securities Market and its implementing secondary regulations, **NH HOTELES, S.A.** ("**NH Hoteles**" or the "**Company**") hereby notifies the *Comisión Nacional del Mercado de Valores* of the following:

RELEVANT FACT

Further to the relevant fact notice dated 24 October 2013 (filed under registry number 194,369) on the Company's proposed financial strategy, the Board of Directors of NH Hoteles held on 30 October 2013, on the basis of the authorisation granted by a resolution of its Ordinary General Meeting held on 24 June 2010, has approved an issue of bonds convertible into and/or exchangeable for ordinary shares of the Company (the "**Bonds**"), with disapplication in full of the Company's shareholders' pre-emptive rights (the "**Issue**"), for an aggregate principal amount of € 200 million, which may be increased to an aggregate principal amount of up to € 275 million. In addition, the Board of Directors of the Company has passed the necessary resolutions so that, at the appropriate time, the Company's capital stock may be increased in the amount required to enable holders of the Bonds to convert them into shares of the Company. Pursuant to Article 304.2 of the Capital Companies Act (*Ley de Sociedades de Capital*), the Company's shareholders will not be entitled to exercise any pre-emptive subscription rights in any of the capital increases to be performed as a result of the conversion of Bonds into shares.

For these purposes, the Company has engaged Barclays Bank PLC, BNP PARIBAS and Morgan Stanley & Co International plc as joint bookrunners (the "**Joint Bookrunners**") to conduct an accelerated bookbuilding process in order to procure investors for the Issue. The accelerated bookbuilding process in connection with the Issue will begin immediately after the publication of this notice and is expected to be completed today.

The Company intends to use the proceeds from the Issue, together with the proceeds of the concurrent issue of senior secured notes due 2019 (the "**Senior Secured Notes**") –relevant fact notice dated 24 October 2013– for an amount of up to € 250 million and borrowings in the amount of up to € 229 million by its subsidiary NH Finance, S.A. under the new senior credit facilities, totaling € 700 million of funds available in aggregate if the three financial transactions are implemented and completed, to repay and cancel the syndicated loan facilities of March 2012 and certain other financial liabilities, and, together with other funds available, including cash currently held by the Company, to invest up to 200 million euros in its business plans, which include its brand development, the repositioning of hotels between 2014 and 2016 and the expansion of the business.

The Bonds will be subject to certain terms and conditions (the "**Terms and Conditions**"), which shall be finalised on completion of the accelerated bookbuilding process. The main Terms and Conditions of the Bonds are as follows:

(a) The initial size of the Issue is € 200 million, with an upsize option of up to € 75 million, thus potentially reaching € 275 million. This option may be exercised by the Issuer in agreement with the Joint Bookrunners prior to the determination of the definitive Terms and Conditions of the Issue.

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(b) The Issue will be addressed to qualified investors outside Spain as defined in article 39 of Royal Decree 1310/2005, of 4 November and in accordance with the corresponding applicable laws of other jurisdictions.

(c) The Bonds, which will be issued at par value, will be in registered form and with a principal amount of € 100,000 each. The Bonds will constitute a single series and will be represented in the form of a global certificate exchangeable for definitive bonds in registered form in limited circumstances only.

(d) The Bonds will accrue a fixed annual coupon between 4% and 4,5% payable quarterly on 8 February, 8 May, 8 August and 8 November every year, beginning on 8 February 2014.

(e) The Bonds will mature on 8 November 2018 and will be redeemed at par on such maturity date unless previously converted, redeemed or purchased and cancelled.

The Company will have the right to redeem the Bonds at par plus accrued and unpaid interest prior to maturity (i) for taxation reasons, as described in the Terms and Conditions (subject to the Bondholders' right to elect, following the Company giving notice of such tax redemption, for their Bonds not to be redeemed and accept payments net of withholding), (ii) at any time in the event that the outstanding Bonds represent less than 15% of the Issue, or (iii) after 3 years and 21 days have elapsed from the closing date of the Issue, if the market value of the underlying shares of each Bond during a given period of time is equal to or higher than € 130,000.

Bondholders will have the right to request the early redemption of the Bonds at par plus accrued and unpaid interest in the event of a change of control of the Company, as described in the Terms and Conditions.

(f) The Bonds will be exchangeable for existing ordinary shares or convertible into newly issued ordinary shares of the Company in accordance with the Terms and Conditions. The Company will decide upon the exercise of any conversion rights whether to deliver newly-created ordinary shares or existing ordinary shares of the Company.

Bondholders will be entitled to exercise their conversion rights from the date falling 41 days after the closing date of the Issue until the 7th calendar day prior to maturity or, should it be the case, prior to the date fixed for redemption at the option of the Company, in accordance with the Terms and Conditions.

(g) The conversion price (the "**Conversion Price**") will be fixed taking into account:

(i) the market price of the Company shares, based on the volume-weighted average price on the Spanish Automated Quotation System of the shares during the period between the announcement of the Issue and the final determination by the Company and the Joint Bookrunners of the remaining conditions; and

(ii) a conversion premium that will range between 25% and 30% of such price, to be set out by agreement between the Company and the Joint Bookrunners in accordance with the outcome of the accelerated bookbuilding process.

Taking into account the closing price of NH Hoteles shares yesterday and the mid-range conversion premium of 27.5%, the shares underlying the Bonds would initially

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amount to approximately 39.31 million shares representing approximately 12.75% of the issued and outstanding share capital of the Company, assuming an aggregate principal amount of the Issue of € 200 million, and approximately 54.06 million shares representing 17.53% of the Company's issued and outstanding share capital if the size of the Issue was increased to € 275 million.

(h) The Issue is not secured by any security interest over any asset or right nor by any personal guarantee provided by any third party.

(i) The Terms and Conditions of the Bonds will be governed by English law, except that the appointment of the commissioner ("*comisario*") and the Syndicate of Bondholders will be governed by, and shall be construed in accordance with, Spanish law. Application will be made to list the Bonds on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange.

(j) The subscription and settlement of the Bonds will take place on the closing date, tentatively expected to be 8 November 2013 (the issue date and also referred to as the "**Closing Date**"), provided the conditions precedent established in the subscription agreement to be entered into by the Company and the Joint Bookrunners in respect of the Bonds (the "**Subscription Agreement**") have been satisfied or waived on or prior to such date.

At the end of the accelerated bookbuilding process, which is expected to be completed today, and once the Terms and Conditions have been finalised by the Company and the Joint Bookrunners, the parties will enter into a Subscription Agreement in respect of the Bonds. A relevant fact notice will be published, as may be required, reporting both developments.

The Issue of the Bonds is conditional upon, among other conditions, the Company entering into a purchase agreement with certain initial purchasers of NH Hoteles' proposed concurrent issue of Senior Secured Notes disclosed in the Company's relevant fact notice dated 24 October 2013, which is expected to be signed today (the "**Purchase Agreement**"), and such Purchase Agreement, as of the Closing Date, remaining in full force and effect and not having been terminated. The entering into the Purchase Agreement by the Company and the initial purchasers in respect of the Senior Secured Notes will be reported by NH Hoteles promptly through the filing of a relevant fact notice.

The Company will undertake in the Subscription Agreement to a lock-up commitment from, and including, the date of the Subscription Agreement to, and including, 90 days after the Closing Date by virtue of which it will commit not to issue, offer or sell shares or enter into analogous transactions during that period, save for certain exceptions.

Finally, the Company and the Joint Bookrunners have entered into a stock loan agreement pursuant to which the Joint Bookrunners may borrow from time to time up to 9 million ordinary shares of NH Hoteles so that the Joint Bookrunners may on-lend the shares to investors in the Bonds (the "**Stock Loan Agreement**"). The term of the Stock Loan Agreement is aligned with the maturity of the Bonds or the early redemption thereof at the Company's option.

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Madrid, 31 October 2013,

Carlos Ulecia Palacios

General Secretary

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IMPORTANT INFORMATION

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